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**(U) Management Assistance Report:
Internal Controls Are Needed To
Safeguard Inherently Governmental
Functions at the Global Engagement
Center**

MANAGEMENT ASSISTANCE REPORT

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(U) Summary of Review

(U) During an Office of Inspector General (OIG) audit of the Department of State's (Department) cooperative agreements and grants related to Iran,¹ which is presently underway, OIG identified instances in which Global Engagement Center (GEC) third-party contractors were performing inherently Governmental functions. The Office of Management and Budget (OMB) Policy Letter 11-01 states that certain inherently Governmental functions, such as approving cooperative agreement activities, are intimately related to the public's interest and therefore may only be performed by Federal employees.²

(U) OIG reviewed five cooperative agreements awarded by GEC from FY 2018 through FY 2020 and found that third-party contractors were assigned to perform inherently Governmental functions on four of five (80 percent) cooperative agreements (awards) reviewed. Specifically, in GEC's award provisions, third-party contractors were improperly assigned to approve project workplans.³ OIG also identified two instances in which third-party contractors performed inherently Governmental activities by directing award recipients' messaging on sensitive topics related to Iran. These deficiencies occurred, in part, because GEC's Policies and Procedures Manual did not clearly delineate the inherently Governmental activities of the Grants Officer Representative (GOR) from the activities of third-party contractors assigned as Project Officers. In addition, GEC officials did not design and implement internal controls to ensure that only GEC Federal employees retained decision-making authority over functions that are intimately related to the public's interest. Until these deficiencies are fully addressed, GEC will continue to be at risk of third-party contractors overstepping their authority and performing inherently Governmental functions related to award management.

(U) OIG also found that GEC did not designate GORs throughout the period of performance or notify award recipients about changes in GORs assigned in accordance with Department requirements. For example, GEC initiated award performance without officially designating GORs for all awards and left gaps in GOR coverage for three awards when personnel departed the office. OIG also found that GEC did not properly notify award recipients in writing about changes to the assigned GORs or furnish award recipients with a copy of the GOR designation memorandum in accordance with Department and GEC requirements. This occurred primarily because GEC did not design and implement internal control activities to ensure that GORs were properly designated prior to awarding cooperative agreements and throughout their period of performance. In addition, GEC relied on the State Assistance

¹ (U) The objective of the ongoing audit of the Department's cooperative agreements and grants related to Iran is to determine whether the cooperative agreements and grants related to countering Iranian influence (1) aligned with U.S. strategic goals and objectives and (2) were monitored in accordance with Federal and Department requirements.

² (U) OMB Policy Letter 11-01, "Performance of Inherently Governmental and Critical Functions," 3. Definitions (September 12, 2011).

³ (U) Ibid., Appendix A, states that approval of award recipients' work must be reserved for Federal employees.

Management System⁴ (SAMS) to automatically notify award recipients about GOR changes, even though this practice does not comply with GEC's internal procedures or Department requirements. As a result, GEC could not demonstrate consistent oversight throughout the period of performance for any of the five awards reviewed, and the roles and responsibilities of Government oversight personnel were not always clear to award recipients.

(U) Until GEC establishes necessary internal controls to ensure that it is properly using third-party contractors and administering awards in accordance with Department and Federal requirements, the awards administered by GEC will be at risk for mismanagement. Therefore, OIG is offering nine recommendations to prompt immediate action intended to address the deficiencies identified with GEC's management and oversight of its cooperative agreements related to Iran.

(U) OIG made nine recommendations to GEC to address the challenges identified in this report. On the basis of GEC's response to a draft of this report, as well as stated and planned actions, OIG considers all nine recommendations resolved, pending further action. A synopsis of management's comments and OIG's reply follow each recommendation in the Results section of this report. GEC's response to a draft of this report is reprinted in its entirety in Appendix A.

(U) BACKGROUND

(U) The FY 2017 National Defense Authorization Act established GEC's authority to provide awards to civil society groups, media content providers, and nongovernmental organizations, among other organizations, for the following purposes:

- (U) To support local independent media who are best placed to refute foreign disinformation and manipulation in their own communities.
- (U) To collect and store examples in print, online, and social media of disinformation, misinformation, and propaganda directed at the United States and its allies and partners.
- (U) To analyze and report on tactics, techniques, and procedures of foreign information warfare with respect to disinformation, misinformation, and propaganda.
- (U) To support efforts by GEC to counter efforts by foreign entities to use disinformation, misinformation, and propaganda to influence the policies and social and political stability of the United States and United States allies and partner nations.⁵

⁴ (U) SAMS is the Department's online assistance management system and is the official Federal award record for all domestic awards issued after April 1, 2015.

⁵ (U) 2017 National Defense Authorization Act, Pub. L. No. 114-328 § 1287(f)(1)(A)-(D), 130 Stat. 2548 (2016).

(U) GEC Cooperative Agreements Related to Iran

(SBU) (b) (7)(F) [Redacted]
(b) (7)(F) [Redacted]
(b) (7)(F) [Redacted].⁶

(SBU) (b) (7)(F) [Redacted]

(U) Award	(SBU) (b) (7)(F) [Redacted]
A	(b) (7)(F) [Redacted]
B	[Redacted]
C	[Redacted]
D ^a	[Redacted]
E	[Redacted]
Total	(b) (7)(F) [Redacted]. ^b

^a (SBU) (b) (7)(F) [Redacted]
(b) (7)(F) [Redacted]
^b (SBU) (b) (7)(F) [Redacted]
(b) (7)(F) [Redacted]

(U) **Source:** OIG generated based on GEC award data related to Iran and obtained from the Department and data downloaded from the State Award Management System on March 15, 2021.

(U) Federal and Department Policy Related to Award Oversight

(U) The Federal Assistance Directive (FAD) establishes guidance, policies, and procedures for domestic and overseas bureaus, offices, and posts when administering Federal assistance, such as cooperative agreements. According to the FAD, the Grants Officer is delegated by the Bureau of Administration’s Office of the Procurement Executive and has the authority to sign awards.⁷ The Grants Officer designates the GOR, in writing, to oversee certain aspects of the award assistance agreement. The GOR has managerial responsibilities for the programmatic aspects of the award.⁸

(U) The responsibilities of the Grants Officer and the GOR are considered inherently Governmental functions, which are defined as functions “that [are] so intimately related to the public interest as to require performance by Federal Government employees.”⁹ This includes functions that require either the exercise of discretion in applying Federal Government authority or the making of value judgments in making decisions for the Federal Government, including judgments related to monetary transactions and entitlements. Specifically, inherently Governmental functions are anything that binds the United States to take or not take some

⁶ (U) Department officials cited sensitivity concerns regarding the awards OIG selected for review and requested that OIG refrain from publishing the award recipients. Accordingly, OIG refers to the awards as Award A through Award E in this report.

⁷ (U) FAD, October 2019, at 6.

⁸ (U) Ibid., “Grants Officer Representatives,” at 14.

⁹ (U) OMB Policy Letter 11-01, “Definitions.”

action by contract, policy, regulation, authorization, or order; or to exert ultimate control over the acquisition, use, or disposition of the property, real or personal, tangible or intangible, of the United States.¹⁰ By approving and managing awards, the Grants Officer and GOR perform critical functions that are necessary for the Department to effectively perform and maintain control of its mission and operations.

(U) Standards for Internal Control in the Federal Government

(U) Internal control is a process used by management to help an entity achieve its objectives. OIG considered the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government*¹¹ as part of this report. Considering internal control in the context of a comprehensive internal control framework can help auditors to determine whether underlying internal control deficiencies exist.

(U) Control Environment and Control Activities are two of the five internal control components from the *Standards for Internal Control in the Federal Government*. The Control Environment component is the foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives. 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, which includes the entity’s information system. OIG concluded that two principles related to Control Environment and Control Activities were relevant to this report, as described in Table 2.

(U) Table 2: Relevant Internal Control Components and Principles

(U) Components	(U) Principles
Control Environment	Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
Control Activities	Management should design control activities to achieve objectives and respond to risks.

(U) 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).

(U) Prior OIG Report on a Similar Topic

(U) In April 2020, OIG reported in its *Audit of Global Engagement Center Federal Assistance Award Management and Monitoring*¹² that GEC officials did not always clearly designate roles and responsibilities for the award management team and that GEC had not formally adopted internal policies, processes, and procedures for managing and monitoring Federal assistance awards. OIG recommended, among other things, that GEC (1) identify and designate roles and responsibilities for oversight personnel and communicate such to all involved parties;

¹⁰ (U) Ibid.

¹¹ (U) Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

¹² (U) OIG, *Audit of Global Engagement Center Federal Assistance Award Management and Monitoring* (AUD-MERO-20-26, April 2020).

(2) establish and implement policies, processes, and procedures for awarding, managing, and monitoring Federal assistance awards; and (3) complete a staffing needs assessment to determine the appropriate number and experience level needed for GEC oversight personnel to manage its awards.¹³ GEC concurred with all OIG recommendations.

(U) By August 2020, OIG closed the aforementioned recommendations after GEC had established internal procedures and completed a staffing assessment.¹⁴ Specifically, GEC developed its Policies and Procedures Manual, which included award management team procedures on “Roles and Responsibilities” and “Personnel Changes to the Federal Assistance Team.”¹⁵ The GEC staffing assessment concluded that GEC should assign multiple Project Officers to each of its award teams and move the GOR function to full-time dedicated experts.

(U) Purpose of This Management Assistance Report

(U) This Management Assistance Report provides early communication about the deficiencies OIG found in safeguarding inherently Governmental functions within GEC during its audit of the Department’s cooperative agreements and grants related to Iran, which is currently underway. The primary objective of that audit is to determine whether the cooperative agreements and grants related to countering Iranian influence (1) aligned with U.S. strategic goals and objectives and (2) were monitored in accordance with Federal and Department requirements.

(U) For this Management Assistance Report, OIG reviewed five GEC cooperative agreements selected during the audit. OIG prepared this Management Assistance Report in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. In performing work for this Management Assistance Report, OIG interviewed GEC officials and award recipients, reviewed Department requirements, and reviewed cooperative agreement documentation for instances of third-party contractors performing inherently Governmental functions. OIG faced challenges in completing this work because of the COVID-19 pandemic. These challenges included limitations on in-person meetings, difficulty accessing information, and related difficulties within the Department that affected its ability to respond to OIG requests for information in a timely manner. Despite these challenges, OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

¹³ (U) AUD-MERO-20-26, April 2020, at 28, Recommendations 1, 3, and 4.

¹⁴ (U) OIG considers recommendations closed when the Department has completed actions necessary to implement the recommendation and OIG has reviewed satisfactory evidence of final action and determined that no additional action is required.

¹⁵ (U) GEC implemented its Policies and Procedures Manual in April 2020. The manual applies to four of the five awards reviewed during this Management Assistance Report, as Award A was terminated in March 2020.

(U) This Management Assistance Report relates to Overseas Contingency Operation Inherent Resolve and is being conducted in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended.¹⁶

(U) RESULTS

(U) Finding A: Third-Party Contractors Performed Inherently Governmental Functions

(U) OIG reviewed five cooperative agreements awarded by GEC from FY 2018 through FY 2020 and found that third-party contractors were assigned to perform inherently Governmental functions on four of five (80 percent) awards reviewed. Specifically, in GEC's award provisions, third-party contractors were improperly assigned to approve project workplans.¹⁷ OIG also identified two instances where third-party contractors performed inherently Governmental activities¹⁸ by directing award recipients' messaging on sensitive topics related to Iran. These deficiencies occurred, in part, because GEC's Policies and Procedures Manual did not clearly delineate the inherently Governmental activities of the GOR from the activities of third-party contractors assigned as Project Officers. In addition, GEC officials did not design and implement internal controls to ensure that only GEC Federal employees retained decision-making authority over functions that are intimately related to the public's interest. Until these deficiencies are fully addressed, GEC will continue to be at risk of third-party contractors overstepping their authority and performing inherently Governmental functions related to award management.

(U) GEC Award Provisions Assigned Third-Party Contractors To Approve Project Workplans

(U) OIG reviewed five GEC awards and found that four of the award provisions improperly assigned third-party contractors serving as Project Officers with the authority to review and approve project workplans. However, this decision-making authority is an inherently Governmental function and therefore cannot be performed by third-party contractors.¹⁹ Specifically, the project workplan describes the award recipient's activities and results to be achieved over the course of the award. For four of the GEC awards reviewed, the award provision stated that the "[r]ecipient will develop a project workplan with timeline within 30

¹⁶ (U) The mission of Operation Inherent Resolve is to defeat Islamic State of Iraq and Syria in Iraq and Syria while setting conditions for follow-on activities to improve regional stability. The objective of the ongoing audit relates to the Department's award management in the region, which is subject to Section 8L oversight. Accordingly, the cooperative agreements selected for this Management Assistance Report are from the sample of the ongoing audit and relate to Overseas Contingency Operation Inherent Resolve.

¹⁷ (U) OMB Policy Letter 11-01, Appendix A, states that approval of award recipients' work must be reserved for Federal employees.

¹⁸ (U) OIG uses the term "function" and "activity" according to OMB Policy Letter 11-01, which states that a function often includes multiple activities, or tasks, some of which may be inherently Governmental, some of which may be closely associated with inherently Governmental work, and some may be neither.

¹⁹ (U) One Project Officer was previously a third-party contractor and later became a Personal Services Contractor in September 2020, which then qualified them to be designated as a GOR. However, they were not designated as a GOR for GEC until July 2021.

days of award and submit to the Project Officer for review and approval.” Moreover, starting in April 2020, GEC’s Policies and Procedures Manual required this provision be included in all of its awards.²⁰

(U) OMB Policy Letter 11-01 states that the approval of award recipients’ activities is considered an inherently Governmental function. The FAD further states that “[c]ontractors may not: [a]pprove or obligate any agreements between the government and recipient, to include documents requiring prior approval from a [Grants Officer].”²¹ Approval of the award recipient’s project workplan commits both the Department and the award recipient to the work activities stated in the plan and, therefore, should not be approved by a third-party contractor. When OIG brought this situation to the attention of GEC officials, the Grants Officer modified some awards to allow only the Grants Officer or GOR to approve award recipients’ project workplans, thus removing this decision-making authority from third-party contractors who were assigned as Project Officers. However, GEC has not updated its Policies and Procedures Manual to prevent future award provisions from continuing to delegate this decision-making authority to Project Officers.

(U) GEC Third-Party Contractors Directed Award Recipients’ Work

(U) OIG also found two instances in which a third-party contractor serving as a Project Officer provided substantial input on the Government’s behalf by directing award recipients’ messaging on sensitive topics related to Iran. According to the FAD, cooperative agreements require greater Federal Government participation in the project, and this substantial involvement must be reasonable and programmatically necessary, which could include “[a]ctive participation or collaboration with the recipient in the implementation of the award.”²² Such involvement, according to OMB Policy Letter 11-01, is considered an inherently Governmental function.²³ For two of the awards OIG reviewed, the Project Officer requested that the award recipients produce content on specific themes related to Iran. The award recipients produced messaging in response to the Project Officer’s request. However, this messaging was contrary to Departmental strategic guidance, according to the assigned GOR. Neither the GOR nor the Grants Officer were included in the Project Officer’s communications with the award recipients, and thus were unable to intervene on behalf of the Government.

(U) GEC’s award oversight officials independently raised concerns to GEC’s management that a third-party contractor was overstepping their authority while overseeing awards, though management’s response fell short of Government Accountability Office standards of conduct. The Government Accountability Office’s *Standards for Internal Control in the Federal Government* states that management should “reinforce the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws

²⁰ (U) GEC Policies and Procedures Manual, Version 1.5 25 (April 2020).

²¹ (U) OMB Policy Letter 11-01, Appendix A; FAD, October 2019, at 15-16.

²² (U) FAD, October 2019, at 23.

²³ (U) OMB Policy Letter 11-01, Appendix A.

and regulations, so that these priorities are understood by all stakeholders[.]”²⁴ Specifically, GEC’s award oversight officials raised concerns that a third-party contractor had violated Federal regulations and ordered a change in the award recipients’ performance, among other infractions. In response, GEC management requested that a Grants Officer investigate the matter. However, according to the Grants Officer, he never made any determinations because he lacked both the ability to “investigate” and the authority to control third-party contractors to prevent future violations from occurring. GEC officials interpreted this lack of determination to mean that no violation had occurred. Beyond reminding the third-party contractor of the limitations to their authority under the FAD,²⁵ GEC management did not act to prevent third-party contractors from performing inherently Governmental functions. As a result, GEC officials did not fully address the situation or prevent the risk of reoccurrence.

(U) GEC Did Not Clearly Delineate Between GORs and Project Officers or Ensure That GEC Federal Employees Retained Decision-Making Authority

(U) GEC third-party contractors performed inherently Governmental functions, in part, because GEC’s Policies and Procedures Manual did not clearly delineate the inherently Governmental activities of the GOR from the activities of third-party contractors assigned as Project Officers. Specifically, the FAD defines GOR responsibilities and states that a GOR performs an inherently Governmental function.²⁶ Many of the responsibilities GEC assigns to Project Officers are similar to the activities the FAD designates for GORs, which could lead to confusion over the designation of responsibilities.²⁷ Table 3 compares some of the responsibilities of a Project Officer as defined by GEC’s Policies and Procedures Manual to the responsibilities of a GOR as defined by the FAD.

²⁴ (U) GAO-14-704G, September 2014, at 22.

²⁵ (U) FAD, October 2019, “Contractors Supporting Federal Financial Assistance,” at 15.

²⁶ (U) FAD, October 2019, at 80.

²⁷ (U) OIG notes that delegating certain GOR responsibilities to a Project Officer may be appropriate if the Project Officer is a U.S. Federal Government employee or a Personal Services Contractor.

(U) Table 3: Project Officer Responsibilities Compared to GOR Responsibilities

(U) Project Officer (GEC, Policies and Procedures Manual, Version 1.6, December 2020)	(U) Grants Officer Representative (FAD, October 2019)
Provides ongoing programmatic guidance to the recipient.	Has managerial responsibilities for the programmatic aspects of the award.
Conducts periodic reviews of project results in coordination with the Monitoring and Evaluation Team.	Monitors and assesses project performance to ensure compliance with the assistance award terms and conditions.
Performs site visits and other compliance and monitoring activities in coordination with the Grants Officer.	Conducts site visits to the recipient's places of performance to assess progress and problems, as appropriate.
Reviews and analyzes recipients' programmatic performance reports to ensure timeliness and completeness.	Receives and reviews required recipient reports (progress, financial, or other), and ensures they are timely and complete.
When applicable, ensures that the Grants Officer is assisted in executing the Government Furnished Property provisions of the assistance award.	When applicable, assist the Grants Officer in executing the Government Furnished Material provisions of the assistance award.
Prepares a final performance assessment for review and acceptance by the Grants Officer.	Completes a final written assessment of the program and the recipient's performance for inclusion in the official award file.

(U) Source: OIG generated based on information in GEC's Policies and Procedures Manual and the FAD.

(U) A GEC Project Officer acknowledged that the responsibilities of Project Officers and GORs do not differ significantly. In one instance, a departing GOR handed off their responsibilities to a Project Officer when a replacement GOR was not immediately available. In writing and in practice, GEC does not differentiate between GORs and Project Officers, even though third-party contractors are prohibited from performing a GOR's inherently Governmental function.

(U) OMB Policy Letter 11-01, "Performance of Inherently Governmental and Critical Functions" states that "[p]roper identification of inherently Governmental and critical functions is the first step for meeting . . . requirements[.]"²⁸ However, GEC has not taken this step for its award management team, which includes both Federal Government employees and third-party contractors.²⁹ If GEC does not identify which award management activities are inherently Governmental, it risks assigning inherently Governmental activities to third-party contractors serving as Project Officers.

(U) The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that management should also communicate "the role of the [third-party contractor] in the organizational structure" as well as "the assigned responsibilities and

²⁸ (U) OMB Policy Letter 11-01, 5-1, "Guidelines for identifying inherently Governmental functions and critical functions."

²⁹ (U) GEC's award management teams include a Grants Officer, Program Officer, Grants Officer Representative, Grant Management Specialist, and may include a Monitoring and Evaluation Specialist.

authorities of the role.”³⁰ GEC did not effectively communicate the role of third-party contractors in its award oversight because such roles were not properly defined in GEC’s Policies and Procedures Manual. Clearly communicating the roles of third-party contractors on the award team, once properly defined, will help establish clear lines of authority and allow award recipients to recognize when third-party contractors may be acting outside of their authority.

(U) In addition, GEC officials did not design and implement internal controls to ensure that only GEC Federal employees retained decision-making authority over functions that are intimately related to the public’s interest. OMB Policy Letter 11-01 outlines specific steps to prevent third-party contractors from overstepping their authority when performing activities that are closely associated with inherently Governmental functions. It further requires special management attention to third-party contractors’ activities to guard against those activities’ expansion into inherently Governmental functions. However, GEC delegated decision-making authority to a role that was filled by third-party contractors. When GEC’s award oversight officials raised concerns that a third-party contractor was overstepping their authority, GEC management’s response fell short of Government Accountability Office standards of conduct. Accordingly, GEC’s organizational tone acted as a barrier to internal controls by not providing special management attention to third-party contractors’ activities, as required by OMB Policy Letter 11-01.

(U) GEC officials told OIG that they rely heavily on third-party contractors to perform GEC’s mission. Therefore, correcting these deficiencies is crucial to maintaining appropriate Governmental control over GEC’s operations, and emphasis should be placed on oversight of third-party contractors working on its award management teams. Although GEC’s management reminded the third-party contractor of the limitations to their authority under the FAD,³¹ GEC management did not take preventative measures or put internal controls in place to ensure third-party contractors do not perform inherently Governmental functions. As a result, GEC continues to be at risk of third-party contractors overstepping their authority and performing inherently Governmental functions related to award management.

(U) Until GEC establishes necessary internal controls to ensure that it is properly using third-party contractors, it is at risk of losing control over the core functions of managing awards. Furthermore, if GEC determines that it is appropriate for a third-party contractor to perform a function closely associated with an inherently Governmental function, it should provide greater attention to and management oversight of such activities to ensure that they do not expand. In this instance, OMB Policy Letter 11-01 provides guidance including (1) limiting a third-party contractor’s exercise of discretion; (2) assigning enough qualified Federal Government employees to give special management attention to the third-party contractor’s activities; and

³⁰ (U) GAO-14-704G, September 2014, at 32.

³¹ (U) FAD, October 2019, “Contractors Supporting Federal Financial Assistance,” at 15.

(3) taking appropriate steps to avoid or mitigate conflicts of interest.³² To address the deficiencies identified, OIG is offering the following recommendations.

Recommendation 1: (U) OIG recommends that the Global Engagement Center (GEC) revise Section 4.8.2, “GEC (Bureau) Specific Requirements,” of its Policies and Procedures Manual (Version 1.6, December 2020) to comply with Office of Management and Budget Policy Letter 11-01 and Federal Assistance Directive requirements regarding inherently Governmental functions and U.S. Federal employee decision-making authority over the programmatic aspects of awards. Specifically, the revisions must reflect that the Grants Officer and designated Grants Officer Representative retain responsibility for all programmatic and technical matters in the administration of the award.

Management Response: (U) GEC concurred with the recommendation, stating that as of August 2021, Grants Officers have updated the Bureau Specific Requirements in newly issued award provisions to remove the “Project Officer” and incorporate the GOR and the Grants Officer as the approver of monitoring and evaluation plans and work plans. Additionally, GEC stated that its grants team has reviewed each Scope of Work to ensure the Grants Officer or GOR are expressly identified as having responsibility for all programmatic and technical matters.

OIG Reply: (U) On the basis of GEC’s concurrence and stated actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that GEC has revised Section 4.8.2, “GEC (Bureau) Specific Requirements,” of its Policies and Procedures Manual (Version 1.6, December 2020) to reflect that the Grants Officer and designated GOR retain responsibility for all programmatic and technical matters in the administration of the award.

Recommendation 2: (U) OIG recommends that the Global Engagement Center review all active cooperative agreements and grants to verify whether the award provisions comply with Office of Management and Budget Policy Letter 11-01 requirements regarding inherently Governmental functions and U.S. Federal employee decision-making authority over all programmatic aspects of the awards and, for those that do not, revise the award provisions to comply with those requirements.

Management Response: (U) GEC concurred with the recommendation, stating that it “has initiated a review of all active cooperative agreements and grants to verify if the award provisions comply with the Office of Management Budget Policy Letter 11-01 regarding decision-making authority.”

OIG Reply: (U) On the basis of GEC’s concurrence and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that GEC has verified that all active cooperative agreement and grant award provisions comply with OMB Policy Letter 11-01

³² (U) OMB Policy Letter 11-01, Appendix C.

requirements regarding inherently Governmental functions and U.S. Federal employee decision-making authority over all programmatic aspects of the awards.

Recommendation 3: (U) OIG recommends that the Global Engagement Center review the assigned roles, authorities, and responsibilities of its award management team members (Federal employees and third-party contractors) to determine (a) authorities and responsibilities that are inherently Governmental functions and (b) whether those authorities and responsibilities are assigned to or performed by team members who are not Federal employees or Personal Service Contractors, as appropriate.

Management Response: (U) GEC concurred with the recommendation, stating that as of December 2021, it reviewed the roles, authorities, and responsibilities of award management team members, as assigned in the Policies and Procedures Manual, to ensure inherently Governmental functions are only assigned to Federal employees or Personal Service Contractors, as appropriate.

OIG Reply: (U) On the basis of GEC's concurrence, OIG considers the recommendation resolved, pending further action. However, OIG notes that this recommendation is not confined to the roles, authorities, and responsibilities "as assigned in GEC's Policies and Procedures Manual." Rather, the intent of the recommendation is that GEC review the authorities and responsibilities performed by award management team members. This recommendation will be closed when OIG receives documentation demonstrating that the GEC has reviewed the roles, authorities, and responsibilities of award management team members to determine (a) authorities and responsibilities that are inherently Governmental functions and (b) whether those authorities and responsibilities are assigned to or performed by team members who are not Federal employees or Personal Service Contractors, as appropriate.

(U) In addition to providing comments to the recommendation offered, GEC commented that it disagreed with OIG's finding that award recipients produced messaging in response to a Project Officer's request and that this messaging was contrary to Department strategic guidance (see Appendix A). GEC further stated the messaging was conducted with full visibility of the Team Director, a U.S. direct hire, which did not result in the execution of inherently Governmental duties being executed by a third-party contractor. GEC stated that messaging was conducted against the backdrop of classified discussions without the participation of the Acting Deputy/GOR and the subsequent strategic guidance was provided at a later date.

(U) OIG's Response to GEC Comment

(U) The FAD states that the GOR is responsible for coordinating and consulting with the award recipient on all programmatic matters in the administration of an award and that the GOR performs an inherently Governmental function. As GEC stated, the referenced GOR did not take part in the classified discussions related to the outreach in question and was provided the strategic guidance against messaging "at a later date." After interviewing the

GOR and reviewing documentation, OIG determined that the GOR did not become aware of the Project Officer's messaging request until 9 weeks after it was sent to award recipients. In addition, 12 days after the Project Officer's outreach to award recipients, a Department official provided guidance to the GOR that conflicted with the messaging issued by the Project Officer. Furthermore, OIG determined that the Project Officer provided substantial programmatic input on the Government's behalf by directing award recipients' messaging without the knowledge of or input from the assigned GOR. Therefore, the implementation of Recommendation 3 will provide controls to safeguard GEC from third-party contractors performing the inherently Governmental function that the FAD assigns to GORs.

Recommendation 4: (U) OIG recommends that the Global Engagement Center transfer to Federal employees or Personal Service Contractors, as appropriate, those authorities and responsibilities found to be inherently Governmental functions that are currently assigned to third-party contractors (as determined by the review in Recommendation 3).

Management Response: (U) GEC stated that, "as of December 2021, the GEC has reviewed the roles, authorities, and responsibilities of award management team members, as assigned in its Policies and Procedures Manual." GEC also stated that, while it did not find that inherently Governmental duties were assigned to third-party contractors, GEC will review position descriptions of third-party contractors to ensure that inherently Governmental functions are not assigned and make necessary revisions, if appropriate.

OIG Reply: (U) On the basis of GEC's response to the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the GEC has conducted the review in Recommendation 3 and transferred, as appropriate, those authorities and responsibilities found to be inherently Governmental functions to Federal employees or Personal Service Contractors.

(U) In addition to providing comments to the recommendation offered, GEC commented that it disagreed with OIG's finding that GEC management did not resolve allegations of contractor misconduct. Specifically, GEC stated that when concerns were raised, leadership officials conducted an "evidence-based assessment of what did and did not transpire" and implemented steps accordingly. GEC further stated that OIG did not solicit information from responsible GEC Front Office officials or team leaders involved in the review.

(U) OIG's Response to GEC Comment

(U) OIG disagrees with GEC's assertion that OIG did not solicit information from appropriate officials regarding allegations of contractor misconduct. Specifically, OIG held meetings with GEC Front Office officials and requested documentation related to GEC's management review on several occasions. For example, in March 2021, GEC management briefed OIG on the concerns raised and stated that they would provide OIG information as it became available. OIG later met with and sent a follow-up request to GEC Front Office officials to provide "any documentation of results or conclusions from GEC leadership's investigation."

OIG received an email in response stating that documentation of the “informal investigation” could not be located, as the results of the review were conducted over the phone. OIG therefore maintains that beyond reminding the third-party contractor of the limitations to their authority under the FAD, GEC management did not act to prevent third-party contractors from performing inherently Governmental functions. The implementation of Recommendations 3 and 4 will help safeguard GEC from the reoccurrence of third-party contractors performing inherently Governmental functions.

Recommendation 5: (U) OIG recommends that the Global Engagement Center develop and implement a process to verify that inherently Governmental functions are only assigned to and performed by Federal employees or Personal Service Contractors, as appropriate.

Management Response: (U) GEC concurred with the recommendation, stating that GEC grants management staff, in coordination with the CORs, will review and ensure inherently Governmental functions remain with the Federal employees or Personal Services Contractors by implementing a process to monitor third-party contract staff.

OIG Reply: (U) On the basis of GEC’s concurrence and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that GEC has implemented a process to verify that inherently Governmental functions are only assigned to and performed by Federal employees or Personal Service Contractors, as appropriate.

Recommendation 6: (U) OIG recommends that the Global Engagement Center (GEC) determine the authorities and responsibilities of Project Officers and those of Grants Officer Representatives and revise GEC’s Policies and Procedures Manual (Version 1.6, December 2020) to explicitly and accurately delineate and differentiate their roles, authorities, and responsibilities.

Management Response: (U) GEC concurred with the recommendation, stating that, as of December 2021, the GEC has reviewed and updated its Policies and Procedures Manual to clarify the roles, authorities, and responsibilities assigned therein. GEC stated that the role of the “Project Officer” has been eliminated and replaced with the title of “Program Officer” which is consistent with the FAD. GEC also stated that, although no inherently Governmental duties were assigned to third-party contractors in the Policies and Procedures Manual and the assigned roles were consistent with Department practice, the role of “Program Officer” was updated to remove any potential confusion going forward. Moreover, GEC stated that the GOR roles and responsibilities have been revised to expressly outline and highlight the inherently Governmental functions assigned to them.

OIG Reply: (U) On the basis of GEC’s concurrence and stated actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that GEC has determined the authorities and responsibilities of Project Officers and GORs and revised its Policies and Procedures

Manual (Version 1.6, December 2020) to explicitly and accurately delineate and differentiate their roles, authorities, and responsibilities.

Recommendation 7: (U) OIG recommends that the Global Engagement Center (GEC) develop and implement a process to formally notify GEC award management personnel and award recipients of all roles, authorities, and responsibilities that are inherently Governmental and are only to be assigned to and performed by Federal employees and Personal Services Contractors, as appropriate. The notification process should highlight all revisions to previous guidance and practice, beginning with the revisions to GEC's Policies and Procedures Manual (Version 1.6, December 2020) following the implementation of Recommendations 1 through 6.

Management Response: (U) GEC concurred with the recommendation, stating that it will notify award management personnel and recipients on roles, authorities, and responsibilities that are inherently Governmental. GEC stated that, as of September 2021, new award recipients received an "Award Points of Contact: Roles and Responsibilities" attachment to outline the role of staff associated with each project and that it will share its Policies and Procedures Manual with its award management team and notify award recipients of changes.

OIG Reply: (U) On the basis of GEC's concurrence and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that, following the implementation of Recommendations 1 through 6, GEC has implemented a process to formally notify GEC award management personnel and award recipients of all roles, authorities, and responsibilities that are inherently Governmental and ensures they are only assigned to and performed by Federal employees and Personal Services Contractors, as appropriate.

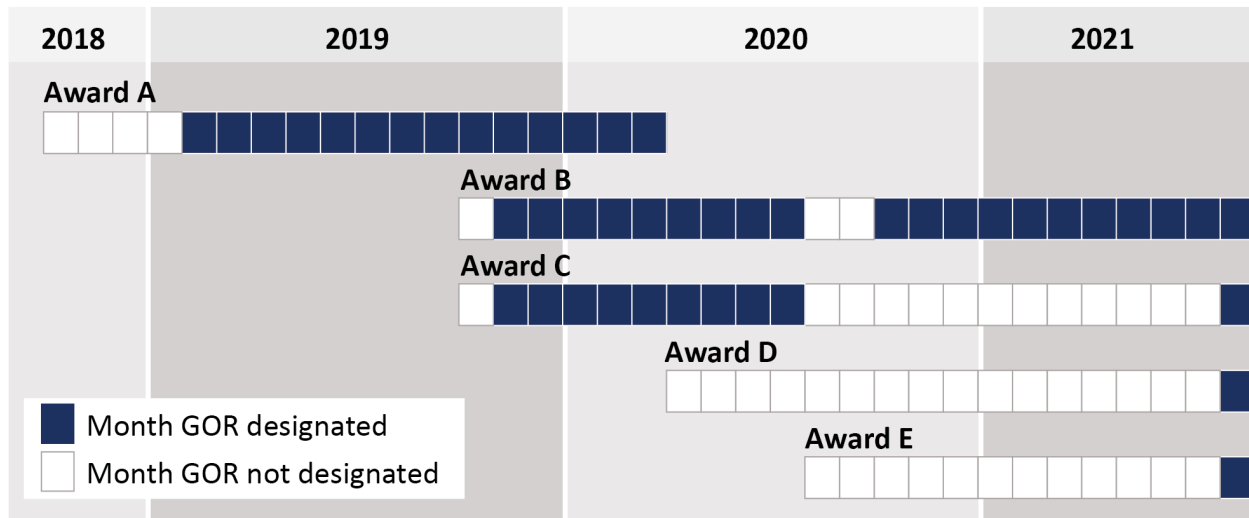
(U) Finding B: GEC Did Not Designate GORs Throughout the Period of Performance or Notify Award Recipients About Changes

(U) OIG found that GEC did not designate GORs throughout the period of performance or notify award recipients about changes in GORs assigned in accordance with Department requirements. For example, GEC initiated award performance without officially designating GORs for all awards and left gaps in GOR coverage for three awards when personnel departed the office. OIG also found that GEC did not properly notify award recipients in writing about changes to the assigned GORs or furnish award recipients with a copy of the GOR designation memorandum in accordance with Department and GEC requirements. This occurred primarily because GEC did not design and implement internal control activities to ensure that GORs were properly designated prior to awarding cooperative agreements and throughout their period of performance. In addition, GEC relied on SAMS to automatically notify award recipients about GOR changes, even though this practice does not comply with GEC's internal procedures and Department requirements. As a result, GEC could not demonstrate consistent oversight throughout the period of performance for any of the five awards reviewed, and the roles and responsibilities of Government oversight personnel were not always clear to award recipients.

(U) GEC Did Not Designate GORs Throughout the Period of Performance

(U) OIG found that GEC did not designate GORs throughout the period of performance of an award as required by the FAD. Specifically, GEC initiated award performance on all five awards OIG reviewed without designating GORs³³ and left gaps in GOR coverage for three awards when personnel separated from the office. The FAD states that “Grants Officers must designate a GOR for all assistance awards where the U.S. share of costs is over \$100,000.”³⁴ All five awards reviewed by OIG exceeded \$100,000, which means that a GOR should have been designated throughout the entire period of performance. The FAD states that GORs must be designated in writing by the Grants Officer.³⁵ Figure 1 depicts a timeline of designated GOR coverage for the five awards OIG reviewed.

(U) Figure 1: Timeline of GOR Designations*



* (U) For a GOR to be designated, the Grants Officer must prepare a formal GOR designation memorandum and include it in the Federal award file, according to the FAD.

(U) Source: Generated by OIG based on an analysis of selected awards and performance information provided by GEC.

(U) GEC initiated award performance without properly designating a GOR for all five awards reviewed by OIG. Moreover, it took between 1 and 16 months for GEC to properly designate a GOR across the five awards. During this time, GEC carried out critical award management activities. For example, immediately following award initiation, GEC finalized award activities and performance indicators, conducted a kick-off meeting, and approved sub-awards. During the more prolonged gaps in GOR coverage, award recipients also submitted performance

³³ (U) OIG also reported in its previous audit on GEC (AUD-MERO-20-26, April 2020) that GORs were not designated prior to the start of award periods of performance. This conclusion was based on a review of grants and cooperative agreements that GEC awarded in FY 2018. Although Award A was an FY 2018 award, it was not previously reviewed by OIG. GEC made Awards B, C, D and E in FY 2019 or FY 2020, indicating that the previously identified deficiency continued.

³⁴ (U) FAD, October 2019, 78.

³⁵ (U) Ibid.

reports and financial reports to GEC for review and approval—among other tasks critical to monitoring awards.

(U) GEC Left Gaps in GOR Coverage

(U) When GORs departed GEC, management did not immediately designate a replacement GOR, even though they were aware a gap in GOR coverage would occur. For example, when a GOR departed GEC in July 2020, Award C continued without a designated GOR for approximately 12 months. Following the designated GOR's departure in July 2020, the identified replacement still had to onboard to GEC and complete various required training courses before being eligible for GOR designation. Although GEC eventually assigned an official to perform the GOR duties for Awards C, D, and E, the official was not formally designated via a GOR memorandum, as required, during the approximate 12 months that they served.

(U) GEC officials told OIG that they relied on Grants Officers and supervisors to ensure gaps in GOR coverage did not occur. However, OIG found that GEC management did not act to prevent gaps, even though they knew in advance a gap would occur. Furthermore, the Grants Officer told OIG that gaps between GORs occurred, in part, because SAMS did not function as intended. Specifically, the Grants Officer relied on SAMS to assign GORs and generate designation memoranda, but they encountered SAMS errors that slowed and disrupted the GOR designation process. More recently, however, the Grants Officer manually prepared GOR designation memoranda, which resulted in GORs being properly designated.

(U) GEC Did Not Always Notify Award Recipients About Changes in GORs

(U) OIG also found that GEC did not notify award recipients about changes in GORs as required by the FAD and its Policies and Procedures Manual. The FAD states that “the [Grants Officer] must . . . ensure that the Federal award recipient is notified of the change.”³⁶ When OIG spoke to award recipients, however, they were not always able to recall individuals who served as a GOR overseeing their awards. For example, Award C's recipient incorrectly identified the Project Officer, who was a third-party contractor, as the GOR.

(U) According to the Grants Officer, GEC relies on SAMS, instead of the Grants Officer, to automatically notify award recipients about changes in GORs when they occur.³⁷ OIG reviewed SAMS notification emails and interviewed award recipients and found that it was not clear whether award recipients received the notifications. The automated SAMS notification email included the name of the new GOR and the date the change took place; however, an award recipient told OIG that they often overlook SAMS notifications because of their frequency. OIG also noted that award recipients can disable these notifications in SAMS if they wish. Furthermore, Award C's recipient told OIG that the person who received the SAMS notifications

³⁶ (U) FAD, October 2019, at 81.

³⁷ (U) FAD, October 2019, “Initiate the Official Federal Assistance File,” lists key correspondence, by reference, as important documentation to be included in the official award file. Documentation of correspondence with recipients regarding changes in GORs should be included in the official award file.

was on leave for more than 60 days, and no other member of their team had seen the SAMS notification email(s).

(U) When the Grants Officer did not notify award recipients, other GEC officials informally assumed the responsibility of notifying award recipients about changes in GORs. For example, the departing GOR notified award recipients that the Project Officer, who was a third-party contractor,³⁸ would be the new point of contact, without identifying a replacement GOR.

(U) In addition to the FAD requirements for Grants Officers to notify award recipients about changes in GORs, GEC's Policies and Procedures Manual requires that award recipients be "furnished a fully-executed copy of the GOR [designation memorandum]."³⁹ OIG found that no award recipients received copies of GOR designation memoranda for the five awards reviewed, except for the most recent changes in GORs, which occurred in July 2021 at the time OIG's audit was underway.

(U) GEC Should Design and Implement Controls and Follow Existing Procedures

(U) GEC did not designate GORs because GEC did not design and implement control activities to ensure that GORs would be properly designated prior to awarding cooperative agreements and throughout their period of performance. The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that "[m]anagement should design control activities[,] which are policies and procedures "to achieve objectives and respond to risks." However, GEC did not respond to the identified risks with procedures to ensure GORs were properly designated prior to awarding cooperative agreements and throughout the period of performance.⁴⁰ GEC officials told OIG that they identified the risk that lack of GOR coverage poses to award oversight, but they did not effectively mitigate this risk. In April 2020, OIG's *Audit of Global Engagement Center Federal Assistance Award Management and Monitoring* identified similar deficiencies in designating GORs.⁴¹ GEC attributed deficiencies in designating GORs to SAMS errors in both instances, but GEC has not acted to design and implement control activities to resolve this issue.

(U) Moreover, GEC did not ensure that award recipients were notified about changes in GORs, in part, because GEC relied on SAMS to automatically notify award recipients about GOR changes, even though this practice does not comply with GEC's existing procedures and Department requirements. GEC officials told OIG that its procedures were duplicative of functions already performed by SAMS. However, by fully relying on SAMS to notify award recipients about changes, GEC did not appropriately consider the previously identified issues with SAMS' reliability and performance. The Grants Officer also indicated that providing award

³⁸ (U) OIG included information regarding third-party contractors performing inherently Governmental functions in Finding A of this report.

³⁹ (U) Providing a formal designation memorandum of the GOR to the award recipient is important because the designation memorandum outlines the GOR's authorities, responsibilities, and limitations.

⁴⁰ (U) GAO-14-704G, September 2014, at 45.

⁴¹ (U) AUD-MERO-20-26, April 2020.

recipients copies of GOR designation memos was not required, even though this contradicts GEC's internal procedures that require award recipients to be "furnished a fully-executed copy of the GOR [designation memorandum]."

(U) As a result of these deficiencies, GEC could not demonstrate consistent oversight throughout the period of performance for any of the five awards reviewed. Furthermore, the roles and responsibilities of Government oversight personnel were not always clear to award recipients. Until GEC establishes necessary internal controls to ensure that it is managing the awards in accordance with Department requirements and its own Policies and Procedures Manual, GEC is at risk of award mismanagement. In addition, providing award recipients a fully-executed GOR designation memorandum, as stated in GEC's Policies and Procedures Manual, would communicate to the award recipient the GOR's authority, responsibilities, and limitations. Doing so would establish clear reporting lines between GEC and its award recipients to better manage its awards and prevent third-party contractors from overstepping their authority. To address the identified deficiencies, OIG is offering the following recommendations.

Recommendation 8: (U) OIG recommends that the Global Engagement Center design and implement controls, rather than relying only on the State Assistance Management System, to ensure that Grants Officers designate a Grants Officer Representative prior to awarding cooperative agreements or grants and throughout the award's period of performance.

Management Response: (U) GEC concurred with the recommendation, stating that it will implement and maintain control measures to ensure GORs are designated prior to the award or throughout the award's period of performance.

OIG Reply: (U) On the basis of GEC's concurrence and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that GEC has implemented controls to ensure that Grants Officers designate a GOR prior to awarding cooperative agreements or grants and throughout the award's period of performance.

Recommendation 9: (U) OIG recommends that Global Engagement Center (GEC) Grants Officers implement controls to comply with GEC's Policies and Procedures Manual (Version 1.6, December 2020), "Post-Award: Changes," requirements to notify award recipients about changes to Grants Officer Representative (GOR) assignments and furnish award recipients with fully-executed copies of GOR designation memoranda.

Management Response: (U) GEC concurred with the recommendation, stating that, as of July 2021, it has implemented new notification requirements regarding changes to GOR designations. GEC stated that it will notify recipients about GOR changes through the "Grants Officer Representative Change Notification" letter sent via email to the recipient and that award recipients will receive fully-executed copies of GOR designation memoranda with the same notification email.

OIG Reply: (U) On the basis of GEC's concurrence and stated actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that GEC has implemented controls to notify award recipients about changes to GOR assignments and furnish award recipients with fully-executed copies of GOR designation memoranda.

(U) RECOMMENDATIONS

Recommendation 1: (U) OIG recommends that the Global Engagement Center (GEC) revise Section 4.8.2, “GEC (Bureau) Specific Requirements,” of its Policies and Procedures Manual (Version 1.6, December 2020) to comply with Office of Management and Budget Policy Letter 11-01 and Federal Assistance Directive requirements regarding inherently Governmental functions and U.S. Federal employee decision-making authority over the programmatic aspects of awards. Specifically, the revisions must reflect that the Grants Officer and designated Grants Officer Representative retain responsibility for all programmatic and technical matters in the administration of the award.

Recommendation 2: (U) OIG recommends that the Global Engagement Center review all active cooperative agreements and grants to verify whether the award provisions comply with Office of Management and Budget Policy Letter 11-01 requirements regarding inherently Governmental functions and U.S. Federal employee decision-making authority over all programmatic aspects of the awards and, for those that do not, revise the award provisions to comply with those requirements.

Recommendation 3: (U) OIG recommends that the Global Engagement Center review the assigned roles, authorities, and responsibilities of its award management team members (Federal employees and third-party contractors) to determine (a) authorities and responsibilities that are inherently Governmental functions and (b) whether those authorities and responsibilities are assigned to or performed by team members who are not Federal employees or Personal Service Contractors, as appropriate.

Recommendation 4: (U) OIG recommends that the Global Engagement Center transfer to Federal employees or Personal Service Contractors, as appropriate, those authorities and responsibilities found to be inherently Governmental functions that are currently assigned to third-party contractors (as determined by the review in Recommendation 3).

Recommendation 5: (U) OIG recommends that the Global Engagement Center develop and implement a process to verify that inherently Governmental functions are only assigned to and performed by Federal employees or Personal Service Contractors, as appropriate.

Recommendation 6: (U) OIG recommends that the Global Engagement Center (GEC) determine the authorities and responsibilities of Project Officers and those of Grants Officer Representatives and revise GEC’s Policies and Procedures Manual (Version 1.6, December 2020) to explicitly and accurately delineate and differentiate their roles, authorities, and responsibilities.

Recommendation 7: (U) OIG recommends that the Global Engagement Center (GEC) develop and implement a process to formally notify GEC award management personnel and award recipients of all roles, authorities, and responsibilities that are inherently Governmental and are only to be assigned to and performed by Federal employees and Personal Services Contractors, as appropriate. The notification process should highlight all revisions to previous guidance and

practice, beginning with the revisions to GEC's Policies and Procedures Manual (Version 1.6, December 2020) following the implementation of Recommendations 1 through 6.

Recommendation 8: (U) OIG recommends that the Global Engagement Center design and implement controls, rather than relying only on the State Assistance Management System, to ensure that Grants Officers designate a Grants Officer Representative prior to awarding cooperative agreements or grants and throughout the award's period of performance.

Recommendation 9: (U) OIG recommends that Global Engagement Center (GEC) Grants Officers implement controls to comply with GEC's Policies and Procedures Manual (Version 1.6, December 2020), "Post-Award: Changes," requirements to notify award recipients about changes to Grants Officer Representative (GOR) assignments and furnish award recipients with fully-executed copies of GOR designation memoranda.

(U) APPENDIX A: GLOBAL ENGAGEMENT CENTER RESPONSE



United States Department of State

Washington, D.C. 20520

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January 27, 2022

MEMORANDUM

TO: OIG/AUD/MERO — Mike Vennemann, Division Director
FROM: R/GEC — Leah Bray, Acting Coordinator
SUBJECT: GEC Response to the OIG’s Management Assistance Report — *Internal Controls Are Needed to Safeguard Inherently Governmental Functions at the Global Engagement Center*

The GEC has reviewed the OIG management assistance report. We provide the following comments in response to the findings and recommendations provided by OIG:

The GEC concurs with OIG recommendations crafted to improve internal controls, strengthen the role of Grants Officers (GO) and Grants Officer Representatives (GOR), and clarify the GEC’s Policy and Procedures Manual. As noted below, the GEC has already begun acting on these recommendations and appreciates OIG’s recommendations on how to strengthen our grants management further.

However, the GEC would also like to qualify and correct certain assertions in the summary and findings of the report that contain inaccuracies.

For most of the time covered in this inspection report, the Iran Threat Team consisted of six members: a Team Director, an Acting Deputy Director who also served as GOR, two Personal Services Contractors (PSCs), and two Third Party Contractors (TPCs), one of whom performed the appropriate duties of a project officer. The small size and narrow focus of the team allowed for consistent management attention to the TPCs’ activities by the U.S. direct-hire Team Director. For a significant portion of the OIG reporting period, the Acting Deputy Director/GOR teleworked from outside the National Capital Region.

The OIG report states under Finding A that, “For two of the awards OIG reviewed, the Project Officer requested that the award recipients produce content on specific themes related to Iran. The award recipients produced messaging in response to the Project Officer’s request. However, this messaging was contrary to Department strategic guidance, according to the assigned GOR.” This statement is inaccurate. The outreach in question was conducted with the full visibility and coordination of the U.S. direct hire Team Director and thus did not represent the execution of inherently governmental duties by a contractor. The outreach was also conducted against the backdrop of classified interagency discussions and was consistent with contemporary

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Department guidance. The Acting Deputy/GOR did not take part in these classified discussions. The subsequent strategic guidance the GOR referenced was provided at a later date.

The OIG report states under Finding A that, “GEC award oversight officials raised concerns that a third-party contractor had violated Federal regulations and ordered a change in the award recipients’ performance, among other infractions,” and that “GEC Management’s response fell short of Government Accountability Office standards of conduct.” OIG asserts that “GEC officials interpreted [a] lack of determination by the Grants Officer to mean that no violation had occurred” and thus took insufficient actions to fully address concerns raised by a GEC award oversight official. These assertions are inaccurate. GEC leadership officials conducted a thorough review of concerns as soon as they were raised and implemented steps based on an evidence-based assessment of what did and did not transpire. The OIG did not solicit information from responsible GEC front office officials, or the team leadership involved in the review of concerns raised. Therefore, we believe the OIG’s conclusions regarding the sufficiency of management’s response are based on incomplete information.

GEC appreciates the work of the OIG inspection team and concurs with their recommendations below:

Recommendation 1: OIG recommends that the Global Engagement Center (GEC) revise section 4.8.2 “GEC (Bureau) Specific Requirements” of its Policies and Procedures Manual (Version 1.6, December 2020) to comply with Office of Management and Budget Policy Letter 11-01 and Federal Assistance Directive requirements regarding inherently Governmental functions and U.S. Federal employee decision-making authority over the programmatic aspects of awards. Specifically, the revisions must reflect that the Grants Officer and designated Grants Officer’s Representative retain responsibility for all programmatic and technical matters in the administration of the award.

Management Response: GEC concurs with the recommendation. As of August 2021, the GEC Grants Officers have updated the Bureau Specific Requirements in newly issued award provisions to remove the “Project Officer” and incorporate the Grants Officer Representative and Grants Officer as the approver of monitoring and evaluation plans and work plans. Also, the GEC Grants Team has reviewed each Scope of Work (SOW) to ensure the Grants Officer or Grants Officer Representative are expressly identified as having responsibility for all programmatic and technical matters.

Recommendation 2: OIG recommends that the Global Engagement Center review all active cooperative agreements and grants to verify whether the award provisions comply with Office of Management and Budget Policy Letter 11-01 requirements regarding inherently Governmental functions and U.S. Federal employee decision-making authority over all programmatic aspects of the awards and, for those that do not, revise the award provisions to comply with those requirements.

Management Response: GEC concurs with the recommendation. The GEC has initiated a review all active cooperative agreements and grants to verify if the award provisions comply with the Office of Management Budget Policy Letter 11-01 regarding decision-making authority. The GEC will provide to OIG a list of awards that will be revised for those provisions that do not comply with the requirements, if any.

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Recommendation 3: OIG recommends that the Global Engagement Center review the assigned roles, authorities, and responsibilities of its award management team members (Federal employees and third-party contractors) to determine (a) authorities and responsibilities that are inherently Governmental functions and (b) whether those authorities and responsibilities are assigned to or performed by team members who are not Federal employees or Personal Service Contractors, as appropriate.

Management Response: GEC concurs with the recommendation. As of December 2021, the GEC has reviewed the roles, authorities, and responsibilities of award management team members, as assigned in the Policies and Procedures Manual, to ensure inherently governmental functions are only assigned to Federal employees or Personal Service Contractors, as appropriate.

Recommendation 4: OIG recommends that the Global Engagement Center transfer to Federal employees or Personal Service Contractors, as appropriate, those authorities and responsibilities found to be inherently Governmental functions that are currently assigned to third-party contractors (as determined by the review in Recommendation 3).

Management Response: As of December 2021, the GEC has reviewed the roles, authorities, and responsibilities of award management team members, as assigned in its Policies and Procedures Manual (PPM). While the GEC did not find that inherently governmental duties were assigned to TPCs, the GEC will review position descriptions of third-party contractors to ensure that inherently Governmental functions are not assigned and make necessary revisions, if appropriate.

Recommendation 5: OIG recommends that the Global Engagement Center develop and implement a process to verify that inherently Governmental functions are only assigned to and performed by Federal employees or Personal Service Contractors, as appropriate.

Management Response: GEC concurs with the recommendation. The grants management staff, in coordination with the CORs, will review and ensure inherently governmental functions remain with the Federal employees or Personal Services Contractors by implementing a process to monitor third party contract staff.

Recommendation 6: OIG recommends that the Global Engagement Center (GEC) determine the authorities and responsibilities of Project Officers and those of Grants Officer's Representatives and revise GEC's Policies and Procedures Manual (Version 1.6, December 2020) to explicitly and accurately delineate and differentiate their roles, authorities, and responsibilities.

Management Response: GEC concurs with the recommendation. As of December 2021, the GEC has reviewed and updated its Policies and Procedures Manual to clarify the roles, authorities, and responsibilities assigned therein. The role of the "Project Officer" has been eliminated and replaced with the title of "Program Officer" which is consistent with the Federal Assistance Directive. While there were no inherently governmental duties assigned to TPCs within our Policies and Procedures Manual, and the assigned roles are consistent with Department practice, we have updated the role of "Program Officer" to remove any potential confusion going forward. Finally, the GOR roles and responsibilities have been revised to expressly outline and highlight the inherently governmental functions assigned to them.

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Recommendation 7: OIG recommends that the Global Engagement Center (GEC) develop and implement a process to formally notify GEC award management personnel and award recipients of all roles, authorities, and responsibilities that are inherently Governmental and are only to be assigned to and performed by Federal employees and Personal Services Contractors, as appropriate. The notification process should highlight all revisions to previous guidance and practice, beginning with the revisions to GEC's Policies and Procedures Manual (Version 1.6, December 2020) following the implementation of Recommendations 1 through 6.

Management Response: GEC concurs with the recommendation. The GEC will notify award management personnel and recipients on roles, authorities, and responsibilities that are inherently governmental. As of September 2021, new award recipients have received an "Award Points of Contact: Roles and Responsibilities" attachment to outline the role of staff associated with each project. The GEC will share its Policies and Procedures Manual with its award management team and notify award recipients of changes, as recommended.

Recommendation 8: OIG recommends that the Global Engagement Center design and implement controls, rather than relying only on the State Assistance Management System, to ensure that Grants Officers designate a Grants Officer's Representative prior to awarding cooperative agreements or grants and throughout the award's period of performance.

Management Response: GEC concurs with the recommendation. The GEC will implement and maintain control measures to ensure Grants Officer Representatives are designated prior to the award or throughout the award's period of performance.

Recommendation 9: OIG recommends that Global Engagement Center (GEC) Grants Officers implement controls to comply with GEC's Policies and Procedures Manual (Version 1.6, December 2020) "Post-Award: Changes" requirements to notify award recipients about changes to Grants Officer's Representative (GOR) assignments and furnish award recipients with fully-executed copies of GOR designation memoranda.

Management Response: GEC concurs with the recommendation. Moving forward, rather than rely on the State Assistance Management System (SAMS) to generate notifications, as of July 2021, the GEC has implemented new notification requirements regarding changes to Grants Officer Representative designations. The GEC will notify recipients about GOR changes through the "Grants Officer Representative Change Notification" letter sent via email to the recipient. Award recipients will receive fully-executed copies of GOR designation memoranda within the same notification email.

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(U) ABBREVIATIONS

FAD	Federal Assistance Directive
GEC	Global Engagement Center
GOR	Grants Officer Representative
OIG	Office of Inspector General
OMB	Office of Management and Budget
SAMS	State Assistance Management System

(U) OIG AUDIT TEAM MEMBERS

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OIG Whistleblower Coordinator to learn more about your rights.

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