



Office of Inspector General
United States Department of State

AUD-MERO-21-18

Office of Audits

March 2021

**Audit of the Department of State's
Risk Assessments and Monitoring
of Voluntary Contributions to
Public International Organizations**

MIDDLE EAST REGION OPERATIONS



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-MERO-21-18

What OIG Audited

Public International Organizations (PIO) are organizations with which the U.S. partners pursuant to a treaty or legislation authorizing its participation, or organizations determined to be PIOs by the Department of State (Department), Office of the Legal Adviser. The Department provides financial assistance to PIOs through voluntary contributions to advance U.S. strategic goals on a variety of national security and humanitarian issues.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department's policies, guidance, and processes for voluntary contributions ensure that (1) risks are identified, assessed, and responded to before providing funds to PIOs and that (2) funds are monitored to achieve award objectives. To perform the audit, OIG reviewed 21 voluntary contributions, valued at \$4.7 billion, that were issued to PIOs in FYs 2018 and 2019 and were administered by eight Department bureaus.

What OIG Recommends

OIG made four recommendations to the Bureau of Administration, Office of the Procurement Executive (A/OPE), to improve the Department's ability to assess risks and monitor voluntary contributions awarded to PIOs. On the basis of A/OPE's response to a draft of this report, OIG considers all four recommendations resolved, pending further action. A synopsis of A/OPE's response to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. Comments received from Department bureaus are reprinted in Appendices C through E, and OIG's reply to the general comments offered are presented in Appendices F and G.

March 2021

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Audit of the Department of State's Risk Assessments and Monitoring of Voluntary Contributions to Public International Organizations

What OIG Found

OIG found that the Department's processes for identifying, assessing, and responding to risks before awarding funds to PIOs need improvement to align with the requirements outlined in the *Standards for Internal Control in the Federal Government* (Green Book). Specifically, OIG found that six of eight Department bureaus failed to formulate specific, measurable objectives for voluntary contributions and assess risk prior to award issuance in accordance with Green Book standards. This occurred, in part, because the Department's current policies and guidance for voluntary contributions do not reflect Green Book standards and principles. The two exceptions, the Bureau of Population, Refugees, and Migration (PRM) and Arms Control, Verification, and Compliance (AVC), went beyond Department policy and applied Green Book standards for the purpose of providing reasonable assurance to stakeholders that risks were identified, assessed, and responded to before awarding funds. By not following the standards for internal control outlined in the Green Book, the Department does not have adequate assurance that risks associated with the voluntary contributions were considered and acted upon prior to awarding taxpayer funds.

OIG also found that the Department's processes for monitoring voluntary contributions did not adhere to Green Book standards and principles. Specifically, OIG found that five of eight bureaus failed to consistently document their monitoring activities and could not demonstrate that award objectives were being actively monitored. Like the deficiencies noted with identifying and responding to risks, this occurred because Department policies and guidance do not require bureaus to document monitoring activities in accordance with Green Book standards. The noted exceptions were PRM, AVC, and the Bureau of International Organization Affairs, which independently established an internal control environment that required monitoring activities be documented. The lack of documentation is contrary to the standards in the Green Book and provides inadequate assurance that taxpayer funds were monitored to achieve objectives.

CONTENTS

OBJECTIVE	1
BACKGROUND	1
Public International Organizations and Voluntary Contributions.....	1
What OIG Reviewed	3
Guidance for Administering Voluntary Contributions	4
AUDIT RESULTS	5
Finding A: Department Bureaus Did Not Consistently Establish Objectives and Assess Risks Before Awarding Voluntary Contributions.....	5
Finding B: Additional Controls Are Needed To Improve Monitoring of Voluntary Contributions	12
RECOMMENDATIONS	18
APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY	19
Data Reliability	20
Sampling Methodology	20
Work Related to Internal Control.....	21
Prior Office of Inspector General Reports.....	22
APPENDIX B: OIG REVIEW RESULTS OF VOLUNTARY CONTRIBUTIONS	24
APPENDIX C: BUREAU OF ADMINISTRATION RESPONSE.....	26
APPENDIX D: BUREAU OF EUROPEAN AND EURASIAN AFFAIRS RESPONSE	28
APPENDIX E: BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS RESPONSE.....	31
APPENDIX F: OIG REPLY TO THE BUREAU OF EUROPEAN AND EURASIAN AFFAIRS GENERAL COMMENTS.....	33
APPENDIX G: OIG REPLY TO THE BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS GENERAL COMMENTS.....	35
ABBREVIATIONS	36
OIG AUDIT TEAM MEMBERS.....	37

OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State's (Department) policies, processes, and guidance for voluntary contributions ensure that (1) risks are identified, assessed, and responded to before providing funds to Public International Organizations¹ (PIO) and (2) funds are monitored to achieve award objectives.

BACKGROUND

Public International Organizations and Voluntary Contributions

The Department provides billions of dollars annually to PIOs. Examples of PIOs include the United Nations, the International Committee of the Red Cross, and the International Atomic Energy Agency. The Department provides funds to PIOs through voluntary contributions, which are "discretionary financial assistance provided ... to: [d]irectly support the activities of the organization, or [s]ustain the general budget and operations of the organization."² Voluntary contributions are appropriated by Congress and allocated at the discretion of a bureau that has specific statutory authorization in response to a call for funding from an organization.³ Eight Department bureaus awarded approximately \$6.2 billion in voluntary contributions to 71 PIOs in FY 2018 and FY 2019. Table 1 shows the number and value of the voluntary contributions issued by each of the eight bureaus to include: Population, Refugees, and Migration (PRM); International Organization Affairs (IO); International Security and Nonproliferation (ISN); Near Eastern Affairs (NEA); European and Eurasian Affairs (EUR); South and Central Asian Affairs (SCA); Arms Control, Verification, and Compliance (AVC); and Oceans and International Environmental and Scientific Affairs (OES).

¹ A PIO is an organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (22 U.S. Code [U.S.C.] § 288, et seq) with which the United States "participates pursuant to any treaty or under the authority of any Act of Congress authorizing such participation or making an appropriation for such participation." The Department also defines a PIO as organizations "otherwise determined to be a PIO based in consultation with the Office of the Legal Adviser." For the purpose of this audit, PIOs include organizations (1) listed in the International Organizations Immunities Act (2) defined as PIOs by the Office of the Legal Adviser, and (3) identified as PIOs in Department documents.

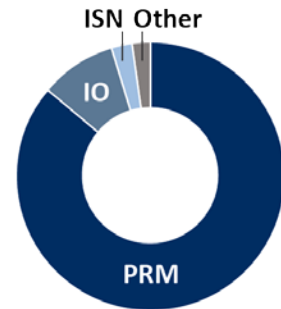
² Federal Assistance Directive (FAD), October 2017, Chapter 3, § K.2, *Voluntary Contributions*, 116; FAD, October 2018, Chapter 3, § K.2, *Voluntary Contributions*, 118.

³ Bureaus provide voluntary contributions to PIOs under different legislative authorities. The Foreign Assistance Act, as amended, codified at 22 U.S.C. § 2221, authorizes the President to "make voluntary contributions on a grant basis to international organizations and to programs administered by such organizations." For example, the Bureau of International Organizations provides voluntary contributions to the United Nations Development Programme under the statutory authority of the Foreign Assistance Act of 1961, as amended, which promotes U.S. foreign policy by providing economic development and security assistance to foreign countries. In another example, the Bureau of Population, Refugees, and Migration provides voluntary contributions to the International Committee of the Red Cross under the statutory authority of the Migration and Refugee Assistance Act of 1962, codified at 22 U.S.C. § 2601, which authorizes funds to be provided for the purpose of meeting unexpected and urgent refugee and migration needs.

Table 1: Department Voluntary Contributions Awarded in FY 2018 and FY 2019

Bureau	PIOs Receiving Voluntary Contributions	Voluntary Contributions Awarded	Amount Obligated (\$ millions)
PRM	12	140	\$5,382.4
IO	43	81	586.4
ISN	2	6	147.5
NEA	1	1	93.0
EUR	1	81	28.6
SCA	1	1	6.0
AVC	1	1	2.0
OES	17	29	1.9
Total	71*	340	\$6,247.8

Total: \$6.2 billion
Awarded by the Department



* The total equals 78, but several bureaus awarded voluntary contributions to the same PIO. Therefore, 71 unique PIOs received voluntary contributions.

Source: OIG generated from data provided by the Department and the State Assistance Management System.

The Bureau of Population, Refugees, and Migration

PRM promotes U.S. interests by providing protection, easing suffering, and resolving the plight of persecuted and forcibly displaced people around the world. With respect to the voluntary contributions reviewed for this audit, PRM awarded voluntary contributions to the United Nations High Commissioner for Refugees (UNHCR) to provide protection, humanitarian assistance, and facilitate durable solutions for populations of concern. In addition, PRM awarded voluntary contributions to the International Committee of the Red Cross to help people affected by conflict and armed violence and promote international humanitarian law. Furthermore, PRM awarded voluntary contributions to the International Organization for Migration (IOM) to assist in processing individuals requesting refugee status and resettlement in the U.S.

The Bureau of International Organization Affairs

IO develops and implements U.S. policy at the United Nations and in a range of other multilateral organizations. With respect to the voluntary contributions reviewed for this audit, IO awarded voluntary contributions to the Montreal Protocol Multilateral Fund to support technical assistance projects that help developing countries meet their obligations under the Montreal Protocol.⁴

The Bureau of International Security and Nonproliferation

ISN prevents the spread of weapons of mass destruction, delivery systems, and advanced conventional weapons capabilities. ISN awarded voluntary contributions to the International

⁴ The Montreal Protocol is an international agreement to phase out the use of substances that deplete the ozone layer.

Atomic Energy Agency to strengthen the global nuclear nonproliferation regime. ISN also awarded voluntary contributions to the Science and Technology Center in Ukraine to support countering weapons of mass destruction and nonconventional terrorism.

The Bureau of Near Eastern Affairs

NEA leads U.S. foreign policy in the Middle East and North Africa region. NEA awarded a voluntary contribution to the Multinational Force and Observers (MFO)—an independent international organization with peacekeeping responsibilities in Egypt and Israel—to enhance security, stabilization, counterterrorism, and conflict resolution in the region.

The Bureau of European and Eurasian Affairs

EUR develops and implements U.S. foreign policy in Europe and Eurasia. EUR awarded voluntary contributions to the Organization for Security and Cooperation in Europe, which promotes stability, peace, and democracy and operates a Special Monitoring Mission that reports on the conflict in Ukraine.

The Bureau of South and Central Asian Affairs

SCA develops and implements U.S. foreign policy in South and Central Asia. SCA awarded a voluntary contribution to the United Nations Development Programme to support securing a sustainable political settlement between the Government of Afghanistan and the Taliban.

The Bureau of Arms Control, Verification, and Compliance

AVC advances national and international security through the negotiation and implementation of effectively verifiable and diligently enforced arms control and disarmament agreements involving weapons of mass destruction. AVC awarded a voluntary contribution to the Comprehensive Nuclear-Test-Ban Treaty Organization, an interim organization tasked with detecting nuclear explosions, to increase the effectiveness and efficiency of the International Monitoring System.

The Bureau of Oceans and International Environmental and Scientific Affairs

OES advances U.S. security and prosperity through international leadership on oceans, environment, science, space, and health. With respect to the voluntary contributions reviewed for this audit, OES awarded voluntary contributions to the International Commission for the Conservation of Atlantic Tunas and the Western and Central Pacific Fisheries Commission to support special projects or known needs at international fisheries management organizations.

What OIG Reviewed

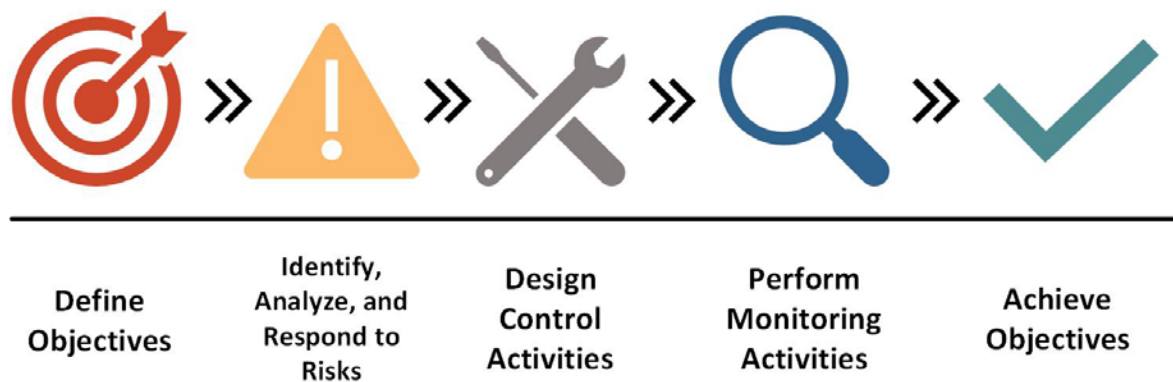
OIG reviewed 21 voluntary contributions awarded to 12 PIOs in FY 2018 and FY 2019 valued at \$4.7 billion from the universe of 340 voluntary contributions valued at \$6.2 billion awarded during that time. The value of the selected voluntary contributions represents 76 percent of the \$6.2 billion the Department awarded. To arrive at the sample, OIG first identified the three PIOs

that received the highest dollar amount of voluntary contributions from each bureau in FY 2018 and FY 2019. From this short list of PIOs, OIG then selected the two highest valued voluntary contributions that were awarded by each bureau to each PIO. OIG then omitted six voluntary contributions that only supported PIO recipients' general budget and operations. OIG determined that bureaus cannot define objectives, assess risks, and monitor voluntary contributions that only support PIO recipients' general budget and operations. See Appendix A for a detailed discussion of OIG's sampling methodology.

Guidance for Administering Voluntary Contributions

The Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) requires Federal agencies to establish and maintain an effective internal control system to improve accountability in achieving an agency's mission.⁵ These standards include guidance on defining objectives, assessing risk, developing control activities, and conducting monitoring. The Federal Managers' Financial Integrity Act of 1982 requires Federal agencies to establish internal controls in accordance with these standards,⁶ as does the Foreign Affairs Manual, which requires that all Department management control systems incorporate Green Book internal control standards.⁷ Figure 1 identifies the internal controls significant to this audit.

Figure 1: Internal Controls Significant to This Audit



Source: OIG generated from analysis of the Green Book.

The Office of the Procurement Executive in the Bureau of Administration is responsible for developing policies and procedures to guide bureaus in managing Federal assistance.⁸ The

⁵ Government Accountability Office, *Standards for Internal Control in the Federal Government* 1, 3 (GAO-14-704G, September 2014).

⁶ The Federal Managers' Financial Integrity Act of 1982, 31 U.S.C. § 3512(c), requires agency heads to establish internal controls consistent with standards issued by the Comptroller General, which are the standards detailed in the Green Book.

⁷ 2 Foreign Affairs Manual 021.1c, "Policy and Scope."

⁸ Department Delegation of Authority No. 357-1 and 1 Foreign Affairs Manual 212.2b assign the Office of the Procurement Executive the authority to prescribe policies, regulations, and procedures for the award and administration of all Federal awards issued by the Department.

office maintains the Federal Assistance Directive (FAD), which establishes internal guidance, policies, and procedures for all domestic and overseas grant-making bureaus, offices, and posts, including those related to risk assessment and monitoring of voluntary contributions.⁹

AUDIT RESULTS

Finding A: Department Bureaus Did Not Consistently Establish Objectives and Assess Risks Before Awarding Voluntary Contributions

OIG found that the Department's processes for identifying, assessing, and responding to risks before awarding funds to PIOs need improvement to align with the requirements outlined in the *Standards for Internal Control in the Federal Government* (Green Book). Specifically, OIG found that six of eight Department bureaus failed to formulate specific, measurable objectives for voluntary contributions and assess risk prior to award issuance in accordance with Green Book standards. This occurred, in part, because the Department's current policies and guidance for voluntary contributions do not reflect Green Book standards and principles. The two exceptions were PRM and AVC, which went beyond Department policy and applied Green Book standards for the purpose of providing reasonable assurance to its stakeholders that risks were identified, assessed, and responded to before awarding funds for specific activities.¹⁰ In addition, although OIG noted that IO and ISN formulated specific, measurable objectives, these bureaus did not consistently assess risk before issuing awards. With respect to NEA, EUR, SCA, and OES, these bureaus did not formulate specific, measurable objectives for the voluntary contributions, nor did they assess risk prior to award issuance. This practice is contrary to the standards for internal control outlined in the Green Book and provides inadequate assurance that risks associated with the voluntary contributions were considered and acted upon prior to awarding taxpayer funds.

Agencies Are Required To Define Objectives in Specific, Measurable Terms and To Identify, Assess, and Respond to Risks

The Green Book states that, to establish an effective internal control system, Federal agencies should define the specific and measurable objectives they hope to achieve.¹¹ An objective that is specific defines "what is to be achieved, who is to achieve it, how it will be achieved, and the time frames for achievement."¹² An objective that is measurable is defined in quantitative or qualitative terms that enable management to assess progress toward achieving the objective. If an agency needs to exercise subjective or biased judgment to determine whether an objective was achieved, then it is not measurable. By formulating specific and measurable objectives, as

⁹ FAD, October 2017, at 1, 116-118; FAD, October 2018, at 1, 118-120.

¹⁰ PRM's voluntary contributions account for 93 percent of the total funds in the audit sample.

¹¹ GAO-14-704G, September 2014, at 35.

¹² GAO-14-704G, September 2014, at 35.

outlined in the Green Book, bureaus can assess risks that may impact the program's and the Department's success.¹³ According to the Green Book, there are three steps to assessing risks:

1. Identify Risks – Agencies consider the types of risks that impact the entity. This includes internal risks, which arise within the entity or program, and external risks, which arise outside the agency or program.¹⁴
2. Analyze Risks – Agencies estimate the significance of identified risks to assess their effect on achieving the defined objectives. To determine this, agencies consider the impact on the objective if that risk occurs, the likelihood of occurrence, and the degree of subjectivity involved with the risk.¹⁵
3. Respond to Risks – Agencies design specific actions based on the significance of the risk. These actions may include accepting the risk, avoiding the risk, reducing the risk, or sharing the risk across agencies or offices.¹⁶

As currently written, the FAD does not require bureaus to define objectives in specific, measurable terms when awarding voluntary contributions. Although it mentions the need to “ensure that Federal funds are being used for the intended objectives,”¹⁷ the FAD states elsewhere that “[w]hile these funds **may** advance specific activities and goals of the U.S. [G]overnment, the central purpose of the award is to enable the organization to carry out its activities [emphasis added].”¹⁸ The FAD also states that the terms and conditions of voluntary contributions “**may** specify how the funding being contributed may be used as it relates to the budgets and activities of the organization to include earmarking funds for specific authorized purposes [emphasis added].”¹⁹ This guidance, taken collectively, fails to convey that the objectives need to be specific and measurable. The FAD also does not require bureaus to document a risk assessment prior to awarding voluntary contributions. Specifically, the FAD states that although bureaus are required to conduct a risk assessment on all competitive and noncompetitive awards before award issuance, the risk assessment process varies by bureau for voluntary contributions.²⁰ Accordingly, the FAD does not currently incorporate all Green Book standards as required by the FAM and the Federal Managers' Financial Integrity Act of 1982. Figure 2 demonstrates the distinctions between the Green Book and the FAD regarding objectives.

¹³ The Green Book Principle 6 states that “Management should define objectives clearly to enable the identification of risks and define risk tolerances,” and Principle 7 states that “Management should identify, analyze, and respond to risks related to achieving the defined objectives.”

¹⁴ GAO-14-704G, September 2014, at 38.

¹⁵ GAO-14-704G, September 2014, at 38.

¹⁶ GAO-14-704G, September 2014, at 39.

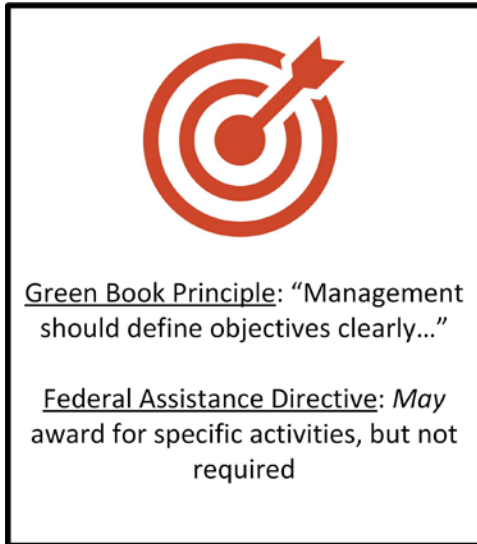
¹⁷ FAD, October 2017, at 118; FAD, October 2018, at 119.

¹⁸ FAD, October 2017, at 116; FAD, October 2018, at 118.

¹⁹ FAD, October 2017, at 117; FAD, October 2018, at 119.

²⁰ FAD, October 2017, at 58; FAD, October 2018, at 59.

Figure 2: Distinctions Between the Green Book and the FAD Regarding Objectives



Source: OIG generated from analysis of the Green Book and the FAD.

Bureaus Generally Did Not Establish Specific, Measurable Objectives

Of the 21 voluntary contributions reviewed, OIG determined that 13 included specific, measurable objectives in accordance with Green Book standards, but 8 did not (see Appendix B for OIG review results that describes the 21 voluntary contributions and whether they included specific and measurable objectives). The 8 voluntary contributions that did not include specific and measurable objectives represent \$108 million (2 percent) of the funds in the audit sample.

The 13 voluntary contributions that had specific, measurable objectives were awarded by PRM, IO, ISN, and AVC, and represented \$4.6 billion (98 percent) of the audit sample. For example, AVC awarded a \$2 million voluntary contribution in 2019 to the Comprehensive Nuclear-Test-Ban Treaty Organization Preparatory Commission to repair a

monitoring station in the Indian Ocean that detects nuclear explosions. AVC's objective—to procure a hydrophone triplet²¹ for the monitoring station—is both specific and measurable. This objective is specific because AVC identified a distinct component to procure. It is measurable because AVC outlined a timeline for the procurement and installation process. Having this specific and measurable objective enabled AVC to identify, analyze, and respond to risks related to the repair of the monitoring station and to select the best option.

In another example, ISN awarded an approximately \$73.1 million voluntary contribution in 2018 to the International Atomic Energy Agency. One objective of this voluntary contribution is to eradicate a tsetse fly population in the Niayes region in Senegal. This objective is specific because it identified a distinct species of fly to eliminate in a designated region in Senegal, and it is measurable because officials can determine how many sterile and wild male tsetse flies were captured in the region. However, as discussed in the next section, ISN did not always assess the risks of the program to determine their effect on achieving the defined objectives.

The eight voluntary contributions that should have included specific, measurable objectives but did not were awarded by NEA, EUR, SCA, and OES. For example, EUR awarded a \$2.5 million voluntary contribution in 2019 to the Organization for Security and Cooperation in Europe to support its Special Monitoring Mission to Ukraine. An EUR official stated that the voluntary contribution supported long-range unmanned aerial vehicles and costs associated with personnel on the ground. However, award documents reviewed by OIG did not show that EUR

²¹ To monitor sounds deep in the ocean, Comprehensive Nuclear-Test-Ban Treaty Organization Preparatory Commission monitoring stations use six hydrophones (underwater microphones) configured in two sets of "triplets."

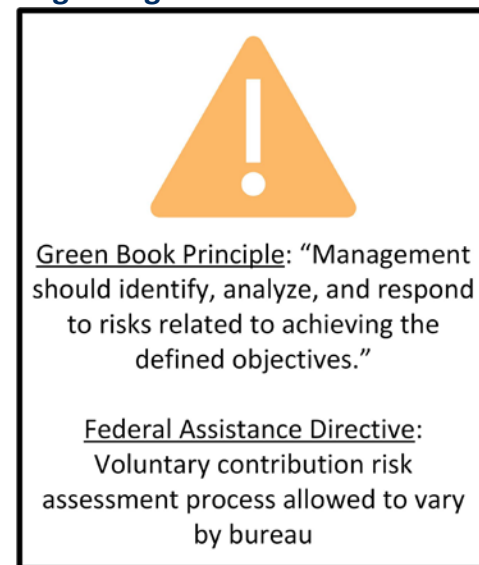
defined specific and measurable objectives before issuing the award, rather, the award documentation only stated that the purpose was “Annual Voluntary Contribution as part of the Special Monitoring Mission to Ukraine budget.”

Similarly, OES awarded a \$170,000 voluntary contribution to the International Commission for the Conservation of Atlantic Tuna in 2019 to support the Atlantic Ocean Tropical Tuna Tagging Program and other projects. OES stated that the voluntary contribution supported food security and economic growth of Atlantic coastal states by ensuring sustainable management of tropical tuna resources. The award documents, however, only listed the titles of activities receiving funding and did not contain specific, measurable objectives to adequately track performance and ensure activities were accomplished. This practice is contrary to the standards for internal control outlined in the Green Book and provides inadequate assurance that risks associated with the voluntary contributions were considered.

Bureaus Generally Did Not Identify, Assess, and Respond to Risks

To meet Green Book standards, the 21 voluntary contributions also required risk assessments tied to specific, measurable objectives. However, 13 did not have a risk assessment tied to specific, measurable objectives in accordance with Green Book standards and principles (see Appendix B that describes the 21 voluntary contributions and whether they had documented risk assessments in accordance with the Green Book). The 13 voluntary contributions that did not have documented risk assessments represent \$239 million (5 percent) of the funds in the audit sample. This occurred, in part, because the Department’s current policies and guidance for voluntary contributions do not reflect Green Book standards and principles with respect to risk assessments. Figure 3 demonstrates the distinctions between the Green Book and the FAD regarding risk assessments.

Figure 3: Distinctions Between the Green Book and the FAD Regarding Risk Assessments



Source: OIG generated from analysis of the Green Book and the FAD.

Eight voluntary contributions OIG reviewed, which represented \$4.5 billion (95 percent) of the audit sample, had documented risk assessments despite Department policies and guidance not requiring risk assessments. For example, PRM conducted risk assessments for all the voluntary contributions it awarded in accordance with Green Book standards and principles, including the \$102 million voluntary contribution in 2019 to the IOM to process individuals requesting refugee status at Resettlement Support Centers in Eurasia, the Middle East and North Africa, and Latin America. The first objective of this voluntary contribution is for the Resettlement Support Center in the Middle East and North Africa to “complete processing for refugee applicants.” PRM then identified, assessed the likelihood and impact of, and formulated

mitigation plans for potential risks that may impact this objective. As a result, IOM had plans to address challenges and risks. For example, when IOM received nine allegations of fraud, it had mitigation plans in place to provide training to educate staff about fraud. Table 2 shows a portion of PRM’s risk assessment for this voluntary contribution to IOM.

Table 2: PRM’s Risk Assessment for FY 2019 Voluntary Contribution to IOM

Description of Risk	Likelihood	Potential Impact	Mitigation Plans/Acts
Inadvertently benefitting terrorists or their supporters	Medium	High	Implement targeted cultural orientation curriculum for populations at-risk. IOM Resettlement Support Center management are informed of instability and terrorist activities in countries of program implementation through the United Nations Country Team and the United Nations Department of Safety and Security.
Disruptive events (such as major natural or man-made disasters, severe medical, safety, and security incidents, etc.)	Low	High	In order to improve resilience in times of disruptive events, IOM Missions develop and follow their Business Continuity Plans.
Misuse of Funds	Medium	Medium	Financial controls are implemented through established financial procedures including end of month reports, end of year reports, scheduled financial audits of IOM Missions and IOM’s adherence to the International Public Sector Accounting Standards.

Note: This table does not include all risks, likelihoods, impacts, and mitigation plans for all objectives associated with this voluntary contribution.

Source: OIG generated from PRM-provided documentation.

PRM began to incorporate risk assessments into voluntary contributions after July 2016 in response to an audit performed by the Government Accountability Office, which recommended that PRM include a requirement in its voluntary contributions that the PIO recipient conduct risk assessments addressing the risk of fraud.²² PRM concurred with the Government Accountability Office’s recommendation and ensured that future voluntary contributions included a provision that “activities funded by this [voluntary] contribution will be conducted in accordance with the recipient’s risk management framework including assessments addressing the risk of fraud.” As a result, PRM stated that it has knowledge of, and has “generally been satisfied,” with recipients’ ability to mitigate and respond to risk vulnerabilities including fraud.

In contrast, IO, ISN, NEA, EUR, SCA, and OES did not document risk assessments for 13 voluntary contributions. For example, SCA awarded an approximately \$6 million voluntary contribution in 2018 to the United Nations Development Programme in support of peace and

²² Government Accountability Office, Syria Humanitarian Assistance: Some Risks of Providing Aid inside Syria Assessed, but U.S. Agencies Could Improve Fraud Oversight 28 (GAO-16-629, July 2016).

reconciliation processes in Afghanistan. This voluntary contribution was intended to support the peace process between the Government of Afghanistan and the Taliban by developing a national consensus for peace talks, but it did not include specific and measurable objectives. An SCA official acknowledged that the voluntary contribution supported a “high-risk activity” due to the potential for corruption in the Afghan government and the danger of in-country monitoring. However, when OIG requested SCA to provide all risk assessment documentation for this voluntary contribution, an SCA official responded that “the Department places the onus of vetting and the safeguarding of [U.S. Government] funds on the [P]IO.” Subsequently, a different official contradicted this assertion, noting that the United Nations Development Programme did not, in fact, complete its own risk assessments. Absent documentation of a risk assessment specific to this voluntary contribution (whether completed by the Department or the PIO), OIG concluded that SCA made this award without a risk assessment tied to any specific, measurable objectives. Therefore, SCA did not determine the extent of the potential for Afghan government corruption, nor the severity of danger, which are both external risks. Furthermore, SCA did not identify, assess, or respond to any other internal or external risks, such as the complexity of the program.

Similarly, NEA awarded a \$93 million voluntary contribution in 2018 to the MFO, an organization created by the Egyptian-Israeli Treaty of Peace to ensure that the treaty’s terms and conditions are implemented. 22 U.S.C. § 3425(b) requires annual reporting to Congress on MFO operations.²³ In its 2019 annual report to Congress on MFO operations, NEA stated that “ISIS-affiliated militants continued to carry out large- and small-scale attacks aimed at Egyptian security forces and civilians in northern Sinai” and noted that the MFO “maintained efforts to mitigate the risk to its personnel while carrying out its work.”²⁴ However, NEA officials did not provide a documented risk assessment for this voluntary contribution.

OIG determined that the primary reason these bureaus did not develop specific and measurable objectives or conduct risk assessments for the voluntary contributions they awarded, is because Department policies and guidance, namely the FAD, does not require bureaus to do so. Although the Office of the Procurement Executive is responsible for updating the FAD, according to an official in the office, it deferred to awarding bureaus to adequately manage voluntary contributions because of the varied complexity and funding amounts. However, an NEA official stated that the bureau will not complete a risk assessment for voluntary contributions if it is not required and NEA officials do not think it will be helpful in managing the voluntary contributions. Without a risk assessment, NEA and other bureaus cannot accurately and thoroughly identify, analyze, and respond to risks prior to awarding funds. Without measurable objectives, bureaus cannot assess risks for voluntary contributions in quantifiable and unbiased ways or verify a program’s success. Modifying the FAD to align with Green Book standards that require bureaus to develop specific and measurable objectives, as well conduct risk assessments prior to awarding voluntary contributions, will increase the likelihood that the funded programs will be successful. An effective internal control system,

²³ While 22 U.S.C. § 3425(b) requires the President to transmit this report, NEA is charged with preparing it.

²⁴ The 36th Annual Report to Congress on the Multinational Force and Observers Pursuant to Section 6 of P.L. 97-132 for the Period Ending January 15, 2019, 1.

including defining objectives and assessing risk, assists bureaus in running their operations efficiently and effectively, thus providing reasonable assurance to stakeholders, including U.S. taxpayers, that voluntary contribution objectives can be achieved. Therefore, OIG is offering the following recommendations.

Recommendation 1: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the Federal Assistance Directive to require specific, measurable objectives to be identified in voluntary contribution award documents consistent with *Standards for Internal Control in the Federal Government* requirements.

Management Response: A/OPE concurred with this recommendation, stating that it will update the FAD “to require specific, measurable objectives to be identified in voluntary contribution award documents where appropriate, recognizing that the degree of specificity depends on the overall purpose of the voluntary contribution.”

OIG Reply: On the basis of A/OPE’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE has updated the FAD to require specific, measurable objectives to be identified in voluntary contribution award documents consistent with *Standards for Internal Control in the Federal Government* requirements.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the Federal Assistance Directive to require awarding offices to conduct risk assessments consistent with *Standards for Internal Control in the Federal Government* requirements.

Management Response: A/OPE concurred with the recommendation, stating that it will update the FAD “to require awarding offices to conduct risk assessments for voluntary contributions commensurate with the overall purpose of the voluntary contribution.”

OIG Reply: On the basis of A/OPE’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE has updated the FAD to require awarding offices to conduct risk assessments consistent with *Standards for Internal Control in the Federal Government* requirements.

Finding B: Additional Controls Are Needed To Improve Monitoring of Voluntary Contributions

OIG also found that the Department's processes for monitoring voluntary contributions did not adhere to Green Book standards and principles. Specifically, OIG found that five of eight bureaus failed to consistently document their monitoring activities and could not demonstrate that award objectives were being actively monitored. Like the deficiencies noted with identifying and responding to risks, this occurred because Department policies and guidance do not require bureaus to document monitoring activities in accordance with Green Book standards. The noted exceptions were PRM, IO, and AVC, which independently established an internal control environment that required monitoring activities be documented for the purpose of demonstrating to their stakeholders that award objectives were achieved. The 10 voluntary contributions that did not document monitoring activities tied to voluntary contribution objectives were awarded by ISN, NEA, EUR, SCA, and OES.²⁵ The lack of documentation is contrary to the standards for internal control outlined in the Green Book and provides inadequate assurance that taxpayer funds were monitored to achieve objectives. Documentation is necessary for an effective internal control system that ensures voluntary contribution objectives, and the bureau's mission, are achieved.

Agencies Are Required To Design Control Activities and Monitor Voluntary Contributions

According to the Green Book, an effective internal control system includes control activities and documented monitoring to ensure that the objectives will be achieved. The Green Book defines control activities as "the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives" and respond to risks, and includes activities such as (1) "[e]stablishment and review of performance measures and indicators," (2) "[t]op-level reviews of actual performance," and (3) "[r]eviews by management at the functional or activity level."²⁶ Green Book standards further require agencies to perform ongoing monitoring of the internal control system and document the results to identify issues in internal control and address the objectives.²⁷

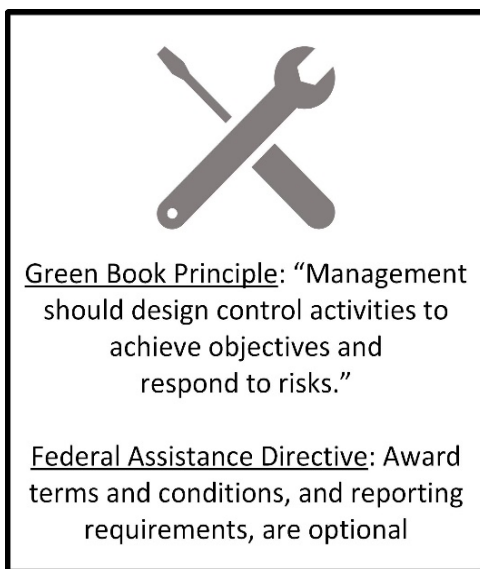
²⁵ ISN documented its monitoring activities for the two International Atomic Energy Agency voluntary contributions under its purview.

²⁶ GAO-14-704G, September 2014, at 45, 47, 75.

²⁷ GAO-14-704G, September 2014, at 65-66.

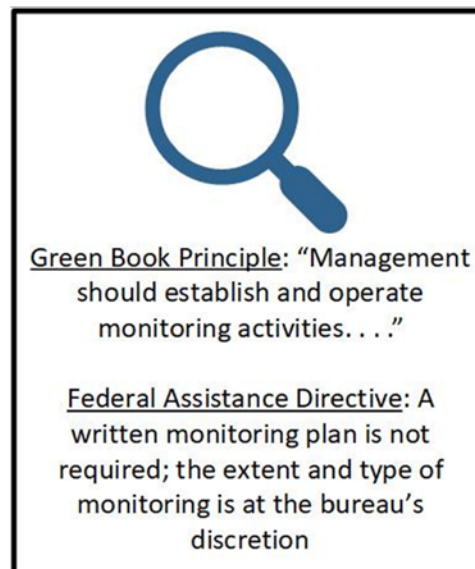
Although the FAD requires monitoring of all Department assistance awards, including voluntary contributions,²⁸ it does not require that the monitoring of voluntary contributions be based on specific and measurable objectives or that monitoring activities be documented. The FAD states that terms and conditions in voluntary contribution award documents “[m]ay reference specific reporting requirements including any framework or other agreements with the organization and **may** require quarterly, annual or other periodic progress and financial reports [emphasis added].”²⁹ The FAD also does not require a written monitoring plan for voluntary contributions. Instead, the FAD states that the “type and scale of monitoring that [bureaus]...and authorized signatories will do on voluntary contributions may be very different from what is standard in grants to organizations or individuals,” and that “the extent and type of monitoring will depend on the Federal Assistance Team’s assessment of risks, including overall financial capacity, stability, and funds management processes of the recipient.”³⁰ Figure 4 demonstrates the distinctions between the Green Book and FAD regarding control activities. Figure 5 demonstrates the distinctions between the FAD and the Green Book regarding monitoring.

Figure 4: Distinctions Between the Green Book and the FAD Regarding Control Activities



Source: OIG generated from analysis of the Green Book and the FAD.

Figure 5: Distinctions Between the Green Book and the FAD Regarding Monitoring



Source: OIG generated from analysis of the Green Book and the FAD.

²⁸ FAD, October 2017, at 118; FAD, October 2018, at 119.

²⁹ FAD, October 2017, at 117; FAD, October 2018, at 119.

³⁰ FAD, October 2017, at 118; FAD, October 2018, at 119-120.

Bureaus Generally Did Not Design Control Activities and Document Monitoring of Voluntary Contributions

Of the 21 voluntary contributions reviewed for this audit, 11 (representing \$4.6 billion, or 98 percent of the funds in the audit sample) included documentation of monitoring activities³¹ tied to voluntary contribution objectives and 10 did not (see Appendix B for additional information regarding the 11 voluntary contributions awarded by PRM, IO, ISN, and AVC that included documented monitoring activities, along with the 10 voluntary contributions awarded by ISN, NEA, EUR, SCA, and OES that did not). The 10 voluntary contributions that did not include documentation of monitoring activities tied to voluntary contribution objectives represent \$110 million (2 percent) of the funds in the audit sample.

OIG found that PRM designed control activities and documented the results of its monitoring of voluntary contributions in accordance with Green Book standards and principles.³² Specifically, PRM designed “PIO Specific Requirements” in its award files that established terms and conditions that UNHCR, the International Committee of the Red Cross, and IOM were required to follow. PRM also incorporated monitoring activities into its terms and conditions. For example, PRM required UNHCR to provide copies of all program and financial reports related to the specified activities within 30 days of award issuance. In addition, PRM documented its monitoring of objectives in performance narratives that demonstrated whether the objectives had been achieved. For example, PRM’s performance narrative for its 2018 and 2019 voluntary contributions stated that IOM did not fully achieve one of four objectives due to backlogs at the Department of Homeland Security, which also has responsibilities related to refugee resettlement. PRM’s monitoring verified that IOM had fully achieved the other three objectives related to refugee resettlement in the United States.

PRM also implemented other control activities to monitor progress toward achieving voluntary contribution objectives, such as

- **Policy and Program Review Committees:** PRM established policy and program review committees to provide a transparent system for establishing bureau policies, allocating resources, and documenting decision-making processes. The committees discuss strategic and funding decisions related to PIOs and make recommendations to PRM officials through documented memoranda, which include information such as the decisions to award voluntary contributions; the objectives of the voluntary contributions; monitoring and evaluation plans; and reviews of past performance.

³¹ Monitoring activities refers to activities related to evaluating performance toward achieving the objective(s) of the voluntary contribution. For example, this may include a monitoring plan that establishes performance measures and indicators, or documentation comparing actual performance to established performance measures and indicators.

³² PRM conducted more monitoring of voluntary contributions because of its existing internal processes for documenting voluntary contribution objectives and progress toward achieving those objectives. For example, PRM officials documented objectives in “Policy and Program Review Committee” memoranda, which also included performance narratives demonstrating progress toward achieving objectives established in previous fiscal years.

- **Frameworks for Cooperation/Memorandum of Understanding:** PRM established a framework for cooperation with UNHCR and a memorandum of understanding with IOM. The framework for cooperation outlined agreed-upon oversight and monitoring responsibilities, communication, and reporting procedures, as well as shared goals, objectives, and performance indicators. The memorandum of understanding defined the scope of services IOM is expected to provide, IOM's responsibilities for processing individuals requesting refugee status and resettlement in the United States, and requirements for submitting quarterly program and financial reports to PRM.
- **Country Operations Planning:** PRM officials participated in UNHCR's annual Country Operations Planning process, a worldwide annual planning exercise, and submitted reports on their findings to PRM and UNHCR management. PRM's report included surveys of UNHCR operations in 32 countries.

The 10 voluntary contributions that did not document monitoring activities tied to voluntary contribution objectives were awarded by ISN, NEA, EUR, SCA, and OES. Although officials in some of these bureaus stated that they reviewed the PIO's audited financial statements, met with PIO recipients, and shared written correspondence, OIG found that they did not always document the implementation of monitoring activities to verify progress toward, and achievement of, voluntary contribution objectives. For example, OES awarded a \$151,000 voluntary contribution in 2018 to the Western and Central Pacific Fisheries Commission to support "special projects or known needs,"³³ such as installation of additional solar panels at the commission's headquarters. OES officials stated that, as a member of the commission, they obtained and reviewed reports on the use of funds and asked clarifying questions when necessary at meetings. However, the award files did not contain copies of the reports on the use of funds or documentation of OES review of such reports. Furthermore, OES did not provide documentation of specific, measurable objectives, or reporting requirements for the commission, nor did OES develop a monitoring plan outlining how it would conduct oversight.

In another example, NEA awarded a \$93 million voluntary contribution to the MFO that supports both the organization's core budget and its operations. Some of these funds were for peacekeeping activities, but NEA did not develop specific and measurable objectives for these activities. Although NEA officials communicated with MFO officials and conducted site visits, NEA did not monitor objectives to verify that the peacekeeping activities were in fact achieved.

Unlike NEA, ISN awarded a \$718,000 voluntary contribution in 2018 to the Science and Technology Center in Ukraine and developed specific and measurable objectives to support the secure transportation of vulnerable radioactive sources in Ukraine. However, although ISN officials had frequent phone and email communications with the center and documented potential challenges in completing project activities, ISN officials stated that they do "not have formal monitoring and evaluation documents for Science and Technology Center" voluntary

³³ This quote was included in an OES Bureau email sent on July 30, 2018, and downloaded from the State Assistance Management System.

contributions. Because ISN did not have a plan for monitoring, it did not document its monitoring of the voluntary contribution's progress toward meeting objectives.

OIG determined that the five bureaus that did not include monitoring activities in award terms and conditions or execute and document monitoring activities to verify the achievement of objectives, did not do so because the FAD does not align with the Green Book and does not require it. Rather than outlining Department-wide requirements for monitoring, the FAD allows bureaus to determine the level of monitoring for voluntary contributions, resulting in varying monitoring practices and processes across the Department. An Office of the Procurement Executive official said the FAD defers to bureaus to adequately oversee voluntary contributions because they vary greatly in complexity and funding amount; however, absent standardized practices and processes, the Department has limited assurance that the objectives of the voluntary contributions overseen by these bureaus will be achieved. In contrast, the three bureaus, PRM, IO, and AVC, that independently established an internal control environment that required monitoring activities be documented could demonstrate that award objectives were achieved.³⁴ OIG, therefore, concludes that modifying the FAD to align with Green Book standards by requiring documentation of ongoing monitoring activities and the results is necessary to demonstrate to U.S. taxpayers that the voluntary contribution objectives, and the mission of the bureau, are being achieved. To ensure that control activities and monitoring for voluntary contributions embody an effective internal control system across the Department, OIG is offering the following recommendations.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the Federal Assistance Directive to require that bureaus issuing voluntary contributions incorporate monitoring activities tied to voluntary contribution objectives as terms and conditions in award documents, consistent with *Standards for Internal Control in the Federal Government* requirements.

Management Response: A/OPE concurred with the recommendation, stating that it will update the FAD “to require that bureaus issuing voluntary contributions develop monitoring plans that are appropriate for the voluntary contribution and commensurate with the level of risk associated with the contribution.”

OIG Reply: On the basis of A/OPE's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE has updated the FAD to require bureaus issuing voluntary contributions to incorporate monitoring activities tied to voluntary contribution objectives

³⁴ The control environment established by PRM, IO, and AVC leadership required greater monitoring documentation for voluntary contributions as part of existing policies and procedures. For example, IO developed an annual process for documenting PIO performance called the Annual Performance and Budget Review, which requires reporting on financial and programmatic performance measures, as well as monitoring procedures. Because the procedures were in place, PRM, IO, and AVC did not exclusively rely on the FAD for guidance on oversight of voluntary contributions.

as terms and conditions in award documents, consistent with *Standards for Internal Control in the Federal Government* requirements.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the Federal Assistance Directive to require that bureaus issuing voluntary contributions document the results of ongoing monitoring, consistent with *Standards for Internal Control in the Federal Government* requirements.

Management Response: A/OPE concurred with this recommendation stating that it will update the FAD “to require that bureaus issuing voluntary contributions document monitoring that is undertaken in connection with the contributions.”

OIG Reply: On the basis of A/OPE’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE has updated the FAD to require bureaus issuing voluntary contributions to document the results of ongoing monitoring, consistent with *Standards for Internal Control in the Federal Government* requirements.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the Federal Assistance Directive to require specific, measurable objectives to be identified in voluntary contribution award documents consistent with *Standards for Internal Control in the Federal Government* requirements.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the Federal Assistance Directive to require awarding offices to conduct risk assessments consistent with *Standards for Internal Control in the Federal Government* requirements.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the Federal Assistance Directive to require that bureaus issuing voluntary contributions incorporate monitoring activities tied to voluntary contribution objectives as terms and conditions in award documents, consistent with *Standards for Internal Control in the Federal Government* requirements.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the Federal Assistance Directive to require that bureaus issuing voluntary contributions document the results of ongoing monitoring, consistent with *Standards for Internal Control in the Federal Government* requirements.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State's (Department) policies, processes, and guidance for voluntary contributions ensure that risks are identified, assessed, and responded to before providing funds to Public International Organizations (PIO) and that funds are monitored to achieve award objectives.

OIG conducted this audit from May 2020 to December 2020 in the Washington, DC, metropolitan area. 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.

To obtain background information for this audit, OIG researched and reviewed Federal laws and regulations, as well as Department policies and procedures relating to foreign assistance funding. Specifically, OIG reviewed the International Organizations and Immunities Act of 1945, the *Standards for Internal Control in the Federal Government*, the Federal Assistance Directive, the Foreign Affairs Manual, the Foreign Affairs Handbook, and the Code of Federal Regulations. OIG conducted interviews with Department officials from bureaus that awarded voluntary contributions to PIOs: the Bureau of Population, Refugees, and Migration (PRM); the Bureau of International Organization Affairs (IO); the Bureau of International Security and Nonproliferation (ISN); the Bureau of Near Eastern Affairs (NEA); the Bureau of European and Eurasian Affairs (EUR); the Bureau of South and Central Asian Affairs (SCA); the Bureau of Arms Control, Verification, and Compliance (AVC); and the Bureau of Oceans and International Environmental and Scientific Affairs (OES). OIG also conducted interviews with and obtained documentation from the Bureau of Administration, Office of the Procurement Executive and officials at other domestic offices and overseas posts.

OIG obtained and reviewed Department policies, processes, and guidance for voluntary contributions and assessed the extent to which the Department addressed risks and conducted monitoring. OIG selected 21 voluntary contributions that the Department awarded between October 2017 and September 2019 (see Sampling Methodology section) to answer the audit objective. OIG also reviewed the State Assistance Management System (SAMS) Domestic award files to determine whether risk assessments and monitoring plans were completed for the selected awards. Additionally, OIG requested documents and interviewed bureau officials to obtain further information on the selected voluntary contributions.

This report relates to Overseas Contingency Operations Inherent Resolve and Freedom's Sentinel and was completed in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended. OIG conducted this performance audit in accordance with generally accepted Government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

Data Reliability

OIG used computer processed data to determine the universe of Department-issued voluntary contributions awarded in FY 2018 and FY 2019. OIG searched for all Federal Award Identification Numbers¹ in USASpending.gov, as well as the Department's SAMS Domestic, and SAMS Overseas databases. OIG compared these three lists, identified differences, and verified the analysis with the bureaus that awarded the voluntary contributions. To validate completeness of the data, OIG requested a list of all FY 2018 and FY 2019 voluntary contributions from each bureau to determine whether USASpending.gov, SAMS Domestic, and SAMS Overseas were missing any voluntary contributions. OIG determined that the data was sufficiently reliable for the purpose of selecting awards to review.

Sampling Methodology

OIG obtained information on voluntary contributions awarded by the Department in FY 2018 and FY 2019, which totaled 340 voluntary contributions collectively valued at \$6.247 billion. OIG employed a four-step process to select a target universe for 100 percent review:

1. OIG determined that eight bureaus awarded voluntary contributions in FY 2018 and FY 2019. To compare management practices across bureaus, OIG decided to review voluntary contributions awarded by each of the eight bureaus.
2. OIG identified the three PIOs that received the highest dollar amount of funding from each bureau. For bureaus that awarded voluntary contributions to fewer than three PIOs, OIG reviewed voluntary contributions awarded to all PIOs. For example, ISN only issued voluntary contributions to two PIOs. As a result, OIG reviewed voluntary contributions awarded to those two PIOs.
3. OIG selected the two highest-dollar-value voluntary contributions awarded by each bureau to the selected PIOs. For bureaus that awarded fewer than two voluntary contributions to applicable PIOs, OIG reviewed as many voluntary contributions as applicable. For example, NEA awarded one voluntary contribution (SNEAAC18VC0013) to one PIO (Multinational Force and Observers) in FY 2018 and FY 2019. As a result, OIG only reviewed SNEAAC18VC0013.
4. OIG determined that six of the voluntary contributions only supported PIOs' general budget and operations instead of activities. Because OIG determined that bureaus cannot define objectives, assess risks, or monitor objectives for voluntary contributions that only support PIOs' general budget and operations, OIG omitted these six voluntary contributions from its detailed review.

This methodology resulted in OIG selecting a target universe of 21 voluntary contributions collectively valued at approximately \$4.74 billion, which represents 76 percent of funds awarded for all Department voluntary contributions in FY 2018 and FY 2019, as shown in Table A.1.

¹ A Federal Award Identification Number is a standard, unique identification number that allows the Department to track awards in Department and Federal databases. (FAD, October 2017, Chapter 3, § D, "Federal Award Identification Number (FAIN)," 82.)

Table A.1: Voluntary Contributions Selected for Review

Federal Award		Public International Organizations	Dollar Amount
Bureau	Identification Number		
PRM	SPRMC018VC0010	United Nations High Commissioner for Refugees	\$1,589,203,943
PRM	SPRMC019VC0036	United Nations High Commissioner for Refugees	1,706,982,053
PRM	SPRMC018VC0008	International Committee of the Red Cross	474,200,000
PRM	SPRMC019VC0042	International Committee of the Red Cross	471,738,000
PRM	SPRMC018VC0001	International Organization for Migration	85,000,000
PRM	SPRMC019VC0015	International Organization for Migration	102,000,000
IO	SINTOA18VC0028	Montreal Protocol Multilateral Fund	30,838,172
IO	SINTOA19VC0041	Montreal Protocol Multilateral Fund	26,350,000
ISN	N/A, issued in 2018*	International Atomic Energy Agency	73,490,295
ISN	SISNEX19VC0010	International Atomic Energy Agency	72,460,609
ISN	N/A, issued in 2018*	Science and Technology Center in Ukraine	718,000
ISN	SISNEX19VC0011	Science and Technology Center in Ukraine	618,000
NEA	SNEAAC18VC0013	Multinational Force and Observers	93,000,000
EUR	SAU91019VC0054	Organization for Security and Cooperation in Europe	6,241,006
EUR	SAU91019VC0037	Organization for Security and Cooperation in Europe	2,507,734
SCA	SSSRAP18VC0001	United Nations Development Programme	5,997,936
AVC	SACVAC19VC0005	Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty	2,000,000
OES	SOESCI18VC0013	International Commission for the Conservation of Atlantic Tuna	100,000
OES	SOESCI19VC0034	International Commission for the Conservation of Atlantic Tuna	170,000
OES	SOESCI18VC0009	Western and Central Pacific Fisheries Commission	151,000
OES	SOESCI19VC0038	Western and Central Pacific Fisheries Commission	154,000
Total			\$4,743,920,748

* ISN did not input all voluntary contributions into SAMS Domestic or SAMS Overseas. Accordingly, this ISN voluntary contribution does not have a Federal Award Identification Number.

Source: OIG generated from data provided by the Department and obtained from SAMS.

Work Related to Internal Control

OIG considered several factors, including the subject matter of the project, to determine that internal control was significant to the audit objective. OIG then reviewed the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government*² to conclude that three internal control components were significant for this audit: Risk Assessment, Control Activities, and Monitoring. The Risk Assessment component assesses the risks facing the entity as it seeks to achieve its objectives. This assessment 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, which includes the entity's information system.

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

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 review. OIG also concluded that six principles related to the selected components were significant to the audit objective as described in Table A.2.

Table A.2: Internal Control Components and Principles Identified as Significant

Components	Principles
Risk Assessment	<ul style="list-style-type: none"> • Management should define objectives clearly to enable the identification of risks and define risk tolerances. • Management should identify, analyze, and respond to risks related to achieving the defined objectives. • Management should identify, analyze, and respond to significant changes that could impact the internal control system.
Control Activities	<ul style="list-style-type: none"> • Management should design control activities to achieve objectives and respond to risks.
Monitoring	<ul style="list-style-type: none"> • Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. • Management should remediate identified internal control deficiencies on a timely basis.

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 performed procedures to test the design and implementation of those controls. Specifically, OIG:

- Interviewed Department officials to obtain an understanding of risk assessments, risk mitigation, and monitoring processes and policies.
- Reviewed risk assessments and risk mitigation plans, the establishment and execution of monitoring plans, bureau-specific standard operating procedures, and voluntary contribution performance progress reports.
- Reviewed control activities in place to respond to risk and monitor objectives.

Significant internal control deficiencies identified that are significant within the context of the audit objective are presented in the Audit Results section of this report.

Prior Office of Inspector General Reports

In the *Audit of the Office of the Coordinator for Assistance to Europe and Eurasia's Oversight of Foreign Assistance Funds Transferred to Implementing Partners* (AUD-CGI-20-12, March 2020), OIG reported that from 2015 to 2017, EUR's Office of the Coordinator of U.S. Assistance to Europe and Eurasia did not ensure that implementing partners were performing monitoring and evaluation activities and did not obtain the necessary data from its implementing partners to perform an evidence-based analysis of foreign assistance provided to the region. OIG offered six recommendations to improve monitoring and evaluation of foreign assistance funds awarded to

implementing partners. As of December 2020, five of six recommendations were closed and one was resolved, pending further action.

In the *Audit of Foreign Assistance for Internally Displaced Persons in Iraq* (AUD-MERO-18-56, August 2018), OIG reported that although PRM's monitoring of voluntary contributions to international organizations generally followed Federal and Department requirements, several award files did not contain required documents and funding had been approved by an official who did not have delegated authority. OIG offered three recommendations to improve PRM's award file documentation and clarify delegations of authority over approvals for funding voluntary contributions. As of December 2020, all three recommendations were closed.

In the *Audit of Humanitarian Assistance to South Sudan* (AUD-MERO-18-48, July 2018), OIG reported that PRM's risk assessments and monitoring of its 2016 voluntary contributions to the United Nations High Commissioner for Refugees and the International Committee of the Red Cross were consistent with Federal and Department requirements. OIG found that both organizations provided global and country-specific performance information that PRM reviews to develop annual plans and allocate assistance. OIG did not offer any recommendations related to voluntary contributions in this report.

In the *Inspection of the Bureau of Population, Refugees, and Migration* (ISP-I-17-10, February 2017), OIG reported that PRM established standard operating procedures and systematic mechanisms to engage, monitor, and evaluate the effectiveness of the international organizations it funds even though it was not required to do so. Additionally, PRM established cooperation agreements with three international organizations that identified shared goals, priorities, and commitments, including planned monitoring mechanisms to evaluate program effectiveness. OIG did not offer any recommendations related to voluntary contributions in this report.

In the *Inspection of the Bureau of International Organization Affairs* (ISP-I-16-02, October 2015), OIG reported that IO's efforts to evaluate voluntary contributions it awarded to international organizations were insufficient. Specifically, OIG found that IO relied on the Multilateral Organization Performance Network to review the contributions, but the Network only assessed an average of four organizations annually and did not review the effectiveness of specific projects. OIG also found that IO implemented an annual performance and budget review of the international organizations it funded, but it relied on the international organizations to self-report on their goals, results achieved, and resource management. OIG offered one recommendation to IO to improve its oversight of voluntary contributions. As of December 2020, the recommendation was closed.

APPENDIX B: OIG REVIEW RESULTS OF VOLUNTARY CONTRIBUTIONS

Table B.1: OIG Review Results of Voluntary Contributions by Objectives, Risk Assessment, and Monitoring

Bureau	Dollar Amount	Recipient	Federal Award Identification Number and Purpose	Results		
				Specific, Measurable Objective(s)	Risk Assessment	Monitor Objectives
PRM	1,589,203,943	United Nations High Commissioner for Refugees	SPRMCO18VC0010. To support UNHCR activities in several countries.	✓	✓	✓
PRM	1,706,982,053	United Nations High Commissioner for Refugees	SPRMCO19VC0036. To support UNHCR activities in several countries.	✓	✓	✓
PRM	474,200,000	International Committee of the Red Cross	SPRMCO18VC0008. To support International Committee of the Red Cross activities in several countries.	✓	✓	✓
PRM	471,738,000	International Committee of the Red Cross	SPRMCO19VC0042. To support International Committee of the Red Cross activities in several countries.	✓	✓	✓
PRM	85,000,000	International Organization for Migration	SPRMCO18VC0001. To process individuals requesting refugee status and resettlement in the United States	✓	✓	✓
PRM	102,000,000	International Organization for Migration	SPRMCO19VC0015. To process individuals requesting refugee status and resettlement in the United States	✓	✓	✓
IO	30,838,172	Montreal Protocol Multilateral Fund	SINTOA18VC0028. To implement the Montreal Protocol.	✓	x	✓
IO	26,350,000	Montreal Protocol Multilateral Fund	SINTOA19VC0041. To implement the Montreal Protocol.	✓	x	✓
ISN	73,490,295	International Atomic Energy Agency	N/A. To support hundreds of International Atomic Energy Agency projects.	✓	✓	✓
ISN	72,460,609	International Atomic Energy Agency	SISNEX19VC0010. To support hundreds of International Atomic Energy Agency projects.	✓	x	✓

Bureau	Dollar Amount	Recipient	Federal Award Identification Number and Purpose	Results		
				Specific, Measurable Objective(s)	Risk Assessment	Monitor Objectives
ISN	718,000	Science and Technology Center in Ukraine	N/A. To support the secure transportation of vulnerable radioactive sources in Ukraine.	✓	x	x
ISN	618,000	Science and Technology Center in Ukraine	SISNEX19VC0011. To prevent, detect, and respond to terrorists and nonstate actors from acquiring Weapons of Mass Destruction materials.	✓	x	x
NEA	93,000,000	Multinational Force and Observers	SNEAAC18VC0013. To fund the Multinational Force and Observers' general budget as well as force protection. *	x	x	x
EUR	6,241,006	Organization for Security and Cooperation in Europe	SAU91019VC0054. To fund future projects.	x	x	x
EUR	2,507,734	Organization for Security and Cooperation in Europe	SAU91019VC0037. To support the Special Monitoring Mission to Ukraine.	x	x	x
SCA	5,997,936	United Nations Development Programme	SSSRAP18VC0001. To support peace and reconciliation in Afghanistan.	x	x	x
AVC	2,000,000	Comprehensive Nuclear-Test-Ban Treaty Organization Preparatory Commission	SACVAC19VC0005. To acquire a hydrophone triplet.	✓	✓	✓
OES	100,000	International Commission for the Conservation of Atlantic Tuna	SOESCI18VC0013. To support the Atlantic Ocean Tropical Tuna Tagging Program and other activities.	x	x	x
OES	170,000	International Commission for the Conservation of Atlantic Tuna	SOESCI19VC0034. To support the electronic Bluefin Catch Documentation Scheme and other activities.	x	x	x
OES	151,000	Western and Central Pacific Fisheries Commission	SOESCI18VC0009. To support hosting meetings and other activities.	x	x	x
OES	154,000	Western and Central Pacific Fisheries Commission	SOESCI19VC0038. To support workshops and other activities.	x	x	x

* This voluntary contribution supports both the PIO's general budget, operations, and activities.

Source: OIG generated based on voluntary contribution information and data provided by awarding bureau.

APPENDIX C: BUREAU OF ADMINISTRATION RESPONSE



United States Department of State

Washington, D.C. 20520

UNCLASSIFIED

February 17, 2021

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/OPE/AP – John C. Dockery *JD*

SUBJECT: Draft Report on Audit of the Department of State's Risk Assessments and Monitoring of Voluntary Contributions to Public International Organizations (AUD-MERO-21-XX)

Thank you for the opportunity to provide a management response on the subject draft report. The point of contact for this report is the Office of the Procurement Executive Front Office (A-OPEFrontOfficeAssistants@state.gov).

Recommendation 1: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the Federal Assistance Directive to require specific, measurable objectives to be identified in voluntary contribution award documents consistent with Standards for Internal Control in the Federal Government requirements.

Management Response to Draft Report (02/17/2021): The Bureau of Administration, Office of the Procurement Executive's Office of Acquisition Policy (A/OPE/AP) concurs with this recommendation. A/OPE/AP will update the fiscal year (FY) 2022 Federal Assistance Directive (FAD) on October 1, 2021 to require specific, measurable objectives to be identified in voluntary contribution award documents where appropriate, recognizing that the degree of specificity depends on the overall purpose of the voluntary contribution.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the FY 2022 Federal Assistance Directive on October 1, 2021 to require awarding offices to conduct risk assessments consistent with Standards for Internal Control in the Federal Government requirements.

Management Response to Draft Report (02/17/2021): A/OPE/AP concurs with this recommendation. A/OPE/AP will update the FY2022 FAD on October 1, 2021 to require awarding offices to conduct risk assessments for voluntary contributions commensurate with the overall purpose of the voluntary contribution.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update FY 2022 Federal Assistance Directive on October 1, 2021 to require that bureaus issuing voluntary contributions incorporate monitoring activities tied to

UNCLASSIFIED

UNCLASSIFIED

- 2 -

voluntary contribution objectives as terms and conditions in award documents, consistent with Standards for Internal Control in the Federal Government requirements.

Management Response to Draft Report (02/17/2021): A/OPE/AP concurs with this recommendation. A/OPE/AP will update the FY2022 FAD on October 1, 2021 to require that bureaus issuing voluntary contributions develop monitoring plans that are appropriate for the voluntary contribution and commensurate with the level of risk associated with the contribution.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of the Procurement Executive update the FY 2022 Federal Assistance Directive on October 1, 2021 to require that bureaus issuing voluntary contributions document the results of ongoing monitoring, consistent with Standards for Internal Control in the Federal Government requirements.

Management Response to Draft Report (02/17/2021): A/OPE/AP concurs with this recommendation. A/OPE/AP will update the FY2022 FAD on October 1, 2021 to require that bureaus issuing voluntary contributions document monitoring that is undertaken in connection with the contributions.

UNCLASSIFIED

APPENDIX D: BUREAU OF EUROPEAN AND EURASIAN AFFAIRS RESPONSE



United States Department of State

Washington, D.C. 20520

UNCLASSIFIED

February 10, 2021

MEMORANDUM

TO: OIG/AUD – Bernard Vennemann

FROM: EUR/ACE – James Kulikowski

SUBJECT: Response to the Draft Report on *Audit of the Department of State's Risk Assessments and Monitoring of Voluntary Contributions to Public International Organizations (AUD-MERO-21-XX)*

Attached for your consideration are written comments on the draft report released on January 27. EUR welcomes the review of its oversight of voluntary payments provided to the Organization of Security and Cooperation as conducted by the OIG and agrees in principle with the recommendations in the draft report. However, EUR believes the OIG has understated the level of oversight with respect to our voluntary payments and requests that the OIG consider the suggested additional information, modifications and corrections to the draft report as outlined in the attached comments.

EUR appreciates the time and attention given by your staff in carrying out this audit. If you have any questions as you review our comments and finalize the report, please contact John Wilcox at 202 647 6621 or WilcoxJL@state.gov.

Attachment(s):

- EUR Response on the Draft *Audit of the Department of State's Risk Assessments and Monitoring of Voluntary Contributions to Public International Organizations (AUD-MERO-21-XX)*

UNCLASSIFIED

UNCLASSIFIED

EUR Comments on the Draft *Audit of Risk Assessments and Monitoring of Voluntary Contributions to Public International Organizations* (AUD-MERO-21-XX)

EUR requests that the OIG's final report provide additional information, modifications, and corrections as noted below.

Unallocated OSCE Project Funds: While supporting the recommendations of the report on improvements to the current guidelines on voluntary contributions, EUR requests that the audit report acknowledge that the "unallocated account" for future voluntary payments to the OSCE is a repository for funds awaiting reallocation to specific extra-budgetary projects of the OSCE and that there are existing procedures to assure due diligence is carried out prior to funds being allocated to specific projects and for undertaking the requisite monitoring and evaluation.

Specifically, with respect to the reallocation of these voluntary funds, the funds are further allocated on a project-by-project basis through a process undertaken by OSCE in conjunction with USOSCE that includes setting objectives and other required risk assessment and monitoring procedures together that cannot be undertaken until the specific projects are identified. Once projects have been identified by the OSCE for U.S. consideration, USOSCE and EUR/RPM conduct a thorough review of new voluntary funds each fiscal year. USOSCE conducts analytical summaries on each individual project proposal that would use U.S. voluntary funds, including a consolidated spreadsheet tracking all such funding proposals. USOSCE/ORM hosts secure video teleconferences for Mission personnel with EUR/RPM colleagues, as well as other Departmental stakeholders, to carry out the risk assessment process and ensure proposed projects align with U.S. policy priorities. These projects therefore receive a level of review and consideration specific to that project before U.S. voluntary funds are made available to the OSCE to carry them out.

With respect to monitoring and evaluation, each diplomatic note sent to the OSCE approving USOSCE's initial or reallocated voluntary funding to an extrabudgetary project includes two enclosures: the Monitoring and Evaluation Matrix and instructions for the U.S. Contribution Evaluation Report. In these enclosures, the OSCE is informed in writing that it must furnish written progress reports at least twice a year. Further, USOSCE/ORM conducts its own internal audit for OSCE progress reports on these projects and completes line-item reviews of expenditures for the pledge (voluntary funding) reports for all active and concluded extrabudgetary projects. This internal audit assesses the OSCE progress reports and the drawdown of funds consistent with any applicable limitations on the funds themselves as well as other applicable U.S. foreign assistance guidelines. Finally, consistent with its efforts to address 18 FAM 300, EUR/ACE and USOSCE are currently negotiating strengthened M&E standards with the OSCE.

OSCE's Special Monitoring Mission to Ukraine: EUR disagrees with OIG's assessment that the Bureau did not define the objectives, assess the risks, and conduct periodic monitoring for its voluntary payments to the OSCE Special Monitoring Mission (SMM) to Ukraine. The SMM's objectives are clearly defined in its mandate even if the documentation may not be presented in the format identified by the OIG, and its activities and effectiveness, including conditions that hinder the SMM's fulfillment of its mandate and achievement of its objectives, are closely

UNCLASSIFIED

UNCLASSIFIED

monitored through formal reporting and briefs to the U.S. Mission to the OSCE in Vienna and the U.S. Embassy in Kyiv, as well as to the OSCE as a whole. We also note that in order to fully fund the SMM, which is a critical mission that Russia resists funding entirely out of the assessed budget, the United States and its allies must make additional voluntary payments through the OSCE's extra-budgetary mechanism. Without this additional funding, the SMM would be unable to send observers to the most hazardous areas of Ukraine to monitor the ceasefire, to procure essential long-range unmanned aerial vehicle services, and to report on violations of OSCE principles and commitments in areas occupied by Russian-led forces.

OSCE Status as a PIO: We note that the OSCE is not considered a public international organization, including for purposes of the Department's Federal Assistance Directive. Among other considerations, the OSCE has not been designated as an international organization under the International Organizations Immunities Act, and its participating States have not entered into a treaty that gives it an independent legal status or international legal personality.

Reference to long range missiles: On page 7 of the report, an EUR official was misquoted. Voluntary payments to the OSCE Special Monitoring Mission do not support long-range missile programs but rather long-range unmanned aerial vehicles (UAVs). We request OIG amend the sentence to read: "An EUR official stated that the voluntary contribution supported critical services for the monitoring mission, to include long-range unmanned aerial vehicles (UAVs) and costs associated with personnel on the ground."

APPENDIX E: BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS RESPONSE



United States Department of State

Washington, D.C. 20520

www.state.gov

February 19, 2021

Mike Vennemann,
Director Middle East Region Operations
Office of the Inspector General
1700 N. Moore St., Suite 700
Arlington, VA 22209

Dear Mr. Venneman:

The Bureau of South and Central Asian Affairs (SCA) welcomes the opportunity to comment on this draft of the Office of Inspector General report, *Audit of the Department of State's Risk Assessments and Monitoring of Voluntary Contributions to Public International Organizations* (dated January 2021), which, inter alia, examines a voluntary contribution that SCA made to the UN Development Programme (UNDP) in 2018.

This voluntary contribution was made to support UNDP activities in Afghanistan to further peace and reconciliation, in particular certain activities of the Afghan Peace Council in support of the Government of Afghanistan's peace efforts. As set out in an arrangement between SCA and UNDP, UNDP was to use U.S. funds in furtherance of a specific UNDP project, for which detailed project plans were provided to the United States. In 2020, SCA decided, through an amendment to the initial arrangement, that UNDP could use remaining funds from the U.S. voluntary contribution for a new UNDP project described in the associated project documents as "support[ing] the ongoing peace/political process" and the "recently established State Ministry for Peace and other Afghan peace structures to ensure that the peace process is inclusive of all communities, people and voices." UNDP provided to the United States a Project Initiation Plan (PIP) for this project with details on the cost, expected outcomes, and specific activities under the project, including expected beneficiaries and types of assistance. The PIP also noted that activities would be "preceded by detailed activity plans that will then be vetted and approved by the Steering Committee." As a UNDP contributor, the United States, through representatives from U.S. Embassy Kabul, is a member of the Steering Committee and frequently discusses PIP activities funded through donor contributions with UNDP. Steering Committee decisions to approve plans must be unanimous, to ensure funds are not used for activities

deemed unacceptable to contributors. Due to our membership on the Steering Committee, the United States is apprised of the programming UNDP plans to undertake using donor funds and has the opportunity to effect changes as necessary as activities develop.

The Office of Afghanistan Affairs (SCA/A) conducted a terrorist financing risk assessment in connection with this voluntary contribution, which it completed in close coordination with U.S. Embassy Kabul, to document its assessment of the risk that the contribution could inadvertently or incidentally provide material support to terrorists, risk mitigation procedures, and additional controls, and concluded that the risk was low, with mitigation measures in place.

As a result of the OIG's recommendations, SCA/A will maintain close contact with the Office of the Procurement Executive (A/OPE) to ensure it meets any updated requirements in connection with voluntary contributions.

The Bureau appreciates the IG's thorough examination of U.S. foreign assistance programming. SCA looks forward to continuing to work with OIG and other relevant authorities on these issues.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Evans', with a long horizontal flourish extending to the right.

Mark Evans
Acting Deputy Assistant Secretary
Bureau of South and Central Asian Affairs

APPENDIX F: OIG REPLY TO THE BUREAU OF EUROPEAN AND EURASIAN AFFAIRS GENERAL COMMENTS

The Bureau of European and Eurasian Affairs (EUR) provided general comments to a draft of this report (see Appendix D). Below is a summary of EUR's general comments and OIG's reply.

EUR Comment: EUR requested that OIG acknowledge that the “unallocated account” for the Organization for Security and Cooperation in Europe is “a repository for funds awaiting reallocation to specific extra-budgetary projects of the [Organization for Security and Cooperation in Europe] and that there are existing procedures to assure due diligence is carried out prior to funds being allocated to specific projects.” Additionally, EUR stated that it provides the Organization for Security and Cooperation in Europe a “Monitoring and Evaluation Matrix” and instructions for completing a “U.S. Contribution Evaluation Report” for each “initial or reallocated voluntary funding to an extra-budgetary project.”

OIG Reply: For this audit, OIG reviewed one EUR voluntary contribution to the Organization for Security and Cooperation in Europe's “unallocated account.”¹ The documented purpose of the voluntary contribution is to provide “[e]xtra-budgetary project funding for 1100764 -ExB USA Unallocated [Account].” OIG determined that EUR did not assess risks *before* the award in accordance with the *Standards for Internal Control in the Federal Government* (the Green Book), which states management should “identify, analyze, and respond to risks related to achieving the defined objectives.”² In addition, OIG reviewed the EUR “Monitoring and Evaluation Matrix” and the “U.S. Contribution Evaluation Report” templates and requested “all monitoring and evaluation matrices” for the two EUR voluntary contributions (Federal Award Identification Numbers SAU91019VC0037 and SAU91019VC0054) included in this audit. However, EUR did not provide documentation of completed Monitoring and Evaluation Matrices or U.S. Contribution Evaluation Reports for these two voluntary contributions. OIG did not make changes to the report based upon this comment.

EUR Comment: EUR stated that the Special Monitoring Mission to the Ukraine's “objectives are clearly defined in its mandate even if the documentation may not be presented in the format identified by the OIG.” In addition, EUR disagreed with OIG's conclusion that the bureau did not “conduct periodic monitoring for its voluntary payments to the [Organization for Security and Cooperation in Europe's] Special Monitoring Mission ... to Ukraine.” EUR stated that the Special Monitoring Mission's activities and effectiveness are “monitored through formal reporting and briefs to the U.S. Mission to the [Organization for Security and Cooperation in Europe] in Vienna and the U.S. Embassy in Kyiv.”

¹ The referenced voluntary contribution is Federal Award Identification Number SAU91019VC0054. See details related to OIG's assessment in Appendix B, Table B.1.

² Government Accountability Office, *Standards for Internal Control in the Federal Government*, 37 (GAO-14-704G, September 2014).

OIG Reply: OIG is not questioning the Special Monitoring Mission to Ukraine’s mandate; however, OIG maintains that EUR did not establish specific, measurable objectives that were consistent with Green Book requirements for EUR’s voluntary contribution (Federal Award Identification Number SAU91019VC0037), as described in Finding A of this report. The stated purpose of this voluntary contribution was to provide an “Annual Voluntary Contribution as part of the Special Monitoring Mission to Ukraine budget.” Without measurable objectives, EUR cannot assess risks for the specific \$2.5 million voluntary contribution in a quantifiable manner or verify the award objectives are being achieved. During the audit, EUR provided examples of weekly and quarterly reports from the Organization for Security and Cooperation in Europe on the Special Monitoring Mission to Ukraine. However, as noted in Finding A of this report, because the award documents did not define specific and measurable objectives, OIG maintains that the documentation provided by EUR did not demonstrate progress toward measurable objectives. OIG did not make changes to the report based upon this comment.

EUR Comment: EUR stated that the Organization for Security and Cooperation in Europe “is not considered a public international organization” (PIO) for the purposes of the Federal Assistance Directive³ (FAD) because it “has not been designated as an international organization under the International Organizations Immunities Act, and its participating States have not entered into a treaty that gives it an independent legal status or international legal personality.”

OIG Reply: The FAD states that a PIO is “an organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act . . . *or is otherwise determined to be a PIO based on consultation with the Office of the Legal Adviser* [emphasis added].”⁴ Moreover, EUR internal documentation in the Department’s State Assistance Management System stated that the Organization for Security and Cooperation in Europe is a PIO. OIG did not make changes to the report based upon this comment.

EUR Comment: EUR requested that OIG amend a sentence on page 7 to state “An EUR official stated that the voluntary contribution supported critical services for the monitoring mission, to include long-range unmanned aerial vehicles (UAVs) and costs associated with personnel on the ground.”

OIG Reply: OIG incorporated the requested language in this final report.

³ Federal Assistance Directive, October 2018.

⁴ FAD, October 2018, at 113.

APPENDIX G: OIG REPLY TO THE BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS GENERAL COMMENTS

The Bureau of South and Central Asian Affairs (SCA) provided general comments to a draft of this report (see Appendix E). Below is a summary of SCA's comment regarding a voluntary contribution to the United Nations Development Programme and OIG's reply.

SCA Comment: SCA stated that "The Office of Afghanistan Affairs (SCA/A) conducted a terrorist financing risk assessment in connection with this voluntary contribution [Federal Award Identification Number SSSRAP18VC0001], which it completed in close coordination with U.S. Embassy Kabul, to document its assessment of the risk that the contribution could inadvertently or incidentally provide material support to terrorists, risk mitigation procedures, and additional controls, and concluded that the risk was low, with mitigation measures in place."

OIG Reply: During the audit, OIG requested SCA's risk assessments associated with the referenced voluntary contribution, and SCA responded that the Bureau of Administration's Risk Analysis and Management division advised SCA that the division "does not vet contributions to international organizations," and that the "Department places the onus of vetting and the safeguarding of [U.S. Government] funds on the [International Organization]." In addition, SCA did not provide OIG documentation of the referenced risk assessment when responding to a draft of this report. Therefore, OIG does not have evidence that a risk assessment was performed in accordance with *Standards for Internal Control in the Federal Government*.¹ OIG did not make changes to the report based upon this comment.

¹ Government Accountability Office, *Standards for Internal Control in the Federal Government*, 37 (GAO-14-704G, September 2014).

ABBREVIATIONS

AVC	Bureau of Arms Control, Verification, and Compliance
EUR	Bureau of European and Eurasian Affairs
FAD	Federal Assistance Directive
IO	Bureau of International Organization Affairs
IOM	International Organization for Migration
ISN	Bureau of International Security and Nonproliferation
MFO	Multinational Force and Observers
NEA	Bureau of Near Eastern Affairs
OES	Bureau of Oceans and International Environmental and Scientific Affairs
OIG	Office of Inspector General
PIO	Public International Organization
PRM	Bureau of Population, Refugees, and Migration
SAMS	State Assistance Management System
SCA	Bureau of South and Central Asian Affairs
UNHCR	United Nations High Commissioner for Refugees

OIG AUDIT TEAM MEMBERS

Melinda Perez, Director
Middle East Region Operations
Office of Audits

Bernard Vennemann, Audit Manager
Middle East Region Operations
Office of Audits

Holly Carabbio, Management Analyst
Middle East Region Operations
Office of Audits

Jeffrey Pflanz, Management Analyst
Middle East Region Operations
Office of Audits

Matthew Tomlin, Management Analyst
Middle East Region Operations
Office of Audits



HELP FIGHT FRAUD, WASTE, AND ABUSE

1-800-409-9926

[Stateoig.gov/HOTLINE](https://stateoig.gov/HOTLINE)

If you fear reprisal, contact the
OIG Whistleblower Coordinator to learn more about your rights.

WPEAOmbuds@stateoig.gov