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**Office of Inspector General**  
**United States Department of State**

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AUD-MERO-19-39

Office of Audits

September 2019

**Audit of Monitoring and Evaluating  
Department of State Foreign  
Assistance in the Philippines**

MIDDLE EAST REGION OPERATIONS

UNCLASSIFIED



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

AUD-MERO-19-39

## What OIG Audited

The Department of State (Department) allocated approximately \$41 million in foreign assistance funding for the Philippines to the Bureau of Counterterrorism and Countering Violent Extremism (CT), the Bureau of International Narcotics and Law Enforcement Affairs (INL), and the Office to Monitor and Combat Trafficking in Persons (J/TIP) from FY 2015 through FY 2018. To ensure that foreign assistance objectives are meeting intended goals and use of funding is transparent, the Department is responsible for implementing Federal and Department guidance for monitoring and evaluating its foreign assistance awards.

The Office of Inspector General (OIG) conducted this audit to determine whether Department-funded foreign assistance programs implemented in the Philippines were monitored and evaluated in accordance with Federal and Department requirements.

## What OIG Recommends

OIG made 28 recommendations intended to improve the monitoring and evaluating of foreign assistance in the Philippines. On the basis of the Department's responses to a draft of this report, OIG considers 23 recommendations resolved pending further action, 4 recommendations unresolved, and 1 recommendation closed. A synopsis of management's comments to the recommendations and OIG's reply follow each recommendation in the Audit Results section of this report. Management's responses to a draft of this report are reprinted in their entirety in Appendices B through F. OIG's reply to technical comments provided by the Office of U.S. Foreign Assistance Resources is presented in Appendix G.

September 2019

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

**Audit of Monitoring and Evaluating Department of State Foreign Assistance in the Philippines**

## What OIG Found

Although CT, INL, and J/TIP generally monitored performance for their funded awards, OIG identified deficiencies with some elements that require improvement. For example, CT did not systematically monitor performance or collect and analyze data to inform its monitoring efforts, INL did not document its reviews of award performance, and J/TIP did not have monitoring plans that complied with the Federal Assistance Directive. These deficiencies occurred for various reasons, including the fact that the entities had not ensured that oversight officials followed Department or Federal guidance for monitoring.

Similarly, although CT, INL, and J/TIP generally conducted financial monitoring for their funded awards, OIG also identified deficiencies in this area that require improvement. For example, CT did not require the Bureau of Diplomatic Security to submit financial reports, INL did not review financial reports quarterly, and J/TIP allowed funds to be used to pay for salaries of personnel who were not actively working on J/TIP awards. These deficiencies occurred, in part, because of the lack of staff to provide oversight and because some staff did not follow Department and Federal guidance on financial monitoring. As a result, OIG questioned costs of \$109,756 spent on CT's and J/TIP's awards.

In addition, CT, INL, and J/TIP did not comply with the Foreign Affairs Manual, 18 FAM 300, when defining the programs subject to evaluation. This occurred, in part, because the Office of U.S. Foreign Assistance Resources allowed bureaus to deviate from the FAM when they defined their programs and did not verify that the bureaus were implementing all required elements of the guidance. Lacking program evaluations, the Department may not be able to ensure that U.S. strategic goals in the Philippines are being achieved.

Finally, based on a limited-scope review of two awards, OIG found that the Department of Justice (DOJ), while implementing one of CT's awards, did not accurately charge the time of personnel working under CT's award. In addition, CT allowed DOJ to spend funds after an award ended but prior to formally extending the period of performance. As a result, OIG questioned costs of \$417,771 as unallowable costs.

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## OBJECTIVE

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The Office of Inspector General (OIG) conducted this audit to determine whether Department of State (Department)-funded foreign assistance programs implemented in the Philippines were monitored and evaluated in accordance with Federal and Department requirements.

## BACKGROUND

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On September 1, 2017, the Secretary of Defense designated Operation Pacific Eagle-Philippines a contingency operation to support the Philippines government and military in their efforts to isolate, degrade, and defeat affiliates of the Islamic State of Iraq and Syria and other terrorist organizations. In support of this mission, the Department provides foreign assistance to help the Philippines achieve the objectives of improved internal and external peace and stability, sustainable and inclusive economic growth, strengthened democratic processes, increased transparency, and a clear commitment to rule of law and respect for human rights. From FY 2015 through FY 2018, the Office of U.S. Foreign Assistance Resources received and further allocated approximately \$41 million in foreign assistance to the Bureau of Counterterrorism and Countering Violent Extremism (CT), the Bureau of International Narcotics and Law Enforcement Affairs (INL), and the Office to Monitor and Combat Trafficking in Persons (J/TIP) to implement programs in the Philippines.

### **Foreign Assistance Awards in the Philippines**

Of the \$41 million allocated to the bureaus to implement programs in the Philippines, OIG selected six foreign assistance awards totaling \$25 million to review. The six awards<sup>1</sup> consisted of two contracts, two interagency agreements (IAAs), and two cooperative agreements,<sup>2</sup> as described in the sections that follow (see Appendix A for the sampling methodology).

#### ***Soft Targets Crisis Response Program***

CT transferred funds to the Bureau of Diplomatic Security (DS), which awarded<sup>3</sup> Task Order SAQMMA17F2552 to DECO Security Services in September 2017 to deliver anti-terrorism assistance training courses under the Soft Targets Crisis Response Program (the “Soft Targets award”). The \$9.5 million contract has a 1-year base period and four 1-year option periods. The program’s objectives are for the Philippines Government to develop and implement “a strategic plan of action for preventing and responding to terrorist attacks on soft targets” and for the

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<sup>1</sup> In this report, the term “award” refers to the funding instruments described.

<sup>2</sup> A contract is a mutually binding legal relationship obligating the seller to furnish supplies or services and the buyer to pay for them. (Federal Acquisition Regulation Subpart 2.1, “Definition”) An IAA is a written agreement between two Federal agencies that specifies the goods to be furnished or tasks to be accomplished by one agency in support of the other. (Bureau of Administration, Office of the Procurement Executive internal IAA website) A cooperative agreement is a legal instrument of financial assistance between a Federal awarding agency and a non-Federal entity that is used to carry out a public purpose authorized by the United States. (Code of Federal Regulations, 2 CFR §200.24.)

<sup>3</sup> A Contracting Officer from the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management awarded the contract on behalf of DS.

Philippine National Police and other government agencies to have the “expertise, resources, and technical capability to prevent and respond to terrorist attacks on vital installations and other designated soft targets.” Although DS is the implementing bureau, CT is responsible for monitoring and evaluating the contract’s performance.<sup>4</sup>

### ***Manila Airport Security Program***

CT transferred funds to DS, which also awarded<sup>5</sup> Task Order SAQMMA17F2552 to DECO Security Services in September 2017 to implement airport security measures under the Manila Airport Security Program (the “Airport Security award”). The \$5 million contract has a 1-year base period and four 1-year option periods. The program’s objectives are for Philippine aviation security agencies to have “the expertise, resources, procedures, and technical capability to secure Manila International Airport and screen inbound and outbound passengers and cargo” and for “advanced image technology and explosive trace detection systems [to be] installed and operational at Manila International Airport to adequately screen passengers and cargo.” As with the Soft Targets award, DS is the implementing bureau, and CT is responsible for monitoring and evaluating the contract’s performance.

### ***Resident Legal Advisor Program***

In September 2016, CT entered into an IAA with the Department of Justice (DOJ) to implement the Resident Legal Advisor (RLA) Program (the “RLA award”) to assist the Philippines Government in improving its criminal justice capacity to counter terrorism. The objectives of the \$1.3 million award are (1) for the “Philippines’ existing counterterrorism regime [to be] strengthened through completion of ongoing legislative and institutional reforms” and (2) for the “prosecutors, criminal investigators, and judiciary [to] develop strengthened ability to combat money laundering related to terrorism.” The period of performance is September 27, 2017, through December 31, 2019, and CT is responsible for monitoring and evaluating the award’s performance.

### ***U.S. Coast Guard Support to Philippines Coast Guard Maritime Law Enforcement Capability Development***

In September 2016, INL entered into an IAA with the U.S. Coast Guard to implement the United States Coast Guard Support to Philippines Coast Guard Maritime Law Enforcement Capability Development award (the “Maritime Law Enforcement award”). The objective of the \$5.6 million award was to address the Philippine Coast Guard’s maritime law enforcement training and operations deficiencies in a manner that would enhance the Philippines Coast Guard’s law enforcement capabilities and provide the basis for long-term sustainment. The period of performance is 5 years, ending on September 30, 2021. INL is responsible for monitoring and evaluating this award. Figure 1 shows a Philippine Coast Guard training session OIG observed in December 2018.

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<sup>4</sup> In April 2015, DS and CT signed a Memorandum of Agreement documenting this framework.

<sup>5</sup> A Contracting Officer from the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management awarded the contract on behalf of DS.



**Figure 1:** A U.S. Coast Guard instructor teaches outboard motor maintenance to Philippines Coast Guard students in Manila, Philippines. (OIG photo, December 2018)

### ***Improving the Government of the Philippines’ Responses to Online Sexual Exploitation of Children and Child Labor Trafficking***

In October 2017, J/TIP awarded a cooperative agreement to the International Justice Mission to implement the Child Protection Compact—Improving the Government of the Philippines’ Responses to Online Sexual Exploitation of Children (OSEC) and Child Labor Trafficking award (the “OSEC award”). The value of the award is \$2.7 million, and the period of performance is 3 years, ending in September 2020. The award objectives include expanding prosecution activities, working with partners to develop a model of care for OSEC survivors, leveraging partnerships to strengthen the child protection system in the Philippines, and employing the model developed by the International Justice Mission to other projects to identify and prevent child victims of labor trafficking globally. J/TIP is responsible for monitoring and evaluating the award’s performance.

### ***Protecting At-risk children Vulnerable to Exploitation***

Also in October 2017, J/TIP awarded a cooperative agreement to the Salvation Army to implement the Protecting At-risk children Vulnerable to Exploitation award (the “PAVE award”). The value of the award is \$800,000, and the period of performance is 2 years, ending in September 2019. The objective of the cooperative agreement is to provide (1) specialized training to expand availability of psychosocial care practitioners working with survivors, (2) mental health care and legal services for up to 100 survivors and their families, and (3) short-term emergency shelter provisions for 44 child victims. J/TIP is responsible for monitoring and evaluating the award’s performance. Figure 2 shows a training session OIG observed in December 2018 on how to teach social workers to help exploited children.



**Figure 2:** PAVE social workers and other participants receive expressive art therapy training in Manila, Philippines. (OIG photo, December 2018)

Table 1 summarizes the six awards OIG selected for this audit (see Appendix A for details regarding OIG’s sampling methodology).

**Table 1: Foreign Assistance Awards in the Philippines Selected by OIG for Review**

| Program Title   | Bureau | Implementer                   | Funding Instrument    | Obligated Amount    |
|---|--------|-------------------------------|-----------------------|---------------------|
| Soft Targets Crisis Response Program  | CT     | DS                            | Contract              | \$9,500,000         |
| Manila Airport Security Program   | CT     | DS                            | Contract              | \$5,000,000         |
| Resident Legal Advisor Program  | CT     | DOJ                           | IAA                   | \$1,250,000         |
| U.S. Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development  | INL    | U.S. Coast Guard              | IAA                   | \$5,609,876         |
| Child Protection Compact—Improving the Government of the Philippines’ Responses to Online Sexual Exploitation of Children and Child Labor Trafficking | J/TIP  | International Justice Mission | Cooperative Agreement | \$2,700,000         |
| Protecting At-risk children Vulnerable to Exploitation  | J/TIP  | The Salvation Army            | Cooperative Agreement | \$800,000           |
| <b>Total</b>  |        |                               |                       | <b>\$24,859,876</b> |

Source: Generated by OIG based on foreign assistance award data provided by INL and CT.

## Monitoring and Evaluation Guidance

The Foreign Aid Transparency and Accountability Act of 2016 was developed, in part, to evaluate the performance of foreign assistance and its contribution to the policies, strategies, projects, program goals, and priorities undertaken by the Federal Government.<sup>6</sup> It provides direction to Federal agencies that administer U.S. foreign assistance on (1) monitoring the use of resources, (2) evaluating the outcomes and impacts of U.S foreign assistance projects and

<sup>6</sup> Foreign Aid Transparency and Accountability Act, 2016, Pub. L. No. 114-191, at 130 Stat. 667 (July 15, 2016).

programs, and (3) applying the findings and conclusions of such evaluations to proposed project and program design.

The Foreign Affairs Manual (FAM) defines monitoring as “an ongoing system of gathering information and tracking performance to assess progress against established goals and objectives.”<sup>7</sup> The Act defines evaluations as the “systematic collection and analysis of information about the characteristics and outcomes of the program, including projects conducted under such program, as a basis for making judgments and evaluations regarding the program, improving program effectiveness, and informing decisions about current and future programming.”<sup>8</sup> The Department is required to monitor each individual award, whereas evaluations document the achievement of program outcomes and results and in some cases, the value of continuing the investment. Moreover, not every program will be evaluated. Based on the type of foreign assistance award, the Department issued additional guidance to ensure adherence to programmatic and financial management performance, and accomplishment of the intended activities, goals, and objectives of each award.

### ***Federal Assistance Directive for Cooperative Agreements***

The Federal Assistance Directive issued by the Bureau of Administration, Office of the Procurement Executive (A/OPE), establishes internal guidance, policies, and procedures for administering cooperative agreements.<sup>9</sup> The Directive provides awarding bureaus with guidance on the requirements for assignments of Grants Officers and Grants Officer Representatives, developing risk assessments and monitoring plans, and conducting performance and financial monitoring of the awards.

### ***Monitoring Contractor Performance***

The Department’s Foreign Affairs Handbook (FAH) requires the Contracting Officer’s Representative to develop a contract monitoring plan commensurate with the complexity and criticality of the contract to ensure that the terms of the contract are achieved and the Department receives what it paid for.<sup>10</sup> CT also established an internal Monitoring and Evaluation Guide that states, “Monitoring is the continual assessment and review of activities a project or program undertakes, while [e]valuation is the analysis of the information provided via monitoring.” The CT Guide provides guidance on developing performance monitoring plans and project monitoring.<sup>11</sup>

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<sup>7</sup> 18 FAM 301.4(B).

<sup>8</sup> Foreign Aid Transparency and Accountability Act, 2016, Pub. L. No. 114-191, at 130 Stat. 667 (July 15, 2016) (codified in various sections of 22 U.S.C.).

<sup>9</sup> A/OPE Federal Assistance Directive, v. 3.0 (October 2018).

<sup>10</sup> 14 FAH-2 H-520, “Monitoring Contractor Performance.”

<sup>11</sup> OIG is aware that contracts are typically governed by the Federal Acquisition Regulation. However, OIG measured the two contracts in the audit sample against the Department’s FAH and CT’s Monitoring and Evaluation Guide, which provided more detailed guidance for monitoring foreign assistance.



### ***Guidance for Interagency Agreements***

A/OPE issued Procurement Information Bulletin No. 2014-05, which provides guidance on interagency transactions such as IAAs. The bulletin states, for example, that Agreement Officer's Representatives should be designated in writing. It also describes the Representative's responsibilities for monitoring performance and financial management of the award. In addition to the bulletin, INL developed an internal Agreement Officer Representative Handbook, which outlines specific guidance for the Representative's roles and responsibilities in monitoring INL agreements.

## **AUDIT RESULTS**

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### **Finding A: Elements of Performance Monitoring of Foreign Assistance Awards in the Philippines Need Improvement**

OIG found that although CT, INL, and J/TIP generally monitored performance for their funded awards, deficiencies with some elements of performance monitoring require improvement as follows:

- CT did not systematically monitor performance or collect and analyze data to inform its monitoring efforts for its two contracts. This occurred, in part, because CT incorrectly used its Annual Program Review as its monitoring guide and did not develop monitoring plans for the awards in accordance with the FAM and its Memorandum of Agreement with DS.
- INL did not document its reviews of award performance, did not require the U.S. Coast Guard to meet terms of the IAA, and did not use established metrics to measure performance. These deficiencies occurred because INL did not consistently use its internal handbook to effectively and efficiently enforce the terms of its award.
- J/TIP did not have monitoring plans that complied with the Federal Assistance Directive, did not document its reviews of performance progress reports, and did not effectively monitor an award to ensure that all performance objectives were met. These deficiencies occurred because A/OPE's monitoring plan requirements in the Federal Assistance Directive needed to be updated. In addition, J/TIP did not comply with performance monitoring elements required by the Federal Assistance Directive.

As a result of these deficiencies, CT, INL, and J/TIP did not fully comply with monitoring requirements and therefore could not ensure that all award objectives in the Philippines were being achieved as intended.

#### ***Performance Monitoring by CT***

For the RLA award, OIG found that CT was effectively monitoring the award's performance. The IAA between CT and DOJ requires the latter to submit quarterly performance reports that include analyses of activities undertaken and goals achieved. OIG reviewed all four quarterly

performance reports for FY 2018 and found that DOJ generally included information about its activities and achievements. For example, one IAA objective is to strengthen the ability of prosecutors, criminal investigators, and the judiciary to combat money laundering related to terrorism and the financing of terrorism. DOJ's report for the fourth quarter of FY 2018 stated that the Advisor hosted seminars and workshops for judges on financial crimes, money laundering, the handling of financing cases, and how to effectively present financial and forensic evidence. The report also provided the results of pre- and post-tests administered to prosecutors and investigators who attended the course to demonstrate increased knowledge in the topics discussed. Furthermore, CT had a systematic method of obtaining and reviewing performance reports and used other monitoring techniques to augment its oversight of the award. Specifically, CT attended teleconferences and in-person meetings with DOJ personnel, performed site visits, and completed an Annual Program Review<sup>12</sup> based, in part, on its review of the quarterly reports. The annual program review listed the progress and results by objective and provided solutions to the obstacles found during the performance of this award.

For the Soft Targets and Airport Security awards, the 2015 Memorandum of Agreement between CT and DS states that CT is responsible for monitoring the awards while DS implements them on its behalf. Specifically, the Agreement states that CT will work with DS to "jointly draft performance monitoring plans,"<sup>13</sup> collect relevant monitoring data from DS for each award, and analyze the data provided by DS. The Agreement also requires CT to analyze the monitoring data it collects from DS quarterly so that program progress can be measured against goals and indicators to determine whether desired results are being achieved.

CT monitored parts of the Soft Targets and Airport Security awards by making site visits, holding conference calls and in-person meetings with DS, and obtaining course descriptions for the training courses that DS developed and held. However, OIG found that CT did not develop performance monitoring plans for these two awards and did not systematically collect or analyze performance monitoring data for the awards quarterly. CT officials stated that instead of conducting its monitoring as outlined in its Agreement with DS, it used the Annual Program Review as its monitoring guide because they believed that the Agreement was outdated. OIG analyzed the Memorandum of Agreement between CT and DS and found that, even though it was signed in 2015, it was aligned with the monitoring requirements from 18 FAM 301 and CT's 2016 Monitoring and Evaluation Guide. Specifically, the Agreement requires quarterly analysis of monitoring data, which will assure decision-makers throughout the awards' life cycles that progress is being made. Nonetheless, because CT believes that the document as it is currently framed is not adequate, OIG is therefore offering the following recommendations to CT.

**Recommendation 1:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism, in coordination with the Bureau of Diplomatic Security (DS), develop and

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<sup>12</sup> The Annual Program Review is a document created annually to detail progress, results, obstacles, and solutions for a specific award.

<sup>13</sup> The performance monitoring plan defines performance indicators, the source of data for the measurements, and how that data will be collected. It serves three specific purposes: (1) facilitating the collection and review of comparable data over time and across project sites, (2) supporting the management of a data collection process, and (3) informing management of the periodic analysis and review of performance data.

implement performance monitoring plans and collect and analyze relevant monitoring data for the Soft Targets Crisis Response Program and the Manila Airport Security Program awards as agreed to in the 2015 Memorandum of Agreement with DS.

**Management Response:** CT agreed with the recommendation, stating that DS has “finalized and implemented a comprehensive performance monitoring program” in consultation with CT. CT further stated that the program “defines relevant monitoring data for each individual functional area” of DS’s assistance and “lays out a plan for the collection of that data.” Finally, CT stated that it “will analyze the monitoring data collected and provided by [DS] on a quarterly basis, in line with the current Memorandum of Agreement between the two organizations.”

**OIG Reply:** On the basis of CT’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that CT, in coordination with DS, has implemented performance monitoring plans and is collecting and analyzing relevant monitoring data for the Soft Targets and Airport Security awards.

**Recommendation 2:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (CT) establish a new Memorandum of Agreement with the Bureau of Diplomatic Security that reflects the requirements outlined in the Foreign Affairs Manual (FAM), 18 FAM 301, and CT’s 2016 Monitoring and Evaluation Guide.

**Management Response:** CT disagreed with the recommendation to establish a new Memorandum of Agreement, stating that the existing agreement “sufficiently outlines the roles and responsibilities between CT and [DS].” CT further stated that because OIG’s audit report referenced a single CT official describing the agreement as outdated, the “perspective does not accurately represent that of the entire bureau.” CT added that the current Memorandum of Agreement “is sufficient to govern effectively the relationship between [CT] and [DS], as it pertains to the design, implementation, and oversight of foreign assistance.” CT noted that OIG concluded that the current Memorandum of Agreement aligns with the monitoring requirements from the FAM but nonetheless stated that “moving forward, [it] will work with [DS] to ensure both organizations comply” with the agreement’s stipulations.

**OIG Reply:** Although CT stated that it disagreed with the recommendation, OIG considers this recommendation resolved on the basis of CT’s plan to implement the current Memorandum of Agreement and its representation that it considers the provisions of the Memorandum of Agreement to be adequate. CT asserted that OIG relied on a single CT official who described the agreement as outdated; however, multiple CT officials were involved in this discussion and did not dispute this characterization. In addition, as noted in the report, OIG analyzed the Memorandum of Agreement between CT and DS and found that, even though it was executed in 2015, it aligned with the monitoring requirements from 18 FAM 301 and CT’s 2016 Monitoring and Evaluation Guide. Therefore, CT’s plan to enforce the current Memorandum of Agreement and ensure that both organizations

comply with its stipulations meets the intent of the recommendation. The recommendation will be closed when OIG receives and accepts documentation demonstrating that CT is enforcing the terms of its current Memorandum of Agreement with DS.

### ***Performance Monitoring by INL***

INL is responsible for monitoring the Maritime Law Enforcement award that is implemented by the U.S. Coast Guard. However, OIG found that INL did not require the U.S. Coast Guard to fully implement the terms of the IAA. Specifically, INL did not require the U.S. Coast Guard to develop an implementation plan, establish program management support, and provide all quarterly progress reports for the award. Had an implementation plan been developed, it would have addressed items such as training requests, travel for subject matter experts, and the U.S. Coast Guard's interface with the Philippine Coast Guard. The U.S. Coast Guard also did not appoint a two-person project management support team to ensure timely implementation of the award, although doing so is required by the terms of the IAA. Finally, over the past 2 years, the U.S. Coast Guard provided only four of eight required quarterly progress reports. This occurred because, aside from the untimely reporting that INL was aware of and working to rectify, INL believed the U.S. Coast Guard was meeting the intent of the IAA.

In addition, INL's Agreement Officer Representative Handbook states that the Agreement Officer's Representative should ensure the "verification of timely and adequate performance through the receipt, review, analysis, and written assessment of the required Program Progress Reports." INL officials stated that they monitor the award's performance by having regular discussions with the Philippine Coast Guard about the usefulness of the training provided, reviewing program progress reports submitted by the U.S. Coast Guard, and reviewing weekly updates from U.S. Coast Guard personnel. The Agreement Officer's Representative stated that although he reviewed program progress reports, he was not documenting his reviews and analyses as required by the Handbook.

Lastly, INL did not collect information to measure performance against objectives outlined in the IAA. Specifically, the four training objectives in the IAA are each to be measured with three similar performance metrics: distributing opinion surveys that achieve an overall satisfaction rate of 70 percent per course;<sup>14</sup> having an average increase in knowledge of at least 10 percent based on pre- and post-test scores; and 1 to 6 months after completing the training, giving approximately 20 percent of the training participants a retention test who would earn a score of at least 50 percent. U.S. Coast Guard officials stated that they did not collect these data because it was difficult to do so. The lack of data, however, hinders INL's ability to determine whether the Maritime Law Enforcement award is effective. For example, OIG observed the Outboard Motor Maintenance 2-week training course offered in Manila in December 2018. The course was aligned with the Small Boat Maritime Law Enforcement Operations and Sustainment objective in the IAA. However, because the pre- and post-tests and opinion surveys were not administered, INL could not determine whether this course was effective and

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<sup>14</sup> The U.S. Coast Guard considers the student interviews titled "Debriefing of Trainees of the PCG" to be its opinion surveys. However, these interviews did not contain metrics to show a 70 percent overall satisfaction rate with the course, nor did the U.S. Coast Guard provide its methodology for how it determined there was a 70 percent overall satisfaction rate.

whether the objective was achieved. OIG is therefore offering the following recommendations to INL.

**Recommendation 3:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs require the U.S. Coast Guard to develop an implementation plan, establish program management support, and submit all required quarterly Program Progress Reports in accordance with the terms and conditions of the United States Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development interagency agreement.

**Management Response:** INL partially concurred with the recommendation, stating that “the language in the IAA work plan was not intended to require the [U.S. Coast Guard] to submit a separate implementation plan document, but rather to layout parameters and methodology for implementation.” Regardless, INL stated that it will work with the U.S. Coast Guard “to develop an implementation planning document to be updated regularly.” INL also stated that while the U.S. Coast Guard utilized a combination of full-time positions at U.S. Embassy Manila and a portion of time by other employees to implement the program, it “will work with [the U.S. Coast Guard] to identify the appropriate mix of individuals to provide program management support for the Philippines IAA going forward and will update the IAA to reflect that plan.” Finally, INL stated that in FY 2019, the U.S. Coast Guard “started submitting progress reports on a quarterly basis.”

**OIG Reply:** On the basis of INL’s planned actions to work with the U.S. Coast Guard to develop an implementation planning document, OIG considers this recommendation resolved pending further action. OIG notes that it sees little, if any, distinction between an “implementation plan” and a document that is intended to “lay out parameters and methodology for implementation.” Regardless, the recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has required the U.S. Coast Guard to develop an implementation plan, establish program management support, and submit quarterly reports in accordance with the terms and conditions of the Maritime Law Enforcement IAA.

**Recommendation 4:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) document its reviews and analyses of all Program Progress Reports as required by INL’s Agreement Officer’s Representative Handbook.

**Management Response:** INL concurred with the recommendation, stating that it “will provide more detailed guidance for the quarterly report review” to the Agreement Officer’s Representative and will also work with the Agreement Officer’s Representative to “ensure documentation of quarterly report reviews.”

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

demonstrating that INL is documenting its reviews and analyses of all Program Progress Reports as required by its Handbook.

**Recommendation 5:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs require the U.S. Coast Guard to collect and report data to measure performance against the objectives outlined in the United States Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development interagency agreement.

**Management Response:** INL concurred with the recommendation, stating that it “will work with the [U.S. Coast Guard] to amend the IAA work plan to better tailor the performance measures to the IAA objectives and ensure that [the U.S. Coast Guard] reports on these measures as required in the quarterly reports.”

**OIG Reply:** On the basis of INL’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has required the U.S. Coast Guard to collect and report data to measure performance against the objectives outlined in the Maritime Law Enforcement IAA.

### ***Performance Monitoring by J/TIP***

The Federal Assistance Directive states that cooperative agreements must include written monitoring plans that are tied to risk assessments and are updated annually to reflect changes to the level of risk.<sup>15</sup> OIG found that J/TIP created and annually updated risk assessments and monitoring plans for both the OSEC and PAVE awards as required. However, OIG’s review of the monitoring plans for these awards found that the plans did not always include required components. For example, the monitoring plans did not document how the recipient’s progress in meeting the goals would be measured. A J/TIP official stated that required components were missing because the monitoring plan template, which was created by A/OPE, was not designed to allow users to capture the information. An A/OPE official stated that the template does not capture this information because it can already be found in the award and other performance-related documents. Therefore, the official stated that, beginning in October 2019, his office plans to update the Federal Assistance Directive to remove the monitoring plan requirements from the policy that contradict the information required in the monitoring plan template.

The Federal Assistance Directive also states that a Grants Officer Representative must provide the Grants Officer with a written assessment of the recipient’s performance based on the review of Program Progress Reports within 30 days of receipt and document the official Federal award file to reflect this review.<sup>16</sup> Although J/TIP received timely progress reports for the OSEC and PAVE awards, OIG found that the Grants Officer Representative documented her reviews between 12 days and 6 months after the due date for three of the four quarters reviewed. A

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<sup>15</sup> A/OPE Federal Assistance Directive, “Developing a Monitoring Plan,” 78, and “Annual Review,” 134.

<sup>16</sup> A/OPE Federal Assistance Directive, “Grants Officer Designates Grants Officer Representative (GOR),” 79.

J/TIP official stated that even though the Grants Officer Representative sometimes documented her reviews later than the Federal Assistance Directive requires, she nevertheless provided verbal feedback to the recipients during site visits and conference calls within 30 days of receiving the progress reports.<sup>17</sup>

Finally, OIG found that J/TIP did not effectively monitor the PAVE award to ensure that all performance objectives were achieved.<sup>18</sup> Specifically, one objective of the PAVE award was to “provide short-term emergency shelter for up to 44 minor boys and girls with a high/therapeutic caregiver to child ratio by September 30, 2019.” However, the Salvation Army and its sub-recipient stated that there were challenges in identifying at-risk children and that only four children were being supported at the subrecipient’s shelter during OIG’s December 2018 site visit. Despite the low number of participants, J/TIP continued to disburse funds (i.e., salaries and training) to the Salvation Army to promote this objective, even though its shelter had not housed any victims for at least 15 of the 24 months of the period of performance. OIG is therefore offering the following recommendations.

**Recommendation 6:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, assess and update the Federal Assistance Directive to ensure monitoring plan requirements align with the mandatory monitoring plan template.

**Management Response:** A/OPE concurred with the recommendation, stating that the FY 2020 Federal Assistance Directive, which will be released on October 1, 2019, “will ensure monitoring plan requirements align with the mandatory monitoring plan template and do not require the inclusion of performance metrics in the plan itself.”

**OIG Reply:** On the basis of A/OPE’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE has assessed and updated the Federal Assistance Directive to ensure monitoring plan requirements align with the mandatory monitoring plan template.

**Recommendation 7:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons review performance progress reports within 30 days of receipt in the official Federal award files, as required by the Federal Assistance Directive, for both the Child Protection Compact–Improving the Government of the Philippines’ Responses to Online Sexual Exploitation of Children and Child Labor Trafficking and the Protecting At-risk children Vulnerable to Exploitation cooperative agreements.

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<sup>17</sup> The J/TIP official also stated that the transition to the State Assistance Management System-Domestic contributed to delays in uploading the reviews of the Program Progress Reports.

<sup>18</sup> OIG was unable to observe performance of activities for the OSEC award but obtained sufficient support to conclude that the International Justice Mission is on track to meet established performance indicators. For the PAVE award, OIG both observed and received sufficient evidence from the Salvation Army and its sub-recipients to show that two of the three sub-objectives are on track to meet established performance indicators.

**Management Response:** J/TIP agreed with the recommendation, stating that it has made three substantive improvements to its business practices. First, J/TIP stated that it has directed the addition of the Performance Measurement Specialist as a reviewer for all performance progress reports related to post award activities in its grant management database. According to J/TIP, this measure “ensures that there is a backup person to monitor timely submissions and speeds up the review, approval, and distribution of follow-on reporting templates to grantees.” Second, J/TIP stated that, approximately 30 days after the close of each reporting cycle, the Performance Management Specialist will run a quarterly Overdue Performance Reports list “to follow-up on or update the status of overdue performance reports in a more timely manner.” Third, J/TIP represented that it will require Program Officers to submit comments in its grant management database “documenting if their review will be late.”

**OIG Reply:** On the basis of J/TIP’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that J/TIP has reviewed performance progress reports within 30 days of receipt in the official Federal award files, as required by the Federal Assistance Directive, for both the PAVE and OSEC cooperative agreements.

**Recommendation 8:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons (J/TIP) determine whether the objective to “provide short-term emergency shelter for up to 44 minor boys and girls with a high/therapeutic caregiver to child ratio” in the Protecting At-risk children Vulnerable to Exploitation cooperative agreement should be revised. If so, J/TIP should request that the Grants Officer (a) update the cooperative agreement accordingly and (b) ensure that the amount of funding disbursed to the award recipient is consistent with the services received.

**Management Response:** J/TIP agreed with the recommendation to ensure that the amount of funding disbursed to the award recipient is consistent with the services received; however, it did not agree to update the cooperative agreement. J/TIP declined to update the cooperative agreement because it stated that it considers the objective to “provide short-term emergency shelter for up to 44 minor boys and girls with a high/therapeutic caregiver to child ratio” in the PAVE award to be progressing in a reasonable manner. Specifically, J/TIP stated that in December 2018, 21 children out of the target 44 children “received shelter services under the project, which reasonably aligns with the timeline of the project.” J/TIP also stated that as of June 30, 2019, one specific home was “supporting 10 children out of 12 available bed spaces.”

**OIG Reply:** Although J/TIP did not agree to update the cooperative agreement, its planned actions to ensure that the amount of funding disbursed to the award recipient is consistent with the services received meets the intent of the recommendation. OIG notes that, while it stands by its factual conclusions regarding how many children were being served when the fieldwork was conducted, OIG also acknowledges representations that the grantee has made improvements since that time. Accordingly, OIG considers this recommendation



resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that J/TIP (a) has determined that the objective to “provide short-term emergency shelter for up to 44 minor boys and girls with a high/therapeutic caregiver to child ratio” in the PAVE award does not need to be revised and (b) has ensured that the amount of funds disbursed to the award recipient is consistent with the services received.

## **Finding B: Elements of Financial Monitoring of Foreign Assistance Awards in the Philippines Need Improvement**

OIG found that although CT, INL, and J/TIP generally conducted financial monitoring for their funded awards, deficiencies with some elements of financial monitoring require improvement as follows:

- CT did not require DS to submit financial reports for the two bureau transfers; allowed DOJ to fund the RLA position contrary to Federal appropriations law; and did not require approval for adjustments to the budget. As a result, OIG questioned \$102,256 spent under the award. CT stated that these conditions occurred because it lacked the staff to ensure compliance with the execution of funds, did not perform its own financial reviews and instead relied on DOJ to liquidate funds appropriately, and misinterpreted the budget procedures outlined in the IAA.
- INL did not review financial reports quarterly, obtain and review supporting financial documentation, or require reporting in accordance with the approved budget. These deficiencies occurred because INL officials stated that the U.S. Coast Guard was spending in accordance with the established budget and additional supporting documentation related to the award was not requested and reviewed because it was not required.
- J/TIP allowed the award recipient to realign funds without documenting the request and approval, did not review and approve quarterly financial reports in a timely manner, and allowed the award recipient to pay salaries of personnel who were not working to advance the award’s activities. As a result, OIG questioned \$7,500. These deficiencies occurred because J/TIP did not fully comply with the Federal Assistance Directive.

Because of these deficiencies, CT, INL, and J/TIP did not fully comply with financial monitoring requirements and therefore could not ensure that all funds supporting the Philippines were expended in accordance with the awards’ objectives.

### ***Financial Monitoring by CT***

For the Soft Targets and Aviation Security awards, the 2015 Memorandum of Agreement between CT and DS required DS to submit quarterly financial reports with “allocations, committed funds, obligated funds, unliquidated obligations, and expenditures” for each fiscal year of the award’s implementation. DS would have obtained this information by invoking contractual terms requiring the contractor to submit complete invoices with supporting documentation such as quality assurance compliance reports, instructors’ timesheets, receipts for other direct costs (such as supplies, excess baggage, local transportation, and internet), and

traveler expense reports for the instructors. OIG reviewed supporting documentation for five courses<sup>19</sup> held in January and February 2019 and found that the contractor had provided some receipts for other direct costs and traveler expense reports. However, the contractor did not provide any quality assurance compliance reports or timesheets for 11 of 14 instructors. These unsupported invoices totaled \$13,700.

CT officials stated that they did not require DS to submit financial reports because they lacked the staff to ensure that DS did so. However, without the quarterly financial reports and supporting documentation, CT could not determine whether the contractor was fully meeting the terms and conditions of the award. OIG is therefore offering the following recommendations to CT.

**Recommendation 9:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism require the Bureau of Diplomatic Security to submit quarterly financial reports as agreed to in the 2015 Memorandum of Agreement for both the Soft Targets Crisis Response Program and the Manila Airport Security Program.

**Management Response:** CT agreed with the recommendation, stating that it will request that DS “provide timely submission of required financial reports for all programming, as agreed to in the 2015 Memorandum of Agreement.”

**OIG Reply:** On the basis of CT’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that CT required DS to submit quarterly financial reports as agreed to in the 2015 Memorandum of Agreement for both the Soft Targets and Airport Security awards.

**Recommendation 10:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism, in coordination with the Bureau of Diplomatic Security, review the invoices for the five completed Soft Targets Crisis Response Program and Manila Airport Security Program courses reviewed in this audit and (a) determine the allowability of the costs of \$13,700 OIG identified, (b) recoup those funds from the contractor if they are determined to be unallowable, and (c) withhold payments on all future invoices submitted by the contractor until invoices have appropriate supporting documentation.

**Management Response:** CT disagreed with the recommendation, stating that it and DS believe that “these costs were allowable as specific documentation was not required for these Firm Fixed Price contracts.”

**OIG Reply:** OIG considers this recommendation unresolved because the contract specifically states that the contractor “shall attach” required documentation to each invoice “to support the number of hours worked for the invoice period.” Although OIG recognizes that

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<sup>19</sup> Courses reviewed for the Soft Targets award were Protecting Soft Targets, Protecting Soft Targets Train the Trainer, and Public Awareness Consultation. Courses reviewed for the Aviation Security award were Instructor Development Courses 1 and 2.

the contract includes several contract line items that are Firm Fixed Price, the contract also has line items for travel and other direct costs that are cost reimbursable. For those costs that are cost reimbursable line items, documentation should have been provided. Specifically, the contract states that the contractor “shall attach” required documentation to each invoice, including quality assurance compliance reports and individual timesheets, “to support the number of hours worked for the invoice period.” OIG found that the contractor did not include timesheets for 11 of 14 instructors to support their travel, which is a cost reimbursable item. Therefore, OIG requests that CT reconsider its response to this recommendation. OIG will consider this recommendation resolved when CT, in coordination with DS, agrees to review the invoices for the five completed Soft Targets and Airport Security courses reviewed in this audit and (a) determine the allowability of the costs of \$13,700 OIG identified, (b) recoup those funds from the contractor if they are determined to be unallowable, and (c) withhold payments on all future invoices submitted by the contractor until invoices have appropriate supporting documentation. The recommendation will be closed when OIG receives and accepts documentation demonstrating that a determination regarding allowability has been made and all funds determined to be unallowable have been recouped.

For the RLA award, CT allowed DOJ to use a larger percentage of CT’s funds than the IAA stipulated to pay for the Advisor position. Specifically, DOJ receives funds (through IAAs) from both CT and INL to implement the RLA program.<sup>20</sup> The Advisor stated that, on average, he charges half of his time to the IAA with CT and the other half to the IAA with INL. OIG found, however, that DOJ does not always pay the Advisor’s salary on a “50/50” basis. Instead, except for FY 2016, DOJ paid the Advisor’s full salary with INL funds for 1 year and his full salary with CT funds for the following year. Therefore, OIG is questioning the \$70,000 paid for 50 percent of the RLA’s salary from FY 2018 that should have been charged against the INL IAA (see Table 2 for RLA salary payments).

**Table 2: RLA Salary Payments**

| <b>Fiscal Year</b> | <b>Funding Method</b>   |
|--------------------|---|
| FY 2015            | 100 percent of the salary paid from the INL IAA                   |
| FY 2016            | 50 percent paid from the CT IAA; 50 percent paid from the INL IAA |
| FY 2017            | 100 percent of the salary paid from the INL IAA                   |
| FY 2018            | 100 percent of the salary paid from the CT IAA                    |

**Source:** Generated by OIG based on RLA salary data provided by DOJ.

According to a DOJ official, accounting for funds across the two IAA is complicated. However, even assuming this to be true, there is nonetheless a statutory requirement to account for the funds. In particular, the amount of any reimbursement or payment “shall be credited to current

<sup>20</sup> The INL IAA for the RLA program was not in OIG’s initial audit scope but was reviewed because of its impact on the CT IAA.

applicable appropriations, funds, or accounts.”<sup>21</sup> Accordingly, not adhering to these standards could potentially result in an improper augmentation of a bureau’s appropriation.<sup>22</sup>

Furthermore, Procurement Information Bulletin No. 2014-05<sup>23</sup> states that “financial status reports should be verified by joint reconciliation efforts and, as required, by requesting agency reviews of the servicing agency records related to the IAA.” Although CT obtained quarterly financial reports for the RLA award, it did not document its reviews of financial reports or obtain and review supporting financial documentation for reconciliation purposes. Instead, CT stated that DOJ was trusted to liquidate the funds according to the IAA. Because CT did not review DOJ’s financial execution of its appropriated funds, it could not ensure that DOJ was spending funds appropriately.

Finally, OIG found that DOJ overspent on its budget without obtaining approval from CT as stipulated in the IAA. The IAA established a program budget for allowable expenses and required adjustments to costs of individual line items greater than 10 percent to be agreed to in advance and in writing by the requesting agency. OIG reviewed quarterly financial reports for FY 2018 and determined that as of October 1, 2018, DOJ had obligated a total \$152,000 for salaries, which was \$18,556 over the budgeted amount of \$133,444. This amount was approximately 14 percent more than the budgeted amount, but DOJ did not request, and CT did not provide written authorization for, this adjustment. CT allowed the adjustment without written authorization because CT’s interpretation of “line items” was at the budget category level versus the individual line item level.<sup>24</sup> According to CT officials, this interpretation had been used for years and was agreed to by both agencies. This interpretation was not, however, consistent with the IAA’s language. Therefore, OIG is questioning the \$18,556 expended in excess of the budgeted amount and is offering the following recommendations to CT.

**Recommendation 11:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (CT) require the Department of Justice to pay the salary of the Resident Legal Advisor in a manner that reflects the actual amount of time spent working on CT’s behalf on the Resident Legal Advisor Program.

**Management Response:** CT agreed with the recommendation, stating that it “will request the Department of Justice to implement a financial system that pays Resident Legal Advisor (RLA) salaries that accurately reflect the actual amount of time spent working on CT’s behalf.” CT further stated that it will reduce “the overall number of jointly funded RLAs in

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<sup>21</sup> 22 U.S.C. § 2392 (c) “Reimbursement for Commodities, Services, and Facilities.”

<sup>22</sup> OIG also notes that the Government Accountability Office has stated that payments under the Economy Act, 31 U.S.C. § 1535, “whether by advance with subsequent adjustment or by reimbursement, must be based on the ‘actual cost of goods or services provided.’ This applies to both intra- and interagency transactions under the Act.” Government Accountability Office, “Principles of Federal Appropriations Law, Third Edition, Volume III,” 12-37 (GAO-08-978SP, September 2008). Although the IAA was not funded under the Economy Act, the underlying principles remain.

<sup>23</sup> A/OPE Procurement Information Bulletin No. 2014-05, 6.

<sup>24</sup> An example of a budget category is “RLA Personnel Support Costs,” and line items under this budget category include “Salary and Locality Pay,” “Benefits,” “Post (Hardship) Differential,” and “Overhead.”

the next two years, to include shifting the jointly funded Philippines RLA to a position only funded by CT,” to further limit this issue from recurring.

**OIG Reply:** On the basis of CT’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that CT has required DOJ to pay the salary of the RLA in a manner that reflects the actual amount of time spent working on CT’s behalf on the RLA Program.

**Recommendation 12:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (a) determine the allowability of the \$70,000 in funds identified by OIG from the Resident Legal Advisor Program expended in FY 2018, (b) obtain a refund for those payments determined to be unallowable, and (c) verify that the funds have been returned.

**Management Response:** CT disagreed with the recommendation, stating that it stands by its joint interpretation with DOJ “of the applicable budget category that triggers the need for written concurrence exceeding 10 percent.” CT further stated, however, “Understanding that a joint interpretation should be broadly communicated, going forward, CT will take steps to include clearer language in Interagency Agreements as to what constitutes a budget category and how the 10 percent applies.”

**OIG Reply:** Although CT stated that it will take steps to include clearer language in IAAs as to what constitutes a budget category and how a 10 percent change to that budget category applies, OIG considers this recommendation unresolved. CT’s response seemingly addresses recommendation 14, which questions the costs that were obligated beyond the budgeted amount at greater than the allowable 10 percent. CT moreover did not agree to determine the allowability of the \$70,000 expended in FY 2018 for the RLA Program. Specifically, OIG found that \$70,000 was paid for 50 percent of the RLA’s salary in FY 2018, which should have been charged against the INL IAA. This recommendation will be considered resolved when CT agrees to determine the allowability of the \$70,000 in funds identified by OIG from the RLA Program expended in FY 2018. The recommendation will be closed when OIG receives and accepts documentation demonstrating that a determination regarding allowability has been made and all funds determined to be unallowable have been recouped.

**Recommendation 13:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism document its reviews of quarterly financial reports and obtain, review, and document supporting financial documentation for the Resident Legal Advisor Program for reconciliation purposes, in accordance with Procurement Information Bulletin No 2014-05.

**Management Response:** CT agreed with the recommendation, stating that it “will work with [DOJ] to improve our process for receiving, reviewing, and documenting financial reporting for reconciliation purposes.”

**OIG Reply:** On the basis of CT's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that CT has documented its reviews of quarterly financial reports and obtained, reviewed, and documented supporting financial documentation for the RLA Program for reconciliation purposes, in accordance with Procurement Information Bulletin No 2014-05.

**Recommendation 14:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (a) determine the allowability of costs of \$18,556 identified by OIG that were obligated beyond the budgeted amount for the Resident Legal Advisor Program without authorization in FY 2018, (b) obtain a refund for those payments determined to be unallowable, and (c) verify that the funds have been returned.

**Management Response:** CT disagreed with this recommendation, stating that it stands by its joint interpretation with DOJ "of the applicable budget category that triggers the need for written concurrence exceeding 10 percent." CT further stated that it, however, "will take steps to include clearer language in Interagency Agreements as to what constitutes a budget category and how the 10 percent applies."

**OIG Reply:** OIG considers this recommendation unresolved because CT has not agreed to determine the allowability of the \$18,556 in questioned costs identified. As described in the report, OIG found that CT and DOJ erroneously used the budget category subtotal, which is the sum of the individual line items in that budget category, to calculate the 10 percent and determine whether an approval was required. However, as noted in the report, the IAA required adjustments to costs of individual line items (not budget categories) greater than 10 percent to be agreed to in advance and in writing by the requesting agency. That is, CT and DOJ improperly conflated line items and budget categories. Therefore, the recommendation will be considered resolved when CT agrees to determine the allowability of the questioned costs of \$18,556 that were obligated beyond the budgeted amount for the RLA Program without authorization in FY 2018. The recommendation will be closed when OIG receives and accepts documentation demonstrating that a determination regarding allowability has been made and all funds determined to be unallowable have been recouped.

**Recommendation 15:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism develop and implement procedures to verify that all award recipients comply with approved budget plans or obtain permission via formal amendments or written agreements to deviate from approved budget plans.

**Management Response:** CT agreed with the recommendation, stating that it "will implement procedures to verify that award recipients are in compliance with approved budgets and document any deviations appropriately." CT further stated that these procedures "will be clearly stated in IAAs going forward."

**OIG Reply:** On the basis of CT's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that CT has implemented procedures to verify that all award recipients comply with approved budget plans or obtained permission via formal amendments or written agreements to deviate from approved budget plans.

***Financial Monitoring by INL***

Procurement Information Bulletin 2014-05 states that financial status reports should be verified by joint reconciliation efforts and, as required, by requesting agency reviews of the servicing agency records.<sup>25</sup> In addition, the Maritime Law Enforcement award states that the U.S. Coast Guard will furnish INL with financial reports no less than quarterly; the IAA further states that these reports should include obligations and liquidations for each project's cost components categories and that funds "shall be expended only on activities, services, or materials that contribute to meeting project objectives."

According to an INL official, INL conducts financial monitoring of the Maritime Law Enforcement award by reconciling the Department's financial system of record<sup>26</sup> with the U.S. Coast Guard's quarterly reports. However, OIG found that the U.S. Coast Guard provided only four of eight financial status reports during the award's 2-year period of performance, which was contrary to the terms of the IAA. As noted previously, the award terms state that financial reports will be provided by the U.S. Coast Guard quarterly. According to an INL official, INL's reviews of the award were performed when the agreement was modified or on an as-needed basis. In addition to not requiring and reviewing all quarterly financial reports, INL did not request any additional supporting documentation from the U.S. Coast Guard. An INL official stated that the U.S. Coast Guard was spending in accordance with the established budget and that additional supporting documentation was not requested because it was not required.

OIG reviewed of a sample of 13 expenditures worth \$234,529 and supporting documentation for the Maritime Law Enforcement award and was unable to trace the U.S. Coast Guard's financial reporting categories back to the budget categories established in the IAA. An INL official stated that, although the way the budget is arranged—i.e., the formatting—"makes it difficult to compare the reports to the budget," the categories on the financial reports can be linked to the relevant categories on the budget. A U.S. Coast Guard official agreed that the current reporting format makes it difficult to align the financial report with the established budget but stated that the U.S. Coast Guard uses the same format for all its programs to leave "less room for error" when consolidating information. However, without quarterly financial report reconciliations, reviewing a sample of expenditures, or requiring financial reporting by budget category, INL could not have reasonable assurance that funds were expended on

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<sup>25</sup> A/OPE Procurement Information Bulletin 2014-05, at 6.

<sup>26</sup> The Department's financial system of record is the Global Financial Management System (domestic) or Regional Financial Management System (overseas).

“activities, services, or materials” for the Maritime Law Enforcement award’s objectives. OIG is therefore offering the following recommendations to INL.

**Recommendation 16:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs require the U.S. Coast Guard to submit financial reports on a quarterly basis that are in alignment with the budget categories established in the United States Coast Guard Support to Philippines Coast Guard Maritime Law Enforcement Capability Development interagency agreement.

**Management Response:** INL concurred with the recommendation, stating that in FY 2019, the U.S. Coast Guard “submitted financial reports on a quarterly basis.” INL further stated that it continues to work with the U.S. Coast Guard “to ensure the financial report format aligns with the budget categories as established by the IAA.”

**OIG Reply:** On the basis of INL’s concurrence with the recommendation and stated actions that the U.S. Coast Guard is submitting financial reports on a quarterly basis in FY 2019, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has required the U.S. Coast Guard to submit financial reports on a quarterly basis that are in alignment with the budget categories established in the Maritime Law Enforcement IAA.

**Recommendation 17:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs review supporting documentation for expenditures to verify that funds are “expended only on activities, services, or materials that contribute to meeting project objectives.”

**Management Response:** INL partially concurred with the recommendation, stating that it is not “Department policy or the Bureau’s standard practice to review supporting documentation for every expense, but we maintain the ability to request supporting documentation if we suspect a problem with the expenditure.” However, INL also stated that “[i]mproving the quarterly financial report format and conducting quarterly reconciliations of those reports should address the concern over spending according to the budget categories.” INL also stated, “To address this recommendation, INL will work with [the U.S. Coast Guard] to review a sampling of supporting documentation for expenditures on this IAA along with the financial reports to ensure alignment with the agreed budget.”

**OIG Reply:** On the basis of INL’s planned actions to improve the quarterly financial report format, reconcile those reports, and review a sample of supporting documentation for expenditures, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has reviewed supporting documentation for expenditures to verify that funds were “expended only on activities, services, or materials that contribute to meeting project objectives.”



### **Financial Monitoring by J/TIP**

The Federal Assistance Directive states that the Grants Officer must, within 30 calendar days of receipt of a request from the award recipient to amend the budget, review the request and notify the award recipient whether the request has been approved.<sup>27</sup> OIG found that J/TIP allowed the award recipient to realign funds without following the established amendment process to document the request and approval. On September 28, 2018, the Salvation Army requested approval from J/TIP to realign funds between cost-sharing and subaward budget categories. Although a J/TIP official stated that the amendment request was approved,<sup>28</sup> she was unable to provide evidence that the Salvation Army received this approval within the required 30 calendar days.<sup>29</sup> The official also explained that she was unable to process amendments using the Department's State Assistance Management System, as required by the Federal Assistance Directive,<sup>30</sup> because J/TIP did not have a Financial Management Officer from November 2018 to March 2019 to approve the amendment.

In addition, OIG found that although the PAVE and OSEC award recipients submitted quarterly financial reports to J/TIP as required by the terms and conditions of the cooperative agreements, the Grants Officer did not review and approve these reports for three of four quarters in a timely manner.<sup>31</sup> A J/TIP official stated that J/TIP could not approve the financial reports in a timely manner because of unresolved technical issues with the Payment Management System.<sup>32</sup> However, without timely review, award recipients may receive funds when they are delinquent in submission of required documentation or reporting; request more funds than are commensurate with the amount of work accomplished; maintain excess cash on-hand, which may be more than immediate needs require; and expend funds outside the terms and conditions of the award.

Finally, OIG reviewed a sample of 163 expenditures worth \$465,300 between October 1, 2017, and November 30, 2018, for the PAVE award and determined that approximately \$7,500 was used to employ staff (security guards, social workers, a psychologist, a recreational coordinator, a nurse, and caregivers) who did not work on PAVE-related activities.<sup>33</sup> Because Federal award funds cannot be used to support activities outside the award, OIG determined that this amount was unallowable. A J/TIP official stated that she did not identify the unallowable expenditures

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<sup>27</sup> A/OPE Federal Assistance Directive, "Grants Officer Review and Documentation," 138.

<sup>28</sup> J/TIP stated that it provided approval via email, which it considered an official approval. However, this is contrary to the Federal Assistance Directive, which requires the use of the State Assistance Management System.

<sup>29</sup> In December 2018, the process to formally amend the award was still ongoing, which was beyond the 30-day requirement.

<sup>30</sup> The official system used by the Department for all domestically executed grants and cooperative agreements is the State Assistance Management System-Domestic.

<sup>31</sup> If the financial report is not approved in the Payment Management System within 30 days, the system will automatically approve the report by default.

<sup>32</sup> The Payment Management System is a U.S. Government-wide centralized Federal award payment and cash management system operated by the U.S. Department of Health and Human Services and is to be used for all domestically awarded Federal financial assistance.

<sup>33</sup> A representative from the Salvation Army disagreed that it was paying personnel with PAVE funds to work on non-PAVE activities. He provided documentation (such as undated pictures of and unsigned/undated employment agreements for the questioned staff) to support his claim, but OIG was unable to ascertain from this documentation that his position was valid.

because the official's most recent site visit was conducted in May 2018, which was before these issues occurred. However, documentation shows that J/TIP had at least some general awareness that the probability of the recipient erroneously reporting expenditures was high because of the references made in its site visit reports. Specifically, in its October 2017 site visit report, J/TIP wrote that the Salvation Army could not use PAVE funds to support current residents at its shelter because those residents did not meet the definition of at-risk children under the PAVE award. Seven months later during its May 2018 site visit report, J/TIP officials noted that the Salvation Army did not follow the guidance provided in October 2017 because it included existing shelter staff training costs for payment under the PAVE cooperative agreement.

OIG also reviewed a sample of 76 expenditures worth \$345,236 for the OSEC award between October 1, 2017, and November 30, 2018, and did not identify any discrepancies. OIG was able to verify each sampled expenditure against supporting documentation. OIG is offering J/TIP the following recommendations.

**Recommendation 18:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons review the Protecting At-risk children Vulnerable to Exploitation cooperative agreement and correct any deficiencies identified with the budget amendment processes, such as requiring all amendments to be approved and signed in the State Assistance Management System.

**Management Response:** J/TIP agreed with the recommendation, stating that according to its revised internal manual, "the Grants Officer has the discretion to approve changes in writing via email, or via formal amendment," and that amendments "must be formally processed" via the Department's State Assistance Management System. J/TIP added, "All required amendments to the Protecting At-risk children Vulnerable to Exploitation cooperative agreement have been fully issued and countersigned" within the State Assistance Management System as of June 18, 2019.

**OIG Reply:** On the basis of J/TIP's concurrence with the recommendation and stated actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that J/TIP has corrected deficiencies identified with the budget amendment processes, such as requiring all amendments to be approved and signed in the State Assistance Management System, for the PAVE award.

**Recommendation 19:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons develop policies and procedures to ensure that the budget amendment approval process for all future awards is completed in accordance with the Federal Assistance Directive.

**Management Response:** J/TIP concurred with the recommendation, stating that according to its revised internal manual, "the Grants Officer has the discretion to approve changes in writing via email, or via formal amendment," and that amendments "must always be

formally processed” via the Department’s State Assistance Management System. J/TIP also explained that the Federal Assistance Directive similarly states that “the Grants Officer has the discretion to approve of budget realignments (as well as other prior approval amendments) in writing via written email or letter, or via formal amendment.” Accordingly, J/TIP concluded that it is in compliance with the Federal Assistance Directive and stated that it “will ensure that this process is followed for all amendments, including budget amendments, for all future awards.”

**OIG Reply:** On the basis of J/TIP’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. OIG notes that in its response to this recommendation, J/TIP stated that it complied with the Federal Assistance Directive for budget realignments and other prior approval amendments. However, this recommendation is intended to address weaknesses OIG found in the budget amendment approval process. Specifically, the Federal Assistance Directive states that “the Grants Officer must review the budget within 30 days of receiving the request and notify the recipient whether the budget revisions have been approved. If revision is still under consideration at the end of 30 calendar days, the Grants Officer must inform the recipient in writing of the date when the recipient may expect the decision.” The Federal Assistance Directive further states that Grant Officers must use the State Assistance Management System to process amendments to Federal awards. Because J/TIP acknowledges this requirement in its internal manual, which was in draft during the audit, and, in its response to this recommendation, stated that it would “ensure that this process is followed for all amendments, including budget amendments, for all future awards,” OIG considers this recommendation resolved. The recommendation will be closed when OIG receives and accepts documentation demonstrating that J/TIP has developed policies and implemented procedures to ensure the budget amendment approval process for all future awards is completed in accordance with the Federal Assistance Directive.

**Recommendation 20:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons conduct and document reviews of quarterly financial reports for the Child Protection Compact—Improving the Government of the Philippines’ Responses to Online Sexual Exploitation of Children and Child Labor Trafficking and Protecting At-risk children Vulnerable to Exploitation awards in the official files, as required by the Federal Assistance Directive.

**Management Response:** J/TIP agreed with the recommendation, stating that awardees are required to submit the Federal Financial Report within the Payment Management System, which is “reviewed for quality and approved by the Grants Officer.” J/TIP further stated that “this financial review is completed on a quarterly basis and is common practice for all grants and cooperative agreements across the State Department and consistent with guidance contained in the Federal Assistance Directive.”

**OIG Reply:** On the basis of J/TIP’s concurrence with the recommendation and stated actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation

demonstrating that J/TIP has conducted and documented its reviews of quarterly financial reports for the OSEC and PAVE awards in the official files, as required by the Federal Assistance Directive.

**Recommendation 21:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons (a) determine the allowability of the costs of \$7,500 identified that were used to pay salaries for staff who were not supporting the Protecting At-risk children Vulnerable to Exploitation cooperative agreement, (b) recover any costs determined to be unallowable, and (c) verify that the funds have been returned.

**Management Response:** J/TIP concurred with the recommendation, stating that it “will conduct a review to determine if expenses were allowable. If deemed unallowable, the [J/]TIP Office will recover costs as well as verify that funds have been returned for any unallowable expenses.”

**OIG Reply:** On the basis of J/TIP’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that J/TIP (a) determined the allowability of the costs of \$7,500 identified that were used to pay salaries for staff who were not supporting the PAVE award, (b) recovered any costs determined to be unallowable, and (c) verified that the funds have been returned.

**Recommendation 22:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons (a) conduct a review of all expenditures invoiced under the Protecting At-risk children Vulnerable to Exploitation cooperative agreement to date and (b) identify and recover all expenditures determined to be unallowable.

**Management Response:** J/TIP agreed with the recommendation, stating that it “will conduct a review to determine if expenses were allowable. If deemed unallowable, the [J/]TIP Office will recover costs as well as verify that funds have been returned for any unallowable expenses.”

**OIG Reply:** On the basis of J/TIP’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that J/TIP (a) conducted a review of all expenditures invoiced under the PAVE award to date and (b) identified and recovered all expenditures determined to be unallowable.

**Recommendation 23:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons develop and implement policies and procedures in accordance with the Federal Assistance Directive to employ a robust financial monitoring process including a review of supporting financial documentation when potential misuse of award funds is identified.

**Management Response:** J/TIP concurred with the recommendation, stating that it “revised its Assistance Management and Planning Manual in May 2019 to add procedures for a more robust financial monitoring and review process, consistent with policies and procedures contained in the Federal Assistance Directive.”

**OIG Reply:** On the basis of J/TIP’s concurrence with the recommendation and stated actions, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that J/TIP has developed and implemented policies and procedures in accordance with the Federal Assistance Directive to employ a robust financial monitoring process, including a review of supporting financial documentation when potential misuse of award funds is identified.

### **Finding C: Evaluation Guidance of Foreign Assistance Programs in the Philippines Requires Enforcement and Structural Improvement**

OIG found that CT, INL, and J/TIP did not follow guidance in 18 FAM 300 for evaluations. Specifically, CT, INL, and J/TIP did not follow this guidance when defining their programs that would be subject to evaluation. This occurred, in part, because the Office of U.S. Foreign Assistance Resources allowed the bureaus and office to deviate from the FAM when they defined their programs and did not verify that these entities were implementing all required elements of the guidance. As a result, the Department may not be able to demonstrate that U.S. strategic goals in the Philippines were resourced appropriately and aligned with strategic goals so as to comply with the Foreign Aid Transparency and Accountability Act of 2016. In addition, OIG found that J/TIP’s Bureau Evaluation Coordinator was not familiar with the core concepts of the FAM because she lacked the necessary knowledge and training. As a result, there is increased risk that J/TIP is not prepared to implement evaluation requirements in accordance with the FAM.

#### ***Overview of Strategic Planning and Budgeting Processes***

Established in 2006, the Office of U.S. Foreign Assistance Resources mission is to advance U.S. national security and development objectives by coordinating policy, planning, and performance management efforts and providing strategic direction for foreign assistance resources (see Results Framework in Figure 3). Every 4 years, the Department and the U.S. Agency for International Development release a Joint Strategic Plan that sets forth the direction and priorities for both organizations. The bureaus and missions use the Joint Strategic Plan and other relevant documents to develop Functional Bureau Strategies and Integrated Country Strategies. To meet the goals established in these documents, the missions formulate a Mission Resource Request and the bureaus formulate their Bureau Resource Requests to request funds to support progress toward their strategies. The FAM requires these requests to be analyzed and assessed by the Office of U.S. Foreign Assistance Resources and the Bureau of Budget and Planning against Department, U.S. Agency for International Development, and Administration goals.<sup>34</sup>

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<sup>34</sup> 18 FAM 301.1-1, “Managing for Results Introduction.”

Subsequently, the Department’s budget request is submitted to Congress, and once approved, the bureaus submit Bureau Operational Plans to provide a comprehensive picture of how funding will be used to achieve goals and policy priorities. Once the plans are approved, the bureaus implement the funded programs and projects and are then responsible for implementing monitoring and evaluation policies and procedures to report that Federal assistance award goals are met. Figure 3 flowcharts this process.

### **Bureau Evaluation Requirements**

The purpose of the updated April 2018 Program and Project Design, Monitoring, and Evaluation policy in the FAM is to “establish a clear line of sight from what the Department wants to achieve as documented in its strategic plans, to how the Department intends to achieve it through key programs and projects, to data on whether these efforts are working as intended based on monitoring, evaluation, and learning activities.”<sup>35</sup> To meet this purpose in part, as previously noted, the Department performs evaluations to collect and analyze program or project data to inform decision-making.<sup>36</sup> Each bureau is required to identify a Bureau Evaluation Coordinator, who is responsible for ensuring that the evaluation component is integrated into the planning and decision-making process. The FAM also requires all bureaus and independent offices to develop Bureau Evaluation Plans and states that at a minimum, they should undertake at least one evaluation per fiscal year.

The Department defines a program as “a set of activities, processes, or projects aimed at achieving a goal or objective that is typically implemented by several parties over a specified period of time and may cut across sectors, themes, and/or geographic areas.”<sup>37</sup> Bureaus that receive and directly manage foreign assistance program funds are required to evaluate their large programs once in its lifetime or once every 5 years for ongoing programs. “Large” is defined as meeting or exceeding the median cost of programs, projects, or processes for that bureau or independent office.<sup>38</sup> The Department developed the corresponding Guidance for

**Figure 3. The “Managing for Results Framework”**



The “Managing for Results Framework” is an integrated set of processes and tools for linking strategic planning, budgeting, managing, and measuring results to better achieve Department goals.

**Source:** Office of U.S. Foreign Assistance Resources, November 2018.

<sup>35</sup> 18 FAM 301.4-1, “Purpose.”

<sup>36</sup> 18 FAM 301.4-1(B), “Definitions.”

<sup>37</sup> Ibid.

<sup>38</sup> 18 FAM 301.4-4(b), “Evaluation.”

the Design, Monitoring and Evaluation Policy at the Department of State to phase in the implementation of the FAM. Specifically, the guidance states the following:

- By June 29, 2018, and in consultation with the Office of U.S. Foreign Assistance Resources, bureaus and independent offices have identified their major programs and projects.
- By June 28, 2019, and for all major programs and projects, bureaus and independent offices have established monitoring and evaluation plans that identify relevant indicators and any possible opportunities for evaluation, if applicable.
- On an ongoing basis, bureaus and independent offices assess progress and results and use that information to inform management decisions.

***Bureau Implementation of the Department's Program and Project Design, Monitoring, and Evaluation Policy***

Although CT identified and assigned a Bureau Evaluation Coordinator, it did not define its large programs in accordance with the FAM or develop a Bureau Evaluation Plan by the required deadlines. The Bureau Evaluation Coordinator stated that CT was classifying its programs according to common core competencies but that its program definitions were evolving. The Bureau Evaluation Coordinator also stated that CT was drafting its Bureau Evaluation Plan but that it would not be completed by the June 28, 2019 deadline.<sup>39</sup>

INL identified and assigned a Bureau Evaluation Coordinator<sup>40</sup> and developed a Bureau Evaluation Plan. However, INL's definition of a program was not consistent with the FAM in that INL defines the geographic area of the Philippines as a program but does not include a specific period of performance. Moreover, INL's Bureau Evaluation Plan stated that because INL programs vary in size from approximately \$100,000 to more than \$100 million and because it has more programs than most other bureaus, INL uses the mean dollar value for its programs rather than the median to define large programs. This method is not consistent with the definition of a large program from the FAM.

J/TIP also identified and assigned a Bureau Evaluation Coordinator and developed a Bureau Evaluation Plan. However, like INL, it did not define programs in accordance with the FAM. A J/TIP official stated that "Prosecution, Prevention, Protection, and Partnership" are the four overarching programs within J/TIP and that while J/TIP is in the process of developing objectives for these overarching programs, no specific performance period exists. The J/TIP official explained that if J/TIP is required to implement the FAM provisions as written, it would have to conduct an unmanageable number of evaluations. Furthermore, the Department's implementation guidance to execute the FAM states that Coordinators should have expertise or

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<sup>39</sup> CT completed an Annual Program Review for the RLA program and was planning to complete reviews of the Soft Targets and Airport Security programs in FY 2020. However, Annual Program Reviews detail progress, results, obstacles, and solutions for a specific award and are not evaluations.

<sup>40</sup> OIG notes, however, that the Bureau Evaluation Coordinator position in INL was vacant for 2 years—from October 2016 to October 2018.

training in evaluation so they can perform evaluation functions. However, J/TIP's Bureau Evaluation Coordinator was not familiar with the core concepts related to the FAM. For example, the Coordinator had difficulties demonstrating that she understood the difference between a baseline assessment<sup>41</sup> and an evaluation. In addition, the Coordinator told OIG that monitoring and evaluation were the same. Because the Bureau Evaluation Coordinator did not have the expertise or receive training in evaluation functions, J/TIP risks not being prepared to implement evaluation requirements in accordance with the FAM.

***Program and Project Design, Monitoring, and Evaluation Policy Implementation Not Required or Verified***

The bureaus' inconsistent and incorrect implementation of the FAM occurred because the Office of U.S. Foreign Assistance Resources, the office responsible for the FAM,<sup>42</sup> allows bureaus and offices to deviate from the FAM. In addition, OIG reviewed INL's Bureau Evaluation Plan for 2018 to 2019 and found that "the Philippines" is not defined as a large program. The Plan stated that the Office of U.S. Foreign Assistance Resources and the Bureau of Budget and Planning cleared on INL's methodology for defining a large program as consistent with the FAM. J/TIP stated that it similarly received concurrence from the Office of U.S. Foreign Assistance Resources for its definition of its programs, even though the programs also were not defined in accordance with the FAM. An official from the Office of U.S. Foreign Assistance Resources confirmed that it does not intend for the bureaus to follow the policy as it is written and instead allows for flexibility because the implementation process is in its infancy.

Furthermore, Department guidance requires the Office of U.S. Foreign Assistance Resources to facilitate and oversee the products and processes associated with the Managing for Results Framework for foreign assistance-funded activities.<sup>43</sup> However, the Office of U.S. Foreign Assistance Resources does not verify or inspect for compliance with these requirements to ensure that monitoring and evaluation are executed by the bureaus in accordance with the FAM. For example, the Office of U.S. Foreign Assistance Resources did not verify that CT had defined its programs or developed its Bureau Evaluation Plan by the required deadlines.

Prior to the issuance of this report, an official from the Office of U.S. Foreign Assistance Resources stated, among other things, that its "explanations of the monitoring and evaluation policies of the Department . . . were not getting through," which led to the OIG's "misinterpretation" of the relevant policy. The official further stated that this misinterpretation "created a scenario where erroneous criteria were applied to the bureaus in the subject audit

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<sup>41</sup> 18 FAM 301.4-1(B) states that a baseline assessment is data that are collected before or at the start of a program, project, or process and provide a basis for planning and/or assessing subsequent progress and impact. The FAM further states that evaluation is distinct from assessment, which may be designed to examine country or sector content to inform program or project design.

<sup>42</sup> The Department's implementation guidance for 18 FAM 300, the Guidance for the Design, Monitoring and Evaluation Policy at the Department of State, states that the Office of U.S. Foreign Assistance Resources and the Bureau of Budget and Planning "oversee implementation of the 18 FAM 300 and can provide technical assistance for program or project design, monitoring, evaluation, and learning activities. The Office of U.S. Foreign Assistance Resources assists with foreign assistance-funded activities and BP assists with those funded by Diplomatic Engagement."

<sup>43</sup> Guidance for the Design, Monitoring and Evaluation Policy at the Department of State, 30, January 2018 Edition.



(CT, INL, and J/TIP) and in turn they were found to be violating tenets of the policy when this is not the case if the policy is accurately applied.” After additional discussions on the subject, the official concluded, “We remain without clarification as to how the OIG would have preferred these bureaus to define their programs, or what specific error it believes was made by the bureaus.”

As OIG demonstrated in the report, the bureaus are not identifying their large programs as defined by 18 FAM 300, which OIG maintains is the first step to successful implementation of this policy. OIG is not disagreeing with the merits of 18 FAM 300 but rather is stating that consistent implementation of this policy must occur throughout the Department, specifically with how the bureaus are defining their programs and large programs. For example, OIG continues to assert that INL could not demonstrate how “the Philippines” meets the program definition of “a set of activities, processes, or projects aimed at achieving a goal or objective that is typically implemented by several parties over a specified period of time and may cut across sectors, themes, and/or geographic areas;” or how defining its large programs by using the mean dollar value instead of the median cost meets the intent of both 18 FAM 300 and the Foreign Aid Transparency and Accountability Act of 2016.

Without the consistent application of a program definition, the Department’s ability to measure the results of programs providing foreign assistance in the Philippines is hindered and evaluation results that are shared with the public and used to inform budgetary requests, planning decisions, and operational strategies may be incomplete. In addition, without effective oversight by the Office of U.S. Foreign Assistance Resources regarding the implementation of the Department’s Program and Project Design, Monitoring, and Evaluation policy, the Department cannot ensure that U.S. strategic goals in the Philippines are being achieved or that the objective of the Foreign Aid Transparency and Accountability Act of 2016 is being met. OIG is therefore offering the following recommendations to assist the Department in better managing its programs to ensure not only that funds are used to address specific problems in the most effective manner but also that there is greater accountability and transparency on how foreign assistance funds are spent.

**Recommendation 24:** OIG recommends that the Office of U.S. Foreign Assistance Resources enforce evaluation policies by developing and implementing an oversight plan to verify that bureaus and offices that are administering foreign assistance funding are implementing and adhering to the Foreign Aid Transparency and Accountability Act of 2016, the Foreign Affairs Manual (18 FAM 301.4), and the corresponding Guidance for the Design, Monitoring and Evaluation Policy at the Department of State, January 2018. This plan should include, at a minimum, a requirement to verify that definitions of “programs” and “large programs” are consistent with the FAM and a requirement to verify that Bureau Evaluation Plans are developed and implemented in accordance with existing guidance and by the established deadlines.

**Management Response:** The Office of U.S. Foreign Assistance Resources partially agreed with the recommendation, stating that it will “remove the term ‘specified’ (period of time) from the definition of [a] Program” in 18 FAM 301.4-1 and related guidance. It also stated

that it will clarify, in consultation with its stakeholder bureaus, how the requirement in 18 FAM 301.4-1 that “large programs” be evaluated “is to be applied to the list of programs developed by bureaus.” The Office of U.S. Foreign Assistance Resources stated that it will also insert into 18 FAM 301.4-1 the language from the Office of Management and Budget Memo M-18-04 that allows for “a) methods other than the mean to be used to calculate which programs are subject to the ‘large’ program evaluation requirements, and b) components of programs to be evaluated.” Finally, the Office of U.S. Foreign Assistance Resources stated that it will continue to track Bureau Evaluation Plans in its current Evaluation Registry system.

In addition to its response to the recommendation, the Office of U.S. Foreign Assistance Resources provided technical comments to OIG’s draft report, which are reprinted in their entirety in Appendix F. OIG’s reply to the technical comments are presented in Appendix G.

**OIG Reply:** On the basis of the Office of U.S. Foreign Assistance Resources planned actions, OIG considers this recommendation resolved pending further action. Even though the Office of U.S. Foreign Assistance Resources stated that it only partially agreed with the recommendation, OIG recognizes that the steps articulated in the response—namely, clarifying the definition of a program and by what means large programs can be calculated in the FAM and related guidance, consulting with stakeholder bureaus on how “large programs” are to be evaluated, and tracking Bureau Evaluation Plans in its Evaluation Registry system—will place the Department in a better position to ensure that evaluation requirements are met. However, OIG cautions that, without enforcement and verification of consistent policy implementation by the bureaus, the Department will continue to risk its compliance with the Foreign Aid Transparency and Accountability Act of 2016. The recommendation will be closed when OIG receives and accepts documentation demonstrating that the Office of U.S. Foreign Assistance Resources enforced evaluation policies by implementing an oversight plan to verify that bureaus and offices that are administering foreign assistance funding are implementing and adhering to the Foreign Aid Transparency and Accountability Act of 2016, 18 FAM 301.4, and the corresponding Guidance for the Design, Monitoring and Evaluation Policy at the Department of State, January 2018. The plan should include, at a minimum, a requirement to verify that definitions of “programs” and “large programs” are consistent with the FAM and a requirement to verify that Bureau Evaluation Plans are developed and implemented in accordance with existing guidance and by the established deadlines.

**Recommendation 25:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons identify and implement minimum training and education requirements on the Department of State’s monitoring and evaluation policy and concepts for the Bureau Evaluation Coordinator position.

**Management Response:** J/TIP agreed with the recommendation. However, in its general comments, it also stated that it “disagree[d] with the characterization and assessment of our Evaluation Coordinator,” stating that the current Evaluation Coordinator attended multiple training courses and workshops on monitoring and evaluation policy and that the

Evaluation Coordinator's Work Commitments include regular attendance at Department "Communities of Practice" surrounding evaluation, program design, and performance management. J/TIP further stated that its Evaluation Coordinator spearheaded the development of a workgroup "to inform its Monitoring Plan and its Program Design in compliance with 18 FAM 300." More specifically, in its response to this particular recommendation, J/TIP stated that it "continues to identify and implement training and education plans for its Evaluation Coordinator, including on the Department's monitoring and evaluation policy concepts." Finally, J/TIP stated that the "Work Commitments and [Individual Development Plan] of the current and any future [J/]TIP Office Evaluation Coordinators will include training and education requirements on the Department's monitoring and evaluation policy and instructions to review the Resource Guide for New Bureau Evaluation Coordinators."

**OIG Reply:** On the basis of J/TIP's concurrence with the recommendation and stated actions that its Evaluation Coordinator has attended, and will continue to attend, training courses and workshops on monitoring and evaluation policy, OIG considers this recommendation resolved pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that J/TIP has implemented minimum training and education requirements on the Department's monitoring and evaluation policy and concepts for the Bureau Evaluation Coordinator position.

## **Finding D: Other Matters**

During OIG's review of the IAA for the RLA program, OIG learned that the program was funded through three IAAs: one between CT and DOJ, one between INL and DOJ, and one between CT and DOJ with a period of performance of September 9, 2016, to September 30, 2017. Because of the impact of the last two IAAs described in OIG's audit, OIG conducted a limited-scope review of these IAAs. OIG identified two deficiencies, which are described in the sections that follow. OIG believes that, even though these two IAAs were not part of the audit scope, the evidence obtained during OIG's limited-scope review provides a reasonable basis for the findings and conclusions presented in the sections that follow and that these deficiencies should be addressed.

### ***RLA Position Funded Contrary to Federal Appropriations Law***

OIG found that DOJ used CT funds outside the terms and conditions of the IAA and contrary to Federal appropriations law, as reported in Finding B. Specifically, OIG found that even though the Advisor was allocating 50 percent of his time to the IAA with CT and the other 50 percent of his time to the IAA with INL, DOJ was not paying the Advisor's salary on a "50/50" basis. Because one bureau cannot augment the appropriation of another, the percentage of the Advisor's salary paid by INL in FY 2015 and FY 2017 should be reviewed and a determination made on the allowability of these costs.<sup>44</sup> Therefore, OIG is offering the following recommendation.

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<sup>44</sup> Because OIG conducted only a limited-scope review of the INL IAA, supporting documentation to determine how much was unallowable for the RLA's salary for FYs 2015 and 2017 was not requested or reviewed.

**Recommendation 26:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) review its interagency agreement with the Department of Justice for the Resident Legal Advisor Program and (a) determine the amounts paid with INL funds beyond the 50 percent of the Resident Legal Advisor's salary for FYs 2015 and 2017, (b) determine whether these amounts are allowable and liquidated in accordance with Federal appropriations law, (c) obtain a refund for all payments determined to be unallowable, and (d) verify that the funds have been returned.

**Management Response:** INL concurred with the recommendation, stating that it will work "with the Department of Justice to review salary payments for the Resident Legal Advisor for the fiscal years identified."

**OIG Reply:** On the basis of INL's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL reviewed its IAA with DOJ for the RLA Program and (a) determined the amounts paid with INL funds beyond the 50 percent of the RLA's salary for FYs 2015 and 2017, (b) determined whether these amounts were allowable and liquidated in accordance with Federal appropriations law, (c) obtained a refund for all payments determined to be unallowable, and (d) verified that the funds have been returned.

### ***Funds Spent on the Previous RLA Award Outside of the Period of Performance***

An entity may charge to the Federal award only allowable costs incurred during the period of performance. The performance period for the previous IAA between CT and DOJ ended on September 30, 2017. OIG's limited-scope review determined that CT allowed DOJ to continue to spend funds before formally amending the award. Procurement Information Bulletin 2014-05 states that, if an IAA period exceeds one year, "[a]ppropriate changes will be made by amendment to the [general terms and conditions] and/or modification to any affected order(s)." According to CT, a modification was not executed because of staff shortages and a simultaneous increase in workload for existing staff.

In response to a draft of this report, CT stated that there were two notices to proceed in place for the IAA. The first notice to proceed was given on September 26, 2017, extending the period of performance to September 30, 2018. A second notice to proceed was given on September 28, 2018, extending the period of performance to September 30, 2019. A formal modification to the IAA was executed on April 11, 2019. Because Procurement Information Bulletin 2014-05 does not recognize a notice to proceed as a valid method for extending the period of performance for an IAA, OIG determined that payments made outside the period of performance from October 1, 2017, through September 30, 2018, totaled \$417,771 were therefore unallowable. The unallowable costs consisted of \$113,337 for salaries and benefits; \$62,378 for travel and transportation; \$111,765 for contractual services; and \$130,292 for supplies, rent, and overhead.<sup>45</sup> As a result of the lack of modification, CT allowed DOJ to make

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<sup>45</sup> When adding these amounts, the total may be affected by rounding.

unauthorized commitments by obligating and liquidating funds past the period of performance of this IAA, which may involve ratification.<sup>46</sup> Therefore, OIG is offering the following recommendations.

**Recommendation 27:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (a) determine the allowability of the \$417,771 in questioned costs expended from October 1, 2017, through September 30, 2018, identified by OIG, (b) obtain a refund for all payments to the Department of Justice determined to be unallowable, and (c) verify that the funds have been returned.

**Management Response:** CT disagreed with the recommendation, stating that “the report fails to recognize the notice to proceed communication between CT and [DOJ] that was issued prior to the September 30, 2017 IAA period of performance end date extending the award to September 30, 2018.” CT concedes that it was not timely in issuing the formal IAA modification but reiterates that “there were two notice to proceeds in place for this award allowing [DOJ] to continue operating in compliance with appropriations law.” CT stated that it “will revise its notice to proceed procedures to ensure that a lag time such as this will not occur again.”

**OIG Reply:** OIG considers this recommendation unresolved because CT did not determine the allowability of the questioned costs identified. According to Procurement Information Bulletin 2014-05, if an IAA period of performance exceeds one year, “[a]ppropriate changes will be made by amendment to the [general terms and conditions] and/or modification to any affected order(s).” A notice to proceed is not a valid method to extend the period of performance of an IAA—rather, notices to proceed are effectively an interim step. OIG does not dispute that the notices to proceed may have reflected the intent of the parties, but they are not substitutes for formal modifications, and the agreement itself was not formally amended until April 11, 2019. The recommendation will be considered resolved when CT agrees to determine the allowability of the questioned costs expended from October 1, 2017, through September 30, 2018. The recommendation will be closed when OIG receives and accepts documentation demonstrating that CT has (a) determined the allowability of the \$417,771 in questioned costs expended from October 1, 2017, through September 30, 2018; (b) obtained a refund for all payments to the DOJ determined to be unallowable; and (c) verified that the funds have been returned.

**Recommendation 28:** OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, review the interagency agreement between the Bureau of Counterterrorism and Countering Violent Extremism and the Department of Justice to determine if ratification is warranted, and if so, ratify accordingly.

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<sup>46</sup> Although unauthorized commitments are not binding on the Government, they may be approved using ratification procedures. However, during the review of this IAA, OIG found, and A/OPE confirmed, that there is no guidance on ratification procedures for unauthorized commitments on non-acquisition IAAs.

**Management Response:** A/OPE concurred with the recommendation, stating that in consultation with the Office of the Legal Adviser, “no ratification as described at Department of State Acquisition Regulation 601.602-3, Ratification of unauthorized commitments, is warranted. This signed memo [i.e., the response to the draft report] serves as the determination of the Senior Procurement Executive.” A/OPE further stated that it had discussions with OIG regarding the applicability of ratification procedures for non-acquisition IAAs and that “given the OIG concurs there is no guidance for ratification procedures under a non-acquisition IAA,” A/OPE, in consultation with the Office of the Legal Adviser, had moreover independently determined that ratification under the Federal Acquisition Regulation is inapplicable. This is because an IAA “is not a grant or acquisition, and therefore cannot be treated as such an arrangement.” A/OPE further stated that it deferred to the Office of the Legal Adviser for additional legal analysis given that that office “reviews both acquisition and non-acquisition IAA’s for legal sufficiency.”

**OIG Reply:** On the basis of the determination of the Senior Procurement Executive, OIG considers this recommendation closed. Specifically, A/OPE determined that no ratification was warranted for the IAA between CT and DOJ and stated that the Senior Procurement Executive’s signature on its memorandum served as this determination. OIG agrees that this action fulfills the intent of the recommendation, and no further action is required.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism, in coordination with the Bureau of Diplomatic Security (DS), develop and implement performance monitoring plans and collect and analyze relevant monitoring data for the Soft Targets Crisis Response Program and the Manila Airport Security Program awards as agreed to in the 2015 Memorandum of Agreement with DS.

**Recommendation 2:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (CT) establish a new Memorandum of Agreement with the Bureau of Diplomatic Security that reflects the requirements outlined in the Foreign Affairs Manual (FAM), 18 FAM 301, and CT's 2016 Monitoring and Evaluation Guide.

**Recommendation 3:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs require the U.S. Coast Guard to develop an implementation plan, establish program management support, and submit all required quarterly Program Progress Reports in accordance with the terms and conditions of the United States Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development interagency agreement.

**Recommendation 4:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) document its reviews and analyses of all Program Progress Reports as required by INL's Agreement Officer's Representative Handbook.

**Recommendation 5:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs require the U.S. Coast Guard to collect and report data to measure performance against the objectives outlined in the United States Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development interagency agreement.

**Recommendation 6:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, assess and update the Federal Assistance Directive to ensure monitoring plan requirements align with the mandatory monitoring plan template.

**Recommendation 7:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons review performance progress reports within 30 days of receipt in the official Federal award files, as required by the Federal Assistance Directive, for both the Child Protection Compact—Improving the Government of the Philippines' Responses to Online Sexual Exploitation of Children and Child Labor Trafficking and the Protecting At-risk children Vulnerable to Exploitation cooperative agreements.

**Recommendation 8:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons (J/TIP) determine whether the objective to "provide short-term emergency shelter for up to 44 minor boys and girls with a high/therapeutic caregiver to child ratio" in the Protecting At-risk children Vulnerable to Exploitation cooperative agreement should be revised. If so, J/TIP should request that the Grants Officer (a) update the cooperative agreement accordingly and

(b) ensure that the amount of funding disbursed to the award recipient is consistent with the services received.

**Recommendation 9:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism require the Bureau of Diplomatic Security to submit quarterly financial reports as agreed to in the 2015 Memorandum of Agreement for both the Soft Targets Crisis Response Program and the Manila Airport Security Program.

**Recommendation 10:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism, in coordination with the Bureau of Diplomatic Security, review the invoices for the five completed Soft Targets Crisis Response Program and Manila Airport Security Program courses reviewed in this audit and (a) determine the allowability of the costs of \$13,700 OIG identified, (b) recoup those funds from the contractor if they are determined to be unallowable, and (c) withhold payments on all future invoices submitted by the contractor until invoices have appropriate supporting documentation.

**Recommendation 11:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (CT) require the Department of Justice to pay the salary of the Resident Legal Advisor in a manner that reflects the actual amount of time spent working on CT's behalf on the Resident Legal Advisor Program.

**Recommendation 12:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (a) determine the allowability of the \$70,000 in funds identified by OIG from the Resident Legal Advisor Program expended in FY 2018, (b) obtain a refund for those payments determined to be unallowable, and (c) verify that the funds have been returned.

**Recommendation 13:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism document its reviews of quarterly financial reports and obtain, review, and document supporting financial documentation for the Resident Legal Advisor Program for reconciliation purposes, in accordance with Procurement Information Bulletin No 2014-05.

**Recommendation 14:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (a) determine the allowability of costs of \$18,556 identified by OIG that were obligated beyond the budgeted amount for the Resident Legal Advisor Program without authorization in FY 2018, (b) obtain a refund for those payments determined to be unallowable, and (c) verify that the funds have been returned.

**Recommendation 15:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism develop and implement procedures to verify that all award recipients comply with approved budget plans or obtain permission via formal amendments or written agreements to deviate from approved budget plans.

**Recommendation 16:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs require the U.S. Coast Guard to submit financial reports on a quarterly basis that are in alignment with the budget categories established in the United States Coast



Guard Support to Philippines Coast Guard Maritime Law Enforcement Capability Development interagency agreement.

**Recommendation 17:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs review supporting documentation for expenditures to verify that funds are “expended only on activities, services, or materials that contribute to meeting project objectives.”

**Recommendation 18:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons review the Protecting At-risk children Vulnerable to Exploitation cooperative agreement and correct any deficiencies identified with the budget amendment processes, such as requiring all amendments to be approved and signed in the State Assistance Management System.

**Recommendation 19:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons develop policies and procedures to ensure that the budget amendment approval process for all future awards is completed in accordance with the Federal Assistance Directive.

**Recommendation 20:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons conduct and document reviews of quarterly financial reports for the Child Protection Compact—Improving the Government of the Philippines’ Responses to Online Sexual Exploitation of Children and Child Labor Trafficking and Protecting At-risk children Vulnerable to Exploitation awards in the official files, as required by the Federal Assistance Directive.

**Recommendation 21:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons (a) determine the allowability of the costs of \$7,500 identified that were used to pay salaries for staff who were not supporting the Protecting At-risk children Vulnerable to Exploitation cooperative agreement, (b) recover any costs determined to be unallowable, and (c) verify that the funds have been returned.

**Recommendation 22:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons (a) conduct a review of all expenditures invoiced under the Protecting At-risk children Vulnerable to Exploitation cooperative agreement to date and (b) identify and recover all expenditures determined to be unallowable.

**Recommendation 23:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons develop and implement policies and procedures in accordance with the Federal Assistance Directive to employ a robust financial monitoring process including a review of supporting financial documentation when potential misuse of award funds is identified.

**Recommendation 24:** OIG recommends that the Office of U.S. Foreign Assistance Resources enforce evaluation policies by developing and implementing an oversight plan to verify that bureaus and offices that are administering foreign assistance funding are implementing and adhering to the Foreign Aid Transparency and Accountability Act of 2016, the Foreign Affairs Manual (18 FAM 301.4), and the corresponding Guidance for the Design, Monitoring and Evaluation Policy at the Department of State, January 2018. This plan should include, at a

minimum, a requirement to verify that definitions of “programs” and “large programs” are consistent with the FAM and a requirement to verify that Bureau Evaluation Plans are developed and implemented in accordance with existing guidance and by the established deadlines.

**Recommendation 25:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons identify and implement minimum training and education requirements on the Department of State’s monitoring and evaluation policy and concepts for the Bureau Evaluation Coordinator position.

**Recommendation 26:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) review its interagency agreement with the Department of Justice for the Resident Legal Advisor Program and (a) determine the amounts paid with INL funds beyond the 50 percent of the Resident Legal Advisor’s salary for FYs 2015 and 2017, (b) determine whether these amounts are allowable and liquidated in accordance with Federal appropriations law, (c) obtain a refund for all payments determined to be unallowable, and (d) verify that the funds have been returned.

**Recommendation 27:** OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (a) determine the allowability of the \$417,771 in questioned costs expended from October 1, 2017, through September 30, 2018, identified by OIG, (b) obtain a refund for all payments to the Department of Justice determined to be unallowable, and (c) verify that the funds have been returned.

**Recommendation 28:** OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, review the interagency agreement between the Bureau of Counterterrorism and Countering Violent Extremism and the Department of Justice to determine if ratification is warranted, and if so, ratify accordingly.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG) for the Department of State (Department) conducted this audit to determine whether Department-funded foreign assistance programs implemented in the Philippines were monitored and evaluated in accordance with Federal and Department requirements.

This report relates to the overseas contingency operation, Operation Pacific Eagle-Philippines, and was completed in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended. OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those 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 objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. 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.

OIG conducted this audit from November 2018 to June 2019. OIG performed audit fieldwork at U.S. Embassy Manila, Philippines; the U.S. Consulate General Frankfurt, Germany; and the Washington, D.C., metropolitan area. To obtain background information for this audit, OIG researched and reviewed Federal laws and regulations, as well as internal Department policies and procedures relating to foreign assistance funding. Specifically, OIG reviewed the Foreign Affairs Manual; Foreign Affairs Handbook; Procurement Information Bulletin; Federal Assistance Directive; Code of Federal Regulations; the Guidance for the Design, Monitoring and Evaluation Policy at the Department of State; the Bureau of International Narcotics and Law Enforcement Affairs (INL) Agreement Officer Representative Handbook; and the Bureau of Counterterrorism and Countering Violent Extremism's (CT) Monitoring and Evaluation Guide.

OIG interviewed officials from INL, CT, the Office of U.S. Foreign Assistance Resources, Office to Monitor and Combat Trafficking in Persons (J/TIP), Bureau of Diplomatic Security, Bureau of Administration, U.S. Coast Guard, Department of Justice, International Justice Mission, and the Salvation Army and its sub-awardees. The audit was limited to six foreign assistance awards issued between October 2015 and September 2018. Those awards were the Soft Targets Crisis Response Program, the Manila Airport Security Program, the Resident Legal Advisor (RLA) Program, the United States Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development award, the Protecting At-risk children Vulnerable to Exploitation award, and the Child Protection Compact—Improving the Government of the Philippines' Responses to Online Sexual Exploitation of Children and Child Labor Trafficking award. OIG obtained and reviewed documentation related to the performance monitoring, financial monitoring, and evaluation of these awards. For example, OIG reviewed quarterly performance and financial reports from the beginning of the award through the fourth quarter of FY 2018 for the U.S. Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development, Child Protection Compact—Improving the Government of the Philippines' Responses to Online Sexual Exploitation of Children and Child Labor Trafficking, and Protecting At-risk children Vulnerable to Exploitation awards. OIG reviewed quarterly

performance and financial reports for FY 2018 for the RLA award and a sample of expenditures for each of the six selected awards,<sup>1</sup> as discussed in the sections that follow. In addition, OIG conducted site visits and observed activities performed under the United States Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development and the Protecting At-risk children Vulnerable to Exploitation awards. OIG conducted a limited-scope review of two interagency agreements under the RLA award. OIG reviewed INL's award to determine whether the RLA shared tasks with CT. OIG reviewed CT's award and financial reports to determine period of performance and expenditure amounts.

## **Work Related to Internal Controls**

OIG performed steps to assess the adequacy of internal controls related to the performance monitoring, financial monitoring, and award evaluations for the six awards reviewed. For each sampled award, OIG reviewed the terms of the contract, interagency agreement, or cooperative agreement and the applicable policies and procedures that governed each type. OIG compared identified requirements against procedures executed by CT, INL, and J/TIP to determine whether these entities properly monitored the awards. OIG also performed tests of internal controls, including a review of a sample of financial expenditures for each award to verify whether those expenditures were allowable and supported. Significant internal control deficiencies identified during the audit are presented in the Audit Results section of this report.

## **Use of Computer-Processed Data**

OIG did not use computer-processed data as evidence for this audit. Therefore, information systems controls were not significant to the audit objectives, and it was not necessary to assess the use of controls for computer-processed data.

## **Detailed Sampling Methodology**

To answer the audit objectives, OIG obtained funding information for Department-funded foreign assistance programs in the Philippines from FY 2015 through FY 2017. To target bureaus with the highest dollar value, OIG selected INL and CT, with 38 total awards and a total value of \$41 million. Within these two bureaus, OIG wanted to review various funding instruments. Therefore, the funds were stratified by instrument for a total of three funding instruments (contracts, interagency agreements, and cooperative agreements). For each, the two awards with the highest dollar values were selected for a total of six awards,<sup>2</sup> resulting in two cooperative agreements that were funded by INL but monitored by J/TIP; two bureau transfers from CT to the Bureau of Diplomatic Security that were executed as contracts; and two interagency agreements, one with INL and one with CT. The selected awards totaled \$25 million out of the \$41 million universe (61 percent). Table 1 in the Background section of this report includes details of the selected awards. For the sampled awards, OIG used a risk-based selection method or a haphazard nonstatistical sampling design to select 311 expenditures,

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<sup>1</sup> The Soft Targets Crisis Response Program and the Manila Airport Security Program did not have quarterly performance reports. However, OIG reviewed a sample of training reports for each course.

<sup>2</sup> OIG initially selected two interagency agreements that had not yet commenced performance. Therefore, OIG selected two lower dollar interagency agreements to complete the sample selection.

valued at 1.4 million dollars, of 396 expenditures based on criteria including dollar value, time period, population, and expense category (see Table A.1). OIG determined that the expenditures were sufficiently reliable to meet the objectives of this audit.

**Table A.1: OIG Sample of Expenditures for the Selected Philippines Foreign Assistance Awards**

| Selection Criteria                       | Program Title   | Selection Criteria   | Target Universe  | Samples Reviewed |
|--|---|--|------------------|------------------|
| Risk-based selection                     | Soft Targets Crisis Response Program  | January and February 2019 expenditures for completed courses <sup>a</sup>  | 36               | 36               |
|  | Manila Airport Security Program   | January and February 2019 expenditures for completed courses <sup>b</sup>  | 22               | 22               |
|  | Resident Legal Advisor Program  | FY 2018 expenditure was based on the highest dollar value  | 1                | 1                |
| Haphazard Nonstatistical Sampling Design | U.S. Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development  | FY 2017 and FY 2018 expenditures per expense category <sup>c</sup>   | 49               | 13               |
|  | Child Protection Compact—Improving the Government of the Philippines’ Responses to Online Sexual Exploitation of Children and Child Labor Trafficking | October 1, 2017, through November 30, 2018, expenditure per expense category <sup>d</sup>  | 96               | 76               |
|  | Protecting At-risk children Vulnerable to Exploitation  | October 1, 2017, through November 30, 2018, expenditure selections were based on expense categories, dollar value, and population <sup>f</sup> | 192 <sup>e</sup> | 163              |
| <b>Total</b>                             |   |  | <b>396</b>       | <b>311</b>       |

<sup>a</sup> The first three courses executed were reviewed.

<sup>b</sup> The first two courses executed were reviewed.

<sup>c</sup> The target universe was defined by the following expense categories: eight “Travel,” four “Continuous travel,” eight “Central Air,” eight “Fund Site at Post,” seven “Contracts,” eight “Students,” and six “Tuition Reimbursement.”

<sup>d</sup> The target universe was defined as the top 10 expenditures for the “US Staff Salaries,” “US Staff Benefits,” “National Staff Salaries,” and “Client Expenses” expense categories. The top 10 expenditures and an additional four lower level expenditures for “International Justice Mission Sponsored Trainings” and “Travel” expense categories were selected. Additionally, expenditures higher than \$150 were selected for the following expense categories: “Third Country National Staff Salaries,” “National Staff Benefits,” “Contracted Services,” “Subawards,” “Office Expenses,” “Telecommunications,” “IT Equipment,” and “Professional Services.”

<sup>e</sup> Expenditures were broken down by expense categories for “Personnel,” “Fringe Benefits,” “Travel-Vehicle,” “Contractual,” “Other Direct Costs,” and “Indirect Costs”—not by expenditure line item.

<sup>f</sup> Expenditures were selected from the Salvation Army and its two subrecipients that were using Protecting At-risk children Vulnerable to Exploitation award funds. Fifty-seven of the recipient expenditures were selected from the 2 months with highest total dollar value of expenditures, and the 100 percent sample methodology was applied. Specifically, one subrecipient sample set consisted of 2 months with the highest total dollar value of expenditures and another sample set that consisted of 2 months that would encompass a bigger timeline. The other subrecipient sample set consisted of a variety of expenditures above \$1,000 that would be representative of all transactions (i.e., different months, people from personnel, and any other unique expenditures). For the “Fringe Benefits” expense category, OIG selected transactions that exceeded \$500. Two transactions that had the same amount were selected for review of their validity. Transactions over \$150 were selected for the “Travel,” “Supplies,” “Construction,” and “Other Direct Costs” expense categories.

**Source:** Generated by OIG based on data provided by the Bureau of Diplomatic Security, the Department of Justice, the International Justice Mission, the U.S. Coast Guard, and the Salvation Army.

## APPENDIX B: BUREAU OF COUNTERTERRORISM AND COUNTERING VIOLENT EXTREMISM RESPONSE



United States Department of State


Washington, D.C. 20520

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August 22, 2019

### MEMORANDUM

TO: OIG/AUD – Norman P. Brown, Assistant Inspector General

FROM: CT – Nathan A. Sales, Coordinator 

SUBJECT: Draft Report on *Audit of Monitoring and Evaluating Department of State Foreign Assistance in the Philippines*

Thank you for the opportunity to provide comments and initial response from the Bureau of Counterterrorism and Countering Violent Extremism (CT) for the subject audit report.

**General Comments:** In principle, CT agrees with the core findings of the audit. As a general observation, we note several recommendations that reflect the lack of staff to perform all of the mutually agreed upon activities for our projects. We have brought this issue to the attention of Department leadership and are working through the staff and resource requests necessary to fully accomplish our mission. Other recommendations in this report reflect differing interpretations of laws and agreements between OIG on the one hand, and CT and our implementing partners on the other. In those circumstances we relied on the joint interpretations we share with our partners. In the case of DOJ, they were confident that they had the legal authority to proceed and we reasonably relied on those assurances.

CT would like to address two sections of language in particular where there are mischaracterizations of what CT staff discussed with OIG auditors.

On page 11, CT disagrees with the assumptions outlined in this language: “*CT did not require DS to submit financial reports for the two bureau transfers; allowed DOJ to fund the RLA position, which was contrary to Federal appropriations law; and did not require approval for adjustments to the budget. As a result, OIG questioned \$102,256 spent under the award. CT stated that these conditions occurred because it lacked the staff to ensure compliance with the execution of funds, did not perform its own financial reviews and instead relied on DOJ to liquidate funds appropriately, and misinterpreted the budget procedures outlined in the IAA.*”

CT will concede that, due to the hiring freeze and subsequent vacancies, neither DS/T/ATA nor CT had the necessary staffing to be able to produce the quarterly financial reporting nor follow up on the lack of it as outlined in the 2015 MOA. We have asked DS/T/ATA to produce the last quarter of reporting as outlined in the MOA. CT agrees with, and has reasonably relied on, DOJ’s assurances that it has the legal authority to proceed with their activities for the time period in question. In addition, DOJ and CT fully understand what constitutes adjustments to the budget and we disagree with the auditors on their interpretation of our IAA.

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On page 12, CT disagrees with the assumptions outlined in this language: *“CT officials stated that they did not require DS to submit financial reports because they lacked the staff to ensure that DS did so. However, without the quarterly financial reports and supporting documentation, CT could not determine whether the contractor was fully meeting the terms and conditions of the award. OIG is therefore offering the following recommendations to CT.”*

As we stated above, neither CT nor DS/T/ATA had the staff available during this period to fully implement the 2015 MOA. However, the financial reporting as the audit report itself mentions is a quarterly financial report with “allocations, committed funds, obligated funds, unliquidated obligations, and expenditures” for each fiscal year of implementation. The MOA does not state that this quarterly financial report should provide any supporting documentation at a specific implementing mechanism level. These reports when provided are at the country level similar to the 653(a) report and would never have provided documentation on a specific award as these would have been rolled up into a single Philippines line.

### **Recommendation Responses**

**Recommendation 1:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism, in coordination with the Bureau of Diplomatic Security (DS), develop and implement performance monitoring plans and collect and analyze relevant monitoring data for the Soft Targets Crisis Response Program and the Manila Airport Security Program awards as agreed to in the 2015 Memorandum of Agreement with DS.*

**CT Response:** CT agrees with the OIG’s recommendation. Since the initiation of the OIG’s audit, DS/T/ATA has finalized and implemented a comprehensive performance monitoring program. This program, developed in consultation with CT’s Office of Programs (CT/P), applies to all DS/T/ATA-implemented programming, including the Soft Targets Crisis Response project and the Manila Airport Security project. The program defines relevant monitoring data for each individual functional area of DS/T/ATA’s assistance, and lays out a plan for the collection of that data. CT/P will analyze the monitoring data collected and provided by DS/T/ATA on a quarterly basis, in line with the current Memorandum of Agreement between the two organizations.

**Recommendation 2:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (CT) establish a new Memorandum of Agreement with the Bureau of Diplomatic Security that reflects the requirements outlined in the Foreign Affairs Manual (FAM), 18 FAM 301, and CT’s 2016 Monitoring and Evaluation Guide.*

**CT Response:** CT does not agree with the OIG’s recommendation to draft a new Memorandum of Agreement (MOA), as the existing MOA sufficiently outlines the roles and responsibilities between CT and DS/T/ATA. Although the OIG report noted a single CT official describing the existing MOA as outdated, this perspective does not accurately represent that of the entire bureau. In actuality, CT believes the current MOA is sufficient to govern effectively the relationship between CT/P and DS/T/ATA, as it pertains to the design, implementation, and oversight of foreign assistance. Furthermore, CT agrees with the OIG finding that the current MOA, despite being finalized prior to the Department’s issuance of 18 FAM 300, is still aligned with it. Moving forward, CT will work with DS/T/ATA to ensure both organizations comply

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with MOA stipulations. In addition, CT commits that when a new MOA is drafted, we will explicitly cite the reference to 18 FAM 300 and provide any additional clarity needed.

**Recommendation 9:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism require the Bureau of Diplomatic Security to submit quarterly financial reports as agreed to in the 2015 Memorandum of Agreement for both the Soft Targets Crisis Response Program and the Manila Airport Security Program.*

**CT Response:** CT agrees with the OIG recommendation and will request DS/T/ATA provide timely submission of required financial reports for all programming, as agreed to in the 2015 Memorandum of Agreement.

**Recommendation 10:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism, in coordination with the Bureau of Diplomatic Security, review the invoices for the five completed Soft Targets Crisis Response Program and Manila Airport Security Program courses reviewed in this audit and (a) determine the allowability of the costs of \$13,700 OIG identified, (b) recoup those funds from the contractor if they are determined to be unallowable, and (c) withhold payments on all future invoices submitted by the contractor until invoices have appropriate supporting documentation.*

**CT Response:** CT disagrees with this recommendation and agrees with DS/T/ATA, which confirmed these costs were allowable as specific documentation was not required for these Firm Fixed Price contracts.

**Recommendation 11:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (CT) require the Department of Justice to pay the salary of the Resident Legal Advisor in a manner that reflects the actual amount of time spent working on CT's behalf on the Resident Legal Advisor Program.*

**CT Response:** CT agrees with the OIG recommendation, and will request the Department of Justice to implement a financial system that pays Resident Legal Advisor (RLA) salaries that accurately reflect the actual amount of time spent working on CT's behalf. CT is also reducing the overall number of jointly funded RLAs in the next two years, to include shifting the jointly funded Philippines RLA to a position only funded by CT. This will further limit this issue from occurring in the future.

**Recommendation 12:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (a) determine the allowability of the \$70,000 in funds identified by OIG from the Resident Legal Advisor Program expended in FY 2018, (b) obtain a refund for those payments determined to be unallowable, and (c) verify that the funds have been returned.*

**CT Response:** CT disagrees with this recommendation and stands by our joint interpretation with DOJ/OPDAT of the applicable budget category that triggers a need for written concurrence exceeding 10 percent. Understanding that a joint interpretation should be broadly communicated, going forward, CT will take steps to include clearer language in Interagency Agreements as to what constitutes a budget category and how the 10 percent applies.

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**Recommendation 13:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism document its reviews of quarterly financial reports and obtain, review, and document supporting financial documentation for the Resident Legal Advisor Program for reconciliation purposes, in accordance with Procurement Information Bulletin No 2014-05.*

**CT Response:** CT agrees with this recommendation, and will work with DOJ/OPDAT to improve our process for receiving, reviewing, and documenting financial reporting for reconciliation purposes.

**Recommendation 14:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (a) determine the allowability of costs of \$18,556 identified by OIG that were obligated beyond the budgeted amount for the Resident Legal Advisor Program without authorization in FY 2018, (b) obtain a refund for those payments determined to be unallowable, and (c) verify that the funds have been returned.*

**CT Response:** CT disagrees with this recommendation and stands by our joint interpretation with DOJ/OPDAT of the applicable budget category that triggers the need for written concurrence exceeding 10 percent. As with recommendation response 12, CT will take steps to include clearer language in Interagency Agreements as to what constitutes a budget category and how the 10 percent applies.

**Recommendation 15:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism develop and implement procedures to verify that all award recipients comply with approved budget plans or obtain permission via formal amendments or written agreements to deviate from approved budget plans.*

**CT Response:** CT agrees with the OIG recommendation, and will implement procedures to verify that award recipients are in compliance with approved budgets and document any deviations appropriately. These procedures will be clearly stated in IAAs going forward.

**Recommendation 27:** *OIG recommends that the Bureau of Counterterrorism and Countering Violent Extremism (a) determine the allowability of the \$417,771 in questioned costs expended from September 30, 2017, through September 18, 2018, identified by OIG, (b) obtain a refund for all payments to the Department of Justice determined to be unallowable, and (c) verify that the funds have been returned.*

**CT Response:** CT does not agree with this recommendation. The report fails to recognize the notice to proceed communication between CT and DOJ/OPDAT that was issued prior to the September 30, 2017 IAA period of performance end date extending the award to September 30, 2018. While CT concedes it was not timely in issuing the formal IAA modification, there were two notice to proceeds in place for this award allowing DOJ/OPDAT to continue operating in compliance with appropriations law. CT will revise its notice to proceed procedures to ensure that a lag time such as this will not occur again.

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Approved: CT/FO: Nathan A. Sales NAS

Drafted: CT/EX: Adam Foote  
CT/EX: Jennifer Schenking

Cleared: CT/FO: Alina Romanowski ok  
CT/P: Sam Pineda ok  
CT/P: Laurie Freeman ok  
CT/EX: Suzane Cho ok  
CT/EX: Jennifer Kandler ok

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APPENDIX C: BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS RESPONSE




United States Department of State

Washington, D.C. 20520

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August 19, 2019

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

FROM: INL/EX – Jeffrey C. Lee, Acting 

SUBJECT: INL Response to the Draft Report, “Audit of Monitoring and Evaluating Department of State Foreign Assistance in the Philippines” (AUD -MERO-19-XX)

The Bureau of International Narcotics and Law Enforcement Affairs (INL) welcomes the opportunity to comment on this draft OIG report and offers additional information and clarification for your consideration.

**INL Response to the OIG’s Recommendation**

**Recommendation 3:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs require the U.S. Coast Guard to develop an implementation plan, establish program management support, and submit all required quarterly Program Progress Reports in accordance with the terms and conditions of the United States Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development interagency agreement.

**INL Response:** INL partially concurs with this recommendation.

**Implementation plan:** The language in the IAA work plan was not intended to require the USCG to submit a separate implementation plan document, but rather to lay out parameters and methodology for implementation. However, we will work with USCG to develop an implementation planning document to be updated regularly.

**Program management support:** To ensure implementation of the IAA, the USCG has utilized a combination of a full time, six-month TDY position at U.S. Embassy Manila and a portion of time by the GS-15 advisor and GS-13 equivalent contractor to implement the program, along with time and effort from several other USCG employees. USCG recently hired a full-time GS-13 equivalent to manage the Philippines program in DC. INL will work with UCSG to identify the

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appropriate mix of individuals to provide program management support for the Philippines IAA going forward and will update the IAA to reflect that plan.

Quarterly reports: In FY 2019, USCG started submitting progress reports on a quarterly basis. INL notes that although USCG only submitted four quarterly performance progress reports for the period of FY 2016 through FY 2018, the reports were cumulative and covered activities for the entire time period.

**Recommendation 4:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) document its reviews and analyses of all Program Progress Reports as required by INL's Agreement Officer's Representative Handbook.

**INL Response:** INL concurs with this recommendation. INL will provide more detailed guidance for the quarterly report review to the Agreements Officer Representative (AOR) for the USCG IAA and will work with the AOR to ensure documentation of quarterly report reviews.

**Recommendation 5:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs require the U.S. Coast Guard to collect and report data to measure performance against the objectives outlined in the United States Coast Guard Support to Philippine Coast Guard Maritime Law Enforcement Capability Development interagency agreement.

**INL Response:** INL concurs with this recommendation. INL will work with the USCG to amend the IAA work plan to better tailor the performance measures to the IAA objectives and ensure that USCG reports on these measures as required in the quarterly reports.

**Recommendation 16:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs require the U.S. Coast Guard to submit financial reports on a quarterly basis that are in alignment with the budget categories established in the United States Coast Guard Support to Philippines Coast Guard Maritime Law Enforcement Capability Development interagency agreement.

**INL Response:** INL concurs with this recommendation. In FY 2019, USCG submitted financial reports on a quarterly basis. INL is working with USCG to ensure the financial report format aligns with the budget categories as established by the IAA.

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**Recommendation 17:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs review supporting documentation for expenditures to verify that funds are “expended only on activities, services, or materials that contribute to meeting project objectives.”

**INL Response:** INL partially concurs with this recommendation. Improving the quarterly financial report format and conducting quarterly reconciliations of those reports should address the concern over spending according to the budget categories. It is not State Department policy or the Bureau’s standard practice to review supporting documentation for every expense, but we maintain the ability to request supporting documentation if we suspect a problem with expenditures. To address this recommendation, INL will work with USCG to review a sampling of supporting documentation for expenditures on this IAA along with the financial reports to ensure alignment with the agreed budget.

**Recommendation 26:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) review its interagency agreement with the Department of Justice for the Resident Legal Advisor Program and (a) determine the amounts paid with INL funds beyond the 50 percent of the Resident Legal Advisor’s salary for FYs 2015 and 2017, (b) determine whether these amounts are allowable and liquidated in accordance with Federal appropriations law, (c) obtain a refund for all payments determined to be unallowable, and (d) verify that the funds have been returned.

**INL Response:** INL concurs and is working with the Department of Justice to review salary payments for the Resident Legal Advisor for the fiscal years identified.

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



United States Department of State

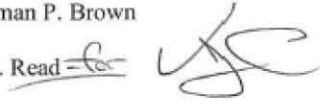
Washington, D.C. 20520

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August 26, 2019

### MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/OPE – Cathy J. Read 

SUBJECT: Management Response to Draft Report on *Audit of Monitoring and Evaluating Department of State Foreign Assistance in the Philippines* (AUD-MERO-19-XX)

Thank you for the opportunity to provide a management response to the subject report.

**Recommendation 6:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive assess and update the Federal Assistance Directive to ensure monitoring plan requirements align with the mandatory monitoring plan template.

**Management Response (08/26/2019):** The Bureau of Administration, Office of the Procurement Executive (OPE) concurs with the recommendation. The Fiscal Year 2020 Federal Assistance Directive will be released on October 1, 2019. The revision will ensure monitoring plan requirements align with the mandatory monitoring plan template and do not require the inclusion of performance metrics in the plan itself.

**Recommendation 28:** OIG recommends that the Procurement Executive at the Bureau of Administration, Office of the Procurement Executive, review the interagency agreement between the Bureau of Counterterrorism and Countering Violent Extremism and the Department of Justice to determine if ratification is warranted, and if so, ratify accordingly.

**Management Response (08/26/2019):** OPE concurs with the recommendation to review the agreement and has determined, in consultation with the Office of the Legal Adviser for Buildings and Acquisitions (L/BA), no ratification as described at Department of State Acquisition Regulation 601.602-3, Ratification of unauthorized commitments, is warranted. This signed memorandum serves as the determination of the Senior Procurement Executive. In addition, OPE had discussions with OIG regarding the applicability of ratification procedures for non-acquisition interagency agreements as summarized (emphasis added) by footnote 46 on page 23: “Although unauthorized commitments are not binding on the Government, they may be approved using ratification procedures. **However, during the review of this IAA, OIG found, and the Office of the Procurement Executive confirmed, that there is no guidance on ratification procedures for unauthorized commitments on non-acquisition IAAs.**” Given the OIG concurs there is no guidance for ratification procedures under a non-acquisition IAA, OPE requests this recommendation be closed. OPE, in consultation with L/BA, had determined ratification under the Federal Acquisition Regulation (FAR) is inapplicable. An IAA is not a grant or acquisition, and therefore cannot be treated as such an arrangement. By extension, the

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process at DOSAR 601.602-3-70 is only applicable to acquisitions per 601.602-3(b) *Policy*. OPE defers to L/BA as for additional legal analysis given L/BA reviews both acquisition and non-acquisition IAA's for legal sufficiency.

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Approved by: A/OPE – Cathy J. Read

Drafter: A/OPE – Matt Colantonio, 703-875-6034

|          |        |            |                   |
|----------|--------|------------|-------------------|
| Cleared: | A/FO:  | PGresham   | (ok)              |
|          | M:     | KCummins   | (ok)              |
|          | M/PRI: | ALarkin    | (ok)              |
|          | L/BA:  | DGallagher | (ok)              |
|          | A/EX:  | JMcGuire   | (info by request) |

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APPENDIX E: OFFICE TO MONITOR AND COMBAT TRAFFICKING IN PERSONS RESPONSE



United States Department of State

Washington, D.C. 20520

August 19, 2019

To: United States Office of Inspector General

Subject: Audit of Monitoring and Evaluating Department of State Foreign Assistance in the Philippines

Dear Office of Inspector General:

The Office to Monitor and Combat Trafficking in Persons appreciates the time spent by your office to conduct an audit that is intended to improve performance and financial monitoring and the evaluation of our foreign assistance awards. We concur with most of your recommendations to our Office, and have already implemented several steps to address them. Nevertheless, we feel that the audit report reflected a couple of misunderstandings.

- The TIP Office believes that the audit team misunderstood the way the objective in the PAVE project is being carried out - to "provide short-term emergency shelter for up to 44 minor boys and girls with a high/therapeutic caregiver to child ratio." OIG auditors incorrectly reported that only four children were being served under this award during their audit visit. There were actually 21 children being served at that time among the three project-supported shelters. The TIP Office previously identified and addressed the three-month delay in the provision of victim support at the Bethany Children's Home and will conduct a second financial site visit of SAWSO before the end of the calendar year. The TIP Office funds shelters so that they can be ready to support victims within 24 hours of being removed from trafficking situations.
- The TIP Office agrees with and has already been following the tenets of Recommendation #25, however we disagree with the characterization and assessment of our Evaluation Coordinator in the Report. Our Evaluation Coordinator has received multiple trainings on Department monitoring and evaluation policy and is familiar with the differences among baseline assessments, monitoring, and evaluation, having managed multiple baseline assessments and evaluations.

Some of the OIG recommendations have demonstrated opportunities for the TIP Office to improve, and we look forward to implementing these changes.

Sincerely,

John Richmond  
Ambassador-at-Large  
Office to Monitor and Combat Trafficking in Persons

**Recommendation 7:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons review performance progress reports within 30 days of receipt in the official Federal award files, as required by the Federal Assistance Directive, for both the Child Protection Compact - Improving the Government of the Philippines' Responses to Online Sexual Exploitation of Children and Child Labor Trafficking and the Protecting At-risk children Vulnerable to Exploitation cooperative agreements.

**Response:** The TIP Office agrees with OIG's recommendation. To address it, we have made three substantive improvements to our business practices. First, the TIP Office has directed Program Officers to add the Performance Measurement Specialist as a reviewer to all performance progress reports-related post-award activities in our grants management database (SAMS Domestic). This measure ensures that there is a backup person to monitor timely submissions and speeds up the review, approval, and distribution of follow-on reporting templates to grantees. We have notified Program Officers by email and in meetings. We also updated our Procedures Manual as appropriate. Second, the Performance Measurement Specialist will run a quarterly *Overdue Performance Reports* list (i.e., approx. 30 days after the close of each reporting cycle). Program Officers and managers will use this list to follow-up on or update the status of overdue performance reports in a more timely manner. Third, Program Officers will submit comments in performance progress reports-related post-award activities in SAMS-D, documenting if their review will be late due to TDYs, annual or sick leave, or priority assignments.

**Recommendation 8:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons (J/TIP) determine whether the objective to "*provide short-term emergency shelter for up to 44 minor boys and girls with a high/therapeutic caregiver to child ratio*" in the Protecting At-risk children Vulnerable to Exploitation cooperative agreement should be revised. If so, J/TIP should request that the Grants Officer (a) update the cooperative agreement accordingly and (b) ensure that the amount of funding disbursed to the award recipient is consistent with the services received.

**Response:** The TIP Office agrees with the recommendation to ensure that the amount of funding disbursed to the award recipient is consistent with the services received; the TIP Office disagrees with OIG's recommendation to update the cooperative agreement accordingly. The TIP Office considers the objective to "*provide short-term emergency shelter for up to 44 minor boys and girls with a high/therapeutic caregiver to child ratio*" in the Protecting At-risk children Vulnerable to Exploitation cooperative agreement to be progressing in a reasonable manner and does not intend to revise the Objective under the cooperative agreement.

Under the Objective, "*44 minor boys and girls*" includes spaces at three shelters through sub awards: Love 146, CURE Foundation, and the Salvation Army Philippines Territory (*Bethany Children's Home*). At the time of OIG's visit in December 2018, 21 children out of the target of 44 children received shelter services under the project, which reasonably aligns with the timeline

of the project. As of June 30, 2019, the Bethany Children's Home is supporting 10 children out of 12 available bed spaces.

The TIP Office funds shelters so that they can be readily available to support victims when needed. The project is meant to have a "*high/therapeutic caregiver to child ratio*" per the activity title. Funds for staff training fall under Objective 1; therefore the expenses under the activity relate to salary for shelter staff and shelter services.

The TIP Office documented the progress delays for the Bethany Children's Home in the GOR feedback form each quarter. The project received extensive monitoring including regular conference calls, technical assistance, and an observational visit in November 2018. Funds for shelter staff were not approved to occur until June 2018. After the May 2018 site visit, the TIP Office approved the co-funding of certain positions under the project including a cook, nurse, and recreational coordinator. Shelter operations, meaning support to OSEC victims, at Bethany's Children's Home were not approved to start until October 1, 2018 due to issues identified after two site visits since the start of the project. The TIP Office required the completion of several items for approval of the start of shelter operations, including a separate shelter program with separate bed spaces, facility improvements (already included in the budget), clear management structure, approval of new staff, and a shelter management plan. The TIP Office strategized with SAWSO on how to strengthen this activity, including allowing support to children over the age of 12 and from other regions if the need arose.

**Recommendation 18:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons review the Protecting At-risk Children Vulnerable to Exploitation cooperative agreement and correct any deficiencies identified with the budget amendment processes, such as requiring all amendments to be approved and signed in the State Assistance Management System.

**Response:** The TIP Office is in agreement with OIG's recommendation. As per the TIP Office's Assistance Management and Planning Manual, revised in May 2019, the Grants Officer has the discretion to approve changes in writing via email, or via formal amendment. Amendments must be formally processed via SAMS Domestic. However, if there is immediate need that must be addressed before processing in SAMS Domestic can take place, the Grants Officer may provide email approval until processing can take place within SAMS Domestic. All required amendments to the Protecting At-risk children Vulnerable to Exploitation cooperative agreement have been fully issued and counter-signed within SAMS Domestic as of June 18, 2019.

**Recommendation 19:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons develop policies and procedures to ensure that the budget amendment approval process for all future awards is completed in accordance with the Federal Assistance Directive.

**Response:** The TIP Office concurs with OIG's recommendation. As per the TIP Office's Assistance Management and Planning Manual, revised in May 2019, the Grants Officer has the discretion to approve changes in writing via email, or via formal amendment. Amendments must always be formally processed via SAMS Domestic. However, if there is immediate need until processing in SAMS Domestic can take place, the Grants Officer may provide email approval until processing can take place within SAMS Domestic. The Federal Assistance Directive (FAD) also states that the Grants Officer has the discretion to approve of budget realignments (as well as other prior approval amendments) in writing via written email or letter, or via formal amendment; as such the TIP Office is in compliance with the FAD. The TIP Office will ensure that this process is followed for all amendments, including budget amendments, for all future awards.

**Recommendation 20:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons conduct and document reviews of quarterly financial reports for the Child Protection Compact - Improving the Government of the Philippines' Responses to Online Sexual Exploitation of Children and Child Labor Trafficking and Protecting At-risk Children Vulnerable to Exploitation awards in the official files, as required by the Federal Assistance Directive.

**Response:** The TIP Office agrees with OIG's recommendation. As per the TIP Office's Assistance Management and Planning Manual, revised in May 2019, detailed expenditures are not submitted to the TIP office quarterly, given the NGA requirements surrounding quarterly financial reporting. Instead, awardees are required to submit the SF-425 Federal Financial Report within the Payment Management System (PMS). This summary report is reviewed for quality and approved by the Grants Officer. If rejected, the grantee will be notified via PMS of the changes they are required to make to receive approval. This financial review is completed on a quarterly basis and is common practice for all grants and cooperative agreements across the State Department and consistent with guidance contained in the Federal Assistance Directive.

**Recommendation 21:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons (a) determine the allowability of the costs of \$7,500 identified that were used to pay salaries for staff who were not supporting the Protecting At-risk Children Vulnerable to Exploitation cooperative agreement, (b) recover any costs determined to be unallowable, and (c) verify that the funds have been returned.

**Response:** The TIP Office concurs with OIG's recommendation. The TIP Office will conduct a review to determine if expenses were allowable. If deemed unallowable, the TIP Office will recover costs as well as verify that funds have been returned for any unallowable expenses.

**Recommendation 22:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons (a) conduct a review of all expenditures invoiced under the Protecting At-risk children Vulnerable to Exploitation cooperative agreement to date and (b) identify and recover all expenditures determined to be unallowable.

**Response:** The TIP Office is in agreement with OIG's recommendation. The TIP Office will conduct a review to determine if expenses were allowable. If deemed unallowable, the TIP Office will recover costs as well as verify that funds have been returned for any unallowable expenses.

**Recommendation 23:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons develop and implement policies and procedures in accordance with the Federal Assistance Directive to employ a robust financial monitoring process including a review of supporting financial documentation when potential misuse of award funds is identified.

**Response:** The TIP Office concurs with OIG's recommendation. The TIP Office revised its Assistance Management and Planning Manual in May 2019 to add procedures for a more robust financial monitoring and review process, consistent with policies and procedures contained in the Federal Assistance Directive.

**Recommendation #25:** OIG recommends that the Office to Monitor and Combat Trafficking in Persons identify and implement minimum training and education requirements on the Department's monitoring and evaluation policy and concepts for the Bureau Evaluation Coordinator position.

**Response:** The TIP Office agrees with OIG's recommendation that the Office identify and implement minimum training and education requirements on the Department's monitoring and evaluation policy and concepts for the Bureau Evaluation Coordinator position.

For the current Evaluation Coordinator, within the first six months of being onboard the TIP Office sent her to a five-day course on "*Managing Evaluations*" and "*Evaluation Designs & Data Collection Methods*" offered by the Department of State. The Office did this to ensure that she had training and education on the Department's monitoring and evaluation policy and concepts. She has attended DoS's Strategic Planning and Performance Management course. She has also participated in workshops on use of the Evaluation Registry, which constitutes the Evaluation Plan for the TIP Office. The Evaluation Coordinator's Work Commitments include regular attendance at the Department of State's Evaluation Community of Practice and the Department's Program Design and Performance Management Community of Practice. The Evaluation Coordinator has worked closely with evaluation staff from the Foreign Assistance Bureau (F) and Bureau of Budget and Planning (BP) in spearheading the development of the TIP

Office's Program Design and Performance Monitoring Workgroup. The Workgroup has used the Managing for Results Toolkit, created by F and BP, to inform its Monitoring Plan and its Program Design in compliance with 18 FAM 300. The Evaluation Coordinator has also had the informal training of numerous site visits to observe grantees and portions of evaluations conducted by our evaluation contractors.

The TIP Office continues to identify and implement training and education plans for its Evaluation Coordinator, including on the Department's monitoring and evaluation policy and concepts. These are reflected in the Evaluation Coordinator's Work Commitments and Individual Development Plan (IDP). This year the Evaluation Coordinator will take PY260 – Federal Assistance Management; this course focuses on monitoring federal assistance awards.

The Work Commitments and IDP of the current and any future TIP Office Evaluation Coordinators will include training and education requirements on the Department's monitoring and evaluation policy and instructions to review the Resource Guide for New Bureau Evaluation Coordinators. This Guide is found on the Evaluation Community of Practice website, which includes links to important documents and websites about the Department's evaluation policy and procedures.

## APPENDIX F: OFFICE OF U.S. FOREIGN ASSISTANCE RESOURCES RESPONSE



United States Department of State

Washington, D.C. 20520

UNCLASSIFIED  
MEMORANDUM

August 19, 2019

TO: Norman P. Brown, Assistant Inspector General, Office of Audits  
Office of Inspector General

FROM: Jim Richardson, Director  
Office of U.S. Foreign Assistance Resources

SUBJECT: Audit of Monitoring and Evaluating Department of State Foreign Assistance in  
the Philippines

Thank you for your report on the audit of monitoring and evaluation of foreign assistance in the Philippines. F shares the OIG's commitment to sound monitoring and evaluation of foreign assistance. F partially agrees with Recommendation 24, and in response will:

- Remove the term "specified" (period of time) from the definition of Program in section 18 FAM 301.4-1(B)-DEFINITIONS and related guidance to ensure the printed definition is in line with how it has been discussed in our community of practice and bureau technical assistance sessions.
- Clarify, in consultation with our stakeholder bureaus, how the requirement in section 18 FAM 301.4-4-EVALUATION that "large programs" be evaluated is to be applied to the list of programs developed by bureaus per section 18 FAM 301.4-1(C)-IDENTIFYING PROGRAMS.
- Insert into 18 FAM 301.4-4-EVALUATION the language from OMB Memo M-18-04 that allows for a) methods other than the mean to be used to calculate which programs are subject to the "large" program evaluation requirements, and b) components of programs to be evaluated.
- Continue to track Bureau Evaluation Plans in the FACTS Info NextGen system. The OIG recommended that F create a plan to verify how bureau evaluation plans are developed and implemented; however, the OIG did not review F's existing Evaluation Registry system as part of the subject audit. The Evaluation Registry is therefore described in the attachment.

F found several factual errors in the OIG's report such as statements made about bureaus' approach to 18 FAM 300 that contradict official documents provided to the OIG and unsubstantiated statements about how F tracks bureau policy implementation, so our full attached response also addresses those issues. F requests that its full response be published.

If you have questions, please contact Taryn Lovelace at 202-647-3834 and Sarah Kohari at 202-647-2812.

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**Attachment: F full response addressing factual errors in OIG draft report**

F would like to address certain factual errors and policy misinterpretations that led to inaccurate findings and recommendations in the subject report. F seeks to clarify misunderstandings to ensure bureaus implementing 18 FAM 300 continue to correctly interpret the policy.

**Department of State FATAA compliance is not at risk.** The OIG report implies several times (p. 18, p. 22, and Recommendation 24) that the Department of State’s compliance with the Foreign Aid Transparency and Accountability Act is at risk if CT, INL, or J/TIP did not appropriately identify their major programs per section 18 FAM 301-4(C), and/or because specific awards managed by those bureaus in the Philippines were not the subject of evaluation. This is not the case. FATAA provides “direction to Federal departments and agencies that administer covered United States foreign assistance” and is not directed to or based on the actions or performance of individual bureaus, countries, or awards. FATAA requires the Department of State, among other agencies, to establish monitoring and evaluation (M&E) requirements and to use M&E to inform program design. FATAA further stipulates that OMB shall establish the guidelines to direct agencies’ development of those M&E requirements. F worked closely with OMB to draft those interagency guidelines, which were published as OMB Memo M-18-04. A July 31, 2019 report GAO-19-466 assessed 18 FAM 300 against OMB’s interagency guidelines for FATAA and found the Department of State to be fully compliant. F will continue to work with bureaus to implement State’s FATAA-compliant Program and Project Design, Monitoring, and Evaluation Policy.

GAO-19-466 “Figure 3: Assessment of Agencies Monitoring Policies against OMB Guidelines”

| Do the agencies’ policies address/require the following Guideline elements:                           | Agencies |     |                |       |                |       |
|---|----------|-----|----------------|-------|----------------|-------|
|   | DOD      | HHS | MCC            | State | USDA           | USAID |
| Establish a foreign assistance monitoring policy  | ●        | ●   | ●              | ●     | ●              | ●     |
| Define key terms used in monitoring activities such as “program,” “project,” and “activity”           | ●        | ●   | ●              | ●     | ●              | ●     |
| Apply the findings and conclusions of monitoring information to proposed projects/programs            | ●        | ●   | ●              | ●     | ●              | ●     |
| Roles and responsibilities for monitoring among agencies that participate in funding transfers        | ○        | ●   | Not Applicable | ●     | Not Applicable | ●     |
| Establish annual monitoring objectives and timetables   | ●        | ●   | ●              | ●     | ●              | ●     |
| Develop specific project monitoring plans   | ●        | ●   | ●              | ●     | ●              | ●     |
| Apply rigorous monitoring methodologies to such programs  | ●        | ●   | ●              | ●     | ●              | ●     |
| Disseminate guidelines for the development and implementation of monitoring programs to all personnel | ●        | ●   | ●              | ●     | ●              | ●     |
| Establish methodologies for the collection of data and monitoring of results, including baseline data | ●        | ●   | ●              | ●     | ●              | ●     |
| Ensure verifiable, reliable, and timely data are available to monitoring personnel                    | ○        | ●   | ●              | ●     | ●              | ●     |

- The policy incorporates this practice as a requirement
- The policy does not incorporate this practice as a requirement

**Misinterpretation of evaluation requirements in relation to 18 FAM 300.** The OIG report misinterprets the relationship of the policy’s evaluation requirements to the overarching Design, Monitoring, and Evaluation Policy itself (18 FAM 300). The OIG report quotes section 18 FAM



301.4-1 - PURPOSE which describes the overarching purpose of the Design, Monitoring, and Evaluation Policy, but erroneously identifies this as “the purpose of the updated April 2018 evaluation policy.” Evaluation requirements are one section of the broader policy, and not the sole lens through which policy implementation should be assessed. The misinterpretation of how the evaluation requirements relate to the rest of the policy leads to a finding that CT, INL, and J/TIP did not follow the policy “when defining their programs that would be subject to evaluation” and this occurred because F “allowed the bureaus to deviate from the FAM when the defined their programs”. In fact, the portion of 18 FAM 300 requiring bureaus to identify their major programs (Section 18 FAM 301.4-1(C)) is for bureaus to identify the major programs they undertake to achieve the broader outcomes specified in their strategic plans, and not for the purpose of “defining programs subject to evaluation.” Although the audit report finds these bureaus out of compliance with the program identification tenets set forth in 18 FAM 301.4-1(C), the report presents no explanation for how or why any of the bureaus are out of compliance when the policy is correctly applied. The premise that bureaus incorrectly defined their programs unfortunately becomes the foundation for several erroneous findings and recommendations in the report, ranging from statements about bureaus’ ability to meet evaluation requirements (p. 21), to statements that “the Department may not be able to demonstrate that U.S. strategic goals in the Philippines were resourced appropriately” (p. 18) to statements that the Department’s very compliance with FATAA may be at risk (p. 18, p. 22, and Recommendation 24).

**INL programs were misidentified and 18 FAM 300 applied to non-programs.** The OIG applied certain requirements of the policy to efforts such as individual awards and country activities, which are not the major programs that bureaus had identified per section 18 FAM 301.4-1(C) and thus not the subject of the policy. Although F provided the OIG with the lists of major programs identified by the bureaus reviewed in this audit and described the error in an August 2 teleconference with OIG officials, the OIG did not triangulate statements made by a bureau staff person, who used the term “program” colloquially, against the official records provided by F. For example, the OIG states, “INL defines the geographic area of the Philippines as a program” (p. 20) despite the fact that official records provided to the OIG do not support this statement.

Bureaus apply the key requirements of 18 FAM 300 to their list of major programs as defined per section 18 FAM 301.4-1(C). Use of the word “program” as a term of art in 18 FAM 300 must be differentiated from its colloquial use (i.e. an airport security “program” that is an award operated locally in the Philippines is not a “major program” per those identified by bureaus for the policy). Misinterpretation of what constituted a major program for purposes of 18 FAM 300 led to other erroneous findings and recommendations about bureau compliance with the policy, such as Recommendation 2 which states that CT should create a new MoA to ensure individual awards in the Philippines related to “Soft Targets” and “Airport Security” comply with 18 FAM 300. While it is true that the purpose of these awards should be reviewed for their alignment with and relevance to one or more of the bureau’s major programs, 18 FAM 300 does not require that individual awards be subject to or “comply” with the policy.

**CT completed a bureau evaluation plan on time.** The OIG asserts (p. 20) that CT did not develop a Bureau Evaluation Plan by the required deadline. The OIG never asked to view CT's bureau evaluation plan, which is tracked in the Evaluation Registry managed by F, to substantiate this claim. CT did in fact develop and submit a Bureau Evaluation Plan as required by 18 FAM 300 and relevant guidance. The Bureau Evaluation Plan required in 301.4-4(B) is collected via the Evaluation Registry, a module within an F-managed IT system called FACTS Info. Bureaus are asked each year to update their plan between mid-October and mid-December. The plans undergo review by peers and F in January, edits are made in February, and plans are generally finalized in March. CT had submitted all of their inputs and finalized their plan in a timely manner, such that they met the requirement for FY 2018.

The OIG appears to have confused an official Bureau Evaluation Plan with the third implementation milestone for rolling out the new sections of 18 FAM 300, which asked bureaus to use their program logic models to develop relevant indicators for monitoring and any possible opportunities for evaluation, if applicable. The approach to rolling out 18 FAM 300 in phases – an approach on which F consulted with the OIG – aims to be logical and progressive. First, it asks a bureau to identify its major programs (milestone 1); then articulate the logic of how each program's inputs and activities are expected to achieve desired outputs and outcomes (milestone 2, program design); and then use that program design as the basis for monitoring progress and identifying opportunities to evaluate. In this way, a bureau has a logical set of possible evaluation questions to choose from when it finalizes its Bureau Evaluation Plan.

**F tracks bureau evaluation plans and completed evaluations.** In Recommendation 24, the OIG recommends F develop "a requirement to verify that bureau evaluation plans are developed and implemented in accordance with existing guidance and by the established deadlines." The report also states (p. 21): "However, the Office of U.S. Foreign Assistance Resources does not verify or inspect for compliance with these requirements to ensure that monitoring and evaluation are executed by the bureaus in accordance with the FAM. For example, the Office of U.S. Foreign Assistance Resources did not verify that CT had defined its programs or developed its Bureau Evaluation Plan by the required deadlines." The OIG did not request that F provide details on how it monitors any aspect of compliance with 18 FAM 300, and the report therefore lacks substantiation for the finding. In fact, F tracks bureau compliance with the evaluation requirements in the policy in the aforementioned Evaluation Registry, and also keeps detailed records per bureau on their progress against each 18 FAM 300 implementation milestone. F is in continual contact with all bureaus that manage foreign assistance to track progress against all aspects of 18 FAM 300 and to provide in-person technical assistance to help bureaus achieve compliance. Our detailed records enable F to pinpoint where support should be targeted.

Approved: F- Jim Richardson  
Drafted: Sarah Kohari, F/PPM ext. 72812  
Taryn Lovelace, F/PPM ext. 73834  
Cleared: F/PPS – Gordon Weynand ()

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## APPENDIX G: OIG REPLY TO OFFICE OF U.S. FOREIGN ASSISTANCE RESOURCES COMMENTS

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In addition to its response to recommendation 24, the Office of U.S. Foreign Assistance Resources provided technical comments to address “factual errors and policy misinterpretations” in the report. A synopsis of those comments—which are reprinted in their entirety in Appendix F—and OIG’s reply follow.

It is OIG’s understanding that the Department developed the Program and Project Design, Monitoring, and Evaluation policy in the FAM to comply with the Foreign Aid Transparency and Accountability Act. To meet at least one aspect of the policy’s purpose, the Department performs evaluations to collect and analyze program data to inform decision-making. Without consistent application of a “program” definition, the Department’s ability to measure the results of large programs providing foreign assistance is hindered, and evaluation results that are shared with the public and used to inform budgetary requests, planning decisions, and operational strategies may be incomplete. The recommendations in this report are intended to assist the Department in better managing its programs to ensure not only that funds are used to address specific problems in the most effective manner but also that there is greater accountability and transparency on how foreign assistance funds are spent.

**Office of U.S. Foreign Assistance Resources Comments on the Department’s Compliance with the Foreign Aid Transparency and Accountability Act Not Being at Risk:** According to the Office of U.S. Foreign Assistance Resources, this report incorrectly implies that the Department’s “compliance with the Foreign Aid Transparency and Accountability Act is at risk if CT, INL, or J/TIP do not appropriately identify their major programs per section 18 FAM 301-4(C), and/or because specific awards managed by those bureaus in the Philippines were not the subject of evaluation.” The Office of U.S. Foreign Assistance Resources asserted that this “is not the case” because the Act provides “direction to Federal departments and agencies that administer covered United States foreign assistance” and is not directed to or based on the actions or performance of individual bureaus, countries, or awards. It further stated that the Act requires the Department to establish monitoring and evaluation requirements and to use those requirements to inform program design. The Office of U.S. Foreign Assistance Resources moreover contended that in a July 31, 2019, Government Accountability Office report,<sup>3</sup> 18 FAM 300 was assessed against the Office of Management and Budget’s<sup>4</sup> interagency guidelines for the Act and the Department was found to be fully compliant.

**OIG Reply:** OIG informed the Office of U.S. Foreign Assistance Resources throughout the audit, and reiterated in this report, that OIG does not disagree with the merits of 18 FAM 300, nor does OIG question the Government Accountability Office’s assessment that 18 FAM 300 is

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<sup>3</sup> Government Accountability Office, “Federal Monitoring and Evaluation Guidelines Incorporate Most but Not All Leading Practices,” 16-22 (GAO-19-466, July 2019).

<sup>4</sup> The Foreign Aid Transparency and Accountability Act states that the President “shall set forth guidelines, according to best practices of monitoring and evaluation studies and analyses, for the establishment of measurable goals, performance metrics, and monitoring and evaluation plans that can be applied with reasonable consistency to covered United States foreign assistance.”

compliant with the Foreign Aid Transparency and Accountability Act. Rather, OIG is stating that the Department should consistently implement the policy, and this is particularly true with respect to how bureaus define their “programs” and “large programs.” As noted in the report, INL could not demonstrate how “the Philippines” meets the program definition of “a set of activities, processes, or projects aimed at achieving a goal or objective that is typically implemented by several parties over a specified period of time and may cut across sectors, themes, and/or geographic areas” or how defining its large programs by using the mean dollar value instead of the median cost meets the intent of both 18 FAM 300 and the Act. In addition, the “Monitoring and Evaluation Guidelines for Federal Departments and Agencies that Administer United States Foreign Assistance,” a supplement to the Act, states that agency policies should define key terms within the agency context as necessary, such as a “program,” and be clear about how evaluation requirements apply.<sup>5</sup> Although Department policy defines what constitutes both a “program” and a “large program,” when a bureau implements the policy incorrectly or is not clear about how evaluation requirements apply, such as INL, the Department will not be fully compliant with the Act.

Finally, the Office of U.S. Foreign Assistance Resources’ comments repeatedly assert that OIG erroneously construed the policy regarding how the bureaus defined their “major” programs. 18 FAM 301.4-1(C) requires bureaus to “identify the major programs they undertake to achieve the broader outcomes specified in their strategic plans,” but OIG did not review how the bureaus identified major programs to achieve broader strategic outcomes. Instead, it reviewed how bureaus and offices implemented the requirements in 18 FAM 301.4 4, “Evaluation,” to meet the audit objectives. Specifically, OIG focused on the bureaus’ definition of their “large” programs because the FAM states, “those who receive and directly manage foreign assistance program funds *must conduct evaluations of their large programs* [emphasis added] once in each program’s lifetime, or once every five years for ongoing programs.” Relevant portions of 18 FAM 301.4-4 are reproduced below.

## **18 FAM 301.4-4 EVALUATION**

*(CT:PPP-1; 02-22-2018)*

- a. 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, scope of their portfolio, and the size of their budget.
- b. At a minimum, all bureaus and independent offices are required to complete at least one evaluation per fiscal year. Also, 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. “Large” is defined as meeting or exceeding the median cost of programs, projects, or processes for that bureau or independent office. Additionally, pilots should be evaluated before replicating or expanding.

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<sup>5</sup> Office of Management and Budget, “Monitoring and Evaluation Guidelines for Federal Departments and Agencies that Administer United States Foreign Assistance,” January 11, 2018.

**Office of U.S. Foreign Assistance Resources Comments on the Misinterpretation of Evaluation Requirements in Relation to 18 FAM 300:** The Office of U.S. Foreign Assistance Resources contended that the OIG report erroneously identifies section 18 FAM 301.4-1, which describes the overarching purpose of the Design, Monitoring, and Evaluation Policy, as “the purpose of the April 2018 evaluation policy.” It also stated that OIG’s misinterpretation led to an incorrect finding that CT, INL, and J/TIP did not follow the policy “when defining their programs that would be subject to evaluation” because its office “allowed the bureaus to deviate from the FAM when they defined their programs.” The Office of U.S. Foreign Assistance Resources moreover asserted that 18 FAM 301.4(C) is meant “for bureaus to identify the major programs they undertake to achieve the broader outcomes specified in their strategic plans, and not for the purpose of ‘defining program subject to evaluation.’” The Office of U.S. Foreign Assistance Resources continued to say that the report “presents no explanation for how or why any of the bureaus are out of compliance when the policy is correctly applied. The premise that bureaus incorrectly defined their programs unfortunately becomes the foundation for several erroneous findings and recommendations in the report.”

**OIG Reply:** OIG revised the use of “Evaluation Policy” in the report to the Department’s “Program and Project Design, Monitoring, and Evaluation” policy to ensure accuracy. However, OIG’s description of the purpose of the policy as stated in the report reproduces language in the FAM, which is generally applicable to the purpose of Department evaluations.<sup>6</sup> Further, as stated in the previous response, OIG did not review major programs but instead, focused on the bureaus’ definition of large programs.

**Office of U.S. Foreign Assistance Resources Comments Contending that INL Programs were Misidentified and 18 FAM 300 was Improperly Applied to Non-Programs:** The Office of U.S. Foreign Assistance Resources stated that OIG “applied certain requirements of the policy to efforts such as individual awards and country activities, which are not the major programs that bureaus had identified per section 18 FAM 301.4-1(C) and thus not the subject of the policy.” The Office of U.S. Foreign Assistance Resources went on to say that, although it provided OIG with the lists of major programs identified by the bureaus reviewed in this audit and described the error in an August 2, 2019, teleconference with OIG officials, OIG did not “triangulate” statements made by a bureau staff person, who used the term “program” colloquially, against the official records that it provided to OIG. For example, the Office of U.S. Foreign Assistance Resources reproduces OIG’s statement that “INL defines the geographic area of the Philippines as a program” and emphasizes that “official records” provided to OIG do not support this statement. The Office of U.S. Foreign Assistance Resources further stated that use of the word “program” as a term of art in 18 FAM 300 must be differentiated from its colloquial use, as misinterpretation of “what constituted a major program for purposes of 18 FAM 300 led to other erroneous findings and recommendations about bureau compliance with the policy.” The Office of U.S. Foreign Assistance Resources concluded by explaining that, while “it is true that the purpose of these awards should be reviewed for their alignment with and relevance to one or more of the bureau’s major programs, 18 FAM 300 does not require that individual awards be subject to or ‘comply’ with the policy.”

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<sup>6</sup> 18 FAM 301.4-1, “PURPOSE.”

**OIG Reply:** Contrary to the assertion by the Office of U.S. Foreign Assistance Resources, OIG did not apply 18 FAM 301.4-1(C) to individual awards. Instead, OIG explicitly stated in its report that “large programs” (those that meet or exceed the median cost of programs, projects, or processes for that bureau or independent office) are subject to evaluation “once in its lifetime or once every 5 years for ongoing programs.” This is also why the OIG’s reviews of the performance and financial monitoring of the individual awards it assessed are addressed in findings separate from the evaluation finding.

The claim that OIG did not “triangulate” statements made by bureau officials against documentation it provided is inaccurate. OIG reviewed the documentation that the bureaus provided. However, as previously discussed, OIG did not audit the list of major programs provided by the Office of U.S. Foreign Assistance Resources. In accordance with OIG’s objective, it reviewed the bureaus’ implementation of the Department of State Program and Project Design, Monitoring, and Evaluation policy (per 18 FAM 301.4-4). Furthermore, in the case of INL, INL’s acting Bureau Evaluation Coordinator and an additional INL official informed OIG that “the Philippines” is one of its programs during both teleconferences and written correspondence throughout the audit. Based on INL’s response, OIG would agree with the Office of U.S. Foreign Assistance Resources that there is confusion about the definition of a “program,” which further supports OIG’s recommendation for more robust oversight of this process.

**Office of U.S. Foreign Assistance Resources Comments Regarding CT’s Timely Completion of a Bureau Evaluation Plan:** Although OIG concluded that “CT did not develop a Bureau Evaluation Plan by the required deadline,” the Office of U.S. Foreign Assistance Resources stated that CT in fact did so as required by 18 FAM 300 and relevant guidance. The Office of U.S. Foreign Assistance Resources added that bureaus are asked each year to update their Bureau Evaluation Plan required by 301.4-4(B) “between mid-October and mid-December. The plans undergo review by peers and [the Office of U.S. Foreign Assistance Resources] in January, edits are made in February, and plans are generally finalized in March.” The Office of U.S. Foreign Assistance Resources stated that CT submitted its inputs and finalized its plan in a timely manner for FY 2018 and asserts that OIG appeared to have “confused an official Bureau Evaluation Plan with the third implementation milestone for rolling out the new sections of 18 FAM 300, which asked bureaus to use their program logic models to develop relevant indicators for monitoring and any possible opportunities for evaluation, if applicable.”

**OIG Reply:** OIG met with CT to discuss the status of its Bureau Evaluation Plan on several occasions. On July 9, 2019, the final time that OIG corresponded with CT for this audit, the Bureau Evaluation Coordinator stated that CT completed the program design steps for only two of its seventeen programs. The Coordinator further stated that CT was still working on developing its Bureau Evaluation Plan. Further, OIG did not confuse the official Bureau Evaluation Plan with the third implementation milestone for rolling out the new section of the 18 FAM 300. As stated in the report, the Guidance for the Design, Monitoring and Evaluation Policy at the Department of State states that, by June 28, 2019, “for all of their major programs and projects, bureaus and independent offices have established monitoring and evaluation plans that identify relevant indicators, and any possible opportunities for evaluation, if

applicable, *per sections 5 and 6 of this guidance* [emphasis added].” Section 6 of this guidance, which is titled “Evaluation,” discusses evaluation requirements and makes specific mention of large programs, appointing Bureau Evaluation Coordinators, and the development of a Bureau Evaluation Plan. Specifically, it states that bureaus and independent offices must complete a Bureau Evaluation Plan, and that the plan “should cover prior-year completed evaluations, ongoing evaluations, and those that are planned in the next one to two years.”

**Office of U.S. Foreign Assistance Resources Comments Regarding How it Tracks Bureau Evaluation Plans and Completed Evaluations:** As set forth above, OIG recommended that the Office of U.S. Foreign Assistance Resources develop “a requirement to verify that bureau evaluation plans are developed and implemented in accordance with existing guidance and by the established deadlines” because it “does not verify or inspect for compliance with these requirements to ensure that monitoring and evaluation are executed by the bureaus in accordance with the FAM.” The Office of U.S. Foreign Assistance Resources asserted, however, that OIG “did not request that [it] provide details on how it monitors any aspect of compliance with 18 FAM 300, and the report therefore lacks substantiation for the finding.” According to the Office of U.S. Foreign Assistance Resources, it tracks bureau compliance with the evaluation requirements in the policy and “keeps detailed records per bureau on their progress against each 18 FAM 300 implementation milestone.” It further asserted that it is in “continual contact with all bureaus that manage foreign assistance to track progress against all aspects of 18 FAM 300 and to provide in-person technical assistance to help bureaus achieve compliance.”

**OIG Reply:** During conversations with officials in the Office of U.S. Foreign Assistance Resources and through correspondence on March 19, 2019, the Branch Chief of Performance Monitoring and Reporting stated that its office “*does not, however, oversee individual bureau execution of their monitoring and evaluation. Those responsibilities of accountability lie with the bureau* [emphasis added]. What our branch tries to do is reinforce the need for bureaus to comply with the policy by: providing technical assistance, classroom training, guidance, and a Toolkit; working with the OIG to create policy compliance checklists; [and] build[ing] a “demand” side for these materials.” The Evaluation Division Chief, who was copied on the correspondence, did not dispute this representation at any point. As this theme was discussed with the Office of U.S. Foreign Assistance Resources throughout the audit, OIG stands by its conclusion in the report.



## ABBREVIATIONS

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|            |   |
|------------|---|
| A/OPE      | Bureau of Administration, Office of the Procurement Executive |
| CT         | Bureau of Counterterrorism and Countering Violent Extremism   |
| Department | Department of State   |
| DOJ        | Department of Justice   |
| DS         | Bureau of Diplomatic Security                                 |
| FAH        | Foreign Affairs Handbook                                      |
| FAM        | Foreign Affairs Manual  |
| IAA        | Interagency Agreement   |
| INL        | Bureau of International Narcotics and Law Enforcement Affairs |
| J/TIP      | Office to Monitor and Combat Trafficking in Persons           |
| OIG        | Office of Inspector General                                   |
| OSEC       | Online Sexual Exploitation of Children                        |
| PAVE       | Protecting At-risk children Vulnerable to Exploitation        |
| RLA        | Resident Legal Advisor  |

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