



OIG

Office of Inspector General

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

---

AUD-CGI-18-50

Office of Audits

August 2018

---

# **Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants**

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION

---



# OIG HIGHLIGHTS

AUD-CGI-18-50

UNCLASSIFIED

August 2018

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure Division

Audit of the Bureau of European and Eurasian Affairs

Administration and Oversight of Selected Contracts and Grants

## What OIG Audited

The Bureau of European and Eurasian Affairs (EUR) was responsible for administering and overseeing \$8.4 million in high-risk contract task orders from October 2014 through August 2016 and \$35.05 million in grants and cooperative agreements from FY 2014 through FY 2016. These contract task orders and grants support EUR's mission of promoting U.S. interests in Europe and Eurasia on issues such as international security, the North Atlantic Treaty Organization, coordination with the European Union, and other regional efforts.

The Office of Inspector General (OIG) conducted this audit to determine whether EUR's administration and oversight of selected contracts and grants were in accordance with Federal laws and Department of State (Department) policy.

## What OIG Recommends

OIG made 17 recommendations to improve EUR's administration and oversight of contracts and grants. On the basis of the responses received from EUR and the Bureau of Administration's Office of Logistics Management, Office of Acquisitions Management (AQM), and the Office of the Procurement Executive (A/OPE) to a draft of this report, OIG considers 16 recommendations resolved pending further action and 1 recommendation unresolved.

A synopsis of EUR's, AQM's, and A/OPE's responses and OIG's reply follow each recommendation in the Results section of this report. EUR's, AQM's, and A/OPE's responses to a draft of this report are reprinted in Appendices C, D, and E, respectively.

## What OIG Found

EUR did not consistently administer and oversee the contract task orders selected for this audit in accordance with Federal laws and Department policies. Specifically, Contracting Officer's Representatives' (COR) files were not properly maintained to include all required documents such as a quality assurance surveillance plan or documentary evidence that all invoice charges were reviewed and deliverables were accepted. In addition, OIG found instances in which EUR employees who served as the COR or Government Technical Monitor (GTM) were not formally designated. The failure to comply with required contract administration and oversight policies occurred, in part, because EUR did not have sufficient internal procedures to ensure adherence to Federal and Department contract administration policy. In addition, EUR management and Contracting Officers did not sufficiently oversee COR and GTM performance, and they did not always include required performance work commitments in the COR and GTM performance standards. Without comprehensive oversight of EUR contract task orders, EUR will not have reasonable assurance that the task orders are supporting EUR's mission as intended.

Similar to the concerns identified with respect to contract administration and oversight, OIG also found that EUR Grants Officers (GO) and Grants Officer Representatives (GOR) did not administer and oversee the grants selected for this audit in accordance with Federal law and Department policy. Specifically, grant agreements did not contain sufficient performance indicators to assess whether program objectives were being achieved. Furthermore, GOR files did not include all required documents, such as monitoring plans, evidence of reviews of performance and financial reports, or evidence of site visits. These deficiencies occurred, in part, because EUR did not have sufficient internal procedures to ensure required grant policies were followed. In addition, EUR management and the GOs did not sufficiently oversee GOR performance. Until these deficiencies are corrected, EUR will not have reasonable assurance that EUR is spending funds in accordance with grant terms, nor will it be able to affirm that grant awards are achieving expected program goals and objectives.

\_\_\_\_\_  
Office of Inspector General  
U.S. Department of State • Broadcasting Board of Governors

UNCLASSIFIED

## CONTENTS

---

OBJECTIVE.....	1
BACKGROUND .....	1
EUR Contract Administration .....	1
EUR Grant Administration .....	2
Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management .....	4
Federal and Department Guidance for Contract Management.....	4
Federal and Department Guidance for Grant Management.....	5
AUDIT RESULTS.....	6
Finding A: Improvements Needed for the Administration and Oversight of Bureau of European and Eurasian Affairs Contracts.....	6
Finding B: Improvements Needed for the Administration and Oversight of Bureau of European and Eurasian Affairs Grants.....	23
RECOMMENDATIONS .....	35
APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY .....	38
Prior Reports.....	39
Work Related to Internal Controls .....	40
Use of Computer-Processed Data.....	40
Detailed Sampling Methodology .....	41
Invoice Review of Selected Task Orders .....	43
APPENDIX B: EXAMPLES OF GRANTS MONITORING PLANS.....	45
APPENDIX C: BUREAU OF EUROPEAN AND EURASIAN AFFAIRS MANAGEMENT RESPONSE .....	47
APPENDIX D: BUREAU OF ADMINISTRATION, OFFICE OF LOGISTICS MANAGEMENT, OFFICE OF ACQUISITIONS MANAGEMENT RESPONSE.....	53
APPENDIX E: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE MANAGEMENT RESPONSE .....	55
ABBREVIATIONS .....	56
OIG AUDIT TEAM MEMBERS.....	57

## OBJECTIVE

---

The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of European and Eurasian Affairs (EUR) administration and oversight of selected contracts and grants were in accordance with Federal laws and Department of State (Department) policies.

## BACKGROUND

---

EUR is responsible for developing and implementing U.S. foreign policy in Europe and Eurasia. Specifically, EUR is responsible for promoting U.S. interests in the region on issues such as international security; the North Atlantic Treaty Organization; coordination with the European Union and other regional organizations; and support for democracy, human rights, civil society, economic prosperity, counterterrorism, and nonproliferation. EUR was responsible for administering and overseeing contracts worth approximately \$19.65 million from October 2014 through August 2016—of which \$8.4 million worth were considered high-risk contracts—and grant and cooperative agreements worth \$35.05 million from FY 2014 through FY 2016.

### EUR Contract Administration

According to EUR officials, only one EUR office directly administers and oversees contracts—EUR's Joint Executive Office (EX). EX is responsible for providing overall direction to all administrative and management activities for EUR and for posts in the region. EX is also responsible for developing and executing programs for EUR in support of substantive policy decisions. From October 2014 through August 2016, EX funded approximately \$8.4 million in high-risk contract actions<sup>1</sup> that were overseen by the General Services Division<sup>2</sup> and the Information Management Division<sup>3</sup> within EX. Of the high-risk contracts worth \$8.4 million, OIG selected four contracts to audit. Details on the four high-risk contracts selected for review are presented in Table 1.

---

<sup>1</sup> For the purpose of this audit, high-risk contracts include time-and-materials contracts and labor hour contracts. Federal Acquisition Regulation 16.6, "Time-and-Materials, Labor-Hour, and Letter Contracts" identifies the need for appropriate Government oversight on these types of contracts to give reasonable assurance that efficient methods and effective cost controls are being used, because this contract type provides no incentive for the contractor to do so.

<sup>2</sup> The General Services Division is responsible for a range of functions that involve the management of physical resources and logistical functions.

<sup>3</sup> The Information Management Division provides the IT services needed to carry out EUR's foreign policy mission.

**Table 1: High-Risk Contracts Selected for Review**

Task Order Number	Vendor	Period of Performance	Type of Contract	Amount
SAQMMA13F3567	Buchanan & Edwards, Inc.	9/2013–9/2015	Labor Hour	\$2,442,365
SAQMMA15F3179	Buchanan & Edwards, Inc.	9/2015–9/2018	Labor Hour	\$1,564,364
SAQMMA15F2753	Buchanan & Edwards, Inc.	9/2015–9/2018	Labor Hour	\$1,507,038
SAQMMA15F2045	ASG Solutions Corporation	8/2015–1/2017	Time and Materials	\$2,318,071
<b>Total</b>				<b>\$7,831,838</b>

**Source:** OIG generated from a sample selection of high-risk contracts file documentation.

Task orders SAQMMA13F3567, SAQMMA15F3179, and SAQMMA15F2753 were labor hour task orders awarded to Buchanan & Edwards, Inc. (B&E) for the purpose of providing IT technical support; enterprise content management; network engineering; program management; and web, database, and applications development services to EUR's Information Management Division.

Task order SAQMMA15F2045 was a time-and-materials task order awarded to ASG Solutions Corporation (ASG) for the purpose of providing administrative and clerical support to EUR. The task order called for a total of 24 positions: 14 secretaries, 4 administrative assistants, and 6 management analysts. These positions were located primarily in Washington, DC.

## EUR Grant Administration

The Office of the Coordinator of U.S. Assistance to Europe and Eurasia (ACE) is one of two EUR offices that directly administers and oversees grants.<sup>4</sup> Specifically, ACE administered and oversaw \$27.1 million in grants and cooperative agreements from FY 2014 through FY 2016. ACE is responsible for overseeing all the economic, security, democracy, and humanitarian assistance provided by U.S. Government agencies to the former Soviet Union, as well as to Central and Eastern Europe. ACE uses grants and cooperative agreements to directly implement certain humanitarian and democracy and governance programs.<sup>5</sup>

<sup>4</sup> The second office, the Office of Public Diplomacy, oversaw \$7.95 million in grants between FY 2014 and FY 2016. The grants associated with this office were not included in this audit.

<sup>5</sup> In addition to grants and cooperative agreements directly managed by ACE, ACE is responsible for planning, budgeting, coordinating, and monitoring all U.S. Government foreign assistance to 18 countries in Europe, Eurasia, and Central Asia. In FY 2016, foreign assistance to these 18 countries was more than \$1 billion. The processes for monitoring and evaluating the use of foreign assistance funds allocated to other bureaus, agencies, and organizations differ from the processes for directly managed programs. For this audit, OIG reviewed ACE's oversight of its directly managed grants.

Of the ACE grants and cooperative agreements identified worth \$27.1 million, OIG selected four grants to audit. Details on the grants are presented in Table 2.

**Table 2: Grants Selected for Review**

Grant Number	Grantee	Period of Performance	Amount
SLMAQM11GR0013	National Endowment for Democracy	1/2011–12/2016	\$2,981,680
SLMAQM12GR1016	National Endowment for Democracy	1/2012–12/2018	\$7,305,942
SLMAQM14GR1310	National Endowment for Democracy	9/2014–9/2018	\$8,992,079
SLMAQM14GR1049	U.S. Civilian Research and Development Foundation	2/2014–2/2018	\$4,550,496
<b>Total</b>			<b>\$23,830,197</b>

**Source:** Prepared by OIG from a sample selection and grant file documentation.

Grant SLMAQM11GR0013 was awarded to the National Endowment for Democracy (NED) for the purpose of providing sub-grants to independent, indigenous organizations in certain countries covered by the Freedom Support Act of 1992. The grant was intended to foster civic participation, human rights, media freedom and access to independent information, non-governmental organization capacity, democracy, ideas and values, civic education, and other areas that contribute to the promotion of democracy.

Grant SLMAQM12GR1016 was awarded to NED for the purpose of providing civil society initiatives in Belarus, Bosnia-Herzegovina, Kosovo, Moldova, Serbia, Ukraine, and the region of southeast Europe.

Grant SLMAQM14GR1310 was awarded to NED for the purpose of continuing the work performed in grant SLMAQM11GR0013 in providing sub-grants to independent, indigenous organizations in certain countries covered by the Freedom Support Act of 1992.

Grant SLMAQM14GR1049 was awarded to the U.S. Civilian Research and Development Foundation for the purpose of executing a series of trainings, sub-grants, and capacity-building activities in Armenia, Kazakhstan, Russia, and Ukraine to engage scientists, engineers, and technology-based entrepreneurs in those countries. The grant was intended to combat proliferation of weapons of mass destruction by providing former weapons scientists and scientists with weapons-of-mass-destruction-applicable skills the opportunity for civilian employment. The grant was also intended to help researchers in these countries address critical health and environmental challenges, develop the tools for successful technology commercialization, and build the academic and material infrastructure required for international collaboration.

## **Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management**

The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (AQM), plans and directs the Department's acquisition programs and conducts contract operations that support worldwide activities. AQM provides a full range of contract management services, including acquisition planning, contract negotiations, cost and price analysis, and contract administration. AQM also establishes acquisition agreements that include grants and cooperative agreements in support of program requirements for any bureau in the Department. Most domestic offices, including EUR, rely on AQM for the majority of their procurement support for both contracts and grants. EUR awarded all its contracts through AQM, and AQM also provided support to EUR for the award, administration, and oversight of its grant awards.

## **Federal and Department Guidance for Contract Management**

The Department and its contractors must comply with Federal regulations and Department policy when managing contracts. The Federal Acquisition Regulation (FAR) establishes the uniform policies and procedures for acquisition by all executive agencies. The Department supplements the FAR through the Department of State Acquisition Regulations (DOSAR) and the Foreign Affairs Handbook (FAH). The Department's Bureau of Administration, Office of the Procurement Executive (A/OPE), is responsible for providing the Department with management direction, leadership, and expertise in the areas of acquisition and issuing contract management policy using Procurement Information Bulletins.

### ***Roles and Responsibilities for Administering and Overseeing Contracts***

The FAR, DOSAR, and Department policies describe the roles and responsibilities of Government personnel who award, administer, and oversee contracts. The two individuals with primary oversight and monitoring responsibilities with respect to any contract are the Contracting Officer (CO) and the Contracting Officer's Representative (COR). The CO is the U.S. Government's authorized agent for dealing with contractors and has sole authority to solicit proposals and negotiate, award, administer, modify, or terminate contracts. The CO performs duties at the request of the offices that require the contract and relies on those offices for technical support concerning the products or services being acquired.<sup>6</sup>

COs may designate in writing a COR,<sup>7</sup> who is generally a member of the bureau or office requesting the contract. The COR is delegated limited authority to act on behalf of the CO and conduct contract surveillance to verify that the contractor is fulfilling contract requirements and

---

<sup>6</sup> 14 FAH-2 H-141.a, "Responsibilities of the Contracting Officer."

<sup>7</sup> FAR 1.602-2 (d), "Responsibilities."



to document performance for the contract record.<sup>8</sup> The CO may also appoint a Government Technical Monitor (GTM) to assist the COR in monitoring contractor performance.<sup>9</sup>

Department policy states that the bureau or office requesting the contract participates by nominating CORs and GTMs and assessing their performance.<sup>10</sup> The requesting bureau or office affirms, with this participation, that the COR will be afforded necessary resources (e.g., time and opportunity) to perform designated COR responsibilities.

### *FAC-COR Requirements*

CORs and GTMs are required to use the Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR) program, which is for acquisition professionals in the Federal Government performing contract management activities and functions. The purpose of this program is to establish training and experience requirements for these individuals. When appointing CORs or GTMs, COs must choose the appropriate level of FAC-COR certification during the acquisition planning phase of any given procurement, using the requirements summarized in Table 3.

**Table 3: FAC-COR Certification Requirements**

Requirements for:	Level I	Level II	Level III
Experience	None	1 year of previous COR experience	2 years of previous COR experience
Training	8 hours	40 hours	60 hours
Appropriate for	Low-risk contract vehicles such as supply contracts and orders – firm-fixed-price	Moderate to high-risk contract vehicles, including both supply and service contracts – cost or labor hour	Most complex mission critical contracts within the agency

**Source:** Procurement Information Bulletin 2012-15, "The Revised Federal Acquisition Certification Program for Contracting Officer Representatives (CORs) and Government Technical Monitors (GTM) (FAC-COR)."

## **Federal and Department Guidance for Grant Management**

The Department and its award recipients must comply with Federal regulations and Department policy when managing grants. Office of Management and Budget (OMB) Circulars<sup>11</sup> and Uniform

<sup>8</sup> 14 FAH-2 H-142, "Responsibilities of the Contracting Officer's Representative (COR)."

<sup>9</sup> DOSAR 642.271, "Government Technical Monitor (GTM)."

<sup>10</sup> 14 FAH-2 H-143.2(a)(1) and (b), "COR Appointment Procedures"; A/OPE, Department Notice 14486, "Work Elements for Contracting Officer Representatives and Government Technical Monitors," issued January 13, 2011; and 14 FAH-2 H-114(g), "COR Work Commitments."

<sup>11</sup> OMB Circular A-110, "Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," and OMB Circular A-133, "Audit of States, Local Governments, and Non-Profit Organizations." These circulars were replaced as of December 26, 2014. However, because the period of performance for some of the grants selected for testing began prior to the effective date of the new guidance, OIG used these circulars for some testing.



Guidance<sup>12</sup> shape the Department's policies and practices for the grants that OIG reviewed. A/OPE is responsible for issuing grants management policy and providing quality assurance for the Department. Until March 2015, A/OPE provided guidance for administering and monitoring grants in its Grant Policy Directives (GPDs). The GPDs collectively set forth the Department's internal control policies and guidance for managing grants from pre-award through closeout.

On March 13, 2015, the GPDs were consolidated into the Department's Federal Assistance Policy Directive (FAPD), and on May 19, 2017, that directive was renamed the Federal Assistance Directive (FAD).<sup>13</sup> OIG used the GPDs and FAPD for criteria, as applicable, when conducting this audit.

### ***Roles and Responsibilities for Administering and Overseeing Grants***

Department policy describes the roles and responsibilities of Government personnel who award, administer, and oversee grants. The two individuals with primary oversight and monitoring responsibilities with respect to any grant are the Grants Officer (GO)<sup>14</sup> and the Grants Officer Representative (GOR).<sup>15</sup> The GO is authorized to award, amend, and terminate a Federal assistance agreement.<sup>16</sup> Department policy requires the GO designate a GOR for all grants exceeding \$100,000. Department policy also states that "the GOR assists the [GO] in ensuring that the Department exercises prudent management and oversight of the award through the monitoring and evaluation of the recipient's performance."<sup>17</sup> The requesting bureau also has responsibilities for ensuring proper oversight.<sup>18</sup>

## **AUDIT RESULTS**

---

### **Finding A: Improvements Needed for the Administration and Oversight of Bureau of European and Eurasian Affairs Contracts**

OIG found that EUR did not consistently administer and oversee the contract task orders selected for this audit in accordance with Federal law and Department policies. Specifically, COR files were not properly maintained to include all required documents such as a quality assurance surveillance plan or documentary evidence that all invoice charges were reviewed and deliverables were accepted. In addition, OIG found instances in which EUR employees who served as CORs or GTMs were not formally designated.

---

<sup>12</sup> Federal agencies were required to implement Title 2 of the Code of Federal Regulations, Part 200, "Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Grants," by December 26, 2014.

<sup>13</sup> A/OPE reviews the Directive and updates the policy on an annual basis "to ensure that they are current and continue to reflect Government-wide and Department-wide Federal Financial Assistance policies."

<sup>14</sup> The GO works for and is assigned by AQM.

<sup>15</sup> The GOR works for the bureau or office that is providing the assistance funds.

<sup>16</sup> GPD-28, rev. 1, "Roles and Responsibilities for the Award and Administration of Federal Assistance" (retired December 26, 2014), and FAPD, "105-B. Grants Officers and Other Signature Authorities" (March 13, 2015).

<sup>17</sup> GPD-16, rev. 3, "Designation of Grants Officer Representatives," and FAPD, "1.05-C. Grants Officer Representative."

<sup>18</sup> FAPD, "2.03-A.Risk Management."

The failure to comply with required contract administration and oversight policies occurred, in part, because EUR did not have sufficient internal procedures to ensure adherence to Federal law and Department contract administration policy. In addition, EUR management did not sufficiently oversee COR and GTM performance, nor did they always include required performance work commitments in the COR and GTM performance standards. COs were ultimately responsible for ensuring that CORs maintained complete contract files, created quality assurance surveillance plans, and formally designated CORs and GTMs; however, they did not always perform these functions as required.

Without comprehensive oversight of EUR contract task orders, EUR will not have reasonable assurance that the task orders are supporting EUR's mission as intended. In addition, incomplete COR files inhibit access to technical contract information and hinder the transition of oversight responsibilities when a new COR is assigned. Furthermore, without formal designation memoranda, oversight personnel may not fully understand their responsibilities and accountability for poor performance may not occur.

### *Incomplete COR Files*

The FAR<sup>19</sup> and the FAH<sup>20</sup> state that the COR is responsible for keeping documentation of all the actions taken in the performance of COR duties. This requirement includes maintaining copies of inspections, correspondence with the contractor and CO, and reports on contractor performance. The COR must maintain complete records not only to support the next COR but also to document contractor performance. Such documentation is part of the contract file that provides a "record of government decision-making to support regulatory compliance, contract award, payment, contract administration, contract closure, litigation, and audits of programs." The FAR<sup>21</sup> also states that COs are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. According to Procurement Information Bulletin (PIB) No. 2014-10,<sup>22</sup> COs are also responsible for determining that CORs exercising delegated authority are maintaining records adequate to support contract administration. Therefore, both the CO and the COR are responsible for ensuring that CORs maintain adequate contract files.<sup>23</sup>

---

<sup>19</sup> FAR 1.604(c), "Contracting Officer's Representative (COR)."

<sup>20</sup> 14 FAH-2 H-142(b) and 14 FAH-2 H-517(a-b), "Standard Contracting Officer's Representative (COR) Working File."

<sup>21</sup> FAR Subpart 1.602-2, "Responsibilities."

<sup>22</sup> PIB No. 2014-10, "Contract Files and COR File Checklist."

<sup>23</sup> A/OPE Procurement Information Bulletin No. 2014-10, "Contract Files and COR File Checklist" (updated June 4, 2015), "2. Background," 1 reminded COs of their responsibilities regarding contract and COR files. It stated that COs are responsible for determining that CORs exercising delegated authority are maintaining records adequate to support contract administration and that comply with FAR 4.8 sections and DOSAR 604.8, both titled "Government Contract Files," dealing with contents of contract files.

OIG found the COR files associated with the four contract task orders selected for this audit did not contain all required documentation or sufficient documentation to demonstrate that the CORs performed adequate contract administration and oversight. In fact, as shown in Table 4, none of the four COR files that OIG reviewed included all the documentation required by the FAR and the FAH.

**Table 4: Required Documentation Located in Contracting Officer's Representative Files**

Required Documents	Task Orders			
	B&E SAQMMA13F3567	B&E SAQMMA13F2753	B&E SAQMMA13F3179	ASG SAQMMA13F2045
Copies of records of COR surveillance and results	No	No	No	No
Documentation of receipt and acceptance of all deliverables	No	No	No	Not Applicable*
Copies of all invoices and supporting documentation	No	No	No	Yes
COR or GTM designation memoranda	No	Yes	Yes	Yes

\* The task order did not include any deliverables.

**Source:** OIG generated from an analysis of COR files associated with selected contract task orders.

### *Quality Assurance Surveillance Plan*

The purpose of contract surveillance is to monitor contractor performance to ensure the goods or services received comply with contract quality requirements. Active contract oversight allows the Department to address deficiencies before serious performance issues arise. A well-constructed Quality Assurance Surveillance Plan (QASP) is the framework to ensure that contractor performance is routinely monitored, inspected, and documented.<sup>24</sup>

According to the FAR,<sup>25</sup> QASPs should be prepared in conjunction with the statement of work, and contracting offices must ensure that such QASPs are prepared when acquiring services. The plan should specify all the work requiring surveillance and the method of surveillance.<sup>26</sup> Furthermore, the FAH<sup>27</sup> states that the quality assurance plan should set the U.S. Government's performance expectations—specifically, standards and acceptable quality levels for outcomes or

<sup>24</sup> FAR 46.401, "General," and PA296, "How to be a Contracting Officer Representative (COR)," section titled "Develop a Monitoring Plan for the Contract."

<sup>25</sup> FAR 46.401(a) and FAR 46.103, "Contracting Office Responsibilities."

<sup>26</sup> Ibid.

<sup>27</sup> 14 FAH-2 H-341.2-4(B)(b), "Inspection and Acceptance."

tasks, how often deliverables or services will be monitored and evaluated, and whether there are any positive or negative incentives regarding performance.

For three of four task orders reviewed, COs did not ensure that EUR program officials had developed a QASP, and OIG notes that Department personnel did not understand their obligations in this area. One COR mistakenly believed that because contractor personnel were seen on a daily basis and were under the supervision of a Government official, they were being adequately monitored and that no QASP was needed. The Branch Chief of the AQM section that oversaw ASG task order SAQMMA15F2045 stated that AQM does not require a QASP for staff augmentation task orders, although the CO could not provide a written policy confirming this representation. In addition, contrary to DOSAR requirements,<sup>28</sup> the CO also stated that since there is no performance incentive and these contracts are not performance based, the contracts do not need a formal surveillance plan. However, OIG found that the ASG base contract for the task order reviewed included generic language regarding a QASP. Specifically, the contract states: "The Government may use a variety of surveillance methods to evaluate the Contractor's performance. These include, but are not limited to, random sampling of recurring services, periodic surveillance of the Contractor's quality control program and audit of financial statements and customer complaints." Additional language within the ASG base contract indicated that surveillance plans and procedures would be developed that were specific to each task order.

Although a QASP existed for B&E task order SAQMMA13F3567, the COR was unaware of the QASP and did not perform any of the surveillance procedures or evaluation metrics outlined in that document throughout the task order's 2-year performance period. Furthermore, even if the COR had been aware of the QASP, it was ineffective because it did not specify what would be inspected with regard to the services being provided or how those inspections should be conducted to ensure contract requirements were met. For example, the SAQMMA13F3567 QASP stated: "Surveillance methods will include periodic sampling, random sampling, and customer input. All surveillance observations will be recorded by the Government." These surveillance methods are vague and do not incorporate requirements from the statement of work with the detail that would be required for the CORs, alternate CORs (A/CORs), or GTMs to assess whether the contractor's performance was timely, effective, and delivered as expected.

### *Receipt and Review of Contract Deliverables*

According to the FAH,<sup>29</sup> a COR is responsible for inspecting, accepting, or rejecting contract deliverables throughout contract performance. OIG found that CORs did not consistently ensure that contractors submitted contract deliverables. For example, as shown in Table 5, EUR did not receive all the contract deliverables for the three B&E task orders relating to metrics and statistics reports, weekly reports, and monthly reports.

<sup>28</sup> DOSAR 637.601, "General," states that all new service contracts be performance-based with clearly defined deliverables and performance standards.

<sup>29</sup> 14 FAH-2 H-114, "COR Work Commitments."

**Table 5: Number and Percentage of Contract Deliverables Submitted for B&E Task Orders**

Task Order	Metrics and Statistics Reports	Monthly Activity Reports	Weekly Status Reports	Management and Project Reports
SAQMMA13F3567 <sup>a</sup>				
Number Received	5	17	22	0
Number Required	24	24	104	0
Percent Received	20	70	21	Not applicable
SAQMMA15F3179 <sup>b</sup>				
Number Received	19	11 <sup>c</sup>	66	11
Number Required	20	20	85	20
Percent Received	95	55	78	55
SAQMMA15F2753 <sup>b</sup>				
Number Received	18	11 <sup>c</sup>	79	9
Number Required	20	20	85	20
Percent Received	90	55	93	45

<sup>a</sup> The period of performance began in September 2013 and ended in September 2015.

<sup>b</sup> OIG reviewed contract deliverables submitted from the beginning of the period of performance in September 2015 through May 2017, for a total of 20 months.

<sup>c</sup> The monthly activity reports submitted were in a quarterly format and not a monthly format as required by the task order. As a result, OIG counted the reports as exceptions.

**Source:** Prepared by OIG from data obtained from the COR files associated with the three B&E contract task orders.

In addition, there was no evidence that the COR reviewed and took action when the contractor did not meet requirements. For example, task order SAQMMA13F3567 required B&E to remediate IT issues submitted by customers using “tickets” within 24 hours for video teleconferencing issues and 48 hours for all other issues. In its status reports, B&E reported low resolution rates, ranging from 25 to 71 percent of issues addressed within the 24- to 48-hour timeframe from May to September 2015. Although the COR for the B&E task orders stated that he reviewed the contract deliverables and raised concerns with B&E, there was no supporting documentation in the COR file. For example, the file did not include correspondence or contractor corrective action plans demonstrating that the COR had addressed the contractor’s insufficient performance. Furthermore, neither the COR file nor the CO file contained correspondence establishing that the COR alerted the CO in writing of any performance or schedule failures by the contractor, as required by the FAH.<sup>30</sup>

### *Invoice Reviews*

According to the FAH,<sup>31</sup> the COR is responsible for reviewing and approving the contractor’s invoices after adequately verifying the costs against supporting documentation. To determine whether the CORs had obtained and reviewed sufficient documentation to support invoices, OIG tested all 113 invoices, totaling \$10,141,776, for the four task orders selected. After reviewing

<sup>30</sup> 14 FAH-2 H-142(b)(10).

<sup>31</sup> 14 FAH-2 H-142(b)(15).

the supporting documentation maintained by the CORs for the invoices, OIG identified exceptions with supporting documentation for 33 (29 percent) of the 113 invoices tested, all of which related to the B&E task orders.

Specifically, the COR for the three B&E task orders did not obtain and maintain within the COR files all supporting documentation for 33 of 62 invoices (53 percent). OIG initially found \$444,477 (13 percent) of \$3,511,221 in expenses for which the COR did not have support. The questionable expenditures included invoiced labor categories that did not contain the supporting timesheets and travel costs that did not include expense reports, receipts for hotel and airfare, or per diem rates used. After OIG notified the COR of these deficiencies, the COR requested and obtained from the contractor documentation that was generally sufficient to support the expenditures tested.<sup>32</sup>

In addition, in accordance with the Prompt Payment Act, the FAR,<sup>33</sup> and the FAH,<sup>34</sup> if a proper invoice is submitted by the contractor in accordance with the terms and conditions of the contract, the agency is required to pay interest penalties if the invoice is not paid within 30 days of receipt or acceptance of goods or services (whichever is later). OIG found that interest penalties were paid for the four task orders reviewed.<sup>35</sup>

### *Contracting Officer's Representative and Government Technical Monitor Designations and Qualifications*

During the audit, OIG identified several issues related to designation of qualified personnel to assist in monitoring contractor performance. In addition, for the COR designations that were made, the COs did not prepare adequate designation memoranda. Also, even though EUR had employees perform the duties of a GTM, no formal designations had been made for any of the four task orders reviewed and the employees did not have the appropriate FAC-COR certification for the level of work being performed.

### Lack of Contracting Officer's Representative Designations

According to the FAR, COs are responsible for ensuring the performance of all necessary actions for effective contracting, complying with terms of the contract, and safeguarding the interests of the United States in its contractual relationships. To perform these responsibilities, COs designate and authorize in writing a COR on all contracts and orders other than those that are

---

<sup>32</sup> As a result of OIG's review, B&E stated that it would refund EUR payments of \$101.85 that should not have been billed to task order SAQMMA13F3567. Because EUR obtained documentation during OIG's fieldwork, OIG did not consider these expenditures to be unsupported and did not make recommendations in this report related to these invoices.

<sup>33</sup> FAR 32.904, "Determining payment due dates."

<sup>34</sup> 4 FAH-3 H-422.1, "Prompt Payment Act."

<sup>35</sup> Interest penalties totaling \$786 were paid for the four task orders reviewed. Although the amount of penalties paid was minor when considering the value of invoices reviewed (\$10,141,776), the number of invoices with penalties was significant and demonstrates that CORs were not adequately overseeing payment of the invoices.

firm-fixed price.<sup>36</sup> The DOSAR also states that COs may designate technically qualified personnel as their authorized representatives to assist in the administration of contracts.<sup>37</sup> It likewise explains that the COs may designate a COR, who is the primary individual assigned to monitor and evaluate the contractor's performance.<sup>38</sup>

OIG found that COs for the selected EUR task orders did not consistently ensure that a COR was designated throughout the lifecycle of the contracts reviewed or that COs ensured that personnel assisting with contract oversight throughout the life of the contracts had the certification required for the level of oversight performed. Specifically, although an EUR program official was performing oversight responsibilities for one of four task orders reviewed, task order SAQMMA13F3567, the CO did not formally designate and authorize in writing a COR to administer and oversee the task order for the first 19 months of the 24-month period of performance. Furthermore, the EUR program official who had been performing oversight responsibilities for this task order did not obtain a FAC-COR Level II certification—which is a designation appropriate for the level of oversight performed and the complexity of the contract—until 19 months had elapsed.

#### Inadequate Contracting Officer's Representative Designation Memoranda

The FAH states that if the CO approves "the technical qualifications and the certification status of the nominee," the CO "prepares a designation memorandum that outlines the scope of the COR's authority . . . including duties, responsibilities, and prohibitions."<sup>39</sup> The COR's responsibilities vary depending on the type of contract and complexity of the acquisition. Each contract must be treated individually to account for unique COR responsibilities. The designation memorandum must identify the specific duties and responsibilities required of the COR, such as monitoring and documenting contractor performance and reviewing contractor invoices. Although certain elements may be the same in every designation memorandum, COs should tailor the memorandum as appropriate.

OIG found that the four designation memoranda prepared by the CO for the task orders reviewed were identical to each other and to the sample designation memorandum included in the FAH.<sup>40</sup> Therefore, the COR designation memoranda did not provide CORs with instructions specific to the task orders as required. In addition, OIG found that the designation memoranda did not include certifications from the CO that the CORs met qualification requirements and did not identify all required contractual information, such as deliverables unique to each task order.

---

<sup>36</sup> FAR 1.602-2(d), "Responsibilities."

<sup>37</sup> DOSAR 642.270(a), "Contracting Officer's Representative (COR)."

<sup>38</sup> Ibid.

<sup>39</sup> 14 FAH-2 H-143.2.a(2), "COR Appointment Procedures."

<sup>40</sup> 14 FAH-2 Exhibit H-143.2(1), "Sample Nomination Letter for Contracting Officer's Representative."



In addition, the COs and CORs could not provide to OIG the nomination packages for the CORs. These materials are required by the FAH<sup>41</sup> and should have been submitted by EUR management to the CO. Furthermore, the COs could not provide documentation of their analysis of the training and experience of the EUR COR nominees and the CO's decision of the appropriateness of the FAC-COR level needed for oversight of the EUR task orders, as required by the FAH.<sup>42</sup>

#### Lack of Government Technical Monitor Designations

In addition to a COR, COs may designate a GTM, who assists the COR in monitoring and evaluating the contractor's performance.<sup>43</sup> OIG found that COs did not ensure that personnel performing oversight responsibilities consistent with those of a GTM throughout the life of the contracts reviewed were formally designated as GTMs. Although EUR personnel were performing GTM duties, COs did not formally designate and authorize in writing any GTMs for the four task orders selected for review.

Furthermore, OIG found that the EUR personnel performing work consistent with that of a GTM did not have FAC-COR Level II certifications, a certification level appropriate for the oversight performed and the complexity of the contract. For instance, the personnel acting as GTMs, without designation, for the ASG and two B&E task orders (SAQMMA15F2753 and SAQMMA15F3179) were FAC-COR Level I certified employees; yet, they were performing contract oversight work, including approving invoices for payment. Table 6 summarizes the number of months that EUR officials acted as a GTM without formal designation by the CO.

**Table 6: Number of Months That Officials Acted as Government Technical Monitors for Selected Task Orders Without a Designation Memorandum**

Task Order	Number of Months*
B&E – SAQMMA13F3567	24
B&E – SAQMMA15F2753	25
B&E – SAQMMA15F3179	25
ASG – SAQMMA15F2045	18

\*OIG calculated the number of months using the task order issuance date through October 2017.

**Source:** Prepared by OIG from a review of COR files and CO files.

<sup>41</sup> 14 FAH-2 H-143.2, states that specific appointment procedures include the program office providing a written nomination for a technically qualified, responsible, and certified COR to the CO. "The nomination must include a summary of the nominee's: (a) Assignment and training history; (b) Work experience; (c) Licensing; and (d) Certifications that provide a basis for a determination by the program office that the nominee's technical skills are adequate for contract oversight."

<sup>42</sup> 14 FAH-2 H-143, "Designating a Contracting Officer's Representative (COR)," states that COs "are responsible for determining the appropriate level of COR needed for a specific contract. The decision is based on the complexity, risks, and value of the program. Inputs should be solicited from the program office." The FAH, 14 FAH-2 Exhibit H-143, "Contracting Officer's Representative Certification and Appointment Criteria Matrix," "provide[s] a method of documenting this decision for the three levels. A copy of the analysis should be retained in the contract file."

<sup>43</sup> DOSAR 642.271.

As a result of the audit, the EUR employee who performed GTM duties and approved invoices for the three B&E task orders obtained a FAC-COR Level II certification and was designated as an A/COR for the two active B&E task orders, effective December 2017. Initially, the CO issued a designation memorandum in October 2017.<sup>44</sup> However, the EUR employee had not yet attained a FAC-COR Level II certification. OIG alerted the CO of this situation. Furthermore, OIG requested to see the required nomination package and the required documentation showing that the CO had reviewed the employee's training, qualifications, and experience and determined that the employee was qualified to serve as the A/COR. OIG also pointed out required information that was not included in the designation memorandum. Upon OIG's notification of these deficiencies, the CO rescinded the A/COR memorandum from October 2017 and re-designated the A/COR in December 2017. At that time, the CO completed the required documentation and issued a new A/COR designation memorandum.

### ***Lack of Procedures To Effectuate Adherence to Federal Law and Department Contract Administration Policy***

The instances of noncompliance with Federal and Department guidelines noted during the audit occurred, in part, because EUR did not have sufficient internal procedures to ensure adherence to Federal law and Department contract administration. In addition, EUR did not have an effective process through which it could collect COR and GTM documents in a centralized, organized manner to ensure that files were complete. The Department has eFiling, a tool that is available for CORs and GTMs to use for file maintenance. EUR management should implement this tool for CORs to use to maintain files. In addition, EUR management and AQM COs did not sufficiently oversee CORs and GTMs. Also, EUR has not complied with requirements related to COR and GTM work commitments. Developing and implementing standard operating procedures would assist the CORs and EUR management to better define roles and responsibilities to ensure the transparency and accountability for the administration and oversight of EUR contracts.

### ***Insufficient Internal Policies and Procedures for Contracting Officer's Representatives***

According to the Government Accountability Office (GAO),<sup>45</sup> "Management should implement control activities through policies." The policies should document "control activity design, implementation, and operating effectiveness." In addition, organizations can "further define policies through day-to-day procedures." GAO guidance also states that management "communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities." All levels of management are responsible for ensuring adequate controls over all Department operations.<sup>46</sup> In particular, EUR CORs did not

<sup>44</sup> Although nothing in the FAR, FAM, or FAH prevents a GTM from being delegated the authority to approve invoices, according to the CO for the B&E task orders, GTMs are not normally allowed to approve invoices for payment. The CO stated that if the COR requires this type of assistance, then an A/COR is designated.

<sup>45</sup> GAO, "Standards for Internal Control in the Federal Government," Sections 12.01-12.04 (GAO-14-704G, September 2014).

<sup>46</sup> 2 FAM 021.1(a), "Policy and Scope."

sufficiently administer or oversee contracts because EUR did not have adequate internal procedures. For example, OIG noted that EUR did not have standard operating procedures or other guidance to ensure the completeness, accessibility, retention, and review of COR files. As a result, CORs did not have clear guidelines on what documentation they were required to maintain within their files. EUR also did not have procedures guiding the review of various types of invoices and obtaining and maintaining sufficient supporting documentation for the invoices. For example, there was no guidance regarding the requirement to confirm that labor hours billed were supported by contractor timesheets charged to the corresponding task order and that contractor-approved expense reports were approved by the COR and attached to receipts.

### *Tool for Maintaining COR and GTM Files Was Not Available*

EUR did not effectively collect COR and GTM documents in a centralized, organized manner to ensure that files included all required documents. Some files were maintained in hard copy while some documentation was maintained in SharePoint. In response to a 2014 OIG report,<sup>47</sup> the Bureau of Administration developed the eFiling system for COs, CORs, and support staff to electronically store and organize contract files. On April 14, 2017, COR eFiling became available for contracts awarded domestically. COR eFiling is available within the Department's Integrated Logistics Management System<sup>48</sup> for COs, Contracting Specialists, CORs, GTMs, and program support staff to electronically compile all documentation required in COR files. According to the Integrated Logistics Management System webpage, users are able to verify the completeness of electronic COR files by using the customized COR Checklist that is generated based on contract specifications. EUR management should implement eFiling to ensure that CORs and GTMs maintain complete documentation.

### *Insufficient Management Oversight*

GAO also states that management should monitor internal controls "as part of the normal course of operations." Ongoing monitoring should be "built into the entity's operations, performed continually, and responsive to change."<sup>49</sup> OIG found that EUR management and AQM COs did not sufficiently oversee the CORs and employees who performed the role of GTMs to ensure compliance with Federal guidelines and Department policies on administering and overseeing contracts. For example, EUR management and AQM COs did not review the status of the electronic or hard-copy COR files to ensure that they included required documents or that CORs received and reviewed all contract deliverables. Moreover, EUR management had no process in place to identify CORs or GTMs who acted without designated authority from the CO.

---

<sup>47</sup> OIG, *Audit of the Contract Closeout Process for Contracts Supporting the U.S. Mission in Iraq* (AUD-MERO-14-06, December 2013).

<sup>48</sup> The Integrated Logistics Management System is an integrated web-based system designed to improve purchasing, procurement, warehousing, transportation, and property management. eFiling manages contract documentation and helps users complete the required Department-issued forms with the award. Used with other existing Integrated Logistics Management System modules, eFiling eliminates the need to maintain hard-copy, paper-based files.

<sup>49</sup> GAO-14-704G, Section 16.05, "Internal Control System Monitoring."

GAO also requires management to communicate sufficient information to allow “personnel to perform key roles in achieving objectives . . . and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles.”<sup>50</sup> OIG found that EUR management did not communicate such information to CORs and GTMs, and some personnel performing oversight activities without formal designation from the CO did not even consider themselves to be A/CORs or GTMs.

Furthermore, COs did not provide sufficient guidance for or oversight of EUR personnel who performed COR and GTM activities to ensure that QASPs were developed and followed. EUR personnel performing COR and GTM activities for the selected task orders lacked knowledge about the need and requirement for a QASP. Furthermore, OIG reviewed the CO’s files for examples of reviews of the COR’s performance and of the completeness of the CORs files. OIG did not, however, find information within the files demonstrating that the CO monitored COR performance on a regular basis to ensure the COR was performing satisfactorily. In addition, the COs stated that they did not review COR files for any of the four task orders OIG reviewed, even though such review is required.<sup>51</sup>

#### COR and GTM Performance Work Commitments

EUR managers with employees who serve as CORs or GTMs should include the COR or GTM functions as critical work commitments in the employees’ performance evaluation. Furthermore, management should seek input from the CO on the adequacy of COR or GTM work performance.<sup>52</sup> In September 2014, the FAH was revised to state that individuals serving as CORs or GTMs for “at least 25 percent of their workload must have work commitments that reflect COR or GTM responsibilities.”<sup>53</sup> However nothing in the contract file, the COR file, or performance evaluations showed that EUR management assessed the amount of time that CORs and personnel acting as GTMs spent on those activities.

Furthermore, management should seek input from the CO on the adequacy of COR or GTM work performance. CO evaluations are a tool not only to monitor performance but to provide valuable feedback to the COR and provide performance input to the COR’s supervisor. Although oversight of a COR’s duties is primarily the CO’s responsibility, a COR’s performance appraisal is generally completed by the COR’s direct supervisor. As a result, CORs may be inclined to focus on meeting the program office’s needs rather than on their collateral COR duties.

<sup>50</sup> GAO-14-704G, Section 14.03, “Communication throughout the Entity.”

<sup>51</sup> A/OPE, Procurement Information Bulletin 2014-10.

<sup>52</sup> A/OPE, Department Notice 14486, “Work Elements for Contracting Officer Representatives and Government Technical Monitors,” issued January 13, 2011.

<sup>53</sup> A/OPE, Department Notice 14486, “Work Elements for Contracting Officer Representatives and Government Technical Monitors,” issued January 13, 2011, and 14 FAH-2 H-114(g), “COR Work Commitments.”

OIG found that the EUR official serving as the COR for task orders SAQMMA13F3567,<sup>54</sup> SAQMMA15F2753, and SAQMMA15F3179 did not have COR responsibilities included as a critical work commitment in his performance appraisals for 2013 through 2015. The COR's responsibilities were included in his 2016 work commitments. However, OIG found that the work commitments did not sufficiently capture the complexity and range of those responsibilities or reference appropriate FAH sections regarding COR responsibilities or duties included within designation memoranda. Specifically, the work commitment stated only that the employee "serves as certified Contract Officer Representative (COR)" and is "responsible for contract management for all IT technical contracts. Responsible for accurate contracts, billing, invoicing, and staffing." The standard language suggested by the FAH<sup>55</sup> provides more significant information that should have also been included. For example, the FAH states that contract oversight activities conducted by the COR include inspecting, accepting, or rejecting of deliverables during contract performance and at close-out in compliance with contract terms and conditions; processing invoices within 7 calendar days of receipt or in accordance with contract timelines; and maintaining traceability of oversight through properly documented files that are compliant with agency standards and regulations in order to provide the CO and succeeding CORs an accurate history of contract implementation.

Furthermore, EUR management did not address within the performance evaluation narrative the employee's work and performance as COR. EUR management did not assess, for example, whether the COR maintained accurate and complete records and files or whether the COR was ensuring receipt of and performing required analyses of contract deliverables to determine whether the contractor met requirements. In addition, the performance narrative included in the COR's 2016 evaluation did not suggest that supervisors sought the CO's input on the adequacy of the COR's performance in the performance appraisal, although doing so is required.

The person performing GTM responsibilities for task orders SAQMMA13F3567, SAQMMA15F2753, and SAQMMA15F3179 was not formally designated as a GTM. Nonetheless, it would have been beneficial for EUR to include her contract-related responsibilities as a critical work commitment in her performance plans for 2013 through 2016. EUR management was aware of her role and responsibilities for the task orders, but they did not take action to include relevant information in her performance plans.

For the COR and the person performing GTM responsibilities for task order SAQMMA15F2045, EUR included contracting responsibilities as a critical work commitment in 2016. The narrative in the COR's rating did not, however, include information on contracting responsibilities. In contrast, the rating for the person performing GTM responsibilities, who was not formally designated by the CO, included a specific discussion of her work related to overseeing the task order. Neither of the narratives showed that the supervisor sought the CO's input.

---

<sup>54</sup> As reported, SAQMMA13F3567 did not have a COR formally appointed until the task order period of performance was almost complete.

<sup>55</sup> 14 FAH-2 H-114(a) and (b).

### ***Insufficient Administration and Oversight of Contracts Puts the Department at Risk***

Time and materials and labor hour service contracts, such as the ones used by EUR, are risky to the Government because contractors have no incentive to control costs or labor efficiency. Therefore, appropriate Government oversight, or contract surveillance, is required to provide reasonable assurance that efficient methods and effective cost controls are used throughout the life of the contract or task order. Effective contract monitoring is accomplished through numerous monitoring methods that are tailored to a particular contract or task order.

Without comprehensive oversight of EUR contracts, the Department will not have reasonable assurance that Federal funds are being spent in accordance with contract terms, that the contract recipient performed required activities, or that the contract task orders are supporting EUR's mission as intended. Because of the lack of oversight, the COR allowed payments of \$444,477 that were unsupported at the time of payment and did not ensure that contractors performed satisfactorily.<sup>56</sup>

Furthermore, without formal designation memoranda, oversight personnel may not understand their responsibilities and limitations regarding task order oversight, and they may not be effectively held accountable. This situation ultimately hinders the CO's ability to ensure that the contractor is complying with contract terms or that the Government's interests are secured. In addition, when files are incomplete, the Government may not have the necessary documentation to defend its position that a contractor has not complied with contract terms, and may potentially pay for goods and services that do not meet contract requirements. Incomplete COR files also inhibit access to technical contract information and hinder the transition of oversight responsibilities when a new COR is assigned. The lack of complete COR files therefore creates financial risk and demonstrates a lack of internal control over contract actions. Finally, without adequate supervision and review of work performed by its CORs and GTMs, EUR management and the COs are not effecting sound contract management.

**Recommendation 1:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement procedures to monitor and verify the completeness, accessibility, retention, and review of Contracting Officer's Representatives files in accordance with the Federal Acquisition Regulation 1.604(c), the Foreign Affairs Handbook 14 FAH-2 H-142(b), and 14 FAH-2 H-517(a-b).

**Management Response:** EUR concurred with the recommendation, stating that after reviewing the FAR and the Foreign Affairs Manual, EX adjusted EUR's procedures to "match the guidance."

**OIG Reply:** On the basis of EUR's concurrence with the recommendation and stated actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR

---

<sup>56</sup> After OIG notified the COR of these deficiencies, the COR requested and obtained documentation from the contractor that was generally sufficient to support the expenditures tested.



implemented procedures to monitor and verify the completeness, accessibility, retention, and review of COR files, in accordance with the FAR and the FAH.

**Recommendation 2:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are monitoring Contracting Officer's Representatives files in accordance with Procurement Information Bulletin No. 2014-10.

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

**OIG Reply:** On the basis of AQM's concurrence with the recommendation, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that AQM has developed and implemented procedures to verify that COs are monitoring COR files, in accordance with Procurement Information Bulletin No. 2014-10.

**Recommendation 3:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a communications strategy to ensure that Contracting Officer's Representatives are aware that a quality assurance surveillance plan is required for contracts and task orders.

**Management Response:** EUR concurred with the recommendation, stating that EX will work with AQM to develop a QASP for its service contracts.

**OIG Reply:** On the basis of EUR's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR, in coordination with the Bureau of Administration, developed and implemented a communications strategy to ensure that CORs are aware that a QASP is required for contracts and task orders.

**Recommendation 4:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are developing quality assurance surveillance plans for all service contracts and monitoring Contracting Officers Representatives adherence to the quality assurance surveillance plans.

**Management Response:** AQM requested that the recommendation be reassigned to EUR because QASPs should be developed by program offices, in coordination with AQM. AQM stated that once the bureau developed the QASP, AQM would monitor adherence to QASPs as part of the COR annual file reviews.

**OIG Reply:** OIG considers the recommendation unresolved. The intent of the recommendation is to verify that COs ensure the development and implementation of



QASPs for all service contracts and monitor COR adherence to the QASPs from each bureau in the Department, not only EUR. According to the FAR, COs are responsible for ensuring the performance of all necessary actions for effective contracting.<sup>57</sup> Specific bureaus should be involved in development of QASPs (as EUR suggests that it will be in its response to recommendation 3). However, because the COs are employed by AQM located within Bureau of Administration, OIG does not agree that the recommendation should be transferred to EUR. This recommendation will be considered resolved when AQM provides a plan of action for addressing this recommendation or provides an acceptable alternative that fulfills the intent of the recommendation. This recommendation will be closed when AQM develops and implements procedures to verify that COs have QASPs in place for all service contracts and are monitoring COR adherence to the QASPs.

**Recommendation 5:** OIG recommends that the Bureau of European and Eurasian Affairs, develop and implement procedures detailing the required use of COR eFiling.

**Management Response:** EUR concurred with the recommendation, stating that it would work with AQM to establish eFiling for CORs within EX, once it becomes available domestically.

**OIG Reply:** On the basis of EUR's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. As indicated within this report, eFiling for CORs is available domestically. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR has developed and implemented procedures detailing the required use of COR eFiling.

**Recommendation 6:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with Bureau of Administration, Office of the Procurement Executive, develop and implement procedures for Contracting Officer's Representatives and Government Technical Monitors for (a) reviewing various types of invoices, (b) obtaining sufficient supporting documentation, (c) confirming that labor hours billed are supported by contractor timesheets and charged to the corresponding task order, and (d) verifying that expense reports are included and are supported by attached receipts.

**Management Response:** EUR concurred with the recommendation, stating that EX "reviewed internal processes and made corrections to ensure CORs and GTMs are trained and educated in obtaining, reviewing, validating, and executing contractor invoices and supporting documentation."

**OIG Reply:** On the basis of EUR's concurrence with the recommendation and stated actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR developed and implemented procedures for CORs and GTMs for (a) reviewing various types

---

<sup>57</sup> FAR 1.602-2 states that "contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships."

of invoices, (b) obtaining sufficient supporting documentation, (c) confirming that labor hours billed are supported by contractor time sheets and charged to the corresponding task order, and (d) verifying that expense reports are included and are supported by attached receipts.

**Recommendation 7:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement procedures to ensure that it complies with the Bureau of Administration, Office of the Procurement Executive's guidance to nominate eligible Federal Acquisition Certification for Contracting Officer's Representative candidates to the Contracting Officer (CO) for official designation as a Contracting Officer's Representative (COR), Alternate Contracting Officer's Representative (A/COR), and Government Technical Monitor (GTM) and ensure that other COR, A/COR, or GTM candidates do not fulfill this role without the CO's concurrence and written designation.

**Management Response:** EUR concurred with the recommendation, stating that EX's CORs are in full compliance and that an additional GTM nomination for EX is "currently being processed."

**OIG Reply:** On the basis of EUR's concurrence with the recommendation and stated actions, OIG considers the recommendation resolved pending further action. Although EUR may now have formal designations in place for its CORs, A/CORs, and GTMs, this recommendation relates to developing written procedures to ensure compliance with the Department's policies on nominating and designating officials involved with contracts. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR has developed and implemented procedures to ensure that it complies with the A/OPE's guidance to nominate eligible FAC-COR candidates to the CO for official designation as a COR, A/COR, or GTM and ensure that other COR, A/COR, or GTM candidates do not fulfill this role without the CO's concurrence and written designation.

**Recommendation 8:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify the formal designation and authorization of Contracting Officer's Representatives (COR) and Alternate CORs or Government Technical Monitors as necessary for each task order in writing and that the designation memoranda are tailored, as necessary, to identify specific duties, responsibilities, and limitations for each contract or task order administered.

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

**OIG Reply:** On the basis of AQM's concurrence with the recommendation, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that AQM developed and implemented procedures to verify the formal designation and authorization of CORs, A/CORs, or GTMs, as necessary, for each task order in writing and that the designation memoranda are tailored to identify specific duties, responsibilities, and limitations for each contract or task order administered.

**Recommendation 9:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require Contracting Officers to use the Contracting Officer's Representative Certification and Appointment Criteria Matrix in Volume 14 of the Foreign Affairs Handbook (FAH)-2 Exhibit H-143 to document their analyses of the training and experience of Contracting Officer's Representative nominees and their decision of the appropriateness of the Federal Acquisition Certification for Contracting Officer's Representative level needed for oversight of the Bureau of European and Eurasian Affairs task orders, as required by 14 FAH-2 H-143(b).

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

**OIG Reply:** On the basis of AQM's concurrence with the recommendation, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that AQM has required COs to use the Contracting Officer's Representative Certification and Appointment Criteria Matrix in 14 FAH-2 Exhibit H-143 to document their analyses of the training and experience of COR nominees and their decision of the appropriateness of the FAC-COR level needed for oversight of the EUR task orders as required.

**Recommendation 10:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement guidelines requiring supervisors of Contracting Officer's Representatives (COR) and Government Technical Monitors (GTM) to obtain formal feedback from Contracting Officers regarding employee performance and incorporate this feedback into COR and GTM performance evaluations.

**Management Response:** EUR concurred with the recommendation, stating that EX's CORs and GTMs have work commitments in their performance evaluation documents that reflect COR or GTM responsibilities. Historically, the CO has not provided input to the performance evaluation unless 25 percent or more of their time is dedicated to COR or GTM responsibilities. According to EUR, EX officials are "happy to receive feedback from their respective COs to further enhance contract management."

**OIG Reply:** On the basis of EUR's concurrence with the recommendation and stated actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR has developed and implemented guidelines requiring supervisors of CORs and GTMs to obtain formal feedback from COs regarding employee performance and incorporate this feedback into COR and GTM performance evaluations.

## **Finding B: Improvements Needed for the Administration and Oversight of Bureau of European and Eurasian Affairs Grants**

OIG found that Grants Officers (GO) and Grants Officer Representatives (GOR) did not administer and oversee grants selected for this audit in accordance with Federal law and Department policy. Specifically, grant agreements did not contain sufficient performance indicators to assess whether program objectives were being achieved. Furthermore, grant files did not include all required documents, such as monitoring plans, evidence of reviews of performance and financial reports, or evidence of site visits.

These deficiencies occurred, in part, because EUR did not have sufficient internal procedures to ensure required grant policies were followed. Moreover, EUR management and the GO did not sufficiently oversee GOR performance.<sup>58</sup> Furthermore, A/OPE had not performed a grants management review of the EUR grant program. In addition, EUR needs to fully implement new requirements to include GOR-related performance evaluation factors in work commitments. Until these deficiencies are corrected, EUR will not have reasonable assurance that EUR is spending funds in accordance with the grant terms, and it will not be able to affirm that the grant award is achieving expected program goals and objectives.

### ***Grant Performance Indicators***

The first step in administering a successful grant begins with developing appropriate overall goals and objectives that help measure the award's progress. Department Federal assistance policy states that the scope of work or purpose of the grant should align with specific goals and objectives of the Federal assistance award and the bureau's mission and must include an indication of the activities, timing, and expected performance of the award recipient as related to the outcomes intended to be achieved by the grantee for the award. Furthermore, the scope should include specific performance goals, milestones, and expected outputs as well as an expected timeline for the accomplishment of the approved activities. The scope should be clearly articulated to have a standard for measuring the award recipient's performance.<sup>59</sup>

OIG found that none of the four grants that OIG reviewed included well-defined and measurable performance indicators to measure and assess whether the grant's purpose was being achieved. For example, grant SLMAQM14GR1049 stated that the grantee would carry out a "series of training, grants and capacity building activities in Armenia, Kazakhstan, Russia, and Ukraine to engage the scientists, engineers and technology-based entrepreneurs in those countries" and that the grant also contained "specific program activities" and "metrics." However, the grant did not establish measurable timeframes for achieving these activities. Doing so, is important to alert program managers to potential obstacles and to determine whether adjustments need to

<sup>58</sup> During the audit, OIG learned from EUR management that EUR recognized that the administration of grants within ACE was insufficient and that they took action to assign a higher ranked, more experienced GOR to oversee NED grants.

<sup>59</sup> Federal Assistance Procedures Handbook, Pre-Award Unit – Section 13, "Negotiate the Award Specifics, Scope," 24 (December 31, 2015); FAPD, Chapter 3.01-A, "Monitoring Plan," 72-73 (March 31, 2015); GPD-42, "Monitoring Assistance Awards," Section 4, "Definitions," and Section 5, "Monitoring Plan," 1-2 (September 2, 2010).

be made to realize the expectations and purpose of the grant. Similarly, the three NED grants reviewed—SLMAQM11GR0013, SLMAQM14GR1310, and SLMAQM12GR1016—included indicators “for” or “to gauge” success of the grant categorized by areas such as Civic Participation and Media Freedom; however, measurable timeframes for achieving these “successes” were not included in the grant. Furthermore, the indicators were not clearly linked to the program goal. For example, indicators for grant SLMAQM14GR1049, such as the “number of scientists trained” and “number of scientist receiving grants,” measured outputs rather than outcomes<sup>60</sup> that demonstrated that the goals of the program were being achieved.<sup>61</sup>

The GORs, as the technical EUR representatives responsible for monitoring and evaluating the grant recipient’s performance, should have ensured that performance indicators were identified, were included in the grant award, and were measurable within the timeframes prescribed. If the performance indicators were missing timeframes for implementation or were not clearly linked to program goals and objectives, the GORs should have worked with the GO to establish appropriate performance indicators before the grant award or should have ensured that the GO modified the award accordingly to incorporate measurable performance indicators. The GO stated that most EUR grants do not have performance indicators but represented that EUR is working on implementing performance indicators for future awards.

### *Grant Files*

Department policy<sup>62</sup> requires that grant files contain post-award documentation, including monitoring plans, performance reports, financial status reports, and site visit reports. Creating the grant file is the responsibility of the GO and the GOR, but the GO is ultimately responsible for maintaining the file’s contents.<sup>63</sup> As shown in Table 7, OIG found that the files for the four grants reviewed were missing key required documents.

---

<sup>60</sup> An output is the product, service, or public good that was delivered; an outcome is the extent to which outputs are understood, absorbed, or affect a change.

<sup>61</sup> Grant SLMAQM14GR1049 states: “The purpose of these efforts is to support the U.S. Government’s objective of combating proliferation of weapons of mass destruction by providing former weapons scientists and scientists with WMD-applicable skills opportunities for civilian employment. The activities are also designed to help researchers in these countries address critical health and environmental challenges, develop the tools for successful technology commercialization, and build the academic and material infrastructure required for international collaboration.”

<sup>62</sup> GPD-23, rev. 2, “Federal Assistance File Folder, Form DS-4012,” Section 3, “Post Award-Activities,” 8 (retired December 26, 2014), and FAPD, Chapter 1.10-B, “Federal Award File Folder,” 40, and Chapter 3, “Post Federal Award Requirements,” 72-73 (March 13, 2015).

<sup>63</sup> GPD-23, rev. 2, GPD-28, “Roles and Responsibilities for the Award and Administration of Federal Assistance,” Section 4.1, “Roles and Responsibilities of Personnel, Grants Officer,” 6 (retired December 26, 2014), and FAPD, Chapter 1.05-C, “Grants Office Representative,” 21-22, Chapter 1.10-B, “Federal Award File Folder,” 40, and Chapter 1.08, “Grants Management Forms,” 30-31 (March 13, 2015).

**Table 7: Completeness of Grant Files**

Requirements	SLMAQM11GR0013	SLMAQM12GR1016	SLMAQM14GR1310	SLMAQM14GR1049
Monitoring plan	No	No	No	No
Review of performance and financial reports	No	No	No	No
Evidence of site visits	No	No	No	No

**Source:** Prepared by OIG from a review of the grant files selected for this audit.

In addition to being incomplete, the grant file information was not readily accessible. Initially, AQM provided electronic copies of the files to OIG using a compact disc that, according to AQM, contained all grant files. After OIG identified missing items, the GO and GOR stated that grant files were maintained within GrantSolutions,<sup>64</sup> the State Assistance Management System (SAMS) Domestic,<sup>65</sup> and in documents maintained on ACE's shared computer drives (which is the information that had been provided initially to OIG). The GO and the GOR did not provide an explanation of why the files were incomplete or were not readily available in one central location. Although OIG recognizes that the transition from GrantSolutions to SAMS Domestic that started in May 2017 may have contributed to the grant files being incomplete, OIG also noted that grant files within SAMS Domestic did not include required documents, such as performance reports or financial reports, and that the system, although it acts as a central repository, does not indicate whether required documents are missing from the grant files.

### *Grant Monitoring Plans*

Monitoring plans assist oversight personnel in determining whether grantees are achieving the grant's objectives and goals. Department policy<sup>66</sup> requires that each GOR, in consultation with the GO, develop a monitoring plan that (1) is appropriate for the program, (2) takes into account the risks involved in making the award to a particular recipient and the resources available to provide monitoring, (3) includes the frequency and types of monitoring mechanisms to be employed, and (4) includes the assessment of goals and objectives of the award and the outcomes that are expected. In addition, Department policy states that GOs and GORs use five components or concepts to measure the progress of an award,<sup>67</sup> as shown in Figure 1.

<sup>64</sup> GrantSolutions is the former grant management system used by all Department domestic grant-making bureaus and offices.

<sup>65</sup> SAMS Domestic is a recently implemented, in-house Federal assistance management system set to replace GrantSolutions. Deployment of the new system is expected to be completed by the end of FY 2018. According to the Department, SAMS Domestic provides bureaus and their recipients with a streamlined, integrated, and customizable grants management system. Furthermore, SAMS Domestic will include data that are migrated from GrantSolutions.

<sup>66</sup> GPD-42, "Monitoring Assistance Awards," Chapter 5, "Monitoring Plan," 2 (retired December 26, 2014) and FAPD Chapter 3.01-A, "Monitoring Plan," 72 (March 13, 2015).

<sup>67</sup> GPD-42, Chapter 5, 2 (retired December 26, 2014); FAPD Chapter 3.01-A, "Monitoring Plan" and Chapter 1.05-C, "Grants Officer Representative, Eligibility," 21 (March 13, 2015); and Federal Assistance Procedures Handbook, "Post Award Unit," Section 4.0, "Monitoring and Reporting, Performance Progress Report," 39 (December 31, 2015).



**Figure 1: Components Used To Measure Progress of an Award**

Inputs	Outputs	Outcomes	Results	Impact
Resources required to operate the program.	Product, service, or public good that was delivered.	The extent to which outputs are understood, absorbed, or affect a change.	The extent to which a service or program has achieved its goals and objectives.	The cumulative effect of the outcomes or results.

**Source:** Prepared by OIG from Department policy.

GOs and GORs did not develop adequate monitoring plans to monitor recipient performance for any of the four grants selected for this audit. Specifically, EUR provided OIG only generic monitoring plans for two of four grants reviewed, SLMAQM12GR1016 and SLMAQM14GR1049 (see Appendix B for a copy of the monitoring plans). The monitoring plan developed for grant SLMAQM12GR1016 was dated September 9, 2015, more than 3 years after the grant was awarded in 2012. Furthermore, the monitoring plan did not specify how performance would be assessed or how the designated GOR would measure progress and ensure that the grantee complied with the grant agreement. In addition, the plan did not include specific outputs or outcomes to guide grant monitoring. Nor did it reflect risks and how the risks would be mitigated by monitoring. The monitoring plan developed for grant SLMAQM14GR1049 was also incomplete and included only a brief description of the overall grant objective. Finally, a monitoring plan was not developed for grants SLMAQM11GR0013 and SLMAQM14GR1310, which were grants awarded to NED and had a combined total value of more than \$10 million.

### *Review and Analysis of Performance and Financial Reports*

Department policy requires GORs to manage and oversee grantees by verifying timely and adequate performance through the receipt, review, analysis, and written assessment of a grant recipient's performance reports and financial reports.<sup>68</sup> Department policy further states that although GORs may use various methods for monitoring the programmatic aspects of assistance awards, grant files should indicate that the required progress reports have been reviewed and reconciled with the award terms and conditions.<sup>69</sup> The GOR designation memoranda also require the GOR to review Program Progress Reports (PPR)<sup>70</sup> and Federal

<sup>68</sup> GPD-16, Chapter 4, "Roles and Responsibilities," 2-4 (retired December 26, 2014) and FAPD, Chapter 1.05-C, "Grants Officer Representative," 21 (March 13, 2015).

<sup>69</sup> GPD-42, Chapter 6, "Monitoring Methods," 3 (retired December 26, 2014) and FAPD, Chapter 3.01, "Monitoring and Performance Reporting," through Chapter 3.01.C, "Monitoring and Reporting Program Performance" 72-73 (March 13, 2015).

<sup>70</sup> The PPR is a standard, Government-wide performance progress reporting format used by Federal agencies to collect performance information from recipients of Federal funds awarded under all Federal programs that exceed \$100,000 per project or grant period, excluding those that support research. PPRs should provide evidence of actual activities and comparison against original grant award goals and objectives.



Financial Reports (FFR)<sup>71</sup> to assess overall program performance and to provide that assessment and the underlying documents to the designated GO within 30 days of receipt of the reports. As shown in Table 8, OIG found that the GOR files for the four grants reviewed did not include copies of many of the PPRs and FFRs that the grantees should have provided.<sup>72</sup>

**Table 8: Number and Percentage of Program Progress Reports and Federal Financial Reports Missing in Grant Files**

Grant	Program Progress Reports <sup>a</sup>	Federal Financial Reports <sup>a</sup>
<b>SLMAQM11GR0013</b>		
Number of Required Reports	3	12
Number of Reports Missing	1	8
Percentage of Reports Missing	33	67
<b>SLMAQM12GR1016</b>		
Number of Required Reports	3	12
Number of Reports Missing	0	5
Percentage of Reports Missing	0	42
<b>SLMAQM14GR1310</b>		
Number of Required Reports	2	8
Number of Reports Missing	0	5
Percentage of Reports Missing	0	63
<b>SLMAQM14GR1049</b>		
Number of Required Reports	11	11
Number of Reports Missing	0	1
Percentage of Reports Missing	0	9

<sup>a</sup> OIG reviewed grant documentation from FY 2014 through FY 2016.

**Source:** Prepared by OIG from data obtained from AQM and documentation maintained in the grant files or provided by the GOR and the GO.

In addition, OIG found that the designated GORs for the four grants reviewed during the audit did not provide the GOs with assessments on the overall program performance based on reviews of the PPRs and FFRs, as required. Specifically, no evidence within the grant files

<sup>71</sup> The FFR is a standard, Government-wide reporting format used by Federal agencies to collect information from recipients of Federal funds of the financial status of grants. FFRs should be reviewed to verify whether all expenditures are in accordance with the approved budget and the amount of funds expended is commensurate with the level of activity that has occurred.

<sup>72</sup> According to the terms and conditions for three of the four grants that OIG reviewed, grant recipients were required to submit quarterly financial reports no later than 30 days after the end of each calendar year quarter (March 31, June 30, September 30, and December 31) and annual performance progress reports. One of the four grants required both quarterly financial reports and performance progress reports. In addition, annual performance reports and financial reports are due 90 calendar days after the award period, and final performance and financial reports should also be submitted within 90 days after the expiration date of the grant award.

indicated that the reports had been reviewed by the GOR or that the GOR had notified the GOs of the results of the review. In addition, the GOs and the GOR for the selected grants were not aware that grant files should include documentation showing that the GOR had reviewed the progress reports. Furthermore, the only information in the GOR files related to assessments of financial information was to support increases in funding to the grantee or extensions to the grant period of performance. Even this information was limited. For example, none of the four files reviewed provided additional insight on how the GOR was justifying funding increases or extensions. For example, the funding for grant SLMAQM12GR1016 was increased from \$12,273,762 to \$16,752,970 and the period of performance was extended by 1 year. However, the GOR file for each amendment consisted of brief "GOR observation" narratives that were identical and offered little information to support the change.

### *Site Visits*

Department policy<sup>73</sup> states that site visits allow GORs to substantiate sound financial management; program progress; and compliance with laws, regulations, and policies. Site visits also provide an opportunity to examine the grant recipient's accounting records to ensure that adequate documentation is being maintained to support award expenditures. In addition, the policy states that site visits help to ensure that the recipient is monitoring its own sub-recipients, to comply with the terms and conditions of the Federal assistance agreement, if applicable.

Department policy<sup>74</sup> further states that GORs are responsible for maintaining contact with the award recipient through site visits and other oversight activities. The policy also states that, upon completion of a site visit, the GOR should ensure that findings are submitted promptly to the GO through a trip report. Reports might include, as appropriate, a comparison of the actual performance versus scheduled performance, action needed to restore the proposed schedule, and costs incurred versus projections. In addition, the policy includes a detailed "Site Visit Worksheet," which, if followed, is designed to ensure that GORs evaluate general information, assess the award fund expenditure approval system, review the accounting and financial system, and perform a project implementation review.

OIG found that GORs either did not perform site visits or did not document those visits to grantees for the four grants that OIG reviewed. The GOR in place during the audit stated that when ACE officers go to a country for a temporary duty assignment, the officers will "try to stop by" to check out grants in progress. However, no documentation in the grant files showed that anyone had assessed these grantees. The GOR stated that she spends only 5 percent of her time on the grants and that her involvement was at a very high level. The GOR also stated that she

<sup>73</sup> GPD-42, Section 6. "Monitoring Methods - On-Site Visits," 4 (retired December 26, 2014) and Federal Assistance Procedures Handbook, "Post Award Unit," Section 4, "Monitoring and Reporting - Site Visits," 40 (December 31, 2015).

<sup>74</sup> GPD-16, rev 3, Section 4, "Roles and Responsibilities," 3, GPD-42, Attachment B, "Site Visit Worksheet," and FAPD, Chapter 3.01, "Monitoring and Performance Reporting," and Chapter 2.03 A, "Risk Management, Policy, Award Phase and Post Award Phase," 55-56 (March 13, 2015).

relies on subject matter experts<sup>75</sup> to inform her of the grant's status. The GOR further stated that ACE attends annual budget review meetings and reviews the resulting reports. However, these activities are not substitutes for site visits to the locations where the grant awards are being implemented.

The GO stated that she conducts formal site visits once every 2 years to the grantee's headquarters (which is not necessarily the location of award activity). She said that she conducts a "deep dive" of the organization's policies and procedures and prepares a Corrective Action Plan as needed. However, documentation related to these site visits was not included in the grant files.

### ***Lack of Standard Operating Procedures To Effectuate Appropriate Grant Oversight***

The instances of noncompliance in the administration and monitoring of the grants by EUR oversight personnel occurred, in part, because EUR did not have sufficient internal grant oversight procedures to ensure that its GORs consistently implemented Department policies. In addition, EUR management and the GOs did not monitor GOR activities to ensure that the GORs complied with requirements. Moreover, EUR should fully implement new requirements, including GOR-related performance evaluation standards in the performance work commitments for those charged with grant oversight. Furthermore, A/OPE had not performed a grants management review of the EUR grant program.

As stated in Finding A of this report, according to GAO, "Management should implement control activities through policies." The policies should document "control activity design, implementation, and operating effectiveness." All levels of management are responsible for ensuring adequate controls over all Department operations.<sup>76</sup> In part, EUR GORs did not sufficiently administer or oversee grants because EUR did not have adequate internal procedures. Specifically, OIG found that EUR did not have standard operating procedures in place to ensure that its GORs consistently implemented Department policy regarding administration and oversight of grants. For example, EUR did not have standard operating procedures or other guidance to ensure the completeness, accessibility, retention, and review of GOR files. GORs did not have clear guidelines on how to maintain and organize the files. EUR also did not have procedures to ensure that EUR awards included defined and measurable performance indicators. Similarly, EUR did not have standard operating procedures in place to ensure the development and use of grant monitoring plans, in coordination with the GO and the GOR. EUR also lacked any method to ensure that the GORs routinely communicated with the GO and submitted the evaluations and written assessments of grantee performance progress and financial reports, as required.

<sup>75</sup> According to the GOR, subject matter experts are functional officers or country assistance coordinators who have subject matter or geographic knowledge about a particular grant. ACE assigns one for each grantee. Their responsibilities include programmatic oversight, communication, and coordination with grant recipients. The subject matter experts also chair the annual budget reviews, provide information about other programs to avoid duplication, make recommendations for funding, and provide information to posts for the grants.

<sup>76</sup> 2 FAM 021.1a, "Policy and Scope."

Also as stated in Finding A of this report, according to GAO, management should monitor internal controls “as part of the normal course of operations.”<sup>77</sup> OIG found that A/OPE had not performed a grants management review<sup>78</sup> of EUR to ensure that the Department’s grant policy was being applied consistently. According to A/OPE officials, A/OPE did not conduct grants management reviews of bureaus with grants awarded by AQM. Furthermore, OIG found that EUR management and AQM GOs did not sufficiently oversee the GORs to ensure that they complied with Federal guidelines and Department policies on administering and overseeing grants. For example, AQM GOs did not review the status of the grant files to ensure that the GOR included all required documents in the files. Furthermore, the GOR for the four grants stated that communication with the GO was sporadic.

### *GOR Work Commitments*

GORs perform critical oversight functions for their assigned grants, including monitoring grant drawdowns and financial performance and measuring accomplishments against progress indicators. According to A/OPE guidance<sup>79</sup> issued in December 2016, supervisors are required to include GOR-related performance evaluation factors in annual performance review work commitments for individuals appointed as GORs whose duties make up at least 25 percent of their total work responsibilities. Management should seek input from the GO on the adequacy of GOR work performance.

Based on OIG’s review of the GOR’s 2016 work commitments and performance evaluation, OIG noted that EUR included some language in the 2016 work commitments related to GOR responsibilities even though it was not required at that time.<sup>80</sup> However, OIG found that EUR did not address the GOR’s performance related to grants oversight within the performance appraisal. Specifically, the performance narrative did not indicate that the GOR’s supervisor had sought the GO’s input in establishing the annual performance appraisal based in part on the employee’s role and performance as GOR. Although A/OPE issued guidance in December 2016 to help ensure work commitments included standards for grant oversight when appropriate, EUR should issue instructions on obtaining feedback from the GO to include in the annual performance appraisal of GORs involved in overseeing EUR grants.

---

<sup>77</sup> GAO-14-704G, 16.05.

<sup>78</sup> According to GPD-34, “Grants Management Reviews,” 3, GAO, OIG, and OMB all highlighted challenges in the management of Federal assistance at the Department. As a result of recommendations made by these entities, A/OPE initiated a grants management review program. According to A/OPE, the purpose of the program is to strengthen the management and oversight of assistance agreements and ensure that grant decision makers link grant activities to U.S. interests abroad. A/OPE’s review program was designed to achieve these goals by (1) standardizing grant procedures, (2) developing and sharing best practices, (3) ensuring that proper procedural requirements are met, and (4) training GOs.

<sup>79</sup> A/OPE Department Notice 37163, “New Work Commitment for Civil Service Employees Serving as Grants Officer Representatives,” issued December 29, 2016.

<sup>80</sup> A/OPE Department Notice 37163 makes inclusion of the GOR work requirement effective for the rating period of January 1, 2017–December 31, 2017. OIG reviewed work commitments and performance appraisals for 2016.

### ***Insufficient Administration and Oversight of Grants Puts the Department at Risk***

Without ensuring that grant awards include pertinent performance indicators and evaluating grant performance against established program goals and objectives, EUR oversight personnel will remain poorly positioned to determine whether grant recipients are achieving the purpose of the grant and that grant funds are being expended in accordance with the grant terms. In addition, without standard operating procedures to guide oversight of the grants, EUR and AQM cannot ensure that the GOs or the GORs are executing their respective roles and responsibilities in maintaining grant files, developing and implementing grant monitoring plans, reviewing performance and financial reports, and documenting observations made during site visits at the locations where the grants are being implemented.

**Recommendation 11:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement standard operating procedures to require and verify that grant awards include appropriate and clearly defined performance indicators with all required components to measure the progress of a grant award in accordance with the Department of State's Federal Assistance Directive.

**Management Response:** EUR concurred with the recommendation, stating that ACE is in the process of rewriting its standard operating procedures for grants management to ensure that performance indicators "are required and verified for all grants." These efforts will be "augmented" by a contract monitoring and evaluation expert whom ACE retained in 2017 to "identify and address gaps" between ACE systems and practices and Department policies. EUR further stated that the second year of the contract, which has already been renewed, will "build an enduring capability to ensure full compliance with evolving requirements for monitoring and evaluation of U.S. foreign assistance funds."

**OIG Reply:** On the basis of EUR's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR has developed and implemented standard operating procedures to require and verify that grant awards include appropriate and clearly defined performance indicators with all required components to measure the progress of a grant award in accordance with the FAD.

**Recommendation 12:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement a process to verify that Grants Officer Representatives develop and use monitoring plans that include all required elements to conduct surveillance activities in accordance with the Department of State's Federal Assistance Directive.

**Management Response:** EUR concurred with the recommendation, stating that ACE has been using a monitoring plan from the A/OPE toolkit and the plan for grant SLMAQM12GRI016 was developed and dated in 2015—3 years after the award but in the same year such plans were first mandated. ACE is reviewing all current grants for FAD compliance, "including for monitoring plans and surveillance activities." ACE is "currently developing internal systems,

including a grant log and GOR assessment document, which will be internally cross-checked and provided, as appropriate, to SAMS Domestic” and the GO. EUR also noted that the contractor cited in response to recommendation 11 will assist with this process.

**OIG Reply:** On the basis of EUR’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR has developed and implemented a process to verify that GORs develop and use monitoring plans that include all required elements to conduct surveillance activities in accordance with the FAD.

**Recommendation 13:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement a process to verify Grants Officer Representatives compliance with requirements to perform and document reviews of performance and financial reports within 30 days of receipt of reports, which is consistent with the Department of State’s Federal Assistance Directive.

**Management Response:** EUR concurred with the recommendation, stating that “[n]ewly developed grant logs and a GOR performance assessment document, along with an internal verification system,” should accomplish the “important task” covered in the recommendation. A new function from SAMS Domestic will also help ensure that GORs review grantee reports.

**OIG Reply:** On the basis of EUR’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR has developed and implemented a process to verify GOR compliance with requirements to perform and document reviews of performance and financial reports within 30 days of receipt of reports in accordance with the FAD.

**Recommendation 14:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement a process to require and verify that Grants Officer Representatives perform and document site visits for each grant recipient commensurate with the complexity and value of the grant and as outlined in the monitoring plan for the grant.

**Management Response:** EUR concurred with the recommendation, stating that, although ACE has been conducting site visits for many years, it will improve site visits, documentation of those visits, and the ways that it shares information about the visits. ACE has created a “more complete” site visit form and plans to develop “more robust visit standards” and an internal system to record site visit information. “The new site visit form will include areas to record progress on previously-established indicators, where possible.”

**OIG Reply:** On the basis of EUR’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation



demonstrating that EUR has developed and implemented a process to require and verify that GORs perform and document site visits for each grant recipient, commensurate with the complexity and value of the grant and as outlined in the monitoring plan for the grant.

**Recommendation 15:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement guidelines requiring supervisors of Grants Officer Representatives (GOR) to obtain formal feedback from Grants Officers regarding GOR performance and incorporate this feedback into GOR performance evaluations.

**Management Response:** EUR concurred with the recommendation, stating that ACE "continues to update GOR work commitments to ensure they contain accurate language pertaining to key responsibilities, and adequate time allotted to GOR functions as a percentage of overall duties. These responsibilities will be explicitly covered by supervisors in both annual and mid-year assessments." ACE has "already reached out" to GOs to "elicit feedback on GOR performance" and "indicated that this will be a consistent request going forward."

**OIG Reply:** On the basis of EUR's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that EUR has developed and implemented guidelines requiring supervisors of GORs to obtain formal feedback from GOs regarding GOR performance and incorporate this feedback into GOR performance evaluations.

**Recommendation 16:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, conduct a management review of grants administered by the Bureau of Europe and Eurasian Affairs to examine and reinforce adherence to the Department of State's Federal Assistance Directive.

**Management Response:** A/OPE concurred with the recommendation, stating that it will conduct a Grants Management Review to assess ACE's compliance with the Department's grants management policies and procedures in fall 2018. EUR commented that it "welcomes" such a review and has already begun working with A/OPE and A/LM/AQM to "address many of the issues raised in this audit."

**OIG Reply:** On the basis of A/OPE's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE conducted a management review of grants administered by EUR that examined and reinforced adherence to the FAD.

**Recommendation 17:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to



verify that Grants Officers are monitoring Grants Officer Representatives oversight activities and reviewing grant files to verify completeness, retention, and accessibility of required documentation within the grant file in accordance with the Department of State's Federal Assistance Directive.

**Management Response:** AQM concurred with this recommendation, stating that AQM works closely with the bureaus it services, and noting that the four awards highlighted in this report were issued prior to the implementation of the 2 CFR 200 relating to grants management "Two were amended and the 2 CFR 200 was incorporated." AQM also stated that, as of 2017, EUR has a dedicated employee who is responsible for programmatic monitoring and oversight; this hiring "addressed a lack of staff to effectively monitor programs." AQM moreover represented that, currently, SAMS Domestic "has incorporated the components of the Form DS-4012 and is the official Federal award record for all domestic awards issued after April 1, 2015." SAMS Domestic addresses "the entire lifecycle of the award," including monitoring and oversight activities, and "therefore procedures are already in place and in accordance" with the FAD. Currently, the SAMS Domestic post-award activity function that can assist the GO and the GOR in monitoring the awards "is still being developed. AQM has requested several adjustment to SAMS Domestic that will improve a GO's ability to monitor[...] effectively."

**OIG Reply:** On the basis of AQM's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the AQM has developed and implemented specific procedures to verify that GOs are monitoring GOR oversight activities and reviewing grant files to verify completeness, retention, and accessibility of required documentation within the grant file, in accordance with the FAD.

## RECOMMENDATIONS

---

**Recommendation 1:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement procedures to monitor and verify the completeness, accessibility, retention, and review of Contracting Officer's Representatives files in accordance with the Federal Acquisition Regulation 1.604(c), the Foreign Affairs Handbook 14 FAH-2 H-142(b), and 14 FAH-2 H-517(a-b).

**Recommendation 2:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are monitoring Contracting Officer's Representatives files in accordance with Procurement Information Bulletin No. 2014-10.

**Recommendation 3:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with the Bureau of Administration, develop and implement a communications strategy to ensure that Contracting Officer's Representatives are aware that a quality assurance surveillance plan is required for contracts and task orders.

**Recommendation 4:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are developing quality assurance surveillance plans for all service contracts and monitoring Contracting Officers Representatives adherence to the quality assurance surveillance plans.

**Recommendation 5:** OIG recommends that the Bureau of European and Eurasian Affairs, develop and implement procedures detailing the required use of COR eFiling.

**Recommendation 6:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with Bureau of Administration, Office of the Procurement Executive, develop and implement procedures for Contracting Officer's Representatives and Government Technical Monitors for (a) reviewing various types of invoices, (b) obtaining sufficient supporting documentation, (c) confirming that labor hours billed are supported by contractor timesheets and charged to the corresponding task order, and (d) verifying that expense reports are included and are supported by attached receipts.

**Recommendation 7:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement procedures to ensure that it complies with the Bureau of Administration, Office of the Procurement Executive's guidance to nominate eligible Federal Acquisition Certification for Contracting Officer's Representative candidates to the Contracting Officer (CO) for official designation as a Contracting Officer's Representative (COR), Alternate Contracting Officer's Representative (A/COR), and Government Technical Monitor (GTM) and ensure that other COR, A/COR, or GTM candidates do not fulfill this role without the CO's concurrence and written designation.

**Recommendation 8:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify

the formal designation and authorization of Contracting Officer's Representatives (COR) and Alternate CORs or Government Technical Monitors as necessary for each task order in writing and that the designation memoranda are tailored, as necessary, to identify specific duties, responsibilities, and limitations for each contract or task order administered.

**Recommendation 9:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require Contracting Officers to use the Contracting Officer's Representative Certification and Appointment Criteria Matrix in Volume 14 of the Foreign Affairs Handbook (FAH)-2 Exhibit H-143 to document their analyses of the training and experience of Contracting Officer's Representative nominees and their decision of the appropriateness of the Federal Acquisition Certification for Contracting Officer's Representative level needed for oversight of the Bureau of European and Eurasian Affairs task orders, as required by 14 FAH-2 H-143(b).

**Recommendation 10:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement guidelines requiring supervisors of Contracting Officer's Representatives (COR) and Government Technical Monitors (GTM) to obtain formal feedback from Contracting Officers regarding employee performance and incorporate this feedback into COR and GTM performance evaluations.

**Recommendation 11:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement standard operating procedures to require and verify that grant awards include appropriate and clearly defined performance indicators with all required components to measure the progress of a grant award in accordance with the Department of State's Federal Assistance Directive.

**Recommendation 12:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement a process to verify that Grants Officer Representatives develop and use monitoring plans that include all required elements to conduct surveillance activities in accordance with the Department of State's Federal Assistance Directive.

**Recommendation 13:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement a process to verify Grants Officer Representatives compliance with requirements to perform and document reviews of performance and financial reports within 30 days of receipt of reports, which is consistent with the Department of State's Federal Assistance Directive.

**Recommendation 14:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement a process to require and verify that Grants Officer Representatives perform and document site visits for each grant recipient commensurate with the complexity and value of the grant and as outlined in the monitoring plan for the grant.

**Recommendation 15:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement guidelines requiring supervisors of Grants

Officer Representatives (GOR) to obtain formal feedback from Grants Officers regarding GOR performance and incorporate this feedback into GOR performance evaluations.

**Recommendation 16:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, conduct a management review of grants administered by the Bureau of Europe and Eurasian Affairs to examine and reinforce adherence to the Department of State's Federal Assistance Directive.

**Recommendation 17:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Grants Officers are monitoring Grants Officer Representatives oversight activities and reviewing grant files to verify completeness, retention, and accessibility of required documentation within the grant file in accordance with the Department of State's Federal Assistance Directive.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

---

The Office of Inspector General (OIG), Office of Audits, for the Department of State (Department) and the Broadcasting Board of Governors conducted this audit to determine whether the Bureau of European and Eurasian Affairs (EUR) administration and oversight of selected contracts and grants were in accordance with applicable Federal laws and Department of State (Department) policy.

OIG conducted this audit from January 2017 to June 2018 in the Washington, DC, metropolitan area. The scope of the audit consisted of grants awarded from FY 2014 through FY 2016 and high-risk contracts from October 2014 through August 2016 by EUR.<sup>1</sup> OIG conducted this performance audit 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 the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

To obtain background for this audit, OIG researched and reviewed Federal laws and regulations related to acquisitions. Specifically, OIG reviewed applicable sections of the Code of Federal Regulations, the Federal Acquisition Regulation, and Office of Management and Budget requirements. In addition, OIG reviewed applicable sections of the Department's policies and procedures, including the Federal Assistance Policy Handbook, Standard Terms and Conditions for Domestic Federal Assistance Awards, Standard Terms and Conditions for Overseas Federal Assistance Awards, the Foreign Affairs Handbook, the Foreign Affairs Manual, Grants Policy Directives, Department Notices, the Department of State Acquisition Regulation, and Procurement Information Bulletins.

To gain an understanding of the administration and oversight of EUR's contracts and grants, OIG interviewed officials in EUR; the Bureau of Administration, Office of the Procurement Executive; and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (AQM). OIG also interviewed Contracting Officers (CO), Contracting Officer's Representatives (COR), Grants Officers (GO), and Grants Officer Representatives (GOR). Furthermore, OIG met with officials from the National Endowment for Democracy (NED), a EUR grant recipient for three of the four grants selected for testing in this audit, as well as officials from the National Democratic Institute, a sub-grantee to NED. In addition, OIG reviewed documentation to substantiate and corroborate statements made during interviews, including COR and GOR designation memoranda, Federal Acquisition Certification for Contracting Officer's Representatives certificates, contract files, COR files, GOR files, and contract invoices.

---

<sup>1</sup> OIG's focus was on the administration and oversight of contracts and grants, i.e., post-award through invoicing and payment. Therefore, the award solicitation and selection processes were not included in the audit scope.

## Prior Reports

In 2014, OIG reported<sup>2</sup> that the Bureau of African Affairs (AF) did not always administer or oversee selected contracts or grants in accordance with requirements. For example, AF did not ensure that a certified COR was assigned throughout the lifecycle of the contract, develop contract monitoring plans, perform and document site visits to validate recipient performance, or ensure the accessibility and completeness of COR files. Furthermore, OIG reported that AF did not ensure that a certified GOR was assigned throughout the lifecycle of all grant awards, include performance indicators in its grants, develop grant monitoring plans, document the reviews of quarterly performance and financial reports, or perform site visits to validate recipient performance. To improve the administration and oversight of AF's contracts and grants, OIG made 24 recommendations. As of March 2018, 21 recommendations were closed and 3 recommendations were resolved pending further action.

In a March 2012 inspection report prepared by the OIG Office of Inspections, *Inspection of the Bureau of European and Eurasian Affairs* (ISP-I-11-22), OIG reported that it was "favorably impressed" with the post management division's management and oversight of the \$7 million Pacific Architects and Engineers Incorporated contract, which provided approximately 76 staff members to work in sensitive areas of embassies in Europe and Asia. However, the inspection team found a number of unliquidated obligations related to program contracts that could be cleared by the financial management division. The inspection report also stated that there was little coordination between EUR's Office of the Coordinator of U.S. Assistance to Europe and Eurasia (ACE), which handled the contracts, and the financial management office domestic team. OIG made 22 recommendations, all of which are closed.

Twenty-three other OIG Office of Inspection reports were issued from 2012 to 2017 in which issues with the administration and oversight of contracts and grants at EUR posts were reported. Examples of some of the findings reported include the following:

- Embassy Kyiv, Ukraine, Public Affairs Section staff members were able to visit only 74 of 239 grantees performing work outside Kyiv in FY 2012 because 80 percent of grantees lived outside the capital and personnel were limited in their travel.<sup>3</sup>
- Embassy Sofia, Bulgaria, had 1,000 unauthorized commitments, valued at about \$1.25 million, that were made by the then-Contracting Officer, whose warrant had expired.<sup>4</sup>
- Embassy Ankara, Turkey, had contract files that were incomplete and untrained CORs.<sup>5</sup>

<sup>2</sup> OIG, *Audit of the Administration and Oversight of Contracts and Grants Within the Bureau of African Affairs* (AUD-CG-14-31, August 2014).

<sup>3</sup> OIG, *Inspection of Embassy Kyiv, Ukraine* (ISP-I-13-45A, September 2013).

<sup>4</sup> OIG, *Inspection of Embassy Sofia, Bulgaria* (ISP-I-14-02A, February 2014).

<sup>5</sup> OIG, *Inspection of Embassy Ankara, Turkey* (ISP-I-16-24A, September 2016).

- Embassy Zagreb, Croatia, Public Affairs Section had 14 grants valued at \$10,000 or more awarded in FY 2015 and FY 2016. The 14 grants totaled \$277,675. Only two of the grants had risk assessments and only four had monitoring plans.<sup>6</sup>
- Embassy Bratislava, Slovakia, Public Affairs Section was not managing grants in full compliance with Department standards.<sup>7</sup>
- Embassy Belgrade, Serbia, Public Affairs Section grants and program managers were not reporting or recording awards, as outlined in the Department's Federal Assistance Policy Directive.<sup>8</sup>

## Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. For example, OIG reviewed four contracts and four grants to determine whether EUR's CORs and GORs appropriately administered and monitored contracts and grants. OIG also reviewed Department guidance, policies, procedures, and related controls to ensure that such guidance, policies, and procedures were implemented and followed by EUR officials and oversight personnel. Weaknesses in internal controls identified by OIG are presented in the Audit Results section of this report.

## Use of Computer-Processed Data

### *Contracts*

OIG obtained a list of contracts from EUR that were directly administered and overseen by EUR. To assess the completeness of the universe provided by EUR, OIG used computer-processed data obtained from USASpending.gov.<sup>9</sup> Specifically, OIG obtained the population of contracts awarded using EUR funds in FYs 2014 and 2015 and from October 1, 2015, through August 2016.<sup>10</sup> As a result of comparing the data from USASpending.gov with the data obtained from EUR, OIG identified some discrepancies. For example, OIG identified instances in which the contracts were listed as being funded by EUR within USASpending.gov but were actually administered and overseen directly by posts. After removing these contracts, both lists matched. As a result, OIG concluded that the data containing the list of contracts were complete and sufficiently reliable for the purpose of this audit.

<sup>6</sup> OIG, *Inspection of Embassy Zagreb, Croatia* (ISP-I-17-02, October 2016).

<sup>7</sup> OIG, *Inspection of Embassy Bratislava, Slovakia* (ISP-I-17-06A, January 2017).

<sup>8</sup> OIG, *Inspection of Embassy Belgrade, Serbia* (ISP-I-17-08A, January 2017).

<sup>9</sup> USASpending.gov is a federally mandated, publicly available searchable website that gives the American public access to information about the entities and organizations that receive Federal funds. The data in USASpending.gov are reported by the Federal agencies making contract, loan, and other financial assistance awards and are required to be submitted within 30 days of making the award or after making a modification or amendment to an award.

<sup>10</sup> The data obtained from the Department were as of August 2016. Therefore, the audit did not cover the entire FY 2016 period.



### *Invoices*

OIG used computer-processed data to conduct the invoice review for contracts. OIG obtained Global Financial Management System reports of payments for each task order from the Bureau of the Comptroller and Global Financial Services (CGFS). To test the completeness and reliability of the reports, OIG reconciled these reports to the invoices in the COR file and found no material discrepancies. OIG also used a separate report generated by CGFS from the Global Financial Management System that identified interest penalties incurred for late payment of invoices. Information obtained from the Global Financial Management System is the only source of payment data used by the Department. OIG believes that the data provided by CGFS from the Global Financial Management System used in the invoice review were sufficiently reliable to support the audit findings and conclusions.

### *Grants*

OIG obtained a list of grants and cooperative agreements administered and overseen by EUR directly from EUR. To assess the completeness of the universe, OIG used computer-processed data obtained from GrantSolutions.gov.<sup>11</sup> OIG reconciled the grants lists obtained from EUR and GrantSolutions.gov and found no material discrepancies. OIG concluded that the data were complete and sufficiently reliable for the purpose of this audit.

## **Detailed Sampling Methodology**

OIG's sampling objective was to select a sample of task orders and grants to determine whether EUR administered and oversaw contracts and grants in accordance with Federal laws and Department policy.

### *Population*

#### *Contracts*

OIG requested a list of contracts funded by EUR during FYs 2014 and 2015 and from October 1, 2015, through August 2016 from EUR offices.<sup>12</sup> Only EUR's Joint Executive Office (EX) administered and oversaw contracts. After reviewing a list of contracts provided by EX, OIG determined that EX's General Services Division administered and oversaw six contracts totaling \$12,672,528. Of this amount, three contracts totaling \$2,751,111 were considered high-risk contracts (time-and-material or labor hour contracts) and the remaining three contracts totaling \$9,921,416 were low-risk contracts (that is, firm-fixed-price contracts). In addition, EX's Information Management Division administered and oversaw 32 contracts totaling \$6,972,671. Of this amount, six contracts totaling \$5,675,867 were high-risk contracts (time-and-material or labor hour contracts) and the remaining 26 contracts totaling \$1,296,805 were low-risk contracts (that is, firm-fixed-price and blanket purchase agreements). Therefore, EUR was responsible for

<sup>11</sup> GrantSolutions is the former grants management system used by the Department's domestic grant-making bureaus and offices.

<sup>12</sup> The offices were EX, PD, and ACE.

overseeing 38 contracts, nine of which were considered high-risk contracts totaling \$8,426,978. The nine high-risk contracts defined OIG's target universe.

### *Grants*

OIG obtained lists of grant actions from EUR that were funded between FY 2014 and FY 2016. Two EUR offices were responsible for administering and overseeing grants for EUR: ACE and the Office of Public Diplomacy. ACE administered and oversaw 25 grants and cooperative agreements totaling \$27,098,056. The Office of Public Diplomacy administered and oversaw 15 grants and cooperative agreements totaling \$7,950,159. Combined, ACE and the Office of Public Diplomacy administered and oversaw 40 grants totaling \$35,048,215. The 40 grants defined our target universe.

### *Sample Selection of EUR-Funded Contract Task Orders and Grants*

OIG used predefined selection criteria<sup>13</sup> to select the contract task orders and grants to test. The primary criteria for selecting contract task orders and grants included the greatest dollar value. To determine the contract task orders and grants included in the sample, OIG identified the four highest dollar high-risk contract task orders and the four highest dollar grants or cooperative agreements for EUR between FY 2014 and FY 2016.<sup>14</sup> The items selected represented 93 percent of the total amount of high-risk contract task orders and 68 percent of the total amount of grants and cooperative agreements. The four contract task orders and four grants selected for review are shown in Tables A.1 and A.2, respectively.

**Table A.1: Contract Task Orders Sampling Summary**

Contractor and Task Order Number	Period of Performance	Sample Dollar Amount	Target Universe	Percentage of Target Universe Sampled
Buchanan & Edwards – SAQMMA13F3567	9/2013–9/2015	\$2,442,365	\$8,426,978	28.9
Buchanan & Edwards – SAQMMA15F3179	9/2015–9/2018	\$1,564,364	\$8,426,978	18.6
Buchanan & Edwards – SAQMMA15F2753	9/2015–9/2018	\$1,507,038	\$8,426,978	17.9
ASG Solutions Corporation – SAQMMA15F2045	8/2015–1/2017	\$2,318,071	\$8,426,978	27.5
<b>Total</b>		<b>\$7,831,838</b>	<b>\$8,426,978</b>	<b>92.9</b>

**Source:** Prepared by OIG from a sample selection and associated contract file documentation.

<sup>13</sup> This selection process is also known as judgmental sampling when the selection of units is by a method not based on the theory of probability.

<sup>14</sup> OIG received contract data for EUR for FYs 2014 and 2015 and from October 1, 2015, through August 19, 2016. OIG received grant data from FY 2014 through FY 2016.

Table A.2: Grant Sampling Summary

Grant Awardee and Number	Period of Performance	Sample Dollar Amount	Target Universe	Percentage of Target Universe Sampled
National Endowment for Democracy – SLMAQM11GR0013	1/2011–12/2016	\$2,981,680	\$35,048,215	8.5
National Endowment for Democracy – SLMAQM12GR1016	1/2012–12/2018	\$7,305,942	\$35,048,215	20.8
National Endowment for Democracy – SLMAQM14GR1310	9/2014–9/2018	\$8,992,079	\$35,048,215	25.7
U.S. Civilian Research and Development Foundation – SLMAQM14GR1049	2/2014–2/2018	\$4,550,496	\$35,048,215	13.0
<b>Total</b>		<b>\$23,830,197</b>	<b>\$35,048,215</b>	<b>68.0</b>

**Source:** Prepared by OIG from a sample selection and associated grant file documentation.

### Invoice Review of Selected Task Orders

The audit team reviewed all invoices associated with the four task orders selected. The audit team selected the four highest dollar high-risk contracts administered and overseen by EUR because these contracts encompassed approximately 93 percent of all high-risk contracts overseen and administered by EUR. Once OIG determined that it had all invoices that were paid for each of the task orders, OIG tested each invoice, including ensuring that invoices complied with FAR requirements and the task order (meaning that they contained all required elements), were paid in accordance with the required timeframes, were properly approved, and were supported by documentation. Furthermore, OIG verified whether invoiced amounts exceeded any of the task orders' funding amounts. Table A.3 provides details of the number and amount of invoices selected for review.

**Table A.3: Number and Amount of Invoices Reviewed for Selected Task Orders**

<b>Vendor – Task Order Number</b>	<b>Number of Invoices Reviewed*</b>	<b>Amount of Invoices Reviewed</b>
Buchanan & Edwards – SAQMMA13F3567	26	\$3,744,042
Buchanan & Edwards – SAQMMA15F3179	18	\$1,809,598
Buchanan & Edwards – SAQMMA15F2753	18	\$1,788,220
ASG Solutions Corporation – SAQMMA15F2045	51	\$2,799,916
<b>Total</b>	<b>113</b>	<b>\$10,141,776</b>

\*OIG reviewed all invoices in the COR files for the task orders selected. The dates of the invoices ranged from October 2013 through January 2017.

**Source:** Prepared by OIG from invoices included in the COR files and associated data obtained from the Global Financial Management System.

## APPENDIX B: EXAMPLES OF GRANTS MONITORING PLANS

### Grants Monitoring Individual Grant Monitoring Plan Worksheet

**Instructions:** A monitoring plan should be completed for each grant based on the specifications contained in the grant agreement. This worksheet should be used to identify the type of monitoring to be done for the grant and the frequency of the monitoring efforts.

Grant Name/Number	S-LMAQM-12-GR-1016	GOR Assigned:	[REDACTED]
Grantee:	NED	Date of Plan:	9 September 2015
Address:	[REDACTED]	Comments:	
Telephone #:	[REDACTED]		
Contact:	[REDACTED]		

Area	Information from Agreement	Comments
Goals / Objectives of Grant	The National Endowment for Democracy (NED) will use these funds to provide sub-grants to independent, indigenous organizations in order to advance democracy in UMB/Europe.	
Outcome Indicators Identified in Agreement	It is hoped that the NED program will advance democracy in UMB/Europe.	
Frequency of Reporting	Annual	
Desk Review Details: frequency, estimated dates	ACE Officers will meet with NED and with their subgrantees during travel to recipient countries and when NED grantees are available in the DC Metro area.	
Site Visit Details: frequency, estimated date		
Other Issues		

"Establishing Effective Grant Monitoring Programs"  
Department of State  
10/2007

Grants Monitoring  
Individual Grant Monitoring Plan Worksheet

**Instructions:** A monitoring plan should be completed for each grant based on the specifications contained in the grant agreement. This worksheet should be used to identify the type of monitoring to be done for the grant and the frequency of the monitoring efforts.

Grant Name/Number	S-LMAQM-14-GR-1049	GOR Assigned:	[REDACTED]
Grantee:	CRDF	Date of Plan:	September 9, 2015
Address:	[REDACTED]	Comments:	
Telephone #:	[REDACTED]		
Contact:	[REDACTED]		

Area	Information from Agreement	Comments
Goals / Objectives of Grant	CRDF Global, will carry out a series of training, grants and capacity building activities in former Soviet countries to engage the scientists, engineers and technology-based entrepreneurs in those countries.	
Outcome Indicators Identified in Agreement		
Frequency of Reporting		
Desk Review Details: frequency, estimated dates		
Site Visit Details: frequency, estimated date		
Other Issues		

"Establishing Effective Grant Monitoring Programs"  
Department of State  
10/2007



## APPENDIX C: BUREAU OF EUROPEAN AND EURASIAN AFFAIRS MANAGEMENT RESPONSE

---



United States Department of State

Washington, D.C. 20520

UNCLASSIFIED

July 3, 2018

### MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITS NORMAN P. BROWN

FROM: EUR – Assistant Secretary A. Wess Mitchell

SUBJECT: EUR Response to Draft Report, “Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants” (AUD-CGI-18-XX, June 2018)

The Bureau of European and Eurasian Affairs welcomes the opportunity to comment on this draft OIG report and offers additional information and clarification for your consideration.

With regard to the review of EUR-IO/EX/GSD and EUR-IO/EX/IM contract administration, we concur with the findings and have implemented processes and procedures to strengthen our oversight. Our COR’s and GTM’s have received the required training, to include FAC P/PM training for our IT contracts, obtaining all certification requirements. Working with A/LM/AQM, EUR-IO/EX will develop increased monitoring and evaluation criteria, using best practices, such as Quality Assurance Surveillance Plan (QASP), for contract administration. Since the OIG audit, EUR-IO/EX/GSD and EUR-IO/EX/IM have studied their internal practices and made changes to enhance contract administration in accordance with FAR and FAM regulations. The OIG report provided valuable insight into overall contract management and EUR-IO/EX looks forward to working together with A/LM/AQM and A/OPE to ensure the bureau is using best practices in the field of contract management and administration.

With regard to the review of EUR/ACE’s grant administration and oversight, EUR/ACE had, prior to the audit, been assessing its grants and contract management functions, as well as preparing for increased responsibility in monitoring and evaluation of U.S. foreign assistance. Throughout the audit period, EUR/ACE worked closely with OIG staff, F, A/LM/AQM, A/OPE, and others to build up its capabilities in this area. Since late in 2016, EUR/ACE has begun a new monitoring and evaluation program, assigned three new CORs and GORs, ensured required GOR training was up-to-date, and rewritten position descriptions and work commitments to emphasize strategic-level program management and grant and contract oversight responsibilities. The OIG audit report gives EUR/ACE welcome guidance for its continued pursuit of the most responsible stewardship of assistance funds possible.

#### **EUR Responses to the OIG’s Draft Recommendations**

**Recommendation 1:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement procedures to monitor and verify the completeness, accessibility, retention, and review of Contracting Officer’s Representatives’ files in accordance with the Federal Acquisition Regulation 1.604(c); the Foreign Affairs Handbook, 14 FAH-2 H-142(b); and 14 FAH-2 H-517(a-b).

UNCLASSIFIED



UNCLASSIFIED

-2-

**EUR concurs.** EUR-IO/EX/GSD and EUR-IO/EX/IM have reviewed procedures for monitoring and reviewing Contracting Officer's Representatives' files. After reviewing the aforementioned FAR and FAM guidance, we have adjust our procedures to match the guidance.

**Recommendation 2:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are monitoring Contracting Officer's Representatives' files in accordance with Procurement Information Bulletin No. 2014-10.

**Recommendation 2 is an action item for AQM.**

**Recommendation 3:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with the Bureau of Administration, develop and implement a communications strategy to ensure that Contracting Officer's Representatives are aware that a quality assurance surveillance plan is required for contracts and task orders.

**EUR concurs.** EUR-IO/EX/GSD and EUR-IO/EX/IM will work with AQM to develop a Quality Assurance Surveillance Plan (QASP) for ensuring our service delivery contracts meet requirements. AQM has agreed to send us templates to help aid in this process.

**Recommendation 4:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are developing quality assurance surveillance plans for all service contracts and monitoring Contracting Officers Representatives' adherence to the quality assurance surveillance plans.

**Recommendation 4 is an action item for AQM.**

**Recommendation 5:** OIG recommends that the Bureau of European and Eurasian Affairs, develop and implement procedures detailing the required use of COR eFiling.

**EUR concurs.** While recommendation 5 is not mandatory for contracts under \$10m, we agree with using a centralized system for COR electronic filling. We will work with AQM to establish the eFiling system for our EUR-IO/EX/GSD and EUR-IO/EX/IM COR's once it becomes available for domestic COR's.

**Recommendation 6:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with Bureau of Administration, Office of the Procurement Executive, develop and implement procedures for Contracting Officer's Representatives and Government Technical Monitors for (a) reviewing various types of invoices, (b) obtaining sufficient supporting documentation, (c) confirming that labor hours billed are supported by contractor timesheets and charged to the corresponding task order, and (d) verifying that expense reports are included and are supported by attached receipts.

UNCLASSIFIED

UNCLASSIFIED

-3-

**EUR Concurs.** EUR-IO/EX/GSD and EUR-IO/EX/IM have reviewed internal processes and made corrections to ensure CORs and GTM's are trained and educated in obtaining, reviewing, validating, and executing contractor invoices and supporting documentation.

**Recommendation 7:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement procedures to ensure that it complies with the Bureau of Administration, Office of the Procurement Executive's guidance to nominate eligible Federal Acquisition Certification for Contracting Officer's Representative candidates to the Contracting Officer (CO) for official designation as a Contracting Officer's Representative (COR), Alternate Contracting Officer's Representative (A/COR), and Government Technical Monitor (GTM) and ensure that other COR, A/COR, or GTM candidates do not fulfill this role without the CO's concurrence and written designation.

**EUR Concurs.** EUR-IO/EX/GSD and EUR-IO/EX/IM COR's are in full compliance. An additional GTM nomination for EUR-IO/EX/GSD is currently being processed.

**Recommendation 8:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify the formal designation and authorization of Contracting Officer's Representatives (COR) and Alternate CORs or Government Technical Monitors as necessary for each task order in writing and that the designation memorandums are tailored as necessary to identify specific duties, responsibilities, and limitations for each contract or task order administered.

**Recommendation 8 is an action item for AQM.**

**Recommendation 9:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require Contracting Officers to use the Contracting Officer's Representative Certification and Appointment Criteria Matrix at 14 FAH-2 Exhibit H-143 to document their analyses of the training and experience of COR nominees and their decision of the appropriateness of the FAC-COR level needed for oversight of the EUR task orders as required by 14 FAH-2 H-143(b).

**Recommendation 9 is an action item for AQM.**

**Recommendation 10:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement guidelines requiring supervisors of Contracting Officer's Representatives (CORs) and Government Technical Monitors (GTM) to obtain formal feedback from Contracting Officers regarding employee performance and incorporate this feedback into COR and GTM performance evaluations.

**EUR Concurs.** EUR-IO/EX/GSD and EUR-IO/EX/IM COR's and GTM's have work commitments in their performance evaluation documents that reflect COR or GTM responsibilities. Historically, the CO has not provided input to the performance evaluation cycle unless 25 percent or more of their time is dedicated to COR or GTM responsibilities. Both

UNCLASSIFIED



UNCLASSIFIED

-4-

EUR-IO/EX/GSD and EUR-IO/EX/IM are happy to receive feedback from our respective CO's to further enhance contract management.

**Recommendation 11:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement standard operating procedures to require and verify that grant awards include appropriate and clearly defined performance indicators with all required components to measure the progress of a grant award in accordance with the Department of State's Federal Assistance Directive.

**EUR concurs.** EUR/ACE has been operating with standard operating procedures (SOPs) for grant management (which were sent to audit team during the audit), but is in the process now of rewriting them, and producing a "guide" for ACE officers, to ensure that performance indicators are required and verified for all grants (in solicitations, awards and other documents), and that they measure progress as per Federal Assistance Directive requirements. EUR/ACE is including in its new SOP specific recommendations of A/LM/AQM and A/OPE, including the use of F indicators. These efforts will be augmented by a contract monitoring and evaluation (M&E) expert EUR/ACE retained in 2017 to identify and address any gaps between EUR/ACE systems and practices and, among other things, the requirements of the expanded 18 FAM 300. A second year of the contract (already renewed) will build an enduring capability to ensure full compliance with evolving requirements for monitoring and evaluation of U.S. foreign assistance funds

**Recommendation 12:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement a process to verify that Grants Officer Representatives develop and use monitoring plans that include all required elements to conduct surveillance activities in accordance with the Department of State's Federal Assistance Directive (FAD).

**EUR Concurs.** EUR/ACE has been using a monitoring plan from the A/OPE toolkit, and the plan for grant SLMAQM12GR1016 was developed and dated in 2015 – three years after the award but in the same year (2015) such plans were first mandated. However, EUR/ACE is reviewing all current grants for FAD compliance, including for monitoring plans and surveillance activities. EUR/ACE is currently developing internal systems, including a grant log and GOR assessment document which will be internally cross-checked and provided, as appropriate, to SAMS Domestic and the grants officer. EUR/ACE's contractor-led M&E effort, described above under recommendation 11, will also help develop these systems and ensure their relevance and effectiveness.

**Recommendation 13:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement a process to verify Grants Officer Representatives' compliance with requirements to perform and document reviews of performance and financial reports within 30 days of receipt of reports, which is consistent with the Department of State's Federal Assistance Directive.

**EUR concurs.** Newly developed grant logs and GOR performance assessment document, along with an internal verification system between EUR/ACE's budget and Policy, Plans and Performance (P3) office should accomplish this important task. A new function from SAMS

UNCLASSIFIED

UNCLASSIFIED

-5-

Domestic (which came on line since the audit was initiated) will also help ensure GORs check and review grantee reports.

**Recommendation 14:** OIG recommends that the Bureau of European and Eurasian Affairs develop and implement a process to require and verify that Grants Officer Representatives perform and document site visits for each grant recipient commensurate with the complexity and value of the grant and as outlined in the monitoring plan for the grant.

**EUR concurs.** EUR/ACE has been conducting site visits for many years, but full compliance with regard to visits and full documentation and sharing of visit information will be improved. A new, more complete, site visit form has been created, more robust visit standards are being created, an internal system to record site visit information (see responses to questions 12 and 13, above) is being developed, and reporting to appropriate persons/databases (including the grants officer) will be standardized. The new site visit form will include areas specifically to record progress on previously-established indicators, where possible.

**Recommendation 15:** OIG recommends that the Bureau of European and Eurasian Affairs, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement guidelines requiring supervisors of Grants Officer Representatives (GOR) to obtain formal feedback from Grants Officers regarding GOR performance and incorporate this feedback into GOR performance evaluations.

**EUR concurs.** EUR/ACE continues to update GOR work commitments to ensure they contain accurate language pertaining to key responsibilities, and adequate time allotted to GOR functions as a percentage of overall duties. These responsibilities will be explicitly covered by supervisors in both annual and mid-year assessments. EUR/ACE has already reached out to grants officers to elicit feedback on GOR performance, and have indicated that this will be a consistent request going forward.

**Recommendation 16:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, conduct a management review of grants administered by the Bureau of Europe and Eurasian Affairs to examine and reinforce adherence to the Department of State's Federal Assistance Directive.

**EUR concurs.** EUR/ACE welcomes a management review by A/OPE, and has already been working with A/OPE and A/LM/AQM to address many of the issues raised by this audit.


**Recommendation 17:** OIG recommends that the Bureau of Administration, Office of Acquisitions Management, develop and implement procedures to verify that Grant Officers are monitoring Grant Officer's Representatives' oversight activities and reviewing grant files to verify completeness, retention, and accessibility of required documentation within the grant file in accordance with the Department of State's Federal Assistance Directive.

**EUR concurs.** As stated above (in response to recommendation 16), EUR/ACE has already been in touch with A/LM/AQM on these issues.

UNCLASSIFIED

UNCLASSIFIED

-6-

Approved: EUR: A. Wess Mitchell   
Drafted: EUR/ACE – Jonathan Benton, X76878, 571-232-6451  
Cleared: EUR/PDAS: EMillard (ok)  
EUR-IO/EX: TRay (ok)  
EUR-IO/EX: JArbin (ok)  
EUR-IO/EX:RNeedham (ok)  
EUR/ACE: CWurzel (ok)  
EUR/ACE: YKulchyckyj (ok)  
EUR/ACE: KWilcox (ok)  
EUR/ACE: JWynne (ok)

UNCLASSIFIED



# APPENDIX D: BUREAU OF ADMINISTRATION, OFFICE OF LOGISTICS MANAGEMENT, OFFICE OF ACQUISITIONS MANAGEMENT RESPONSE

---



United States Department of State

Washington, D.C. 20520

UNCLASSIFIED

July 13, 2018

## MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/LM – Jennifer A. McIntyre *J.A. McIntyre*

SUBJECT: *Draft Report: Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants*

Thank you for the opportunity to provide our comments on the subject OIG Draft Report.

**Recommendation 2:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are monitoring Contracting Officers Representatives files in accordance with Procurement Information Bulletin No. 2014-10.

**Management Response to Draft Report (07/13/2018):** The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) concurs with the recommendation.

**Recommendation 4:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are developing quality assurance surveillance plans for all service contracts and monitoring Contracting Officers Representatives adherence to the quality assurance surveillance plans.

**Management Response to Draft Report (07/13/2018):** The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) requests the recommendation be reassigned to EUR. Quality Assurance Surveillance Plans (QASPs) should be developed by program offices in coordination with AQM. AQM would then monitor adherence to the QASP as part of the COR annual file review.

**Recommendation 8:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify the formal designation and authorization of Contracting Officer Representatives (COR) and alternate CORs or Government Technical Monitors as necessary for each task order in writing and that the designation memorandums are tailored as necessary to identify specific duties, responsibilities, and limitations for each contract or task order administered.

UNCLASSIFIED

UNCLASSIFIED

- 2 -

**Management Response to Draft Report (07/13/2018):** The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) concurs with the recommendation.

**Recommendation 9:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require Contracting Officers to use the Contracting Officer's Representative Certification and Appointment Criteria Matrix at 14 FAH-2 Exhibit H-143 to document their analyses of the training and experience of COR nominees and their decision of the appropriateness of the FAC-COR level needed for oversight of the EUR task orders as required by 14 FAH-2H-143 (b).

**Management Response to Draft Report (07/13/2018):** The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) concurs with the recommendation.

**Recommendation 17:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement procedures to verify that Grants Officers are monitoring Grant Officer Representatives oversight activities and reviewing grant files to verify completeness, retention, and accessibility of required documentation within the grant file in accordance with the Department of State's Federal Assistance Directive.

**Management Response to Draft Report (07/13/2018):** The Bureau of Administration, Office of Acquisitions Management (AQM) concurs with this recommendation. AQM works closely with the bureaus it services. The four awards highlighted in this report were issued prior to the implementation of the 2 CFR 200. Two were amended and the 2 CFR 200 was incorporated.

As of 2017, EUR has a dedicated GOR/PO who is responsible for programmatic monitoring and oversight. The hiring of a dedicated GOR/PO addressed a lack of staff to effectively monitor programs.

Currently the State Assistance Management System (SAMS Domestic) has incorporated the components of the Form DS-4012 and is the official Federal award record for all domestic awards issued after April 1, 2015. The system serves as an electronic file folder (known as the "e-4012") and replaces the paper process. The e-4012 addresses the entire life cycle of the award to include monitoring and oversight activities and therefore procedures are already in place and in accordance with the Department's Federal Assistance Directive. Currently the SAM Domestic post-award activity function that can assist the GO and GOR in monitoring the awards is still being developed. AQM has requested several adjustment to SAMS Domestic which will improve a GOs ability to monitoring effectively.

UNCLASSIFIED



## APPENDIX E: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE MANAGEMENT RESPONSE

---




United States Department of State

Washington, D.C. 20520

July 18, 2018

**UNCLASSIFIED**  
**MEMORANDUM**

**TO:** OIG/AUD – Norman P. Brown

**FROM:** A/OPE – Steven P. Mackey, Acting 

**SUBJECT:** Draft Report on *EUR Administration and Oversight of Selected Contracts and Grants (AUD-CDI-18-XX)*

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

The following is A/OPE's response to Recommendation 16. Steven Mackey is the point of contact for these recommendations. He can be reached at 703-812-2526 or via email at [mackeysp@state.gov](mailto:mackeysp@state.gov).

**Recommendation 16:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, conduct a management review of grants administered by the Bureau of Europe and Eurasian Affairs to examine and reinforce adherence to the Department of State's Federal Assistance Directive.

**A Bureau Response:** A/OPE concurs with the recommendation. A/OPE will conduct a Grants Management Review (GMR) to assess EUR/ACE's compliance with the Department's grants management policies and procedures in the fall of 2018.

## ABBREVIATIONS

---

A/COR	Alternate Contracting Officer's Representative
A/OPE	Bureau of Administration, Office of the Procurement Executive
ACE	Office of the Coordinator of U.S. Assistance to Europe and Eurasia
AQM	Office of Acquisitions Management
ASG	ASG Solutions Corporation
B&E	Buchanan & Edwards, Inc.
CO	Contracting Officer
COR	Contracting Officer's Representative
DOSAR	Department of State Acquisition Regulations
EUR	Bureau of European and Eurasian Affairs
EX	Joint Executive Office
FAC-COR	Federal Acquisition Certification for Contracting Officer's Representatives
FAD	Federal Assistance Directive
FAH	Foreign Affairs Handbook
FAPD	Federal Assistance Policy Directive
FAR	Federal Acquisition Regulation
FFR	Federal Financial Reports
GAO	Government Accountability Office
GO	Grants Officer
GOR	Grants Officer Representative
GPD	Grant Policy Directive
GTM	Government Technical Monitor
NED	National Endowment for Democracy
OIG	Office of Inspector General
PPR	Program Progress Reports
QASP	Quality Assurance Surveillance Plan
SAMS	State Assistance Management System

## OIG AUDIT TEAM MEMBERS

---

Denise Colchin, Director  
Contracts, Grants, and Infrastructure Division  
Office of Audits

Zorayma Torres-Alvarez, Audit Manager  
Contracts, Grants, and Infrastructure Division  
Office of Audits

Angelo Arpaia, Auditor  
Contracts, Grants, and Infrastructure Division  
Office of Audits

Meredith Needham, Auditor  
Contracts, Grants, and Infrastructure Division  
Office of Audits

Maria Sharp, Auditor  
Contracts, Grants, and Infrastructure Division  
Office of Audits

UNCLASSIFIED



# HELP FIGHT

**FRAUD. WASTE. ABUSE.**

**1-800-409-9926**

**[stateoig.gov/hotline](https://stateoig.gov/hotline)**

If you fear reprisal, contact the  
OIG Whistleblower Ombudsman  
to learn more about your rights:

**[WPEAOmbuds@stateoig.gov](mailto:WPEAOmbuds@stateoig.gov)**

**[oig.state.gov](https://oig.state.gov)**

Office of Inspector General • U.S. Department of State  
P.O. Box 9778 • Arlington, VA 22219

UNCLASSIFIED