



Office of Inspector General  
United States Department of State

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AUD-MERO-20-45

Office of Audits

September 2020

# **Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia**

MIDDLE EAST REGION OPERATIONS



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

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## What OIG Audited

The Department of State (Department) allocated approximately \$57 million in foreign assistance grants and cooperative agreements in support of Somalia to the Bureau of African Affairs (AF), and the Bureau of Counterterrorism (CT) from FY 2017 through FY 2019. The Department is responsible for regularly conducting and implementing risk assessment and mitigation efforts to ensure that foreign assistance grants and cooperative agreements are meeting goals and objectives, and funds are used as intended.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department assessed potential risks associated with the implementation of foreign assistance awards in Somalia and executed compensating controls to mitigate those risks. OIG reviewed four awards, including one grant and three cooperative agreements, totaling \$51.5 million. Two awards were issued by AF and two awards were issued by CT.

## What OIG Recommends

OIG made 10 recommendations that are intended to improve risk assessments, risk mitigation procedures, and vetting of foreign assistance grants and cooperative agreements in Somalia. On the basis of the management's response to a draft of this report, OIG considers eight recommendations resolved, pending further action, and two recommendations implemented and closed. A synopsis of management's comments to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. Management's response to a draft of this report is reprinted in its entirety in Appendices C through E.

<sup>a</sup> Leahy vetting requires the Department to assess units or individuals proposed for training or other assistance for credible information regarding the commission of gross violations of human rights.

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MIDDLE EAST REGION OPERATIONS

## Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia

### What OIG Found

Although AF and CT assessed general risks associated with foreign assistance awards in Somalia and executed some compensating controls to mitigate those risks, OIG identified areas for improvement. Specifically, OIG found that AF and CT oversight officials did not designate their four awards as high risk even though they were implemented in a country where travel is restricted due to political instability and terrorism. This occurred because the current Risk Assessment Worksheet weighs country/region-specific risks lower than organizational and programmatic risk. OIG also found that CT did not update risk assessments annually for its two awards. This occurred because CT's standard operating procedures did not align with Department requirements. When risk assessments are not accurate and kept current, bureaus operating in high-threat environments may not fully develop mitigation plans tailored to address foreseeable risks that may impede program implementation.

OIG also found that AF and CT did not (a) establish standard operating procedures or document controls for managing risks, (b) document reviews of performance reports to demonstrate adherence with award terms, or (c) require documentation to be maintained in official award files. This occurred primarily because AF and CT officials were not following Department requirements, such as documenting risk management processes, and because they did not effectively use the award file checklist to ensure completeness. Without a documented process to identify and mitigate risks, AF and CT are at an increased risk for waste, fraud, and mismanagement, and both will have limited assurance that their awards comply with Department requirements and achieve their intended purposes.

Finally, OIG found that while CT generally followed Department guidance for Leahy vetting,<sup>a</sup> AF did not, nor did it include the "State Department Leahy Vetting Requirements" section in one of its awards. This occurred because AF officials were not applying the vetting requirements, and because an AF official imprudently removed vetting requirements from one award at the implementor's request. Excluding Leahy vetting requirements from the award and failure to properly vet award participants are contrary to Department policy and increases the likelihood that funds could be inadvertently provided to individuals who have committed gross violations of human rights.

## CONTENTS

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OBJECTIVE .....	1
BACKGROUND .....	1
Foreign Assistance Awards in Somalia .....	1
Guidance on Risk Assessments, Risk Mitigation, and Leahy Vetting .....	4
AUDIT RESULTS .....	6
Finding A: Unclear Guidance Contributed To Deficiencies in Risk Assessments .....	6
Finding B: Improved Procedures Are Needed To Address Risk Mitigation, Performance Monitoring, and Award File Administration .....	9
Finding C: Compliance With Leahy Vetting Remains Problematic for the Bureau of African Affairs .....	16
RECOMMENDATIONS .....	21
APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY .....	23
Data Reliability .....	24
Work Related To Internal Control .....	24
Sampling Methodology .....	26
Prior Office of Inspector General Reports .....	27
APPENDIX B: SAMPLE RISK ASSESSMENT .....	28
APPENDIX C: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE RESPONSE .....	31
APPENDIX D: BUREAU OF COUNTERTERRORISM RESPONSE .....	33
APPENDIX E: BUREAU OF AFRICAN AFFAIRS RESPONSE .....	35
ABBREVIATIONS .....	38
OIG AUDIT TEAM MEMBERS .....	39

## OBJECTIVE

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The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) assessed potential risks associated with the implementation of foreign assistance awards in Somalia and executed compensating controls to mitigate those risks.

## BACKGROUND

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The Department provides foreign assistance to Somalia to promote security and support the development of a unified, peaceful nation. From 2017 through 2019, the Bureau of African Affairs (AF) and the Bureau of Counterterrorism (CT) provided the largest amount of foreign assistance funds, totaling approximately \$57 million, in support of the Department's mission in Somalia by way of grants and cooperative agreements. Specifically, AF is working to bring peace and stability to the war-torn nation by supporting the African Union Mission in Somalia, as well as Somalia's Transitional Government, National Security Forces, and regional administrations. With the increase in attacks on soft targets<sup>1</sup> by terrorist groups like al-Shabaab, CT is focused on building partner government law enforcement capacity and crisis response capabilities to prevent and respond to terrorist incidents.

### **Foreign Assistance Awards in Somalia**

Of the \$57 million AF and CT spent to implement programs in Somalia, OIG selected four awards valued at \$51.5 million to review. The four awards consist of one grant and three cooperative agreements awarded by Grants Officers from the Bureau of Administration, Office of the Procurement Executive and overseen by Grants Officer Representatives (GOR) from AF and CT.

#### ***Mentorship and Training for the Somali National Army and the African Union Mission in Somalia***

In January 2017, the Office of the Procurement Executive awarded a cooperative agreement to Bancroft Global Development, on behalf of AF, to implement the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (the "Mentorship and Training award"). The value of this award is \$32.2 million with a period of performance of 3.5 years, ending in July 2020. The goals of this award are to mentor African Union Mission in Somalia and Somali National Army Danab units to (a) carry out their mandated security tasks effectively and (b) engage safely, professionally, and constructively with Somali communities. Figure 1 shows a mentor teaching urban combat to Danab soldiers, and Figure 2 shows a mentor clearing the roads of improvised explosive devices.

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<sup>1</sup> Soft targets are locations that are easily accessible to large numbers of people and that have limited security or protective measures in place making them vulnerable to attack. These include, but are not limited to, restaurants, stadiums, hotels, and markets.



**Figure 1:** Mentor teaches urban combat to Danab soldiers. (Photograph from Bancroft Global Development, June 2017)



**Figure 2:** Mentor clearing roads of improvised explosive devices. (Photograph from Bancroft Global Development, April 2018)

### ***Stipends Support for the Somali National Army***

In September 2018, the Office of the Procurement of Executive awarded a grant to the United Nations Office of Project Services, on behalf of AF, to implement the Stipends Support for the Somali National Army award (the “Stipend Support award”). The value of this award is \$9.2 million with a period of performance of 2 years, ending in August 2020. The award objective is to ensure that designated units of the Somali National Army, and designated civilians in the Somali Ministry of Defense, receive timely stipends support<sup>2</sup> from the U.S. Government. Figures 3 and 4 show verification of soldiers receiving stipends.



**Figures 3 and 4:** Verification of soldiers receiving stipends. (Photographs from United Nations Office of Project Services, June 2019 and November 2018)

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<sup>2</sup> Stipends are paid to the Somali National Army to support the establishment of a unified, capable, and accountable Somali federal security institution in order to provide basic safety and security to its citizens.



### ***Somali Law Enforcement: Local Policing and Protection***

In September 2018, the Office of the Procurement Executive awarded a cooperative agreement to Valar, on behalf of CT, to implement the Somali Law Enforcement: Local Policing and Protection award (the “Law Enforcement award”). The value of this award is \$7.2 million with a period of performance of 2 years, ending in September 2020. The award objectives are to build the capacity of Somali police, to secure critical infrastructure from terrorist attacks in Mogadishu by developing their capability to perform physical security vulnerability assessments, to identify force protection materiel and equipment recommendations, and to train guard forces at key government installations in Mogadishu. Figures 5 and 6 show the Static Security Force Protection training and graduation ceremony at the CT training facility.



**Figures 5 and 6:** Static Security Force Protection training and graduation ceremony at the CT training facility. (Photographs from Valar, September 2019)

### ***Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia***

In September 2017, the Office of the Procurement Executive awarded a cooperative agreement to the International Development Law Organization, on behalf of CT, to implement the Building an Effective, Fit-for-Purpose Financial Reporting Centre (FRC) in Somalia award (the “FRC award”). The value of this award is \$2.9 million, and the period of performance is approximately 3 years, ending in August 2020. The award objective is to “strengthen the FRC’s capacity to safeguard Somalia’s financial system from money laundering and terrorist financing . . . by collecting, analyzing, and disseminating financial intelligence for the investigation and prosecution of financial crimes.” Figure 7 shows a training on Microsoft SQL server implementation to the FRC Information and Communication Technology team, and Figure 8 shows a session at the National Compliance Forum meeting.



**Figures 7:** Project mentor providing training on Microsoft SQL server implementation to the FRC Information and Communication Technology team. (Photograph from International Development Law Organization, June 2020)



**Figure 8:** Dr. Abdirahman Obsie, Dahabshiil Group Chief Compliance Officer, co-facilitating a session at the National Compliance Forum meeting. (Photograph from International Development Law Organization, February 2020)

Table 1 summarizes the four awards that OIG selected for review in this audit (see Appendix A for a detailed explanation of OIG’s sampling methodology).

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

Award	Bureau	Implementer	Funding Instrument	Award Value*
Mentorship and Training award SLMAQM17CA1018	AF	Bancroft Global Development	Cooperative Agreement	\$32,247,895
Stipend Support award SLMAQM18GR2254	AF	United Nations Office of Project Services	Grant	\$9,200,311
Law Enforcement award SLMAQM18CA2066	CT	Valar	Cooperative Agreement	\$7,174,205
FRC award SLMAQM17CA2025	CT	International Development Law Organization	Cooperative Agreement	\$2,863,695
<b>Total</b>				<b>\$51,486,106</b>

\* Award values as of May 2020.

**Source:** OIG generated based on data obtained from the respective award agreements.

## Guidance on Risk Assessments, Risk Mitigation, and Leahy Vetting

The Federal Assistance Directive (FAD) establishes internal guidance, policies, and procedures for all domestic and overseas grant-making bureaus, offices, and posts within the Department when administering Federal financial assistance. The FAD states that all bureaus, offices, or posts involved in the awarding of Federal financial assistance “must take a proactive approach to detecting early warning signs of potential risks, and mitigating the probability of impact prior to making an award.” The FAD further states that “the risk management process must be documented” in each bureau’s, office’s, or post’s standard operating procedures.<sup>3</sup> The FAD outlines the risk management framework as part of a positive internal control environment to include risk assessments, mitigation, and monitoring.

<sup>3</sup> FAD, “Conduct a Risk Assessment,” Version 4, October 2019, 57-58.

### ***Risk Assessments***

Prior to awarding a grant or cooperative agreement, the awarding bureau, office, or post must complete a formal, documented risk assessment to “determine the potential significance of an identified weakness or concern and consider the likelihood of a problem developing and the possible consequences.”<sup>4</sup> Officials must use the mandatory Risk Assessment Worksheet<sup>5</sup> and perform risk assessments annually for agreements whose period of performance is more than 12 months in duration.<sup>6</sup> Based on the results of the risk assessment, the grants officer may determine that an organization or program poses a high risk if the “recipient or award activity is located in [an] unusual or difficult operating or political/security environment.”<sup>7</sup>

### ***Risk Mitigation and Monitoring***

Once the risk assessment is completed, the bureau, office, or post must conduct risk mitigation (determining approaches to possible risk and establishing measures to mitigate those risks) and risk monitoring (on-going evaluation to identify potential risks of the project against established metrics). The FAD requires the creation of a monitoring plan that is based on the risk assessment, and includes “mitigation strategies, schedules of vital construction activities (inspections, meetings, etc.), a site visit schedule (as applicable), and other activities necessary for successful management of the award.”<sup>8</sup> Moreover, if an award’s period of performance extends beyond 12 months (and, therefore, requires an annual risk assessment), monitoring plans must be modified to reflect any changes to the level of risk for the agreement.

The FAD states that “monitoring of all Department assistance awards is mandatory and required to ensure that programmatic and financial management performance has been adhered to and that the intended activities, goals, and objectives are being accomplished.”<sup>9</sup> The GOR’s responsibilities include receiving and reviewing required recipient reports and ensuring they are timely and complete. GORs must also provide the Grants Officer a written assessment of the recipient’s performance based on the review of the Performance Progress Report<sup>10</sup> and, at the direction of the Grants Officer, must document the official Federal award file to indicate that the GOR reviewed and approved the Performance Progress Reports within 30 days of receipt of the reports.<sup>11</sup>

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<sup>4</sup> FAD, “Federal Awards for Construction,” 29 and “Conduct a Risk Assessment,” 58.

<sup>5</sup> The risk assessment worksheet is developed by the Office of the Procurement Executive.

<sup>6</sup> FAD, “Conduct a Risk Assessment,” 59.

<sup>7</sup> FAD, “Conduct a Risk Assessment,” 60.

<sup>8</sup> FAD, “Federal Awards for Construction,” 29.

<sup>9</sup> FAD, “Grants, Cooperative Agreements, and Letter Grants Under Domestic Law,” 116.

<sup>10</sup> Performance Progress Reports are used by award recipients to report their progress in accomplishing the goals and objectives of the award.

<sup>11</sup> FAD, “Grants Officer Designates Grants Officer Representative (GOR),” 79.



### ***Leahy Vetting***

The FAD states, “if a proposed grant or cooperative agreement will provide assistance to foreign security forces or personnel, compliance with the Leahy Law<sup>12</sup> is required. The Leahy Law prohibits Department foreign assistance funds from supporting foreign security force units if the Secretary of State has credible information that the unit has committed a gross violation of human rights.”<sup>13</sup> The FAD also states that it is the responsibility of the bureau or post funding the award to “coordinate the vetting of the units or individuals proposed for training or any other assistance, in order to check for credible information regarding the commission of gross violations of human rights by such unit or individual.”<sup>14</sup> The Department’s 2017 Leahy Vetting Guide states that once a unit is vetted, that vetting remains valid for 12 months, based on the date vetting was completed in the Department’s vetting system, if no subsequent derogatory information is found.<sup>15</sup> In addition, the FAD requires that the bureau or post include specific award conditions in the grant agreement, in a section titled “State Department Leahy Vetting Requirements,” requiring bureau or post adherence to the Leahy vetting requirements, unless alternate arrangements for compliance have been made with the Office of the Procurement Executive and the Bureau of Democracy, Human Rights, and Labor.<sup>16</sup>

## **AUDIT RESULTS**

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### **Finding A: Unclear Guidance Contributed To Deficiencies in Risk Assessments**

OIG found that although AF and CT assessed general risks associated with foreign assistance awards in Somalia and executed some compensating controls to mitigate those risks, areas for improvement existed. Specifically, AF and CT oversight officials did not designate their four awards as high risk even though they were implemented in a country where travel is restricted due to political instability and terrorism. This occurred because the current Risk Assessment Worksheet weighs country/region-specific risks lower than organizational and programmatic risk. OIG also found that CT did not update risk assessments annually for its two awards. This occurred because CT’s standard operating procedures did not align with Department requirements. When risk assessments are not accurate and kept current, bureaus operating in high-threat environments may not fully develop mitigation plans tailored to address foreseeable risks that may impede program implementation.

#### ***Risk Assessment Worksheet Not Sufficient for Operating Environment***

The FAD allows for the Grants Officer to designate a program as high risk if the award activity operates in a difficult security environment.<sup>17</sup> While the place of performance is not the sole

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<sup>12</sup> 22 United States Code § 2378 (d) “Limitation on Assistance to Security Forces.”

<sup>13</sup> FAD, “Leahy Law Vetting Requirements,” 54-55.

<sup>14</sup> FAD, “Leahy Law Vetting Requirements,” 55.

<sup>15</sup> 2017 Leahy Vetting Guide, “Rules of Practice,” 42.

<sup>16</sup> FAD, “Leahy Law Vetting Requirement,” 56.

<sup>17</sup> FAD, “Risk Mitigation and Specific Award Conditions,” 60.

driver of risk, operating in complex, high-threat environments requires additional oversight to ensure that risks are adequately identified and mitigated, and that the recipient performs the award in accordance with the statement of work. To calculate risk, oversight officials use the Risk Assessment Worksheet, which lists a series of questions to assess three areas of risk: organizational risk, programmatic risk, and country- or region-specific risk. Each risk category is given an individual score that is weighed and combined into an overall score. Based on the combined score, the award is then designated as low, medium, or high risk.

Despite operating in a difficult security environment, the four awards that OIG reviewed were not designated as high risk. Rather, the FRC award was designated as low risk, and the Mentorship and Training, Stipend Support, and Law Enforcement awards were designated as medium risk. This occurred because the Risk Assessment Worksheet has standardized questions that do not take into account unique risks associated with operating in certain high-threat environments. Additionally, the Risk Assessment Worksheet weighs country/region-specific risks lower than organizational and programmatic risk. Specifically, the overall scoring formula is weighed 40 percent for organizational risk, 40 percent for programmatic risk, and 20 percent for country/region-specific risk. Therefore, while Somalia may be rated as high for country/region-specific risk (the country has a very unstable political environment, high level of corruption, and high level of terrorism activities), it could be rated as low or medium risk in the other categories. When averaged together, the overall score could be lower. Appendix B shows an example of a Risk Assessment Worksheet.

OIG spoke to Department officials about the scoring of these awards, and they stated the awards should not have been rated low or medium risk because of the environment in which they operate. Specifically, the Grants Officer for the Law Enforcement and FRC awards stated that “the template provided by the Office of the Procurement Executive does not cover all risks” and that these two awards “should not be low or medium risk because of the place they operate in,” but “that is how they are classified because of the limitations” of the worksheet. The GOR also stated that the awards should not have been medium risk and emphasized that “the risk assessment tool is not comprehensive enough to make a proper determination.” Finally, for AF’s 2019 Mentorship and Training award, the GOR stated that the risk assessment scores the award as “medium risk, which seems low.” The GOR believed that the individual ratings to the questions in the worksheet were accurate and, therefore, concluded that it is “the formula.”

While the Grants Officers expressed concerns with the rating of the awards, they have not upgraded the risk level. Accurate identification of high-risk awards could assist bureaus operating in high-threat environments with developing mitigation plans tailored to address foreseeable risks that the programs may face. Therefore, OIG offered the following recommendation.

**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive reevaluate the weighting in the Risk Assessment Worksheet and the standardized questions to better account for the unique risks posed by certain high-threat environments.

**Management Response:** The Bureau of Administration, Office of the Procurement Executive concurred with the recommendation, stating that “the Risk Assessment template is meant to be a suggested format for use by the Department’s foreign assistance community to adapt, as needed, for use as relates to specific programs or operating environments. As such, the template explicitly relies on the program office to apply its expertise to adjust the weights in each of the three main categories.” The Office of the Procurement Executive added that “mandating an increased weight of the country-specific score for all program offices would negatively impact risk assessments in those countries where the country risk is consistently low and organization risk is the primary concern.” Therefore, the Office of the Procurement Executive stated that to implement the recommendation, it would “update the Federal Assistance Directive to ensure that the risk assessment form can and should be adjusted to address organizational, programmatic and country-specific concerns,” and that it expects to complete this action during Quarter 1 of FY 2021.

**OIG Reply:** On the basis of the Bureau of Administration, Office of the Procurement Executive’s concurrence with the recommendation and plan to implement an acceptable alternative to the recommendation, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Bureau of Administration, Office of the Procurement Executive has updated the FAD to ensure that the risk assessment form can be adjusted to fully address organizational, programmatic, and country-specific concerns.

### ***CT’s Risk Assessments Were Not Kept Current***

OIG also found that CT did not conduct annual risk assessments for the Law Enforcement and FRC awards as the FAD requires, even though both have performance periods longer than 12 months.<sup>18</sup> For the Law Enforcement award, the initial risk assessment was conducted in August 2018. A follow-up risk assessment was supposed to be conducted in August 2019, but it was not completed. For the FRC award, the initial risk assessment was conducted in August 2017, and follow-up risk assessments were supposed to be conducted in August 2018, and again in August 2019. OIG found that a risk assessment was completed in August 2018, however, OIG found no evidence that an August 2019 assessment was ever conducted. CT officials stated that the annual risk assessments were not conducted because they followed the bureau’s *Standard Operating Procedures: Grants and Cooperative Agreements*, rather than the FAD. The standard operating procedures require CT officials to conduct an annual risk assessment only when an award is modified and not on an annual basis.<sup>19</sup> Although CT officials followed their bureau-developed policies and procedures, those procedures must align with the Department’s FAD, which is meant to provide uniform guidance to all domestic and overseas bureaus, offices, or posts and all staff involved in executing, monitoring, or processing Federal awards.<sup>20</sup>

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<sup>18</sup> FAD, “Conduct a Risk Assessment,” 59.

<sup>19</sup> CT, “Standard Operating Procedures: Grants and Cooperative Agreements”, Version 1, April 2019, 44.

<sup>20</sup> FAD, “Scope, Authority, and Applicability,” 2.

Without follow-up risk assessments, CT cannot be assured that all current risks have been identified and that monitoring plans are developed to mitigate those risks. After OIG brought the inconsistency between the bureau's *Standard Operating Procedures: Grants and Cooperative Agreements* and the FAD to Department officials' attention, CT officials updated its procedures to align with the FAD. OIG reviewed the updated standard operating procedures and determined that it aligns with the FAD's guidance on conducting risk assessments. Although CT officials updated its procedures to align with the FAD, it now needs to conduct assessments as required by the Department's guidance. Accordingly, OIG offered the following recommendation.

**Recommendation 2:** OIG recommends that the Bureau of Counterterrorism review and update the annual risk assessments for the Somali Law Enforcement: Local Policing and Protection award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025) as required by the Federal Assistance Directive.

**Management Response:** CT concurred with the recommendation, stating that it has "reviewed and updated the annual risk assessments." Specifically, as an attachment to its response, CT provided its "most recent annual assessment," dated May 2020.

**OIG Reply:** On the basis of CT's actions and the documentation provided, OIG considers the recommendation implemented and closed. OIG reviewed CT's annual risk assessments and verified that they were updated for the Somali Law Enforcement: Local Policing and Protection award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025) as required by the FAD. Therefore, this recommendation is closed, and no further action is required.

## **Finding B: Improved Procedures Are Needed To Address Risk Mitigation, Performance Monitoring, and Award File Administration**

OIG found that AF and CT did not (a) establish standard operating procedures or document controls for managing risks, (b) document reviews of performance reports to demonstrate adherence with award terms, or (c) require documentation to be maintained in official award files. This occurred primarily because AF and CT officials were not following Department requirements, such as documenting risk management processes, and because they did not effectively use the award file checklist to ensure completeness. Without a documented process to identify and mitigate risks, AF and CT are at an increased risk for waste, fraud, and mismanagement and have limited assurance that awards comply with Department requirements and achieve their intended purposes.

***Bureaus Have Not Adopted Policies, Processes, and Procedures for Risk Management***

The FAD states that all bureaus, offices, or posts are required to document their risk management process in their standard operating procedures.<sup>21</sup> However, OIG found that AF and CT do not have a documented process for risk management as the FAD requires.

OIG previously identified AF's lack of a documented foreign assistance risk management process as a deficiency in a 2017 OIG report.<sup>22</sup> In that report, OIG stated that AF "generally had not documented core foreign assistance business processes related to project planning, funds management, human resources, contract and grants management, monitoring and evaluation, and risk management," and lacked "program management documentation—such as handbooks, manuals, and standard operating procedures—for all but one of its major programs." To address this deficiency, OIG recommended that AF "document its foreign assistance business processes, including administrative responsibilities and internal control procedures for project planning, funds management, human resources, contract and grants management, and risk management."<sup>23</sup> The original recommendation remained open at the time of the follow-up review, therefore, OIG reissued the recommendation in the May 2020 compliance follow-up review report.<sup>24</sup> Because the May 2020 compliance follow-up review recommendation remains open, OIG will not issue an additional recommendation in this report. In its response to the follow-up report, AF stated that it would develop a policy document that addresses foreign assistance business practices by September 2020. In the meantime, AF officials stated that they have implemented compensating controls to ensure compliance with award requirements. For example, they use Site Coordinators<sup>25</sup> and interagency collaborations<sup>26</sup> to mitigate performance risks identified for the Mentorship and Training and Stipend Support awards.

OIG also found that CT has not established a process in its *Standard Operating Procedures: Grants and Cooperative Agreements* for mitigating risks identified in the risk assessment. CT's standard operating procedures require the Program Officer, in consultation with the GOR, to complete a risk assessment and develop a monitoring plan that outlines CT's "strategy for monitoring and assessing the prospective recipient's performance."<sup>27</sup> The standard operating procedures also state that the Program Officer or GOR should resolve any "risks or problems

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<sup>21</sup> FAD, "Conduct a Risk Assessment," 58.

<sup>22</sup> OIG, *Inspection of the Bureau of African Affairs' Foreign Assistance Program Management* (ISP-I-18-02, October 2017).

<sup>23</sup> ISP-I-18-02, October 2017, 6.

<sup>24</sup> OIG, *Compliance Follow-Up Review: Bureau of African Affairs' Foreign Assistance Program Management* (ISP-C-20-23, May 2020).

<sup>25</sup> The Site Coordinators are contractors who provide direct observation and surveillance of award activities in the field, monitor compliance with requirements, and communicate their feedback to the GORs.

<sup>26</sup> AF collaborates with the Department of Defense for the Mentorship and Training award because of their similar objectives in Somalia. While the Department of Defense is not obligated to monitor the Mentorship and Training award, its personnel, who are near the award implementation site, provide insight on award activities as time and resources allow.

<sup>27</sup> CT, "Standard Operating Procedures: Grants and Cooperative Agreements," 30.



related to the project's activities, management, finances, identified during any of the monitoring activities in collaboration with the [Grants Officer] and award recipient.”<sup>28</sup> However, the standard operating procedures do not outline a process to mitigate the risks identified in the risk assessment. For example, for the Law Enforcement award, the GOR identified 11 risks as medium or high in the risk assessment, but the monitoring plan only addressed 1 of the 11 risks identified. For the FRC award, the GOR identified 8 risks as medium or high in the risk assessment, but the monitoring plan only addressed 1 of the 8 risks identified.

Even though CT does not have a risk mitigation process, the GOR stated that he uses other means to minimize the risks. For example, for the Law Enforcement and FRC awards, the GOR chose to provide funds through cooperative agreements rather than grants. According to the GOR, he chose to use cooperative agreements because they allow the Department more involvement in the execution and decision making of the award. Both awards also require key management personnel to be approved by the GOR. In addition, for the Law Enforcement award, Valar was required to obtain approval from the GOR in advance to purchase individual items exceeding \$5,000, and to submit a security plan for operating in Somalia. Lastly, CT used a third-party monitor<sup>29</sup> who provided oversight on activities for both awards by meeting with implementers and award participants to determine whether the awards were accomplishing their objectives.

While these additional, ad hoc mitigation measures may be somewhat effective, the FAD requires a documented risk management process to ensure a standard process to mitigate risks. Accordingly, the programs AF and CT manage will likely not operate within a positive internal control framework, and will remain at an elevated risk of waste, fraud, and mismanagement. OIG, therefore, offered the following recommendation.

**Recommendation 3:** OIG recommends that the Bureau of Counterterrorism develop and implement a risk management process, including administrative responsibilities and internal control procedures to mitigate risks, and document this risk management process in its *Standard Operating Procedures: Grants and Cooperative Agreements*, as required by the Federal Assistance Directive.

**Management Response:** CT concurred with the recommendation, noting that it is similar to Recommendation 1 from OIG's Inspection from May 2020, which recommended that it “implement a system to identify and mitigate internal control risks for its programs.” CT stated that in response to that recommendation, it “developed a robust risk management process, including administrative responsibilities and internal control procedures to mitigate risks.” CT further stated that it would incorporate the new process into its *Standard Operating Procedures: Grants and Cooperative Agreements* by September 15, 2020.

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<sup>28</sup> CT, “Standard Operating Procedures: Grants and Cooperative Agreements,” 41.

<sup>29</sup> The third-party monitors are contractors who serve as program officers and help direct-hire staff execute the bureau's foreign assistance programs.

**OIG Reply:** On the basis of CT's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that CT has implemented a risk management process, including administrative responsibilities and internal control procedures to mitigate risks, and documented this risk management process in its *Standard Operating Procedures: Grants and Cooperative Agreements*, as required by the FAD.

***Bureaus Did Not Always Document Reviews of Performance Progress Reports in Time***

Per the terms and conditions of the awards, the recipients are required to submit Performance Progress Reports on a quarterly basis.<sup>30</sup> In these reports, the recipients report their progress made in accomplishing the goals and objectives of the award. The FAD states that the GOR is responsible for monitoring and assessing project performance to ensure compliance with the award terms and conditions.<sup>31</sup> The FAD also requires the GORs to assess the recipient's Performance Progress Reports and upload their assessments into the official award file within 30 days after receiving them from the recipient.<sup>32</sup> OIG found that GORs did not always document their assessments of recipients' Performance Progress Reports within 30 days of receipt as the FAD requires.

Specifically, for the Mentorship and Training award, Bancroft Global Development submitted eight Performance Progress Reports from FY 2018 to FY 2019. OIG selected four reports to review and found that the GOR documented his assessments between 24 days and 10 months after they were due. For the Stipend Support award, the United Nations Office of Project Services submitted four Performance Progress Reports in FY 2019. OIG reviewed all four reports and found that this same GOR documented his assessments between 18 days and 4 months after they were due. The GOR stated that this occurred because he "did not always keep up to date with the report submissions" but explained that AF is making "large scale changes to office staff to allow for more bandwidth for individual GORs." Specifically, an AF official stated that additional staff has been hired, to include three GORs and a team leader, and that the office structure was formally reorganized to ensure that program management and oversight personnel are not given competing assignments. In addition, AF stated that the standard operating procedures it developed to address the untimely review of Performance Progress Reports was finalized in May 2020, after the completion of OIG's fieldwork.

For the Law Enforcement award, Valar submitted four Performance Progress Reports in FY 2019. OIG reviewed all four reports and found that the GOR documented his assessments within 30 days of receipt for 3 of 4 reports; for the fourth report, he documented his assessment 2 months after it was due. For the FRC award, the International Development Law

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<sup>30</sup> The FAD states that the frequency of reporting must be negotiated and included in the award provisions. The frequency of reporting must be no less frequently than annually nor more frequently than quarterly except in unusual circumstances.

<sup>31</sup> FAD, "Grants Officer Designates Grants Officer Representative (GOR)," 79.

<sup>32</sup> Ibid, 79.

Organization submitted eight Performance Progress Reports in FY 2018 and FY 2019. OIG reviewed four reports and found that this same GOR documented his assessment within 30 days for only 1 of 4 reports; his assessments of the other three were documented between 2 days and 5 months after the due date. The GOR stated that his assessments were late because he had competing priorities. He stated that he oversees about 18 active awards and, therefore, delayed his assessments because he “wanted to do a complete and thorough job.”

While CT’s *Standard Operating Procedures: Grants and Cooperative Agreements* states that the Program Officer and GOR will “review the programmatic quarterly report to check the project’s progress against the approved Scope of Work within 30 days of receipt,” the GOR did not review all of the progress reports in a timely manner. The lack of timely assessments could prevent the GORs from identifying any noncompliance, deviation in performance, and/or failure to make progress. Furthermore, compliance with Department requirements to conduct and document reviews of the Performance Progress Reports is important to provide AF and CT with assurance that the grants are achieving their intended purposes and that Federal funds are spent in accordance with the terms and conditions of the awards. Therefore, OIG offered the following recommendations.

**Recommendation 4:** OIG recommends that the Bureau of African Affairs document the official Federal award file to indicate the review and approval of the Performance Progress Report within 30 days of receipt, as required by the Federal Assistance Directive, for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and the Stipends Support for the Somali National Army award (SLMAQM18GR2254).

**Management Response:** AF concurred with the recommendation, stating that “all Performance Progress Reports were reviewed for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and the Stipends Support for the Somali National Army award (SLMAQM18GR2254).” AF further stated that the “official Federal award files document the review and approval of the reports.”

**OIG Reply:** On the basis of AF’s actions and the documentation provided, OIG considers the recommendation implemented and closed. OIG reviewed AF’s official Federal award files and determined that it documented the review and approval of the Performance Progress Reports between 5 and 9 days after they were due in Quarters 1 and 2 of FY 2020, for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and the Stipends Support for the Somali National Army award (SLMAQM18GR2254). In addition, in Quarter 3 of FY 2020, AF documented its review and approval of the Performance Progress Reports in the award file within 30 days of receipt, as required by the FAD. Therefore, OIG considers this recommendation implemented and closed, no further action is required.

**Recommendation 5:** OIG recommends that the Bureau of Counterterrorism (a) develop and implement a process to verify implementation of its Standard Operating Procedure 20.2

“Review Quarterly Programmatic Report,” which requires Grants Officer Representatives to review quarterly programmatic reports within 30 days of receipt and document their reviews in the official award file, and (b) document the official Federal award file to indicate the review and approval of the Performance Progress Report within 30 days of receipt, as required by the Federal Assistance Directive, for the Somali Law Enforcement: Local Policing award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025).

**Management Response:** CT concurred with the recommendation, stating that effective August 18, 2020, it amended its standard operating procedures for internal quarterly program reviews, which require CT officials to “review and validate the official Federal award file, including the Performance Progress Report, for timeliness and completeness.” CT also stated that by September 4, 2020, it would amend its *Standard Operating Procedures: Grants and Cooperative Agreements* to “require that CT officials review and validate the official Federal award file, including the Performance Progress Report, for timeliness and completeness.”

**OIG Reply:** On the basis of CT’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that CT (a) developed and implemented a process to verify implementation of its Standard Operating Procedure 20.2 “Review Quarterly Programmatic Report,” which requires GORs to review quarterly programmatic reports within 30 days of receipt and document their reviews in the official award file, and (b) documented the official Federal award file to indicate the review and approval of the Performance Progress Report within 30 days of receipt, as required by the FAD, for the Somali Law Enforcement: Local Policing award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025).

### ***Bureaus Did Not Maintain All Supporting Documentation in Their Award Files***

The official Federal award file is intended to ensure that the required documentation supporting the issuance and management of each assistance award is present and complete, and provide the Department with a standardized system for keeping track of activities related to the award. The FAD requires the GOR designation memorandum<sup>33</sup> to be included in the official award file.<sup>34</sup> However, OIG found that the GOR designation memorandum for AF’s Stipend Support award was not included in the award file. The GOR stated that it was an oversight. The GOR designation memorandum for CT’s Law Enforcement award was also not

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<sup>33</sup> A GOR designation memorandum is a formal document in the official Federal award file that details the GOR’s responsibilities for the assigned award.

<sup>34</sup> FAD, “Grants Officer Designates Grants Officer Representative (GOR),” 78.

included in the award file. The GOR stated that he overlooked the email from the Grants Officer providing the designation memorandum and, therefore, did not sign and include it in the file.<sup>35</sup> The FAD also states that the annual risk assessment must be documented and that a copy of the monitoring plan and all revisions/updates must be kept in the official award file.<sup>36</sup> However, OIG found that the 2018 and 2019 risk assessments and monitoring plans for AF's Mentorship and Training award were not included in the award file. After OIG informed AF of the missing documents, the GOR provided documentation showing that the risk assessments and monitoring plans were provided to the Grants Officer and subsequently uploaded to the award file in April 2020. The GOR stated that "human error" was the reason why the 2018 assessment was not in the award file and a technical problem precluded him from including the 2019 assessment in the file.

However, OIG determined that one contributing factor to not properly maintaining the award files was AF and CT's failure to effectively use the Award File Checklist developed by the Office of the Procurement Executive. Use of the Award File Checklist ensures that the required documentation supporting the issuance and management of each assistance award is present and complete and provides the Department with a system to keep track of all required assistance documentation. Not utilizing the checklist can lead to mistakes in award management and recipient oversight, and increases the Department's risk of fraud, waste, and abuse in an important Department program. OIG therefore offered the following recommendations.

**Recommendation 6:** OIG recommends that the Grants Officer from the Bureau of Administration, Office of the Procurement Executive, in coordination with the Grants Officer Representative from the Bureau of African Affairs, complete the Award File Checklist and update the official Federal award files with all required documentation for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and Stipends Support for the Somali National Army award (SLMAQM18GR2254).

**Management Response:** The Bureau of Administration, Office of the Procurement Executive concurred with the recommendation.

**OIG Reply:** On the basis of the Bureau of Administration, Office of the Procurement Executive's concurrence with the recommendation, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Grants Officers completed the Award File Checklist and updated the official Federal award files with all required documentation for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and Stipends Support for the Somali National Army award (SLMAQM18GR2254).

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<sup>35</sup> The GOR designation memorandum for the Law Enforcement award was subsequently included in the official award file after OIG brought it to CT's attention.

<sup>36</sup> FAD, "Conduct a Risk Assessment," 59 and "Annual Review," 133.



**Recommendation 7:** OIG recommends that the Grants Officer from the Bureau of Administration, Office of the Procurement Executive, in coordination with the Grants Officer Representative from the Bureau of Counterterrorism, complete the Award File Checklist and update the official Federal award file with all required documentation for the Somali Law Enforcement: Local Policing award (SLMAQM18CA2066).

**Management Response:** The Bureau of Administration, Office of the Procurement Executive concurred with the recommendation. While official comments were not solicited or required from CT for this recommendation, it also concurred with the recommendation, stating that it had “coordinated with the Grants Officer from the Bureau of Administration, and defers to the Bureau of Administration for action.”

**OIG Reply:** On the basis of the Bureau of Administration, Office of the Procurement Executive’s concurrence with the recommendation, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Grants Officer completed the Award File Checklist and updated the official Federal award file with all required documentation for the Somali Law Enforcement: Local Policing award (SLMAQM18CA2066).

## **Finding C: Compliance With Leahy Vetting Remains Problematic for the Bureau of African Affairs**

OIG found that while CT generally followed Department guidance for Leahy vetting, AF did not, nor did AF include the “State Department Leahy Vetting Requirements” section in one of its awards. This occurred because AF officials were not applying the vetting requirements, and because an AF official imprudently removed vetting requirements from one award at the implementor’s request. Excluding Leahy vetting requirements from the award and failure to properly vet award participants are contrary to Department policy and increases the likelihood that funds could be inadvertently provided to individuals who have committed gross violations of human rights.

### ***AF’s Vetting Process Needs Improvement***

The FAD and 2017 Leahy Vetting Guide require foreign security forces or personnel receiving training or other assistance from the Department be vetted for gross violations of human rights.<sup>37</sup> Specifically, Department policy states vetting is the responsibility of the bureau or post funding the award and vetting approvals are valid for 1 year from the date of approval.<sup>38</sup> OIG found that while CT generally complied with vetting guidance, AF did not implement vetting procedures in accordance with the Department policy.

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<sup>37</sup> FAD, “Leahy Law Vetting Requirements,” 54, 2017 Leahy Vetting Guide, “Introduction,” 5, and 22 United States Code § 2378 (d).

<sup>38</sup> FAD, “Leahy Law Vetting Requirements,” 55 and 2017 Leahy Vetting Guide, “Rules of Practice,” 42.

According to the GOR, AF vets new award participants when they join a unit and vets units that have been receiving training and assistance on an annual basis. However, OIG found that for the Mentorship and Training award, AF did not ensure that all new participants were vetted prior to joining the unit and did not ensure that all existing units were vetted annually. OIG reviewed the vetting process for 20 recruits, (14 randomly selected recruits who joined the unit in September 2017 and 6 who joined in December 2018) and found that only 6 of 20 (30 percent) were vetted before joining the unit. OIG also reviewed the vetting approvals for three units—21<sup>st</sup> Danab, 60<sup>th</sup> Danab/Advanced Infantry Battalion, and Uganda People’s Defense Forces—who participate in the Mentorship and Training award to determine if the units had been vetted annually. OIG found that unit vetting approvals had lapsed in 4 of 11 (36 percent) instances and was inconclusive in 3 of 11 (27 percent) instances.<sup>39</sup> Table 2 shows the lapse in the annual vetting requirement for each of the units.

**Table 2: Lapse in Unit Vetting for the Mentorship and Training Award**

Units	2017	2018	2019	2020
21 <sup>st</sup> Danab	x	✓	x	✓
60 <sup>th</sup> Danab/Advanced Infantry Battalion	x	x	✓	-- <sup>a</sup>
Uganda People’s Defense Forces <sup>b</sup>	✓	?	?	?

<sup>a</sup> Vetting for 2019 is valid until August 2020.

<sup>b</sup> Results for the Uganda People’s Defense Forces were inconclusive for three out of four years because OIG was unable to verify that the Uganda People’s Defense Forces units participated in the award.

**Source:** OIG generated based on an analysis of the Department’s vetting system, interviews, and documentation provided by AF.

For the Stipend Support award, the GOR stated that participants were vetted by unit except those who reported to the Ministry of Defense Drivers and Security section; for these participants, AF vetted them individually. OIG reviewed the vetting approvals for all 10 Ministry of Defense Drivers and Security section members who received stipend payments in March 2019 and found that 7 of 10 (70 percent) were vetted before receiving assistance. OIG also reviewed the vetting approvals for the five units—1<sup>st</sup> Advanced Infantry Battalion, 43<sup>rd</sup> Danab, 21<sup>st</sup> Danab, 38<sup>th</sup> Logistics Battalion, and 89<sup>th</sup> Logistics Battalion—who participate in the Stipend Support award to determine if the units had been vetted annually. OIG found that vetting approvals had lapsed in 9 of 15 (60 percent) instances. Table 3 shows the lapse in the annual vetting requirement for each of the units.

<sup>39</sup> AF provided OIG with support for the vetting of Uganda People’s Defense Forces units from 2017 to 2020. However, OIG was unable to verify whether the documentation provided corresponded with all of the units that participated in the Mentorship and Training Award. Therefore, OIG deemed the vetting documentation provided by AF as inconclusive.

**Table 3: Lapse in Unit Vetting for the Stipend Support Award**

Units	2018	2019	2020
1 <sup>st</sup> Advanced Infantry Battalion	✓	✗	✓
43 <sup>rd</sup> Danab	✓	✗	✓
21 <sup>st</sup> Danab	✓	✗	✓
38 <sup>th</sup> Logistics Battalion	✗	✗	✗
89 <sup>th</sup> Logistics Battalion	✗	✗	✗

**Source:** OIG generated based on an analysis of the Department’s vetting system, interviews, and documentation provided by AF.

OIG also identified deficiencies with AF’s vetting process in the 2017 OIG report about AF’s management of foreign assistance. In that report, OIG reported that AF had provided training and assistance to units of the Somali National Army even though their approvals had lapsed. OIG also identified two periods of several months each—one in 2014 and another spanning 2016 and 2017—in which Leahy vetting approvals expired but Somali National Army units continued to receive payments. To address this deficiency, OIG recommended that AF “document its provision of assistance to Somali National Army units with lapsed Leahy vetting and identify corrective measures to prevent recurrence.”<sup>40</sup> In response to the recommendation, AF stated that it would establish an automated reminder system that identified key upcoming vetting expiration dates and ensure that new Department personnel involved in the vetting process are made aware of Leahy vetting requirements. On the basis of AF’s response, OIG closed the recommendation in February 2018.

Despite AF’s actions to address and close the previous recommendation, AF’s vetting process remains problematic as demonstrated in this report. The GOR attributed the failure to vet units in accordance with the 2017 Leahy Vetting Guide and the FAD to “employee turnover challenges” caused by short tours in Somalia, resulting in AF not performing the Leahy vetting requirement. The GOR explained that personnel newly assigned to post may not have a full awareness of the requirement to annually vet recipients that receive foreign assistance or the procedures developed to mitigate previous vetting failures. This deficiency also continues to occur because AF lacks a formal standard operating procedure for the Leahy vetting process. Without sustained improvements to AF’s Leahy vetting process, the Department could, unknowingly, be providing support to individuals who have committed gross violations of human rights, which the Leahy Law prohibits. Therefore, OIG offered the following recommendations.

**Recommendation 8:** OIG recommends that the Bureau of African Affairs (a) conduct a review of awards that provide Federal funds to Somali National Army units with participants whose Leahy vetting has lapsed, (b) determine whether any participants received Federal funds while in violation of the Leahy Law, and (c) take corrective actions, as necessary.

<sup>40</sup> ISP-I-18-02, October 2017.

**Management Response:** AF concurred with the recommendation, stating that it was “currently conducting a review of the Leahy vetting for all units cited,” and that it would “submit a full report of findings and any corrective actions, if required, by October 31, 2020.”

**OIG Reply:** On the basis of AF’s concurrence with the recommendation and planned actions, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accept documentation demonstrating that AF (a) conducted a review of awards that provide Federal funds to Somali National Army units with participants whose Leahy vetting has lapsed, (b) determined whether any participants received Federal funds while in violation of the Leahy Law, and (c) took corrective actions, as necessary.

**Recommendation 9:** OIG recommends that the Bureau of African Affairs develop and implement procedures for the execution of Leahy vetting requirements, to include annual vetting procedures, that are consistent with established Department of State policies.

**Management Response:** AF concurred with the recommendation, stating that it was “already in full compliance.” Specifically, AF stated that it currently applied all Department Leahy standard operating procedures as determined by the Bureau of Democracy, Human Rights and Labor. AF further added that it would “develop a supplemental office-level [standard operating procedure] to track and monitor annual vetting expiration dates” and would “continue to ensure that new Department personnel involved in the vetting process are made aware of Leahy vetting requirements.”

**OIG Reply:** On the basis of AF’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 AF has developed and implemented procedures for the execution of Leahy vetting requirements, to include annual vetting procedures, that are consistent with established Department policies.

#### ***AF Removed Vetting Requirements Language From the Stipend Support Award***

The FAD requires that Department bureaus and posts include language in their grants in a section titled “State Department Leahy Vetting Requirements,” requiring bureau or post adherence to the Leahy vetting requirements, unless alternate arrangements for compliance with the Leahy Law have been made.<sup>41</sup> Contrary to this requirement, AF’s Stipend Support award did not include this language. The GOR stated that he removed the language at the request of the United Nations Office of Project Services officials after consulting with post. The GOR explained that the decision was made because the United Nations Office of Project Services had no direct role in the vetting process. OIG confirmed that the GOR did not make alternate arrangements as outlined in Department policy prior to removing the language

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<sup>41</sup> FAD, “Leahy Law Vetting Requirements,” 56.

because he was not aware of this requirement. OIG, therefore, offered the following recommendation to AF.

**Recommendation 10:** OIG recommends that the Bureau of African Affairs update the terms of the Stipends Support for the Somali National Army award (SLMAQM18GR2254) to include the “State Department Leahy Vetting Requirements” or coordinate with the Bureau of Administration, Office of Procurement Executive and Bureau of Democracy, Human Rights, and Labor to make alternate arrangements for compliance, in accordance with the Federal Assistance Directive.

**Management Response:** AF concurred with the recommendation, stating that it “worked with the Grant Officer, who amended the terms in the Stipends Support for the Somali National Army award (SLMAQM18GR2254) to include the ‘State Department Leahy Vetting Requirements’ on August 14, 2020.” As an attachment to its response, AF provided a copy of the award amendment.

**OIG Reply:** On the basis of AF’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. OIG reviewed the award amendment and determined that while AF amended the award to include vetting requirements, the title in the amendment does not state “State Department Leahy Vetting Requirements,” as required by the FAD. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Leahy vetting conditions added to the award are titled “State Department Leahy Vetting Requirement,” as required by the FAD.



## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive reevaluate the weighting in the Risk Assessment Worksheet and the standardized questions to better account for the unique risks posed by certain high-threat environments.

**Recommendation 2:** OIG recommends that the Bureau of Counterterrorism review and update the annual risk assessments for the Somali Law Enforcement: Local Policing and Protection award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025) as required by the Federal Assistance Directive.

**Recommendation 3:** OIG recommends that the Bureau of Counterterrorism develop and implement a risk management process, including administrative responsibilities and internal control procedures to mitigate risks, and document this risk management process in its *Standard Operating Procedures: Grants and Cooperative Agreements*, as required by the Federal Assistance Directive.

**Recommendation 4:** OIG recommends that the Bureau of African Affairs document the official Federal award file to indicate the review and approval of the Performance Progress Report within 30 days of receipt, as required by the Federal Assistance Directive, for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and the Stipends Support for the Somali National Army award (SLMAQM18GR2254).

**Recommendation 5:** OIG recommends that the Bureau of Counterterrorism (a) develop and implement a process to verify implementation of its Standard Operating Procedure 20.2 “Review Quarterly Programmatic Report,” which requires Grants Officer Representatives to review quarterly programmatic reports within 30 days of receipt and document their reviews in the official award file, and (b) document the official Federal award file to indicate the review and approval of the Performance Progress Report within 30 days of receipt, as required by the Federal Assistance Directive, for the Somali Law Enforcement: Local Policing award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025).

**Recommendation 6:** OIG recommends that the Grants Officer from the Bureau of Administration, Office of the Procurement Executive, in coordination with the Grants Officer Representative from the Bureau of African Affairs, complete the Award File Checklist and update the official Federal award files with all required documentation for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and Stipends Support for the Somali National Army award (SLMAQM18GR2254).

**Recommendation 7:** OIG recommends that the Grants Officer from the Bureau of Administration, Office of the Procurement Executive, in coordination with the Grants Officer

Representative from the Bureau of Counterterrorism, complete the Award File Checklist and update the official Federal award file with all required documentation for the Somali Law Enforcement: Local Policing award (SLMAQM18CA2066).

**Recommendation 8:** OIG recommends that the Bureau of African Affairs (a) conduct a review of awards that provide Federal funds to Somali National Army units with participants whose Leahy vetting has lapsed, (b) determine whether any participants received Federal funds while in violation of the Leahy Law, and (c) take corrective actions, as necessary.

**Recommendation 9:** OIG recommends that the Bureau of African Affairs develop and implement procedures for the execution of Leahy vetting requirements, to include annual vetting procedures, that are consistent with established Department of State policies.

**Recommendation 10:** OIG recommends that the Bureau of African Affairs update the terms of the Stipends Support for the Somali National Army award (SLMAQM18GR2254) to include the “State Department Leahy Vetting Requirements” or coordinate with the Bureau of Administration, Office of Procurement Executive and Bureau of Democracy, Human Rights, and Labor to make alternate arrangements for compliance, in accordance with the Federal Assistance Directive.

## 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 the Department assessed potential risks associated with the implementation of foreign assistance awards in Somalia and executed compensating controls to mitigate those risks.

OIG conducted this audit from January to June 2020 at the U.S. Consulate General Frankfurt, Germany. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG faced challenges in completing this work because of the COVID-19 pandemic. These challenges included limitations on in-person meetings, difficulty accessing information, prohibitions on travel, and related difficulties within the Department, which affected its ability to respond to OIG requests for information on time. Despite these challenges, OIG was able to conduct its audit work remotely using teleconferences and electronic data requests and believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

To obtain background information for this audit, OIG researched and reviewed Federal laws and regulations, and Department policies and procedures related to foreign assistance funding. Specifically, OIG reviewed the Foreign Affairs Manual, Foreign Affairs Handbook, Federal Assistance Directive, U.S. Code of Federal Regulations, 2017 Leahy Vetting Guide, and bureau-specific standard operating procedures. OIG interviewed officials from the Bureau of Administration, Bureau of African Affairs (AF), Bureau of Counterterrorism (CT), Bancroft Global Development, United Nations Office of Project Services, Valar, International Development Law Organization, Department of Defense, and Embassy Mogadishu. The audit scope included four foreign assistance grants and cooperative agreements issued between FY 2017 and FY 2019, to include the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award; Stipends Support for the Somali National Army award; Somali Law Enforcement: Local Policing and Protection award; and Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award. To assess each award, OIG obtained and reviewed risk assessments and mitigation plans, a sample of quarterly performance progress reports, a sample of performance activities, and a sample of award participants for Leahy vetting<sup>1</sup> from FYs 2018 and 2019.

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<sup>1</sup> Leahy vetting requires the Department to assess units or individuals proposed for training or any other assistance, for credible information regarding the commission of gross violations of human rights by such unit or individual. As part of the audit objective, OIG reviewed the process by which the Department vetted recipients of foreign assistance to determine if award participants were vetted prior to receiving assistance in accordance with the Department's Federal Assistance Directive and the 2017 Leahy Vetting Guide.

## Data Reliability

OIG used computer processed data to determine the universe of Department-funded foreign assistance awards and award participants who require Leahy Vetting. The steps to assess the reliability of each data is discussed below.

### ***Universe of Department-Funded Foreign Assistance Awards***

OIG received an excel spreadsheet of awards from the OIG Office of Investigations. The list contained Department-funded foreign assistance award information for any grant or cooperative agreement that was implemented in Somalia or Somalia was the benefiting country from 2008 to 2019 resulting in 78 awards. The team eliminated any awards that crossed over multiple territories and kept awards that were only specific to Somalia which resulted in 51 awards for a total value of \$147.3 million dollars. To validate completeness of the universe, a list of foreign assistance grants and cooperative agreements awarded to Somalia was populated, using the Department's Federal assistance system's search feature, searching for all awards in Somalia. The grants and cooperative agreements amounted to 37 for a total of value of \$147.6 million. The total number of awards did not match, the difference in the count of grants and cooperative agreement was 14. Since the list received by OIG-Office of Investigation was more comprehensive than the list from Department's Federal assistance system's, OIG was confident that it received a complete universe. OIG determined that the data was sufficiently reliable for the purpose of selecting awards for review.

### ***Award Participants for Leahy Vetting***

OIG obtained a list of award participants in law enforcement roles for the performance activities selected for the four awards to determine if these personnel were vetted prior to receiving award benefits. For the Training and Mentorship and Law Enforcement awards, OIG requested sign-in sheets or attendance rosters to compare the information provided by Bancroft Global Development and Valar to attest to the completeness of the data; however, the requested documentation did not exist. Nevertheless, accuracy and reliability of the Leahy Vetting data, for the four awards selected, was tested when the participants' vetting was reviewed in the Department's vetting system. Though, OIG was unable to determine the completeness of the data for the four awards selected, OIG determined the award participants were accurate and sufficiently reliable for the audit's objective.

## Work Related To Internal Control

OIG considered a number of factors, including the audit's subject matter, to determine whether internal control was significant to the audit objective. After reviewing the underlying principles in the *Standards for Internal Control in the Federal Government*,<sup>2</sup> OIG determined that internal control was significant for this audit and concluded that four of five internal control components—Control Environment, Risk Assessment, Control Activities, and Monitoring—were

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<sup>2</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

significant to the audit objective. The Control Environment component is the foundation for an internal control system that provides the discipline and structure to help an entity achieve its objectives. The Risk Assessment component assesses the risks facing the entity as it seeks to achieve its objectives and provides the basis for developing appropriate risk responses. The Control Activities component includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system. The Monitoring component relates to activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. OIG also concluded that eight principles related to the selected components were significant to the audit objective, as described in Table A.1.

**Table A.1: Internal Control Components and Principles Identified as Significant**

Components	Principles
Control Environment	<ul style="list-style-type: none"> <li>• Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.</li> <li>• Management should demonstrate a commitment to recruit, develop, and retain competent individuals.</li> </ul>
Risk Assessment	<ul style="list-style-type: none"> <li>• Management should identify, analyze, and respond to risks related to achieving the defined objectives.</li> <li>• Management should consider the potential for fraud when identifying, analyzing, and responding to risks.</li> <li>• Management should identify, analyze, and respond to significant changes that could impact the internal control system.</li> </ul>
Control Activities	<ul style="list-style-type: none"> <li>• Management should design control activities to achieve objectives and respond to risks.</li> <li>• Management should implement control activities through policies.</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>• Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.</li> </ul>

**Source:** OIG generated from an analysis of internal control components and principles from the Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

OIG then interviewed Department officials and reviewed supporting documentation to obtain an understanding of the internal controls, and subsequently performed procedures to test the design and implementation of those controls, as follows:

- Interviewed Department officials to obtain an understanding of risk assessments, risk mitigation, monitoring, and Leahy vetting processes and policies.
- Reviewed risk assessments and risk mitigation plans, the establishment and execution of monitoring plans, bureau-specific standard operating procedures, and performance progress reports.
- Tested risk assessments and mitigation plans, performance activities, and award participants for Leahy vetting.

Internal control deficiencies identified during the audit that are significant to the audit objective are presented in the Audit Results section of this report.



## Sampling Methodology

To answer the audit objective, OIG obtained information on grants and cooperative agreement provided for Somalia from 2017 to 2019, which totaled \$64.5 million. OIG selected four awards using a risk-based selection process considering location, time period, bureau and dollar amount. To select the awards for review, the audit team used a two-step process: First, the audit team identified the bureau that provided the most funds on the awards and then selected the bureaus with the highest dollar value. Second, to identify the bureaus with the most dollars spent, OIG grouped the data by bureau and sorted from highest to lowest dollar value. OIG identified AF and CT as the two bureaus with the highest amounts of foreign assistance funds awarded through grants and cooperative agreements for Somalia, at \$34 million and \$23 million, respectively (\$57 million in total). For AF, OIG selected the two highest dollar value awards—one grant and one cooperative agreement—originally valued at \$27.5 million and \$6.4 million, respectively. As of May 2020, the value of these awards had increased to \$32.2 million and \$9.2 million, respectively. For CT, OIG did not select the highest dollar award because it was the subject of a separate OIG review. Therefore, OIG selected the next two highest dollar value awards at \$7.2 million and \$2.9 million. The value of the four selected awards totaled \$44 million of \$57 million (77 percent) at the time of OIG's sample selection in October 2019, which increased to \$51.5 million of \$57 million (90 percent) as of May 2020. Table 1, in the Background section of this report, includes details of the selected awards.<sup>3</sup>

To evaluate each award, OIG selected a non-statistical sample, using a random sampling design, of four performance reports for each award from FYs 2018 and 2019. For the awards with a period of performance of only 1 year, all four performance reports for that year were selected for review. From each performance report, OIG selected a non-statistical sample, using a random sampling design, of 10 performance activities and 20 award participants for Leahy vetting to review (see Table A.2).

**Table A.2: OIG Sample of Performance Reports, Performance Activities, and Award Participants for Leahy Vetting**

Award	Implementor	Target Universe (Sample Size)		
		Performance Reports	Performance Activities	Leahy Participants
Mentorship and Training Award	Bancroft Global Development	8 (4)	43 (10)	276 (20)
Stipend Support Award	United Nations Office of Project Services	4 (4)	34 (10)	10 (10)
Law Enforcement Award	Valar	4 (4)	46 (10)	55 (20)
FRC Award	International Development Law Organization	8 (4)	39 (10)	2 (2)
<b>Total</b>		<b>24 (16)</b>	<b>162 (40)</b>	<b>343 (52)</b>

**Source:** OIG generated based on data provided by AF and CT.

<sup>3</sup> The sampling methodology was developed in October 2019. During the audit, the value of the two AF awards increased. Therefore, Table 1 in the Background section reflects the award values as of May 2020 and not the award values from the time of selection.

## **Prior Office of Inspector General Reports**

***Inspection of the Bureau of Counterterrorism's Foreign Assistance Program Management, June 2020 (ISP-I-20-14)*** – OIG reported that CT relied on third-party contractors to help with foreign assistance program oversight, and identified instances where they performed inherently governmental functions. OIG also reported that the award files did not always include monitoring documentation to show whether a recipient performed the award in accordance with the statement of work. Specifically, OIG reported that of 12 Federal assistance files reviewed, 9 contained incomplete monitoring documentation. OIG made 7 recommendations to address these issues, all of which remain open as of June 2020.

***Compliance Follow-Up Review: Bureau of African Affairs' Foreign Assistance Program Management, May 2020 (ISP-C-20-23)*** – OIG reported that AF took action to improve its management of foreign assistance programs. Among the actions taken in response to OIG's 2017 report (ISP-I-18-02), the bureau updated its Federal assistance risk assessments to better measure terrorist financing risk. OIG also reported that AF took steps to reduce duplicative and fragmented functions and developed some of the guidance and procedural documents necessary to manage and administer its foreign assistance programs. However, OIG made three new recommendations for AF to further improve its foreign assistance program management, all of which remain open as of June 2020.

***Inspection of the Bureau of African Affairs' Foreign Assistance Program Management, October 2017, (ISP-I-18-02)*** – OIG reported that AF did not conduct a strategic review of its foreign assistance programs to reduce administrative fragmentation and duplication among offices. OIG also reported that AF returned \$4.96 million in cancelled foreign assistance funds in FY 2016 instead of extending the period of availability for the appropriations. Furthermore, OIG reported that AF had not established policy and procedures for identifying, assessing, and mitigating terrorist financing risks for its programs in countries where terrorist organizations operate; and that it continued payments to Somali National Army units for several months despite a lapse in Leahy human rights vetting approvals. Lastly, OIG reported that 10 of 12 award files reviewed did not include all required Grants Officer Representative evaluation reports. OIG made 10 recommendations to address the identified deficiencies, all of which are closed. However, three new recommendations were issued in Compliance Follow-Up Review report (ISP-C-20-23) in May 2020, as noted above.

***Management Assistance Report: Improved Oversight Needed to Standardize the Use of Risk Assessments and Monitoring Plans for Overseas Grants, July 2017 (ISP-17-33)*** – OIG reported a pattern of non-compliance with risk assessment and monitoring plan requirements in its review of findings from 12 inspections and 13 evaluations by the Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division conducted between March 2015 and January 2017. OIG made five recommendations to improve awareness of these requirements and to standardize their use overseas, all of which have been implemented and are closed.

## APPENDIX B: SAMPLE RISK ASSESSMENT

Risk Assessment	
Organizational Risk	Weight 40%
Question	Answer
<b>Competition:</b> (1) Full competition (2) Limited competition (3) Sole source	1
<b>Type of Recipient:</b> (1) U.S. Recipient (2) Foreign Recipient	1
<b>New Recipient:</b> The recipient is a first-time recipient that may not be familiar with Department program operation, fiscal management, oversight and reporting practices. (1) No (2) Unknown (3) Yes	1
<b>New Organization or Change in Ownership:</b> The recipient's date of startup or ownership change was three years or less from today. (1) No (2) Unknown (3) Yes	1
<b>Program History:</b> (1) Recipient has met program objectives specified in past awards. (2) Recipient partially met program objectives in prior awards OR is a new recipient. (3) Recipient failed to meet program objectives in at least one prior award (3).	1
<b>Reporting History:</b> (1) Program and financial reports were submitted in a timely and accurate manner. (2) Routine reports were frequently late and contain some errors OR is a new recipient. (3) Routine reports reflected significant discrepancies or omissions.	2
<b>Financial History:</b> (1) No significant audit findings OR recipient is not required to file an audit. (2) Minor audit findings with pending corrective action. (3) Significant audit findings and/or audit findings not resolved in a timely manner or applicant did not file required audit.	3
<b>Staff Size:</b> (1) Large (13 or more full time employees) (2) Medium (7-12 full time employees) (3) Small (1-6 Full time employees)	1
<b>Key Staff Qualifications:</b> (1) All key staff have one or more years' experience. (2) At least half of the key staff have one or more years' experience. (3) Key staff have little or no experience.	2
<b>Multi-site Program:</b> The recipient is responsible for managing resources at multiple operational sites. (1) No (2) Unknown (3) Yes	3

<b><u>Key Staff Qualifications:</u></b> (1) All key staff have one or more years' experience. (2) At least half of the key staff have one or more years' experience. (3) Key staff have little or no experience.	2
<b><u>Multi-site Program:</u></b> The recipient is responsible for managing resources at multiple operational sites. (1) No (2) Unknown (3) Yes	3
<b><u>Use of Subrecipients:</u></b> (1) Zero subrecipients (2) One to two subrecipients (3) Three or more sub-recipients	3
<b><u>Complexity of Budget:</u></b> (1) The budget is relatively simple in terms of the number of budget categories and line items included. (2) Budget is moderately complex in terms of budget categories and line items included. (3) Budget is very complex in terms of budget categories and line items included.	3
<b><u>SAM.gov:</u></b> The recipient has an active registration in SAM.gov (1) Yes (2) No	1
<b>Organizational Total</b>	<b>Medium</b>

Please elaborate on any of the above considerations or provide any additional information you wish to highlight that is not captured above regarding the risk assessment of this recipient. For awards over \$150,000 describe any derogatory information in PPIRS (FAPIS) and how this affects the risk assessment:

*\*Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.*

Programmatic Risk	Weight 40%
Question	Answer
<b><u>New Program:</u></b> The program is being implemented for the first time. (1) No (3) Yes	1
<b><u>Complexity of Program:</u></b> (1) Low complexity (2) Moderate complexity (3) High complexity	3
<b><u>Organizational Experience:</u></b> (1) Organization has been providing similar activities listed in the award for more than two years. (2) Organization has been providing similar activities listed in the award for one to two years (3) Organization has provided similar activities for less than one year.	1
<b><u>Potential for Implementation Problems:</u></b> (1) Little to no potential for implementation issues. (2) Some potential for implementation issue. (3) High potential for significant implementation issues.	2
<b><u>Topic or theme of the program :</u></b> (1) Project is not sensitive or potentially controversial. (2) Project is moderately visible, sensitive or controversial. (3) Project is highly visible, sensitive or potentially controversial.	3

<b>Amount of Funding:</b> (1) \$99,999 or less (2) \$100,000 - \$499,999 (3) \$500,000 or more	3
<b>Programmatic Total</b>	<b>Medium</b>

Please elaborate on any of the above considerations or provide any additional information you wish to highlight that is not captured above regarding the risk assessment of this recipient:

*\*Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.*

Country/Region Specific Risk	Weight 20%
Question	Answer
<b>Political Environment:</b> (1) Relatively stable. The recipient is able to operate with relative ease, and our ability to monitor activities is not hindered. (2) Somewhat unstable. The country is in a state of relative political instability that could affect recipient performance. (3) Very unstable. The country is in a state of crisis or upheaval and the recipient is expected to face great difficulty in implementation, and our ability to monitor grant activities is severely limited or impossible.	3
<b>Number of Countries Where the Project is Implemented:</b> (1) Single country program. (2) Program implemented in two countries. (3) Program implemented in three or more countries.	1
<b>Program Location:</b> Program activities occur in a country or area that has a significant known level of financial corruption. (1) No (3) Yes	3
<b>Travel:</b> The Department has issued a Travel Warning for the country or area where the project is implemented. (1) No (3) Yes	3
<b>Inflationary or Exchange Rate Risk:</b> The likelihood of either inflation or exchange rate fluctuations harming project implementation. (1) Low (2) Medium (3) High	1
<b>Criminal Activities/Terrorism:</b> There are concerns that either recipients, participants, or beneficiaries could be involved in criminal activities such as arms trafficking, terrorism, drug trafficking, or other criminal conduct or that funds could be diverted for these purposes? (1) No (3) Yes	3
<b>Country Specific Total</b>	<b>Medium</b>

Please elaborate on any of the above considerations or provide any additional information you wish to highlight that is not captured above regarding the risk assessment of this recipient:

*\*Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.*

Risk Assessment Summary	Score
Organizational Total	24.86
Programmatic Total	28.89
Country Specific Total	15.56
<b>Overall Risk</b>	<b>Medium</b>



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

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United States Department of State

Washington, D.C. 20520

UNCLASSIFIED

August 27, 2020

### MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/OPE *Cathy J. Reed*

SUBJECT: Draft Report on *Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia*

Thank you for the opportunity to provide a response to the subject draft report. The point of contact for this report is the A/OPE Front Office ([A-OPEFrontOfficeAssistants@state.gov](mailto:A-OPEFrontOfficeAssistants@state.gov)).

**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive reevaluate the weighting in the Risk Assessment Worksheet and the standardized questions to better account for the unique risks posed by certain high-threat environments.

**Management Response to Draft Report (08/27/2020):** The Office of the Procurement Executive (OPE) concurs. OPE notes that the Risk Assessment template is meant to be a suggested format for use by the Department's foreign assistance community to adapt, as needed, for use as relates to specific programs or operating environments. As such, the template explicitly relies on the program office to apply its expertise to adjust the weights in each of the three main categories. Mandating an increased weight of the country-specific score for all program offices would negatively impact risk assessments in those countries where the country risk is consistently low and organization risk is the primary concern.

To implement the recommendation A/OPE's Federal Assistance Division will update the Federal Assistance Directive to ensure that the risk assessment form can and should be adjusted to address organizational, programmatic and country-specific concerns. A/OPE expects to complete this action during Fiscal Year (FY) 2021, Quarter 1.

**Recommendation 6:** OIG recommends that the Grants Officer from the Bureau of Administration, Office of the Procurement Executive, in coordination with the Grants Officer Representative from the Bureau of African Affairs, complete the Award File Checklist and update the official Federal award files with all required documentation for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and Stipends Support for the Somali National Army award (SLMAQM18GR2254).

**Management Response to Draft Report (08/27/2020):** A/OPE concurs.

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- 2 -

**Recommendation 7:** OIG recommends that the Grants Officer from the Bureau of Administration, Office of the Procurement Executive, in coordination with the Grants Officer Representative from the Bureau of Counterterrorism, complete the Award File Checklist and update the official Federal award file with all required documentation for the Somali Law Enforcement: Local Policing award (SLMAQM18CA2066).

**Management Response to Draft Report (08/27/2020):** A/OPE concurs.

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## APPENDIX D: BUREAU OF COUNTERTERRORISM RESPONSE



United States Department of State

Washington, D.C. 20520

September 10, 2020

UNCLASSIFIED

TO: OIG – Norman Lewis, Assistant Inspector General for Inspections

FROM: CT – Nathan A. Sales, Ambassador-at-Large/Coordinator for Counterterrorism

SUBJECT: Response to Draft OIG Report – Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia

(U) The Bureau of Counterterrorism (CT) has reviewed the draft OIG Audit Report. We provide the following comments in response to the CT specific recommendations provided by the OIG:

**Recommendation 2:** OIG recommends that the Bureau of Counterterrorism review and update the annual risk assessments for the Somali Law Enforcement: Local Policing and Protection award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025) as required by the Federal Assistance Directive.

**Management Response:** The Bureau of Counterterrorism concurs with the recommendation and has reviewed and updated the annual risk assessments. The most recent annual assessment – entitled “2020-05-03 Risk Assessment and Monitoring Plan” – is attached. Please confirm closure of this recommendation.

**Recommendation 3:** OIG recommends that the Bureau of Counterterrorism develop and implement a risk management process, including administrative responsibilities and internal control procedures to mitigate risks, and document this risk management process in its Standard Operating Procedures: Grants and Cooperative Agreements, as required by the Federal Assistance Directive.

**Management Response:** The Bureau of Counterterrorism concurs with this recommendation, which is similar to Recommendation 1 from the OIG’s Inspection of the Bureau of Counterterrorism issued in May 2020 (ISP-I-20-13): “The Bureau of Counterterrorism should implement a system to identify and mitigate internal control risks for its programs.” In response to that recommendation, CT has developed a robust risk management process for all programs, including administrative responsibilities and internal control procedures to mitigate risks. By September 15, CT will incorporate our new process into Step 10 of our “Standard Operating Procedures: Grants and Cooperative Agreements,” which currently covers risk assessments and monitoring plans.

**Recommendation 5:** OIG recommends that the Bureau of Counterterrorism (a) develop and implement a process to verify implementation of its Standard Operating Procedure 20.2 “Review Quarterly Programmatic Report,” which requires Grants Officer Representatives to review quarterly programmatic reports within 30 days of receipt and document their reviews in the

official award file, and (b) document the official Federal award file to indicate the review and approval of the Performance Progress Report within 30 days of receipt, as required by the Federal Assistance Directive, for the Somali Law Enforcement: Local Policing award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025).

**Management Response:** The Bureau of Counterterrorism concurs with this recommendation. Effective August 18, we amended our SOP for internal quarterly program reviews (QPR) that requires Grants Officer Representatives to review and validate the official Federal award file, including the Performance Progress Report, for timeliness and completeness. Relatedly, by September 4, we will amend our SOP for grants and cooperative agreements to require that CT officials review and validate the official Federal award file, including the Performance Progress Report, for timeliness and completeness.

**Recommendation 6:** OIG recommends that the Grants Officer from the Bureau of Administration, Office of the Procurement Executive, in coordination with the Grants Officer Representative from the Bureau of African Affairs, complete the Award File Checklist and update the official Federal award files with all required documentation for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and Stipends Support for the Somali National Army award (SLMAQM18GR2254).

**Management Response:** The Bureau of Counterterrorism defers to the Bureau of Administration, Office of the Procurement Executive, and the Bureau of African Affairs, on this recommendation.

**Recommendation 7:** OIG recommends that the Grants Officer from the Bureau of Administration, Office of the Procurement Executive, in coordination with the Grants Officer Representative from the Bureau of Counterterrorism, complete the Award File Checklist and update the official Federal award file with all required documentation for the Somali Law Enforcement: Local Policing award (SLMAQM18CA2066).

**Management Response:** The Bureau of Counterterrorism concurs with this recommendation, has coordinated with the Grants Officer from the Bureau of Administration, and defers to the Bureau of Administration for action.

## APPENDIX E: BUREAU OF AFRICAN AFFAIRS RESPONSE



United States Department of State

Washington, D.C. 20520

August 28, 2020

UNCLASSIFIED

TO: OIG/AUD – Naomi Snell

FROM: AF – Tibor P. Nagy SUBJECT: Response to *Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia* AUD-MERO-20-XX

**Overview:** The Bureau of African Affairs acknowledges that gaps have been identified in the Leahy vetting records cited in this audit and is committed to ensuring that past, temporary gaps in Somalia's annual unit and/or individuals Leahy vetting processes are corrected. AF/RPS is reviewing all records related to the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and the Stipends Support for the Somali National Army award (SLMAQM18GR2254) to determine if this is the case. AF/RPS is confident that all required Leahy vetting is currently up-to-date and has now been performed under these awards. Going forward, AF/RPS and Embassy Mogadishu will institute additional review steps, going beyond current Department Standard Operating Practices (SOP), by securing from DRL's INVESTc (is this correct with the "c, Yes, it is. management team, on a monthly basis, a list of currently approved Leahy-vetted units, with their Leahy vetting expiration date noted, to ensure full, timely compliance on future annual Leahy vetting renewals. AF/RPS will provide 60-and 90-day notices for renewals to Embassy Mogadishu and will verify and follow-up on these notices.

In addition, AF does not concur with Table 2 on page 14 of the draft report indicating Ugandan People Defense Forces were not Leahy vetted. AF provided Leahy vetting records in an email to the OIG team on August 10, 2020, 10:20 AM, for the Uganda Battle Groups, also known as and listed in vetting system as UGABAGs, 19-31 corresponding to Uganda deployments to Somalia from 2017-2020.

**Recommendation 4:** OIG recommends that the Bureau of African Affairs document the official Federal award file to indicate the review and approval of the Performance Progress Report within 30 days of receipt, as required by the Federal Assistance Directive, for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and the Stipends Support for the Somali National Army award (SLMAQM18GR2254).

**Management Response:** The Bureau of African Affairs concurs with the recommendation. All Performance Progress Reports were reviewed for the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and the Stipends Support for the Somali National Army award (SLMAQM18GR2254). The official Federal award files document the review and approval of the reports.



**Recommendation 8:** OIG recommends that the Bureau of African Affairs (a) conduct a review of awards that provide Federal funds to Somali National Army units with participants whose Leahy vetting has lapsed, (b) determine whether any participants received Federal funds while in violation of the Leahy Law, and (c) take corrective actions, as necessary.

**Management Response:** The Bureau of African Affairs concurs with the recommendation and is currently conducting a review of the Leahy vetting for all units cited. We will submit a full report of findings and any corrective actions, if required, by October 31, 2020.

**Recommendation 9:** OIG recommends that the Bureau of African Affairs develop and implement procedures for the execution of Leahy vetting requirements, to include annual vetting procedures that are consistent with established Department of State policies.

**Management Response:** The Bureau of African Affairs accepts and is already in full compliance with this recommendation. AF currently applies all Department Leahy SOPs, as determined by the Bureau of Democracy, Human Rights and Labor (DRL). AF/RPS will develop a supplemental office-level SOP to track and monitor annual vetting expiration dates and will continue to ensure that new Department personnel involved in the vetting process are made aware of Leahy vetting requirements.

**Recommendation 10:** OIG recommends that the Bureau of African Affairs update the terms of the Stipends Support for the Somali National Army award (SLMAQM18GR2254) to include the "State Department Leahy Vetting Requirements" or coordinate with the Bureau of Administration, Office of the Procurement Executive and Bureau of Democracy, Human Rights, and Labor to make alternative arrangements for compliance, in accordance with the Federal Assistance Directive.

**Management Response:** The Bureau of African Affairs concurs with this recommendation. AF/RPS worked with the Grant Officer, who amended the terms in the Stipends Support for the Somali National Army award (SLMAQM18GR2254) to include the "State Department Leahy Vetting Requirements" on August 14, 2020. A copy of the amendment is attached.

Attachment:

20200825 AF Somalia Rec 10 LMAQM18GR2254-M003

Approved: AF – Tiber P. Nagy (TPN)

Drafted: AF/RPS – Melanie Wilhelm, telework cell: 202.615.4052

Clearances:	AF/FO: MJames	ok
	AF/FO: TFitrell	ok
	AF/RPS: TRoberts-Pounds	ok
	AF/RPS: CPommerer	ok
	AF/RPS: CTringale	ok
	AF/ERA: PBrown	ok
	AF/PPD: NSadoski	ok
	AF/RPS: ZBedard	ok
	Embassy Mogadishu: DO'Hara	ok
	AF Somalia Desk KFisher	ok
	AQM: RChagnon	ok
	AF/EX: NGazzeta	ok
	AF/RPS: DEpstein	ok
	PM/SA: RFeatherstone	ok



## ABBREVIATIONS

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AF	Bureau of African Affairs
CT	Bureau of Counterterrorism
Department	Department of State
FAD	Federal Assistance Directive
FRC	Financial Reporting Centre
GOR	Grants Officer Representative
OIG	Office of Inspector General

## OIG AUDIT TEAM MEMBERS

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