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Office of Audits

March 2020

Audit of the Office of the Coordinator for Assistance to Europe and Eurasia's Oversight of Foreign Assistance Funds Transferred to Implementing Partners

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-CGI-20-12

What OIG Audited

From FY 2016 through FY 2018, the Bureau of European and Eurasian Affairs, Office of the Coordinator of U.S. Assistance to Europe and Eurasia (ACE), was responsible for overseeing approximately \$1.3 billion in foreign assistance funds transferred to other Federal agencies and other intergovernmental organizations working in Europe, Eurasia, and Central Asia. U.S. foreign assistance funds targeted to the region support activities in a wide range of thematic areas, including security, rule of law, economic growth, democratic governance, independent media, and health and education.

The Office of Inspector General (OIG) conducted this audit to determine whether ACE oversight of foreign assistance funds transferred to other Federal agencies and other intergovernmental organizations was in accordance with applicable Federal laws and Department of State (Department) policy. This audit was initiated, in part, to address a hotline complaint received in December 2016 that alleged ACE was not ensuring monitoring and evaluation (M&E) on nearly \$1 billion in foreign assistance funds provided to Federal agencies and other intergovernmental organizations.

What OIG Recommends

OIG made six recommendations intended to improve ACE oversight of its implementing partners. On the basis of ACE's response to a draft of this report, OIG considers all six recommendations resolved, pending further action. A synopsis of ACE's response to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. ACE's response to a draft of this report is reprinted in its entirety in Appendix B. A summary of ACE's general comments to the draft report and OIG's replies is presented in Appendix C.

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What OIG Found

Oversight of foreign assistance funds transferred by ACE to its implementing partners performed from 2015 through 2017 was not in accordance with Federal law and Department policy. Specifically, ACE did not ensure that implementing partners were performing monitoring and evaluation activities. Furthermore, ACE did not obtain data from implementing partners necessary to perform evidence-based analysis of U.S. Government foreign assistance being provided to the region and to effectively coordinate funding for policies and programs among all U.S. Government agencies.

The lack of oversight occurred, in part, because ACE's primary focus was on the allocation of foreign assistance funds and the office did not implement necessary controls to effectively oversee foreign assistance programs being executed in the region by implementing partners. Specifically, ACE did not establish standard operating procedures to verify that implementing partners performed required oversight activities and executed sound management of the resources ACE provided. In addition, ACE did not establish standard operating procedures to ensure that it consistently collected M&E data from implementing partners. Furthermore, ACE did not have a tool to analyze and maintain the M&E data received from its implementing partners to determine whether U.S. policy goals in the region were being achieved.

ACE has recently taken needed steps to improve its oversight of implementing partners. OIG has, however, made recommendations that, when implemented, will help ACE ensure that programs in the region are being executed as intended. These recommendations will moreover enable ACE to ensure that progress is being made and make informed decisions about how to adjust program strategies and resource investments to achieve desired results.

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OBJECTIVE

The Office of Inspector General (OIG), Office of Audits, conducted this audit to determine whether the Bureau of European and Eurasian Affairs, Office of the Coordinator of U.S. Assistance to Europe and Eurasia (ACE), oversaw foreign assistance funds transferred to other Federal agencies and other intergovernmental organizations in accordance with Federal law and Department of State (Department) policy.

BACKGROUND

From FY 2016 through FY 2018, ACE was responsible for overseeing approximately \$1.3 billion¹ in foreign assistance funds transferred to other Federal agencies and intergovernmental organizations (implementing partners) working in Europe, Eurasia, and Central Asia. The office was established by Congress in 1992 to coordinate and oversee all U.S. Government assistance to the region. In July 2001, the office was merged with its sister office for Eastern and Central Europe and was placed under the leadership of a single coordinator, the Coordinator of U.S. Assistance to Europe and Eurasia.² ACE's main functions include coordination of policies and programs among all U.S. Government agencies and ensuring the proper management and oversight by agencies responsible for implementing assistance programs.³ U.S. foreign assistance funds targeted to the region support activities in a wide range of thematic areas, including security, rule of law, economic growth, democratic governance, independent media, and health and education. For example, programs in the region include developing a sustainable, institutionalized, and effective nuclear emergency management system; protecting and enforcing intellectual property rights; and increasing the knowledge and skills necessary to develop a science-based sustainable agricultural system.

ACE Organization

ACE personnel consists of a mix of Foreign Service officers, civil servants, and contractors. ACE is composed of the Coordinator, a Deputy Coordinator, and three divisions. The monitoring and evaluation (M&E)⁴ function is organizationally under the Director of Policy/Programs/Performance (P3), which has five officials and one M&E specialist. According to the P3 Director, country assistance coordinators (COAC) from the Country and Regional Programs Division work with posts, bureaus, and implementing partners to develop country or regional assistance strategies and related budget allocations. The P3 officials work with the

¹ ACE, formerly the "Office of the Coordinator of U.S. Assistance to Eurasia," is responsible for coordinating and overseeing all United States assistance to Europe, Eurasia, and Central Asia which is funded through various budgetary sources, including the Assistance for Europe, Eurasia, and Central Asia account.

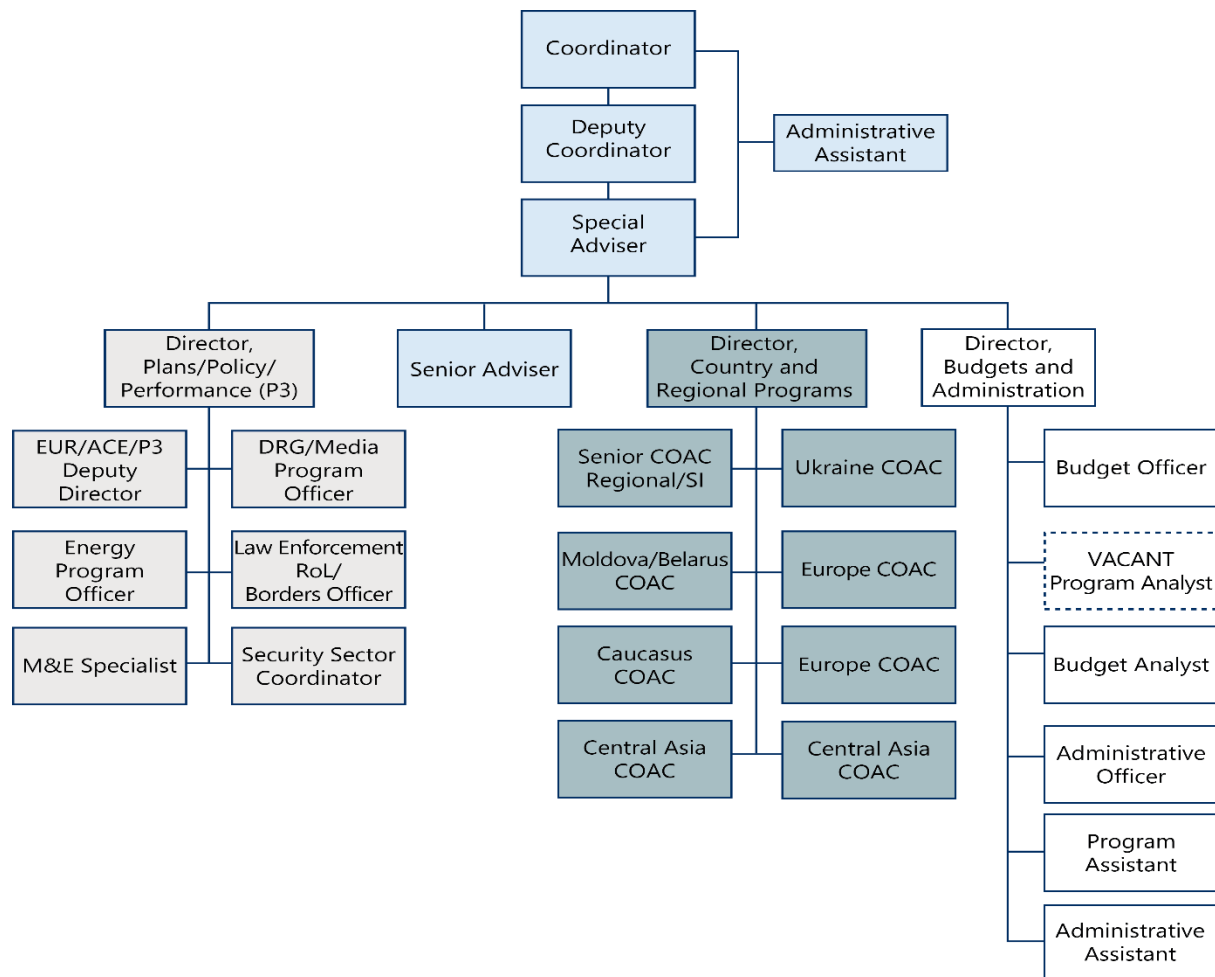
² Charter for the Coordinator of U.S. Assistance to Europe and Eurasia (July 25, 2001).

³ Pub. L. No. 102-511; Pub. L. No. 101-179; 1 FAM 143.1(5) and (7), "Office of the Coordinator of U.S. Assistance for Europe and Eurasia (EUR/ACE)."

⁴ The Government Accountability Office defines monitoring as the continuous oversight by the U.S. Government of programs and projects to assess their performance and progress toward achieving objectives and results. Evaluations are systematic studies conducted periodically or on an ad hoc basis to assess how well a program is working and to learn the benefits of a program or how to improve it.

COACs to coordinate this assistance. Furthermore, the P3 officials provide technical expertise in planning and monitoring assistance. The P3 officers also liaise with implementing partners and focus on providing day-to-day oversight of external evaluations of projects in their areas of expertise, including democracy and governance, security, rule of law, economic growth, and energy. Figure 1 shows the organizational structure of ACE.

Figure 1: ACE Organizational Structure as of June 2019



Source: OIG prepared from information provided by ACE about its organizational structure.

Foreign Assistance Funding Provided to Implementing Partners

OIG obtained a list of implementing agencies that received funding from FY 2016 through FY 2018 from ACE. The list showed that ACE provided funding to 12 implementing partners to execute foreign assistance programs in the region. Table 1 shows the implementing partners and the amount of funds transferred by ACE during this period.

Table 1: Implementing Partners That Received Foreign Assistance Funds From ACE for FY 2016 Through FY 2018

Implementing Partner	Amount of Funds Transferred by ACE
U.S. Department of Commerce	\$18,259,737
U.S. Department of Energy	\$13,584,000
U.S. Department of Homeland Security	\$1,000,000
U.S. Department of Interior	\$794,287
U.S. Department of the Treasury	\$26,898,682
Federal Bureau of Investigation	\$400,000
Open World Leadership Center	\$ 2,883,640
Organization for Security and Cooperation in Europe	\$151,263,000
U.S. Department of Agriculture	\$7,226,520
U.S. Institute for Peace	\$2,500,000
U.S. Agency for Global Media (formerly known as the Broadcasting Board of Governors)	\$6,000,000
U.S. Agency for International Development	\$1,070,820,724
Total	\$1,301,630,590

Source: Prepared by OIG from foreign assistance funding data provided by ACE.

Department's Monitoring and Evaluation Policy and Guidance

In 2010, the Department announced its first policy for improving program management, stating that “the policy builds on existing monitoring and evaluation efforts and performance measurement practices to establish a coordinated evaluation function within the agency. It [the policy] will apply to all [Department of] State Operations and Foreign Assistance funded activities by the Department, providing a framework for assessing programs, projects and activities carried out anywhere in the world.”⁵ A 2015 update to the Foreign Affairs Manual (FAM) enhanced transparency requirements for evaluations and broadened the policy to cover all programs, processes, and management functions carried out by the Department.⁶ Guidance referred to within the policy stated that “monitoring and evaluation are often mentioned together as signified by the acronym M&E. While the two complement each other, they are conceptually and operationally different. Monitoring is a continual process designed to give an indication of progress against goals and indicators of performance, and confirms whether implementation is on track. In general the results measured are the direct and near term consequences of program activities; whereas evaluations document the achievement of outcomes and results and, in some cases, the value of continuing the investment. . . . While [an evaluation]. . . will make use of monitoring data, evaluation goes beyond tracking progress to identifying the underlying factors and forces that affect the implementation process, efficiency,

⁵ Announcement #14250, “New Department of State Evaluation Policy,” November 24, 2010.

⁶ 18 FAM 300, “Department of State Evaluation Policy,” effective January 30, 2015.

sustainability and effectiveness of programs, projects, processes, etc. . .”⁷ In November 2017, the requirements set forth in the Foreign Aid Transparency and Accountability Act of 2016⁸ prompted another FAM update,⁹ which included evaluation in a continuum of planning, managing, monitoring, evaluating, and learning to further strengthen the requirements for M&E of foreign assistance programs. Particularly for 2015 through 2018, the Department’s policy explicitly emphasized its commitment to using performance management “best practices” to promote effectiveness and accountability and explained that monitoring and evaluation were crucial parts of that effort.¹⁰

The FAM recognizes that bureaus and independent offices do not always directly implement a program. In many cases, they provide funds to other agencies, operating units, or international organizations to carry out a program. For cases in which bureaus or offices work with implementing partners, there are two oversight options: “(1) Ensure the implementing organization carries out evaluations of programs consistent with the policy and disseminates a final evaluation report, or (2) Conduct collaborative evaluations with the implementing partners or organizations.”¹¹ In addition, guidance states that it is essential that bureaus and offices have comprehensive plans for all programs and projects that should include “details about the overall objectives, underlying logic model, expected outcomes, outputs and targets, time table for implementation and implementation schedules.” Furthermore, “whenever possible, plans should identify qualitative or quantitative indicators for performance and outcomes as well as plans to monitor and report progress. If a project, program or activity has monitoring and reporting built into it, an evaluation will have a base of data to work from.”¹²

In November 2017, the FAM was amended to also state that when a Department bureau or office transfers foreign assistance funds to other Federal agencies or institutions, it “is responsible for ensuring the appropriate procedures are in place at the receiving institution for managing, monitoring, and evaluating the outcome(s) pertaining to the use of those funds. . .

⁷ Guidance for Planning and Conducting Evaluations at the Department of State (January 2015), Part 1, Section 1.1, “Definition and Core Issues of Evaluation.”

⁸ Pub. L. No. 114-191 required the President to establish Government-wide guidelines for M&E of U.S. foreign assistance. In response, the Office of Management and Budget issued M-18-04, “Monitoring and Evaluation Guidelines for Federal Departments and Agencies that Administer United States Foreign Assistance,” January 11, 2018.

⁹ 18 FAM 301, “Department of State Program and Project Design, Monitoring, and Evaluation Policy” (effective November 8, 2017).

¹⁰ 18 FAM 311(a.), “Purpose” (effective January 30, 2015); 18 FAM 311(a), “Purpose” (effective February 6, 2015), 18 FAM 301.1-1, “Purpose” (effective November 8, 2017); 2 FAM 1821, “Purpose” (effective January 25, 2018); and 18 FAM 301.4-1, “Purpose,” (effective February 22, 2018).

¹¹ 18 FAM 317(a), “Collaborative Evaluations” (effective January 30, 2015); 18 FAM 301.1-7(a), “Collaborative Evaluations” (effective February 6, 2015); 18 FAM 301.1-4(E)a, “Collaborating with Other Bureaus, Offices, Agencies and Organizations on Evaluations” (effective November 8, 2017); 2 FAM 1824.5, “Collaborating with Other Bureaus, Offices, Agencies and Organizations on Evaluations” (effective January 25, 2018); and 18 FAM 301.4-4(E), “Collaborating with Other Bureaus, Offices, Agencies and Organizations on Evaluations” (effective February 22, 2018).

¹² Guidance for Planning and Conducting Evaluations at the Department of State (January 2015), Part 2, Section 2.1, “Planning Evaluations.”

and for establishing what information the receiving institution must supply to the State Department to ensure sound management of the resources.” The FAM further states that, at a minimum, it “must obtain from the receiving institution records of how the funds were used, sufficient monitoring data associated with the funds to determine if adequate progress and results are being achieved, and any evaluation findings related to the outcomes achieved with the funds.”¹³

Additionally, the FAM has stated since at least 2015 that bureaus and independent offices should conduct evaluations to examine the performance and outcomes of their programs, projects, and processes at a rate commensurate with the scale of their work, the scope of their portfolio, and the size of their budget. At a minimum, all bureaus and independent offices are required to complete at least one evaluation per fiscal year.¹⁴

AUDIT RESULTS

Finding A: ACE Oversight of Foreign Assistance Funds Transferred to Federal Agencies and Intergovernmental Organizations Needs Improvement

OIG found that the oversight of foreign assistance funds transferred by ACE to other Federal agencies and other intergovernmental organizations was not performed in accordance with Federal law and Department policy. Specifically, ACE did not ensure that implementing partners were performing monitoring and evaluation activities consistent with Department policy. Furthermore, ACE did not obtain data from implementing partners necessary to perform evidence-based analyses of U.S. Government foreign assistance being provided to the region and coordinate funding for policies and programs among all U.S. Government agencies.

The lack of oversight occurred, in part, because ACE’s primary focus was on the allocation of foreign assistance funds and the office did not implement necessary internal controls to effectively oversee foreign assistance programs being executed in the region. Specifically, ACE did not establish standard operating procedures to verify that implementing partners performed required oversight activities and soundly managed resources ACE provided. In addition, ACE did not establish standard operating procedures to ensure that it consistently collected data from implementing partners. Finally, ACE did not have a tool to analyze and maintain the M&E data received from its implementing partners to determine whether U.S. policy goals in the region were being achieved.

¹³ 18 FAM 301.4-6(B)(a), “Transfer of Foreign Assistance Funds” (effective November 8, 2017); 2 FAM 1826, “Transfer of Foreign Assistance Funds” (effective January 25, 2018); and 18 FAM 301.4-6(B)(a), “Transfer of Foreign Assistance Funds” (effective February 22, 2018).

¹⁴ 18 FAM 312.1(a), “Evaluation Requirements” (effective January 30, 2015); 18 FAM 301.1-2(A)(a.), “Evaluation Requirements” (effective February 6, 2015); 18 FAM 301.1-4 (a-b), “Evaluation” (effective November 8, 2017); 2 FAM 1824, “Evaluation” (effective January 25, 2018); and 18 FAM 301.4-4(a-b), “Evaluation” (effective February 22, 2018).

Although ACE recently took steps to improve management and oversight of its implementing partners, it cannot ensure that programs in the region are being executed as intended. Additionally, it cannot provide reasonable assurance that progress is being made in the region or make informed decisions about how to adjust program strategies and resource investments to achieve desired results.

ACE Did Not Ensure Proper Management and Oversight by Implementing Partners

According to the FAM, ACE is responsible for ensuring “the proper management and oversight by agencies responsible for implementing assistance programs” and directing “region-wide. . . performance monitoring, and reporting and evaluation of U.S Government assistance.”¹⁵ For cases in which bureaus provide funds to other agencies, operating units, or international organizations to carry out a program, the FAM provides two oversight options: (1) Ensure the implementing organization carries out evaluations of programs consistent with the policy and disseminates a final evaluation report or (2) Conduct collaborative evaluations with the implementing partners or organizations.¹⁶ To carry out evaluations consistent with Department policy, implementing partners should have defined programs and projects, goals, and indicators (monitoring elements) in place as well as performance management processes to systematically collect and analyze information obtained through monitoring activities. ACE is responsible for ensuring its implementing partners perform M&E activities in compliance with policy. Furthermore, ACE must collect and systemically analyze M&E data from its implementing partners.

OIG found that ACE did not consistently collect M&E data from its implementing partners, as required by Department policy, and it was not aware of how its implementing partners were monitoring and evaluating the assistance programs they executed. ACE could not provide evidence that demonstrated that implementing partners were executing M&E activities or, alternatively, that ACE had conducted collaborative evaluations with its implementing partners to make informed decisions about how to adjust program strategies and resource investments to achieve desired results.

ACE identified the Annual Budget Reviews (ABR) it holds with implementing partners as the process it uses to fulfill its oversight responsibility. ACE stated that it holds ABRs with each agency that implements assistance programs “in order to assess program performance and build annual budgets that [support] our assistance strategies.” Through the ABR process, ACE requests M&E data from its implementing partners and “analyzes activities and performance over the past year and solicits funding requests for the coming fiscal year.” ACE conducts the reviews for specific implementing agencies, organized by country.

¹⁵ 1 FAM 143.1(5) and (7).

¹⁶ 18 FAM 317(a) (effective January 30, 2015); 18 FAM 301.1-7(a) (effective February 6, 2015); 18 FAM 301.1-4(E)a (effective November 8, 2017); 2 FAM 1824.5 (effective January 25, 2018); and 18 FAM 301.4-4(E) (effective February 22, 2018).

ACE stated that, in the ABRs, implementing partners describe their performance results in the prior year and how they plan to address obstacles to progress. Furthermore, the implementing partners describe how their activities fit with U.S. Government priorities¹⁷ in a given country, as defined by the Integrated Country Strategy,¹⁸ and how the activities link to the goals of the host country. The implementing partner also submits budget data and a request for funding for the upcoming year.¹⁹ ABR submissions consisted of a narrative template and a funding request spreadsheet template filled out by implementing partners. The ACE narrative templates, with accompanying memoranda, requested that implementing partners address monitoring data such as program and project objectives, performance results (past and current year performance), significant challenges and implications for future funding, as well as data on planned or completed external evaluations.

Because ACE identified the ABR process as the mechanism in place for implementing partners to provide ACE with direct feedback on all programs and corresponding M&E data, OIG reviewed 110 ABR submissions for FYs 2015, 2016, and 2017 for implementing partners that received foreign assistance funding from ACE between FY 2016 and FY 2018.²⁰ OIG did so to determine the extent to which the implementing partners provided ACE with M&E data (i.e., data to analyze activities and performance) for the programs being executed. OIG found that, although the ABR instructions ACE provided to its implementing partners requested that implementing partners provide “outcome-level results” achieved during the past 12 months and the results expected in the upcoming fiscal year, the ABR submissions provided to ACE did not always contain information on performance indicators²¹ and progress toward goals and timetables for achieving goals, as required. In addition, OIG found that implementing partners typically failed to address whether they had conducted or planned to conduct evaluations of the programs being executed. Specifically, of the 110 ABRs OIG reviewed, only 2 (2 percent) indicated that an evaluation of the program had been conducted. Other ABRs stated that an evaluation would be conducted in the following year but did not provide the evaluation objectives, as requested. Mostly, OIG found that the implementing partners either stated that no evaluation had been conducted or simply skipped the section and provided no information.

¹⁷ Within the Joint Regional Strategy, which is a multi-year strategic plan for each region, the Department and the U.S. Agency for International Development set joint priorities and guide key partner bureau and mission-level planning. This strategic plan is developed by regional bureaus in consultation with functional bureaus and missions abroad.

¹⁸ The Integrated Country Strategy is a multi-year strategic plan that articulates whole-of-government priorities in a given country and incorporates higher level planning priorities. Each mission creates an Integrated Country Strategy that includes input from other agencies based on the Joint Regional Strategy priorities.

¹⁹ ABRs inform foreign assistance allocations for the region, which are then submitted to the Department’s Office of Foreign Assistance for inclusion in the Department’s budget. This process ultimately yields the requests submitted to the Office of Management and Budget and later to Congress for enactment of the appropriations.

²⁰ ABRs held in any particular fiscal year inform the next fiscal year’s foreign assistance allocations for the region. For example, the 2015 ABRs submissions informed the 2016 budget allocations.

²¹ Performance indicators are characteristics to observe progress and to measure actual results compared to expected results.

Even though the Coordinator tasked ACE officers in 2016 with maintaining summaries of key points and actions to be taken, OIG found, and ACE acknowledged, that notes documenting ABRs were not consistently completed by ACE officers. As a result, the documentation prepared and maintained by ACE through its ABR process regarding M&E activities was not sufficient to demonstrate it fulfilled its oversight responsibilities per Department policy.

To further assess ACE's success in ensuring the proper management and oversight by its implementing partners and directing region-wide performance M&E, OIG requested that ACE provide information on its implementing partners' M&E activities outside of that which it had obtained through the ABR process. ACE asked some of its implementing partners for data regarding the controls in place to oversee the expenditure of funds for the programs being executed. OIG reviewed the results of the data call and found varying degrees of information and detail provided by the implementing partners. Partners provided generic or brief answers and did not reference any specific M&E policy that ACE could assess in order to verify performance of M&E activities consistent with the policy. Furthermore, some implementing partners mentioned controls related to M&E, such as development of annual work plans, monitoring plans, and site visits, and some only provided information on fiscal controls.

Because ACE was unable to readily demonstrate that it was aware of the manner in which its implementing partners were monitoring and evaluating programs that ACE funded, OIG concludes that oversight of the foreign assistance funds transferred by ACE to its implementing partners needs improvement. This conclusion is consistent with the information provided via a hotline complaint to OIG, which included allegations stating that the ACE "process for making funding decisions includes an annual budget review with each implementer and discussions between [ACE] country assistance officers and their associated overseas posts. However, without [M&E] reports, the funding decisions rely on anecdotal and, at best, basic process measures."

OIG attributes the lack of oversight performed by ACE over its implementing partners, at least in part, to its primary focus on the allocation of foreign assistance funds rather than fulfilling its additional required oversight responsibilities. Specifically, ACE did not establish standard operating procedures to verify that implementing partners performed required oversight activities to ensure sound management of the resources ACE provided. In addition, ACE did not establish standard operating procedures to ensure that it consistently collected data from implementing partners via its ABR process. Furthermore, ACE did not have a tool to analyze and maintain the M&E data from its implementing partners to determine if U.S. policy goals in the region were being achieved.

ACE Performed Some Evaluations, but Resource Allocation Decisions Were Based on Insufficient M&E Data

According to ACE officials, ACE complied with the FAM requirement to undertake at least one evaluation per fiscal year.²² Specifically, ACE stated that “ACE conducts multi-agency and/or multi-country evaluations, leaving project and program specific evaluations to its partners.” ACE cited that, between 2009 and 2013 (except for 2011),²³ it conducted one evaluation per year as required by the FAM. In addition, EUR and the Bureau of South and Central Asian Affairs commissioned an evaluation of U.S. Government media efforts in Europe, Eurasia, and Central Asia that was issued in FY 2017. According to ACE officials, ACE received approval from the Office of U.S. Foreign Assistance Resources²⁴ to use this evaluation²⁵ to fulfill the office’s evaluation requirement for both FY 2015 and FY 2016, making it the only evaluation performed during the audit scope. Overall, annual evaluations were not conducted in FY 2014, FY 2017, or FY 2018. Furthermore, even if OIG could have confirmed ACE performed a multi-agency/multi-country evaluation every year, this would not exempt ACE from ensuring that the “project and program specific evaluations” it leaves up to the partners are also being carried out in accordance with the policy.²⁶

Moreover, ACE’s primary focus was on the allocation and distribution of approximately \$1.3 billion in foreign assistance funds transferred to its implementing partners working in Europe, Eurasia, and Central Asia from FY 2016 through FY 2018. OIG determined that this focus contributed to the deficiencies in ACE’s oversight of its implementing partners. OIG also notes that partners were being provided with M&E budgets as requested via ABRs without meaningful assessment of those requests. ACE should have verified that partners were in fact performing such activities consistent with the policy. Without complete M&E data from the collective implementing partners to measure results, provide inputs for planning and budget

²² 18 FAM 312.1(a) (effective January 30, 2015); 18 FAM 301.1-2(A)(a) (effective February 6, 2015); 18 FAM 301.1-4 (a-b) (effective November 8, 2017); 2 FAM 1824 (effective January 25, 2018); and 18 FAM 301.4-4(a-b) (effective February 22, 2018).

²³ From 2009 through 2013, ACE performed one country-specific evaluation of external media capacities (2010), two multi-country program-specific evaluations of border control (2009) and information and communication (2012), and one country-specific evaluation on economic growth programs (2013).

²⁴ The Office of U.S. Foreign Assistance Resources directs the planning, execution, and evaluation processes of the Department and the United States Agency for International Development foreign assistance resources.

²⁵ Independent Assessment of the U.S. Government Efforts to Counter Russia’s Disinformation and Malign Influence: Baltics, Balkans, Eastern Europe and the Caucasus, and Central Asia, Synthesis Report, June 2017.

²⁶ 18 FAM 317(a) (effective January 30, 2015); 18 FAM 301.1-7(a) (effective February 6, 2015); 18 FAM 301.1-4(E)a (effective November 8, 2017); 2 FAM 1824.5 (effective January 25, 2018); and 18 FAM 301.4-4(E) (effective February 22, 2018).

decisions, and ensure accountability,²⁷ ACE cannot perform an evidence-based holistic review of U.S. Government foreign assistance being provide to the region.²⁸

Standard Operating Procedures To Improve Oversight Are Needed

OIG found that ACE did not sufficiently oversee its implementing partners, in part because it did not have standard operating procedures to guide the process. For example, ACE did not have procedures to verify that the programs being executed by its implementing partners were being monitored and evaluated in a manner consistent with Department policy. ACE also did not have procedures to verify that its implementing partners developed evaluation plans, established the frequency and timing of those evaluations, and determined when evaluation results were due to ACE.

The FAM states that all levels of management are responsible for ensuring adequate controls over all Department operations. It further states that “all management control systems [internal controls] must incorporate the Government Accountability Office (GAO) Internal Control Standards.”²⁹ According to GAO, “Management should implement control activities through policies.”³⁰ The policies should document “control activity design, implementation, and operating effectiveness.” In addition, organizations can “further define policies through day-to-day procedures.” GAO also states that management “communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.” Until standard operating procedures are implemented to guide this oversight process, ACE will be unable to determine whether programs in the region are being executed as intended. Also, ACE cannot provide reasonable assurance that progress is being realized or make informed decisions about how to adjust program strategies and resource investments to achieve desired results.

As discussed, the FAM section titled “Collaborating with Other Bureaus, Offices, Agencies and Organizations on Evaluations” established oversight responsibilities of implementing partners’ M&E activities for bureaus such as ACE that do not always directly implement programs.³¹ However, because the current version of the FAM also includes a new section titled “Transfer of

²⁷ 18 FAM 311(a), “Purpose” (effective January 30, 2015); 18 FAM 311(a), “Purpose” (effective February 6, 2015); 18 FAM 301.1-1, “Purpose” (effective November 8, 2017); 2 FAM 1821, “Purpose” (effective January 25, 2018); and 18 FAM 301.4-1, “Purpose” (effective February 22, 2018).

²⁸ 1 FAM 143.1(5) and (7). Also, 1 FAM 143.1(3) states that ACE oversees program and policy coordination among all U.S. Government agencies.

²⁹ 2 FAM 021.1(a.) and (c.), “Policy and Scope.”

³⁰ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014), Component of Internal Control: Control Activities, Principle 12 – Implement Control Activities, Sections 12.01-12.04.

³¹ 18 FAM 317(a) (effective January 30, 2015); 18 FAM 301.1-7(a.) (effective February 6, 2015); 18 FAM 301.1-4(E)a (effective November 8, 2017); 2 FAM 1824.5 (effective January 25, 2018); and 18 FAM 301.4-4(E) (effective February 22, 2018).

Foreign Assistance Funds”³² that expands on this requirement, OIG is making the following recommendation:

Recommendation 1: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement standard operating procedures (a) to verify that its implementing partners have appropriate procedures in place for managing, monitoring, and evaluating the outcomes pertaining to the use of foreign assistance funds, commensurate with 18 FAM 301.4-2, “Program Project/Design” 18 FAM 301.4-3, “Monitoring,” and 18 FAM 301.4-4, “Evaluation,” and (b) to outline how and what information ACE will obtain from its implementing partners to ensure the sound management of foreign assistance funds provided to its implementing partners, as required by 18 FAM 301.4-6(B)(a), “Transfer of Foreign Assistance Funds,” which at a minimum include sufficient monitoring data associated with the funds to determine if adequate progress and results are being achieved and any evaluation findings related to the outcomes achieved with the funds.

Management Response: ACE concurred with the recommendation “in principle.” It stated that, as of 2018, it has “required partners to provide monitoring and evaluation plans, and in 2019 increased the requirement to include baselines and multi-year targets for indicators. As of 2020, ACE will require partners to submit logic models for all funded projects.” ACE stated that it has drafted standard operating procedures “for these elements of 18 FAM 300” and expects to release them to partners in late 2019.

OIG Reply: On the basis of ACE’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 ACE has developed and implemented internal standard operating procedures that outline how ACE will verify implementing partners have appropriate procedures in place for managing, monitoring, and evaluating the outcomes pertaining to the use of foreign assistance funds as well as outline how and what information ACE will obtain from its implementing partners to ensure the sound management of foreign assistance funds provided to its implementing partners, as required by 18 FAM 301.4-6(B)(a), “Transfer of Foreign Assistance Funds.”

Tool To Analyze and Maintain M&E Data Is Needed

ACE could not perform evidence-based analysis of U.S. Government foreign assistance being provided to the region and effectively coordinate funding for policies and programs among all U.S. Government agencies because it did not have a tool to analyze and maintain the M&E data

³² 18 FAM 301.1-6(B)(a) (effective November 2017) and currently 18 FAM 301.4-6(B)(a), “Transfer of Foreign Assistance Funds” (effective February 22, 2018) reaffirm the requirement in 18 FAM 317(a) (effective January 30, 2015); 18 FAM 301.1-7(a.) (effective February 6, 2015); 18 FAM 301.1-4(E)a (effective November 8, 2017); 2 FAM 1824.5 (effective January 25, 2018); and 18 FAM 301.4-4(E) (effective February 22, 2018) for bureaus such as ACE that do not always directly implement programs to ensure that implementing partners’ are carrying-out M&E activities consistent with Department policy.

from its implementing partners to determine whether U.S. policy goals in the region were being achieved. Specifically, ACE had not implemented a tool to analyze and maintain performance data and it did not implement standard operating procedures to guide ACE personnel in the collection and analysis of M&E data to ensure a uniform, consistent approach. ACE stated it did not “benefit from systematic program performance data and analysis from its partners that allow[ed] it to monitor outcome-level programmatic results within a country or across countries at the sub- and regional levels.” GAO states that “[m]anagement processes relevant data from reliable sources into quality information within the entity’s information system,” and that “management designs the entity’s information system to obtain and process information to meet each operational process’s information requirements and to respond to the entity’s objectives and risks.”³³ GAO defines an information system as the “people, processes, data, and technology that management organizes to obtain, communicate, or dispose of information.”

ACE officials told OIG that ACE was creating a series of tracking matrices (Excel spreadsheets) which OIG reviewed to begin summarizing information obtained from the 2018 ABR submissions. A presentation prepared by an M&E specialist³⁴ stated that “COACs and functional specialists will be asked to update the tracking matrices after the review of each future year’s ABR submission.” The presentation further stated, “These trackers will provide a simple way of monitoring results against the most useful high level outcome indicators for decision-making, as well as progress on evaluation plans external to the State Department.” If ACE decides to implement the matrices or a more robust mechanism, it must develop standard operating procedures that outline how ACE will manage and use the matrices to fulfill its oversight responsibilities and produce quality information for both internal and external stakeholders. For example, ACE’s procedures should establish controls to protect the integrity of the data and outline the roles and responsibilities of ACE staff to maintain the data, including how often the data will be updated and how they will be used to inform decision making.

Previous analysis also emphasized the need to develop more sophisticated mechanisms to assess the activities of ACE’s implementing partners. In particular, the evaluation commissioned by ACE and the Bureau of South and Central Asian Affairs issued in June 2017 of more than 500 U.S. Government media programs stated “. . .given that this independent assessment was a ‘snapshot in time,’ the [U.S. Government] will need to invest in mechanisms [tools] and processes to deepen its understanding of [. . .]activities. . . , and adjust its programming accordingly. This will prove to be valuable and important in maintaining a common picture of all [U.S. Government] activities, and in having mechanisms in place to systemically and routinely assess the effectiveness of [U.S. Government] programs and activities over time.”³⁵ As the office responsible for coordinating and overseeing foreign assistance for Europe, Eurasia, and

³³ GAO-14-740G, Component of Internal Control: Control Activities, Principle 11 – Design Activities for the Information System, Sections 11.01-11.17 and Component of Internal Control: Information and Communication, Principle 13 – Use of Quality Information, Sections 13.01-13.06.

³⁴ In May 2017, the M&E specialist position under the P3 Division was filled by a contractor from Dexis Consulting Group.

³⁵ Independent Assessment of the U.S. Government Efforts to Counter Russia’s Disinformation and Malign Influence: Baltics, Balkans, Eastern Europe and the Caucasus, and Central Asia, Synthesis Report, June 2017.

Central Asia, ACE must ensure that it has an appropriate mechanism in place commensurate with the scale of its work and responsibility, the scope of the portfolio, and the size of its budget. OIG is therefore making the following recommendations.

Recommendation 2: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement an appropriate tool to maintain, track, and continually analyze foreign assistance programs under its purview.

Management Response: ACE concurred “in principle” with the recommendation, stating that as it “moves forward with this recommendation, it will proceed with a tailored system on its own unless the Department proceeds with an enterprise-wide solution.” ACE stated that, in the interim, it will use (1) the annual budget reviews to solicit appropriate information and ensure compliance from implementing partners and (2) an Excel-based indicator tracker to capture indicators submitted via the annual budget review process.

OIG Reply: On the basis of ACE’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 ACE has developed and implemented an appropriate tool to maintain, track, and continually analyze foreign assistance programs under its purview.

Recommendation 3: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement standard operating procedures to guide the consistent and uniform collection, analysis, use, and maintenance of monitoring and evaluation data provided by implementing partners.

Management Response: ACE concurred with the recommendation and noted that it had already developed a monitoring and evaluation plan for its major programs and adopted existing standard operating procedures used by the Department in drafting the current Department and USAID Joint Strategic Plan. ACE also stated that it will develop standard operating procedures that will govern ongoing efforts relevant to this recommendation.

OIG Reply: On the basis of ACE’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 ACE has developed and implemented internal standard operating procedures that guide ACE staff in the consistent and uniform collection, analysis, use, and maintenance of monitoring and evaluation data provided by implementing partners.

Additional Actions Necessary To Improve Steps Already Taken by ACE

In May 2017, ACE contracted with Dexis Consulting Group to obtain an M&E specialist who was asked to assess gaps in oversight between Federal and Department requirements and the current systems and practices of ACE as well as those of its implementing partners receiving

foreign assistance funding. ACE also required that the M&E specialist design and implement a plan to address those gaps over a 2-year period.

As of April 2019, the M&E specialist had not completed the gap analysis but had submitted a draft to ACE for review. OIG reviewed the draft gap analysis, which identified issues and challenges consistent with the findings presented in this audit. Specifically, the analysis identified deficiencies with the implementing partners' performance monitoring plans, indicators, or logic models³⁶ and noted that program evaluations had not been conducted for many years.

To address these deficiencies, ACE updated memoranda sent to partners, modified the ABR template, and drafted new guidance for implementing partners. According to ACE, prior to the yearly ABRs, it sends a memorandum to its implementing partners to help them prepare for the meeting and set expectations for the documentation required. OIG reviewed the memoranda sent from 2015 through 2018. These memoranda stated that past and current-year program performance, including outcome level results, was an important data point for implementing partners to provide in advance of ABRs. In addition, ACE added to its 2017 and 2018 memoranda information stating that implementing partners include a proposed evaluation plan as part of their funding requests.

In 2018, ACE also reinstated the practice of establishing agreements with implementing partners that received funding from ACE. OIG reviewed examples of two agreements provided by ACE and found that the agreements included language conveying the conditions that apply when receiving funds from ACE.

Although the updated memorandum and the re-instatement of agreements are positive steps to clarify roles and responsibilities between ACE and its implementing partners, further development of these tools would be beneficial. For example, the agreements do not include specific information on the programs and projects for which the implementing partner is responsible or on the specific region goals that the implementing partner is intended to address and report performance outcomes. Furthermore, the agreements do not discuss the importance of the implementer's evaluation plan or how the funds provided by ACE achieved desired results. Lastly, language such as "should" rather than "must" used within the memorandum implies that it is optional for partners to provide monitoring and evaluation data.

Recommendation 4: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia (ACE), include, within fund transfer agreements, specific information on the programs and projects the implementing partner is responsible for, the specific region goals that the implementing partner must address and report on performance outcomes, and how the funds provided by ACE achieved desired results.

³⁶ Logic models are a rigorous methodology used for program or project design that focuses on causal linkages between project inputs, activities, outputs, short-term outcomes, and long-term outcomes.

Management Response: ACE concurred with the recommendation, stating that it “has already begun to implement this recommendation and plans to incorporate this information into FY [20]19 interagency fund transfer agreements and 632(b) agreements.” In addition, ACE stated that it will explore alternative measures to fulfill 18 FAM 300 requirements for INCLE [International Narcotics Control and Law Enforcement] funds as part of its coordinating function for the region because these are not captured in either 632(a) or 632(b) agreements.³⁷

OIG Reply: On the basis of ACE’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 ACE has included within fund transfer agreements specific information on the programs and projects the implementing partner is responsible for, the specific region goals that the implementing partner must address and report on performance outcomes, and how the funds provided by ACE achieved desired results.

ACE is also drafting guidance for its implementing partners that includes “standards and practices” to be used to execute projects in the region. OIG reviewed the draft guidance and found that it covers what ACE expects from its implementing partners in terms of evaluation plans, the timing of evaluations, and ACE’s role in the coordination of those evaluations. However, it does not cover or inform the implementing partners how ACE will verify that partners are conducting monitoring, including the development of performance indicators or logic models and monitoring plans, as required by Department policy.³⁸ ACE must be aware of implementing partners’ monitoring and evaluation activities related to its foreign assistance programs. To ensure that ACE can fulfill this requirement, ACE must communicate these requirements and expectations to its partners. OIG is therefore making the following recommendations:

Recommendation 5: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia (ACE), amend the draft “standards and practices” for implementing partners to include the standard operating procedures ACE will follow to verify that partners are conducting monitoring, such as developing performance indicators and monitoring plans, required by Department policy and issue once finalized.

Management Response: ACE concurred with the recommendation, stating that it “plans to release its requirements and related standard operating procedures within the next three months.”

OIG Reply: On the basis of ACE’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This

³⁷ Sections 632(a) and 632(b) of the Foreign Assistance Act of 1961 are the authority for the Department to provide foreign assistance funds to other U.S. agencies.

³⁸ 18 FAM 301.4-4(E) and 18 FAM 301.4-6(B)(a).

recommendation will be closed when OIG receives and accepts documentation demonstrating that ACE has amended the draft “standards and practices” developed for implementing partners to include the standard operating procedures ACE will follow to verify that partners are conducting monitoring, such as developing performance indicators and monitoring plans, required by Department policy and issue once finalized.

Recommendation 6: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia (ACE), develop and implement standard operating procedures to periodically communicate to implementing partners (a) Department of State (Department) requirements about managing, monitoring, and evaluating the outcome(s) of funds provided by the Department and (b) expectations for reporting data and information to ACE for the purpose of verifying the sound management of the funds provided and for making informed decisions about program strategies and resource investments.

Management Response: ACE concurred with the recommendation, stating that it “already regularly communicates requirements with partners and embassies and will prioritize the development of standard operating procedures to formalize these communication efforts.” ACE also noted that it annually provides its partners with guidance and templates for the annual budget reviews and holds conference calls with partners in order to discuss requirements for annual budget review submissions.

OIG Reply: On the basis of ACE’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 ACE has developed and implemented standard operating procedures to periodically communicate to implementing partners (a) Department requirements about managing, monitoring, and evaluating the outcome(s) of funds provided by the Department and (b) expectations for reporting data and information to ACE for the purpose of verifying the sound management of the funds provided and for making informed decisions about program strategies and resource investments.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement standard operating procedures (a) to verify that its implementing partners have appropriate procedures in place for managing, monitoring, and evaluating the outcomes pertaining to the use of foreign assistance funds, commensurate with 18 FAM 301.4-2, "Program Project/Design" 18 FAM 301.4-3, "Monitoring," and 18 FAM 301.4-4, "Evaluation," and (b) to outline how and what information ACE will obtain from its implementing partners to ensure the sound management of foreign assistance funds provided to its implementing partners, as required by 18 FAM 301.4-6(B)(a), "Transfer of Foreign Assistance Funds," which at a minimum include sufficient monitoring data associated with the funds to determine if adequate progress and results are being achieved and any evaluation findings related to the outcomes achieved with the funds.

Recommendation 2: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement an appropriate tool to maintain, track, and continually analyze foreign assistance programs under its purview.

Recommendation 3: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement standard operating procedures to guide the consistent and uniform collection, analysis, use, and maintenance of monitoring and evaluation data provided by implementing partners.

Recommendation 4: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia (ACE), include, within fund transfer agreements, specific information on the programs and projects the implementing partner is responsible for, the specific region goals that the implementing partner must address and report on performance outcomes, and how the funds provided by ACE achieved desired results.

Recommendation 5: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia (ACE), amend the draft "standards and practices" for implementing partners to include the standard operating procedures ACE will follow to verify that partners are conducting monitoring, such as developing performance indicators and monitoring plans, required by Department policy and issue once finalized.

Recommendation 6: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia (ACE), develop and implement standard operating procedures to periodically communicate to implementing partners (a) Department of State (Department) requirements about managing, monitoring, and evaluating the outcome(s) of funds provided by the Department and (b) expectations for reporting data and information to ACE for the purpose of verifying the sound management of the funds provided and for making informed decisions about program strategies and resource investments.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of European and Eurasian Affairs, Office of the Coordinator of U.S. Assistance to Europe and Eurasia's (ACE) oversight of foreign assistance funds transferred to other Federal agencies and other intergovernmental organizations was in accordance with Federal law and Department of State (Department) policy. This audit was initiated, in part, to address a complaint received in December 2016 that alleged that ACE was not ensuring monitoring and evaluation (M&E) on nearly \$1 billion in foreign assistance funds provided to Federal agencies and other intergovernmental organizations (implementing partners).

OIG conducted this audit from September 2018 to July 2019. Issuance of this report was delayed because of the lapse in OIG's appropriations that occurred from 11:59 p.m. December 21, 2018, through January 25, 2019. Audit work was performed in the Washington, DC, metropolitan area. The scope of the audit involved oversight activities performed by ACE from 2015 through 2017 of its implementing partners, specifically Federal agencies and other intergovernmental organizations, that received foreign assistance funds from FY 2016 through FY 2018. OIG also reviewed efforts taken by ACE from 2017 to July 2019 to improve its oversight of implementing partners. 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 gain an understanding of the audit topic, OIG researched and reviewed applicable Federal laws related to the oversight of foreign assistance funds, such as the Support for East European Democracy Act of 1989, the Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992, and the Foreign Aid Transparency and Accountability Act. OIG also reviewed applicable Department policy within the Foreign Affairs Manual and the Foreign Affairs Handbook. Additionally, OIG reviewed prior reports issued by OIG and the Government Accountability Office (GAO). OIG met with ACE and Office of U.S. Foreign Assistance Resources officials to further understand existing oversight and monitoring processes over foreign assistance funds under the purview of the ACE Coordinator. In addition, OIG met with the hotline complainant, a former ACE employee. Furthermore, OIG reviewed documentation to substantiate and corroborate statements made during meetings, including emails, memoranda, contract file,¹ and other ACE management information such as standard operating procedures and Annual Budget Review (ABR) documentation provided to ACE by its implementing partners.

¹ OIG reviewed the Dexis Consulting Group task order, subsequent modifications to the task order, and task order deliverables to understand the scope of work contracted and to identify commonalities between the contractor's findings and OIG's findings. OIG did not evaluate ACE's administration and oversight of the task order with Dexis Consulting Group.

ABR Review Process

OIG reviewed 110 ABRs provided by ACE. OIG reviewed the ABRs to identify the following pertaining to M&E:

- Whether the implementing agency included data on performance indicators for all programs and projects identified in the ABR as well as progress toward goals.
- Whether the implementing agency stated that an external evaluation was conducted for programs identified in the ABR.

Using these factors, OIG determined whether the ABRs provided ACE with requested M&E data for ACE to make informed decisions regarding the progress and achievement of goals for foreign assistance programs in the region.

Prior Reports

In August 2018, OIG reported² that EUR Grants Officers and Grants Officer Representatives did not administer and oversee the grants selected for review 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, Grants Officer Representatives files did not include all required documents, such as monitoring plans, evidence of reviews of performance and financial reports, and 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 Grants Officers did not sufficiently oversee Grants Officer Representatives performance.

In July 2016, GAO reported³ that humanitarian assistance provided by the Department and the U.S. Agency for International Development (USAID) had assessed some risks of delivering humanitarian assistance inside Syria but most partners had not assessed risks of fraud. Specifically, GAO reported that the Department and USAID did not require implementing partners to conduct comprehensive risk assessments for humanitarian assistance delivered to people inside Syria and most did not assess financial risks such as the risk of fraud. GAO recommended that the Department and USAID require their implementing partners to conduct fraud risk assessments to provide more complete information to assist the agencies in conducting oversight activities. In addition, GAO recommended that USAID ensure that field monitors are trained to identify potential fraud risks and collect information on them. The Department and USAID concurred with GAO's recommendations.

² OIG, *Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants (AUD-CGI-18-50, August 2018)*.

³ GAO, *Some Risks of Providing Aid inside Syria Assessed, but U.S. Agencies Could Improve Fraud Oversight (GAO-16-629, July 2016)*.

In September 2016, GAO reported⁴ that five of six agencies reviewed, including the Department, had established M&E policies that applied to their major foreign assistance programs. Specifically, the Department had agency-wide policies for foreign assistance programs that generally addressed leading M&E practices. The GAO report further stated that agencies, for example, had monitoring policies that required the development, collection, analysis, and reporting of data on performance indicators. According to GAO, these policies were intended to help ensure measurement of project implementation and promote timely analysis and reporting of results that could identify needed course corrections. In addition, all agencies reviewed, except the Department of Defense, had policies that required documenting an evaluation plan or agenda, ensuring evaluation quality and independent evaluators, allowing a choice of methods, and disseminating evaluation findings/results, all of which are intended to help ensure that key stakeholders have access to quality information for informed management decisions. However, GAO noted that addressing M&E practices in agency policy does not necessarily ensure that program staff responsible for M&E will follow them. Furthermore, GAO reported that none of the agencies reviewed made adherence to all M&E practices mandatory. GAO did not make any recommendations in the report.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. For example, OIG gained an understanding of ACE's oversight processes of its implementing partners. OIG reviewed the Foreign Affairs Manual, the Foreign Affairs Handbook, and ACE guidance, such as office procedures and memoranda, to support its finding. Weaknesses in internal controls identified by OIG are presented in the Audit Results section of this report.

Use of Computer-Processed Data

OIG obtained the findings using source documentation. As a result, OIG did not use any computer-processed data to support the findings and conclusions presented in this report.

⁴ GAO, *Foreign Assistance: Selected Agencies' Monitoring and Evaluation Policies Generally Address Leading Practices* (GAO-16-861R, September 2016).

APPENDIX B: BUREAU OF EUROPEAN AND EURASION AFFAIRS, OFFICE OF THE COORDINATOR OF U.S. ASSISTANCE TO EUROPE AND EURASIA, MANAGEMENT RESPONSE



United States Department of State

Washington, D.C. 20520

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December 20, 2019

MEMORANDUM

TO: OIG/AUD – Denise M. Colchin

FROM: EUR/ACE – James Kulikowski

SUBJECT: Response to the Draft Report on *Audit of the Office of the Coordinator for Assistance to Europe and Eurasia's Oversight of Foreign Assistance Funds Transferred to Implementing Partners*

Attached for your consideration is information on actions taken or planned by EUR/ACE for the recommendations in the draft report and written comments on the draft report. EUR/ACE welcomes the additional review of its oversight of foreign assistance funds as conducted by the OIG, and agrees in principle to all of the recommendations in the draft report.

EUR/ACE appreciates the time and attention given by your staff in carrying out this audit. If you have any questions as you review our comments and finalize the report, please contact John Wilcox at 202 647 6621 or Wilcox.JL@state.gov. In addition, to further your efforts to finalize the audit report, Mr. Wilcox will send separately a range of documents referenced in our formal comments.

Attachment(s):

- EUR/ACE Response on the Draft *Audit of the Office of the Coordinator for Assistance to Europe and Eurasia's Oversight of Foreign Assistance Funds Transferred to Implementing Partners*
- Summary of 18 FAM 300 Requirements

cc: OIG/AUD – Zorayma Torres-Alvarez
OIG/AUD – Maria Sharp

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EUR/ACE Comments on the Draft *Audit of the Office of the Coordinator for Assistance to Europe and Eurasia's Oversight of Foreign Assistance Funds Transferred to Implementing Partners*

I. Summary of EUR Response to Draft OIG audit findings of Its Oversight of Foreign Assistance Funds Transferred to Implementing Partners

EUR/ACE welcomes the additional review of its oversight of foreign assistance funds transferred to implementing partners as conducted by the OIG in this audit and agrees in principle with the recommendations in the draft audit report. EUR/ACE has already begun to move forward on implementing many of the recommendations, and in fact had begun to implement many of the recommended procedures before this audit was initiated. It is important to note that the audit looked at EUR/ACE monitoring and evaluation activities for calendar years (CY) 2015 to 2017. Much has happened starting in June 2017 continuing into the present, to the point where EUR/ACE procedures are being used by the Office of Foreign Assistance (F) as a model for other bureaus to follow. Since 2017, EUR/ACE has been on a consistent path of constantly improving its oversight. In June 2017, EUR/ACE procured additional technical assistance, adding a senior project design, monitoring, and evaluation specialist to its staff to assist EUR/ACE, implementing partners and posts to build their project design, monitoring, evaluation, and learning capabilities. Further, beginning in 2018, EUR/ACE took steps that exceed current Department directives contained in 18 FAM 300 on how to fulfill the policy¹, launching a new set of requirements that mirror those directives at the project level for funds transferred to implementing partners; and doubling its own budget for program-level evaluations. As is the case with the Department's 18 FAM 300 compliance milestones, this will necessarily be a multi-year capacity-building effort that will continue for the foreseeable future. EUR/ACE believes the recommendations outlined in the draft report are consistent with its commitment to constant improvement, and will continue to serve as a guidepost as the bureau strives to make effective use of taxpayer dollars.

Where EUR/ACE would differ from the draft audit report is in the evaluation of EUR/ACE's efforts during the time period looked at by the audit, CY 2015 to 2017. EUR/ACE believes that its oversight of foreign assistance funds transferred by EUR/ACE to its implementing partners was in full compliance with Department policy as articulated in 18 FAM 300 in its various iterations. Specifically, EUR/ACE met the Department's evaluation minimal requirement first announced in November 2010 and then in January 2015, and similarly met the Department's directives for complying with 18 FAM 300 as revised in November, 2017,² for which compliance was phased for implementation from June 2018 to June 2019. A comparison of EUR/ACE's actions with the standards in place at the time is described in Section III of these

¹ 18 FAM 301.4-1 (C) Identifying and Defining Programs and Projects Within a Bureau or Independent Office; 18 FAM 301.4-2 Program/Project Design; 18 FAM 300 301.4-3 Monitoring.

² EUR notes that it has cleared these comments with the Office of the Director of Foreign Assistance (F), which is the lead office in the Department for foreign assistance, including oversight of bureaus' compliance with 18 FAM 300. In clearing its comments on the draft report, EUR sought, and received, F's affirmation that the bureau currently fully satisfies the requirements of 18 FAM 300.

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comments, which we believe demonstrates that EUR/ACE was in compliance with the policy in force during the period of the audit.

II. EUR/ACE responses to the OIG's recommendations:³

OIG Draft Recommendation 1: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement standard operating procedures to a) verify its implementing partners have appropriate procedures in place for managing, monitoring, and evaluating the outcome(s) pertaining to the use of foreign assistance funds, commensurate with 18 FAM 301.4-2, "Program Project/Design;" 18 FAM 301.4-3, "Monitoring;" and 18 FAM 301.4-4, "Evaluation" and b) obtain all information necessary from its implementing partners to ensure the sound management of foreign assistance funds provided to its implementing partners, as required by 18 FAM 301.4-6(B)(a), "Transfer of Foreign Assistance Funds".

EUR/ACE comment: EUR/ACE agrees with this recommendation in principle and is already acting on it as a best practice. As of 2018, ACE has required partners to provide monitoring and evaluation plans, and in 2019 increased the requirement to include baselines and multi-year targets for indicators (18 FAM 301.4-3). As of 2020, ACE will require partners to submit logic models for all funded projects (18 FAM 300.4-2). ACE has drafted standard operating procedures for these elements of 18 FAM 300, and expects to release them to partners in late 2019.

OIG Draft Recommendation 2: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement an appropriate tool to maintain, track, and continually analyze foreign assistance programs under its purview.

EUR/ACE comment: EUR/ACE agrees in principle with this recommendation and the utility of this tool. As EUR/ACE moves forward with this recommendation, it will proceed with a tailored system on its own unless the Department proceeds with an enterprise-wide solution, which we understand the Department is considering. In either case, the system should take into account and not duplicate information provided through the Performance Planning and Report (PPR) system that F maintains, and which posts complete annually in reporting on mission-level performance results being achieved. In the interim, EUR/ACE will utilize the following tools to review foreign assistance programs under its purview. First, the annual budget reviews solicit information the Coordinator's Office needs to assess the efficacy of assistance projects and their alignment with U.S. foreign policy priorities. With the changes we recently made in 2018 and 2019 to ABR templates, EUR/ACE is in a position to better capitalize on its ABRs in terms of requesting the appropriate information and ensuring compliance. Second, EUR/ACE has created an excel-based indicator tracker that is used to capture indicators submitted via the ABR process. Absent an enterprise-wide database to house such information, EUR/ACE will continue to maintain its tracker, but is also in the process of procuring services to develop a database that

³ EUR/ACE notes that it believes many of its efforts related to the OIG's recommendations exceed current Department requirements for complying with 18 FAM 300.

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could house both EUR/ACE financial data and project-level performance data, to improve the utility of this tool.

OIG Draft Recommendation 3: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement standard operating procedures to guide the consistent and uniform collection, analysis, use, and maintenance of monitoring and evaluation data provided by implementing partners.

EUR/ACE comment: EUR/ACE agrees with this recommendation. EUR/ACE has already met the requirement for developing a monitoring and evaluation plan for its major programs as required by 18 FAM 300.4-1(C), and adopted existing standard operating procedures used by the Department in drafting the current State and USAID Joint Strategic Plan, including the completion of data reference sheets that ensure data quality. Further, in response to this recommendation, EUR/ACE will introduce in its FY21 ABR cycle, a requirement for implementers to undertake similar data quality analysis for all project-level outcome indicators as well as logic models for projects funded by EUR/ACE but implemented by partners, and, in preparation, will develop standard operating procedures that will govern ongoing efforts relevant to this recommendation.

OIG Draft Recommendation 4: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, include within fund transfer agreements specific information on the programs and projects the implementing partner is responsible for, the specific region goals that the implementing partner must address and report performance outcomes, and how the funds provided by EUR/ACE achieved desired results.

EUR/ACE comment: EUR/ACE agrees with this recommendation and has already begun to implement this recommendation and plans to incorporate this information into FY19 interagency fund transfer agreements and 632(b) agreements. For FY19 transfers, EUR/ACE will apply its project design, monitoring, and evaluation requirements to 632(b) agreements with all agencies and in its interagency transfer agreements. [N.B. EUR/ACE does not have the authority or ability to attach such conditions to 632(a) agreements, given that these are administered by USAID. Since Congress directly provides funds for Europe, Eurasia, and Central Asia to INCLE and not through EUR/ACE, we note that INL funding is not captured in either interagency agreements or 632(b) agreements. EUR/ACE will explore alternative measures to fulfilling 18 FAM 300 requirements for INCLE funds as part of its coordinating function for the region.]

OIG Draft Recommendation 5: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, amend the draft “standards and practices” for implementing partners to include the standard operating procedures the Office of the Coordinator for Assistance to Europe and Eurasia will follow to verify that partners are conducting monitoring such as developing of performance indicators or logic models, and monitoring plans, required by Department policy and issue once finalized.

EUR/ACE comments: EUR/ACE agrees with this recommendation and plans to release its requirements and related standard operating procedures within the next three months.

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OIG Draft Recommendation 6: OIG recommends that the Bureau of European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia, develop and implement standard operating procedures to periodically communicate to implementing partners a) Department requirements about managing, monitoring, and evaluating the outcome(s) of funds provided by the Department; and b); expectations for reporting data and information to the European and Eurasian Affairs, Office of the Coordinator for Assistance to Europe and Eurasia for the purpose of verifying the sound management of the funds provided and informing decisions about program strategies and resource investments.

EUR/ACE comment: EUR/ACE agrees with this recommendation and already regularly communicates requirements with partners and embassies and will prioritize the development of standard operating procedures to formalize these communication efforts. EUR/ACE annually provides its partners with guidance and templates for the annual budget reviews, which contain and operationalize M&E requirements aligned with 18 FAM 300. Every year, EUR/ACE holds a conference call with partners to brief on what is required in the ABR submissions and answer questions. It also engages with partner staff on a frequent basis by phone and in person about submission requirements, including project design, monitoring, and evaluation. Currently, EUR/ACE is carrying out in-depth assessments of implementing partners' capacity to meet the requirements of 18 FAM 300, both in Washington and at posts, and is using these assessments to raise awareness of the requirements at post and with partners. EUR/ACE also includes as a standing agenda item in all ABRs a discussion of project design, monitoring, and evaluation, and will continue to do so.

III. Detailed EUR/ACE Comments on IG Findings of its M&E Activities in 2015 – 2017

In contrast to the findings and conclusions in the draft report, EUR/ACE believes it was in full compliance with Departmental policy during the CY 2015 to 2017 period and that it remained in full compliance with that policy as it evolved over time; further, EUR/ACE believes that the findings and any related conclusions should be explicitly tied to the timeframe covered by the audit of CY 2015 to 2017.

1. OIG's characterization and apparent application of State's policies on project design, monitoring, and evaluation (18 FAM 300) in its draft audit report do not reflect the evolving nature of the Department's policies over time, including F's directives regarding compliance with the policy.

From 2010 to November, 2017 the Department's only performance monitoring requirement was to conduct at least one evaluation per year; starting in November 2017, the Department expanded this requirement and identified a series of milestones. ACE has fully met all requirements set out by the Department from 2010 to the present. Specifically, for the period of the OIG's stated scope from CY 2015 to CY 2017, the Department's requirements as stated in 18 FAM 300 only addressed evaluation, not project design or monitoring. The additional requirements beyond evaluation were introduced in the November 2017 revision to 18 FAM 300. As such, with respect to EUR/ACE's compliance with 18 FAM 300 from 2015 to late 2017, the requirement was that the bureau conduct at a minimum one evaluation

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each year and EUR/ACE met that requirement. No requirements had yet been established in relation to project design or monitoring, though EUR/ACE was already requesting these additional best practices from its implementing partners as early as CY 2007. It was not until November 2017 that the Department expanded 18 FAM 300 to incorporate the full range of oversight best practices, to include descriptions of program/project objectives, logic models, indicators and related indicator baselines and performance targets, but even then established phased compliance milestones for bureaus to meet. EUR/ACE notes this important change, because prior to November 2017, these additional requirements may have been alluded to as best practice in guidance, but did not yet have the force of policy for the Department.

Given the actual requirements articulated in the various iterations of 18 FAM 300, EUR/ACE does not understand the rationale for the conclusions in the draft report concerning compliance with Departmental policy. The OIG cites the 2015 update to 18 FAM 300, which distinguishes between evaluations and monitoring. But the intent of the passage quoted is to differentiate between the two types of activities, not to assert a new Department requirement on foreign assistance monitoring.⁴ Later in the same section of the report, the OIG quotes an opening statement in the 2015 and 2017 versions of 18 FAM 300 that notes the Department's commitment "to using performance management best practices, including evaluation, to achieve the most effective U.S. foreign policy outcomes..."⁵ Again, EUR/ACE notes that the force and focus of the 2015 policy was entirely on evaluation until November 2017, when the full range of best practices were designated as requirements *for major programs and/or projects as defined by each bureau* that are critical to achieving the objectives or sub-objectives of their strategic plans, giving bureaus significant latitude to decide how to comply with the policy. Similarly, in the same section of the draft report the OIG cites Department guidance contained in the Department's 2015 Evaluation policy related to collaborative evaluations covering activities implemented by other "agencies, operating units, or international organizations" with funding from State,⁶ seemingly to assert a requirement that implementing agencies also conduct evaluations. This is indeed a best practice, and one that EUR/ACE has been leading the Department in at least since CY2007. But EUR/ACE notes that this section of the policy was guidance at the time, not a requirement, as demonstrated in the use of language such as "bureaus and independent offices are *encouraged* to undertake collaborative evaluations with other bureaus, offices, U.S. government agencies, and bilateral or multilateral partners"⁷ (italics added by EUR/ACE). It was only in November 2017 the Department asserted as a requirement (18 FAM 301.14-4) that "those who receive and directly manage foreign assistance program funds must conduct evaluations of their large programs once in each program's lifetime, or once every five years for ongoing programs, projects, or processes." In sum, EUR/ACE believes its evaluation activities were in accord with Departmental policy as it was articulated at the time.

⁴ Draft "Audit of the Office of the Coordinator for Assistance to Europe and Eurasia's Oversight of Foreign Assistance Funds Transferred to Implementing Partners," pp. 3, 4.

⁵ Department of State Evaluation Policy, January 2015, p.1; 18 FAM 301.4-1 Purpose.

⁶ Draft "Audit of the Office of the Coordinator for Assistance to Europe and Eurasia's Oversight of Foreign Assistance Funds Transferred to Implementing Partners," p. 4

⁷ Department of State Evaluation Policy, January 2015, p.5

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- 2. The draft OIG report does not acknowledge the compliance benchmarks that F set for all bureaus and independent offices to meet the requirements of 18 FAM 300 as revised in 2017, or EUR/ACE's full compliance with those requirements.**

In clearing its comments on the OIG draft report, EUR/ACE coordinated closely with F. In that process, F staff noted that in updating the FAM, the language that finally became 18 FAM 300 in November 2017 underwent legal and OIG review. In addition, F/PPM met with the OIG to discuss the need for stepped up implementation and milestone dates and understood the OIG would use those dates in any reviews. EUR/ACE notes these facts because the OIG's draft report does not mention the Department mandated directives from F and BP on how bureaus should comply with 18 FAM 300 starting in June 2018, though according to F the OIG was briefed on them in anticipation that it would conduct eventual reviews, and ultimately audits, of bureaus' compliance. In those directives, recognizing that bureaus could not immediately comply with the revised policy, F and BP developed a series of milestones that bureaus were asked to achieve between June 2018 and June 2019. EUR/ACE has fully complied with all of these benchmarks, and our submissions were accepted by F, with F indicating EUR/ACE is in full compliance with 18 FAM 300. In fact, F staff stated that "EUR has been a leader among the bureaus, meeting all the milestones for implementation of 18FAM300. In addition, EUR/ACE reached out to F prior to the 2017 policy update because they wanted to be proactive in establishing structures to meet the requirements of FATAA and the new policy."

The requirements for 18 FAM 300 compliance as per F and BP directives are as follows:

- June 30, 2018: Bureaus and independent offices must identify their major programs and/or projects in consultation with F and/or BP.
 - EUR/ACE submitted these to F in July 2018, and they were approved by F.
 - March 29, 2019: For each major program/project identified, the responsible bureau or office must complete all design steps articulated in the policy, including defined goals and objectives, a logic model (or equivalent), and theory of change (why we think the program will lead to the outcomes predicted).
 - EUR/ACE submitted these in April and May of 2019, and they were approved by F.
 - June 28, 2019: For each major program/project identified, the responsible bureau or office must establish a monitoring and evaluation plan that identifies relevant indicators and possible opportunities for a preliminary evaluation strategy.
 - EUR/ACE submitted these in July, 2019 and they were approved by F.
- 3. The OIG's draft report's statement that EUR/ACE did not conduct its own collaborative evaluations at all for 2014, 2017, and 2018 is not accurate. To this point, we would like to direct your attention to evaluations that EUR/ACE, or its partners, have completed, are in draft form, are ongoing, or are planned as captured in State's evaluation registry since 2011.**

It is unclear from the draft audit report if the OIG means evaluations were not conducted in the fiscal years identified, or evaluations were not financed from those fiscal year

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appropriations. Whatever the case, EUR/ACE did meet its evaluation requirements for all years since the policy was introduced in January 2015. EUR/ACE elected to combine fiscal years funds on two separate occasions to allow it to commission broader, more complex evaluations than it could with just the funds from a single fiscal year⁸. It first did so using FY14 and 15 funds for an evaluation of the media environment in the region, and then again using FY16 and 17 funds for a multi-country evaluation of its Democracy Commission Program. As to FY18 funds, EUR/ACE is currently managing an external evaluation of Department of Commerce foreign assistance programs in Europe, Eurasia, and Central Asia financed from the FY18 appropriation. The table below captures the evaluations EUR/ACE itself has commissioned since 2010, including those funded from fiscal years 2014, 2017, and 2018.

Evaluations	Notes
Georgia Monitoring Project	Procurement for this contract, which included monitoring and a series of evaluative reports of the effectiveness of the \$1 billion supplemental foreign assistance for Georgia, began in 2010 using FY09 funds. Six evaluative reports were produced by the contractor between 2010 and 2012.
Information Communication Technology Evaluation	Procurement for this evaluation contract began in the summer of 2012 using FY11 funds. The final evaluation report was issued in August 2013.
European Union Accession Formative Evaluation	Procurement for this evaluation contract began in the fall of 2013 using FY12 funds. Final evaluation report was issued in February, 2014.
Countering Russian Propaganda	Procurement for this evaluative study grant began in 2015 using FY14 and 15 funds. Multiple reports were produced by the contractor over a period of time from late 2016 to the spring of 2017. Upon F's approval, EUR/ACE combined fiscal year funding from FY 2014 and FY 2015 in order to fund a larger, multi-country evaluation.
Community Policing Evaluation	Procurement for this evaluation contract began in 2018 using FY16 and 17 funds. The final evaluation report was issued in April, 2019.

⁸ This situation is implied and provided for under 18 FAM 301.4-4c (2017)

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Democracy Commission Small Grants Program Evaluation	Procurement for this evaluation contract began in 2018 using FY16 and 17 funds. The final report was issued in April 2019.
Emerging Donors Cooperation Program Evaluation	This evaluation was an independent but internal U.S. government evaluation consistent with Department policy. The evaluation costs were funded from FY17 and 17 allocations, conducted during FY 2018/2019, and the final report issued in the summer of 2019.
Department of Commerce Evaluation	Procurement for this evaluation began in 2019 using FY18 funds. The contract was awarded in September 2019, and the evaluation is currently underway, and will be completed in mid-2020.

As noted above in comment #1, in instances where State “bureaus and independent offices provide funds to other agencies, operating units, or international organizations to carry out a program” the 2015 evaluation policy of State notes two options: “(a) ensuring the implementing organization carries out evaluations of programs consistent with the policy and disseminates a final evaluation report, or (b) conducting collaborative evaluations with the implementing partners or organizations.”⁹ Aside from the question of whether this statement is a requirement or guidance, EUR/ACE has typically exercised option b and conducted collaborative evaluations (though it has encouraged implementing partners to also carry out their own, project-specific evaluations). As of 2019, in addition to its approved program monitoring and evaluation plan required and submitted under milestone #3 in June 2019, EUR/ACE now requires partners to conduct evaluations of their large programs once in each program’s lifetime, or once every five years for ongoing programs, projects, or processes, as required in the current 18 FAM 300 that came into force in November 2017. It bears noting that EUR/ACE’s new requirement likely goes beyond the current version of 18 FAM 300, as EUR/ACE’s planned evaluations from 2019 to 2022 will all be collaborative evaluations involving virtually all of its implementing partners, with the exception of international organizations, and so in most cases fulfills partners’ large program evaluation requirement established by 18FAM301.4-4b.

In addition, the OIG does not acknowledge in its draft report the full range of project-level evaluations EUR/ACE and USAID have been conducting in the region. According to State’s evaluation registry, which is the Department’s repository for all foreign assistance evaluations that are not classified, EUR/ACE and USAID have completed 165 foreign assistance project/program evaluations since 2011. In addition, five State and USAID evaluation reports that are still currently in draft stage; four evaluations that are ongoing; and five evaluations that are in the planning stage. While EUR/ACE agrees that as a best practice other U.S. government partners that receive foreign assistance need to increase the number of evaluations they undertake in addition to collaborative evaluations undertaken with

⁹ Department of State Evaluation Policy, January 2015, p.5.

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EUR/ACE, we would request that the OIG's final report reflect the evaluations EUR/ACE and State have undertaken to offer a more comprehensive perspective on our compliance with this aspect of the policy.

Finally, as of FY2018, EUR/ACE voluntarily increased its funding for its own program evaluations from on average of \$350,000 to \$750,000 per year to allow it to conduct up to three evaluations per year, two external and one independent. Additionally, EUR/ACE's approved foreign assistance evaluation plan includes at least two evaluations per year commissioned by EUR/ACE from 2018 to 2022, which exceeds the bureau-level minimum requirement.

4. **The audit focused on the CY 2015-2017 period, but the conclusion as expressed, particularly in the Executive Summary, gives an inaccurate impression that the findings are equally applicable to the post 2017 period, when in fact substantial improvements, in conjunction with evolving Department requirements, have been and continue to be made.**

The OIG audit looked at a specific period in time, CY 2015-2017, but the findings in the draft report are stated without regard to any time frame. It seems to EUR/ACE that the OIG's conclusions as expressed in the report should be applicable to the calendar years covered and the implementing agencies examined, and that time frame should be noted. Finally, as per its stated scope, the OIG did not systematically review documentation that reflect EUR/ACE's efforts from 2018 to strengthen its project design, monitoring, and evaluation requirements, and we would hope this would be clearly stated in the Executive Summary and the body of the report itself.

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Expansion of 18 FAM 300: Program & Project Design, Monitoring, and Evaluation

*F and BP have expanded **18 FAM 300** (the previous evaluation policy) to include program design and performance management requirements. The intent behind the expansion is to strengthen performance management throughout the Department by ensuring that all programs have documented basic goals, objectives, and a logic model and have a plan for monitoring and evaluating program performance. This expansion also positions the Department to meet the requirements of the Foreign Assistance Transparency and Accountability Act (FATAA). 18 FAM 300 applies across the entire Department. A one-year phased implementation period began on January 1, 2018.*

Summary of FAM Requirements

Identification: Bureaus and independent offices must identify the major programs and/or projects they undertake to achieve the broader outcomes specified in the objectives or sub-objectives of their strategic plan.

Design: Bureaus and independent offices must align their programs to applicable higher-level strategies (JRS, FBS, NSS, etc.), conduct situational analyses, establish program goals and objectives, and create a logic model (or equivalent).

Monitoring: Programs require a methodology for baseline data collection and a monitoring plan. Documentation must be maintained in program files.

Evaluation: Bureaus and independent offices must undertake at least one evaluation per fiscal year. Those who receive and directly manage foreign assistance program funds must also conduct evaluations of their large programs once in each program's lifetime.¹

Learning: COMs and senior Department leaders should conduct regular, data-driven reviews of progress towards their strategic objectives.

¹ A large program is defined as one that exceeds the median cost of programs for that bureau or independent office. Bureaus and independent offices are required to develop evaluation dissemination plans and track implementation of recommendations.

Implementation Timeline

- **June 29, 2018:** Identify major programs/projects.
- **March 29, 2019:** Complete all design steps (alignment to strategy, situational analysis, goals and objectives, logic model, theory of change).
- **June 28, 2019:** Establish monitoring and evaluation plans that identify relevant indicators, and possible opportunities for evaluation.
- **Ongoing:** Enter all planned, ongoing, and completed evaluations into the Evaluation Registry or EMS.
- **Ongoing:** Assess progress and results, and use that information to inform management decisions.
- **Ongoing:** OIG uses this timeline to assess bureaus' compliance with 18 FAM 300.

APPENDIX C: OIG REPLY TO THE BUREAU OF EUROPEAN AND EURASIAN AFFAIRS, OFFICE OF THE COORDINATOR OF U.S. ASSISTANCE TO EUROPE AND EURASIA, GENERAL COMMENTS

In addition to commenting on the recommendations offered in this report, the Bureau of European and Eurasian Affairs, Office of the Coordinator of U.S. Assistance to Europe and Eurasia (ACE) provided general comments related to a draft of this report (see Appendix B).

As detailed in Appendix A of this report, the finding is based on the Office of Inspector General's (OIG) review of ACE's oversight activities performed from 2015 through 2017 of its implementing partners, specifically Federal agencies and other intergovernmental organizations, that received foreign assistance funds from FY 2016 through FY 2018. OIG also reviewed efforts taken by ACE from 2017 to July 2019 to improve its oversight of implementing partners. OIG notes that the relevant policy sections¹ referenced in the finding did not change during 2015-2017 and that those same policy sections² remain in Department policy, again, without change.

In the report itself, OIG repeatedly recognized that ACE has taken steps since 2017 to improve its oversight of implementing partners. OIG emphasizes, however, that its audits provide a retrospective analysis and moreover frequently identify additional areas for potential improvement. In this audit, notwithstanding OIG's recognition of improvements, OIG also made recommendations, with which ACE concurred, that, when implemented, will help ACE ensure that programs in the region are being executed as intended. These recommendations will enable ACE to ensure that progress is being made in the region and make informed decisions about how to adjust program strategies and resource investments to achieve desired results. Below is a summary of ACE's general comments and OIG's reply.

ACE Summary Comment: ACE stated that OIG's characterization and apparent application of the Department of State's (Department) policies on project design, monitoring, and evaluation (18 FAM 300) in its draft audit report does not reflect the evolving nature of the Department's policies over time, including directives regarding compliance with the policy.

OIG Reply: OIG reiterates that the finding presented in this report is supported by OIG's review of ACE's oversight activities over implementing partners (Federal agencies and other intergovernmental organizations) during the audit scope (2015-2017) against its roles and responsibilities as outlined in its Congressional mandate, relevant Foreign Affairs Manual (FAM)

¹ 1 FAM 143.1(5) and (7), "Office of the Coordinator of U.S. Assistance for Europe and Eurasia (EUR/ACE)" and 18 FAM 317(a), "Collaborative Evaluations" (effective January 30, 2015); 18 FAM 301.1-7(a), "Collaborative Evaluations" (effective February 6, 2015).

² 1 FAM 143.1(5) and (7) and 18 FAM 301.1-4(E)a, "Collaborating with Other Bureaus, Offices, Agencies and Organizations on Evaluations" (effective November 8, 2017); 2 FAM 1824.5, "Collaborating with Other Bureaus, Offices, Agencies and Organizations on Evaluations" (effective January 25, 2018); and 18 FAM 301.4-4(E), "Collaborating with Other Bureaus, Offices, Agencies and Organizations on Evaluations" (effective February 22, 2018).

sections (policy and accompanying guidance to the policy),³ and ACE's standard operating procedures in place (ABR process) during the same period of time. More generally, though, OIG reiterates that the report does, in fact, address relevant policy in place during the audit as noted above.

For example, in the draft of this report, under section "ACE Did Not Ensure Proper Management and Oversight by Implementing Partners," OIG cited 1 FAM 143.1, "Office of the Coordinator of U.S. Assistance for Europe and Eurasia (EUR/ACE)," last updated in 2010, which states that ACE responsibilities include ensuring "proper management and oversight by agencies responsible for implementing assistance programs." In addition, this FAM section states that ACE is responsible for directing "region-wide strategic planning, program policy development, program budget planning, performance monitoring, and reporting and evaluation of U.S. Government assistance."

Furthermore, beyond the requirement "to conduct at least one evaluation per year," 18 FAM 301.1-7(a), "Collaborative Evaluations" (effective February 6, 2015, through November 8, 2017), states that bureaus working with implementing partners must ensure the implementing organization carries out evaluations of programs consistent with the policy and disseminates a final evaluation report, or conduct collaborative evaluations with the implementing partners or organizations.

In its response to a draft of this report, ACE stated that policy "only addressed evaluation, not project design or monitoring." While OIG acknowledges that 18 FAM 300 (November 2017 revision) more clearly addresses monitoring and bureau responsibilities regarding project design, guidance that was both available to ACE and cited in Department policy during the scope period stated that it is essential that bureaus and offices have comprehensive plans for all programs and projects that should include performance or monitoring indicators. Specifically, the guidance stated that these plans should include "details about the overall objectives, underlying logic model, expected outcomes, outputs and targets, time table for implementation and implementation schedules." Whether or not this guidance was "mandatory," the policy made clear that bureaus and offices should follow these provisions, and, as set forth in this report, ACE did not do so during the scope period.

The guidance provided that, "whenever possible, plans should identify qualitative or quantitative indicators for performance and outcomes as well as plans to monitor and report progress. If a project, program or activity has monitoring and reporting built into it, an evaluation will have a base of data to work from." If partners were not conducting monitoring, any evaluations conducted by the implementing partners would not have had a "base of data to

³ 1 FAM 143.1(5) and (7), "Office of the Coordinator of U.S. Assistance for Europe and Eurasia (EUR/ACE);" 18 FAM 301.1-7(a) (effective February 6, 2015); Guidance for Planning and Conducting Evaluations at the Department of State (January 2015), Part 1, Section 1.1, "Definition and Core Issues of Evaluation" and Part 2, Section 2.1, "Planning Evaluations."

work from.”⁴ OIG does not believe it is appropriate to disregard this straightforward guidance and accordingly considered it in assessing ACE’s actions during the relevant time period. That is, consistent with Department policy, ACE should have verified that implementing partners were conducting monitoring and evaluations of their programs and projects during the audit scope period. Further, as stated in the finding, OIG reviewed ACE’s oversight process over its implementing partners—namely, the ABR process—which was designed to collect monitoring and evaluation data from its partners. As noted in the report itself, ACE did not monitor the implementation of the process to ensure that it collected such data.

OIG also noted in the report that ACE was, and is, responsible for developing sufficient policies and procedures to carry out all of its management oversight responsibilities, as required by FAM⁵ and *Standards for Internal Control in the Federal Government*, known as the Green Book.⁶

ACE Summary Comment: ACE stated that the draft OIG report did not acknowledge the compliance benchmarks that were set by the U.S. Office of Foreign Assistance Resources (F) for all bureaus and independent offices to meet the requirements of 18 FAM 300, as revised in 2017 or EUR/ACE’s full compliance with those requirements. ACE also stated that OIG was “briefed” on certain milestones regarding these benchmarks “in anticipation that it would conduct eventual reviews, and ultimate audits, of bureaus’ compliance” and that certain language in the FAM “underwent legal and OIG review.”

OIG Reply: OIG agrees that the report does not mention the compliance benchmarks that were established by F for all bureaus and independent offices to meet the requirements of 18 FAM 300 as revised in November 2017. This is because the benchmarks established by F following the November 2017 revision of 18 FAM 300 and ACE’s compliance with those benchmarks were outside the scope of this audit. OIG reiterates that the finding is based on ACE’s compliance with its Congressional mandate, Department policy, as well as ACE’s internal policies and procedures in place during the audit scope period (2015-2017) to oversee its implementing partners. Notwithstanding the scope period for this aspect of OIG’s work, though, OIG has acknowledged in the report that ACE has taken steps since then to improve its oversight of implementing partners and highlighted these actions within the finding. OIG made recommendations to which ACE concurred that when implemented will assist ACE in fulfilling its role and responsibilities. OIG also notes that actions that ACE has taken, including with respect to any benchmarks, may be relevant during the compliance process and may be considered as appropriate in assessing whether relevant recommendations should be closed.

⁴ Guidance for Planning and Conducting Evaluations at the Department of State (January 2015), Part 2, Section 2.1, “Planning Evaluations.”

⁵ 2 FAM 021.1(a.) and (c.), “Policy and Scope” states that “All levels of management are responsible for ensuring adequate controls over all Department operations and that “...all management control systems must incorporate the Government Accountability Office (GAO) Internal Control Standards.”

⁶ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

Finally, as to the statement that OIG “review[ed]” the 18 FAM 300 November 2017 revision language, the question in this audit is whether ACE *complied* with the FAM sections referenced in the report and in place during the period under review.

ACE Summary Comment: ACE stated that OIG’s draft report’s statement that ACE did not conduct collaborative evaluations for 2014, 2017, and 2018 is not accurate. ACE cited evaluations that ACE, or its partners, have completed, that are in draft form, are ongoing, or that are planned as captured in the Department’s evaluation registry since 2011.

OIG Reply: In preparing this report, OIG relied on ACE’s written responses provided during audit fieldwork in which ACE identified the evaluations that were conducted to fulfill the FAM requirement of “undertaking at least one evaluation per fiscal year.” ACE did not state during fieldwork that it had conducted collaborative evaluations with some partners and that for its other partners it followed the requirement to ensure that the implementing partners carried out “evaluations of programs consistent with the policy and disseminates a final evaluation report.” Instead, ACE stated that it “conducts multi-agency and/or multi-country evaluations, leaving project and program specific evaluations to its partners.” ACE did not provide evidence that it historically verified how implementing partners were carrying out evaluations consistent with Department policy. Furthermore, ACE did not provide evidence that it ensured implementing partners themselves were conducting evaluations.

The table provided by ACE in response to a draft of this report shows that no additional evaluations were undertaken between 2015-2017. Specifically, within the table, ACE identified an evaluation titled “Countering Russian Propaganda.” According to ACE, “EUR/ACE combined fiscal year funding from FY 2014 and FY 2015 in order to fund a larger, multi-country evaluation.” During the audit, ACE stated that it had received permission from F to use this evaluation to fulfill the office’s evaluation requirement for both FY 2015 and FY 2016. Therefore, it is OIG’s understanding that this is the only evaluation ACE undertook in the span of 3 years.

ACE also stated in its response that “[m]ultiple reports were produced by the contractor over a period of time from late 2016 to the spring of 2017.” During the audit, ACE provided, and OIG reviewed the reports resulting from this evaluation, specifically, a detailed evaluation report and a synthesis report. As described in this report, since at least 2015, the FAM has stated that bureaus and independent offices should conduct evaluations to examine the performance and outcomes of their programs, projects, and processes at a rate commensurate with the scale of their work, the scope of their portfolio, and the size of their budget. At a minimum, all bureaus and independent offices are required to complete at least one evaluation per fiscal year. OIG’s report acknowledges that ACE conducted this important multi-agency evaluation of media programs in the region. However, because ACE itself was *not* conducting collaborative evaluations with implementing partners for other programs and projects ongoing in the region it should have ensured that implementing partners themselves were conducting their own monitoring and evaluation activities consistent with Department policy for those programs and projects. That is, conducting the single evaluation met part, but not all, of ACE’s obligations. Further, as stated in Department policy, ACE was responsible for ensuring “the proper management and oversight by agencies responsible for implementing assistance programs” and

directing “region-wide. . . performance monitoring, and reporting and evaluation of U.S Government assistance.”

OIG also notes that it described the primary method by which ACE conducts oversight activities—namely, the ABR process—and that ACE has not disputed that analysis. This process should have provided ACE with the policy outcomes stated above, as it was designed to collect performance monitoring data from its implementing partners. However, as detailed within the finding, ACE did not verify that implementing partners provided performance monitoring data in ABR submissions as requested. For example, “OIG found that implementing partners typically failed to address whether they had conducted or planned to conduct evaluations of the programs being executed. Specifically, of the 110 ABRs OIG reviewed, only 2 (2 percent) indicated that an evaluation of the program had been conducted. Other ABRs stated that an evaluation would be conducted in the following year but did not provide the evaluation objectives, as requested. Mostly, OIG found that the implementing partners either stated that no evaluation had been conducted or simply skipped the section and provided no information.”

Because ACE identified the ABR process as the mechanism in place for implementing partners to provide ACE with direct feedback on all programs and corresponding M&E data, OIG thoroughly reviewed these submissions for the relevant years. However, as noted in the report, OIG found that the documentation and information collected by ACE from its implementing partners through its ABR process regarding performance monitoring activities of programs and projects ongoing in the region and other documentation prepared and maintained by ACE was not sufficient to demonstrate it fulfilled its oversight responsibilities per Department policy.

ACE Summary Comment: ACE stated that the audit focused on the 2015-2017 period, but the conclusion as expressed, particularly in the Executive Summary, gives an inaccurate impression that the findings are equally applicable to the post 2017 period, when in fact substantial improvements, in conjunction with evolving Department requirements, have been and continue to be made.

OIG Reply: OIG has set forth the particular time periods and materials it reviewed in Appendix A and moreover identified a range of improvements made as well as further steps that could be taken. OIG also summarized these points in the executive summary.

OIG reviewed the documentation available regarding ACE’s oversight of implementing partners against the applicable and relevant criteria in place during the same timeframe as the documentation was prepared by ACE and received from implementing partners (ABR submissions). In the Audit Result section of this report, OIG notes that it reviewed ABRs submitted by partners between 2015-2017 for FY 2016-2018 budget requests, to determine if ACE obtained needed data from its implementing partners to make informed decisions regarding foreign assistance allocations. In addition, within Appendix A, OIG explains that it reviewed steps taken by ACE after 2017 to improve its oversight of implementing partners. Specifically, OIG reviewed documentation provided by ACE regarding efforts it took beginning in May 2017 (contract award for an M&E specialist) up until the conclusion of fieldwork in July 2019. As stated within Appendix A and the finding, this documentation included, but was not

limited to, reviews of contractor deliverables, draft standard operating procedures, examples of reinstated transfer agreements, and example of tracking matrices.

Within the report section titled “Additional Actions Necessary To Improve Steps Already Taken by ACE,” OIG highlights many of the actions taken by ACE. However, despite actions taken by ACE, OIG concluded that ACE cannot provide reasonable assurance that progress is being made in the region or make informed decisions about how to adjust program strategies and resource investments to achieve desired results. In fact, ACE’s contracted monitoring and evaluation (M&E) specialist identified deficiencies with the implementing partners’ performance monitoring plans, indicators, and logic models and noted that program evaluations had not been conducted for many years. Furthermore, ACE had not developed and implemented a tool to maintain, track, and continually analyze foreign assistance programs under its purview, which includes M&E data obtained from implementing partners. During the audit, OIG learned that in 2018 the M&E specialist relied on summer interns to populate the tracking matrices the specialist had begun developing. In its response to a draft of this report, ACE states that it will continue to “maintain its tracker.” However, OIG noted during the audit that ACE did not provide documentation that showed that it had formalized the use of the tracking matrices and assigned ACE permanent staff with roles and responsibilities over these matrices. Similarly, ACE lacked standard operating procedures guiding staff to consistently collect, use, and maintain M&E data from implementing partners to assist ACE in making informed decisions regarding foreign assistance allocations in the region.

In short, OIG disagrees with the suggestion that it has not appropriately identified improvements. To the contrary, the report highlights within the finding actions taken and planned to improve ACE’s oversight of implementing partners and ultimately ensure that programs being implemented in the region are being executed as intended. OIG also notes that ACE has concurred with recommendations that, when fully implemented, will further assist ACE in fulfilling its role and responsibilities.

ABBREVIATIONS

ABR	Annual Budget Review
ACE	Office of the Coordinator of U.S. Assistance for Europe and Eurasia
COAC	country assistance coordinators
FAM	Foreign Affairs Manual
GAO	Government Accountability Office
M&E	monitoring and evaluation
OIG	Office of Inspector General
P3	Policy/Programs/Performance Division
USAID	U.S. Agency for International Development

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