Office of Inspector General
United States Department of State

Review of Department of State
Foreign Assistance Tracking Capabilities

DOMESTIC OPERATIONS AND SPECIAL REPORTS

Summary of Review

OIG conducted a review of the Department of State's (Department) foreign assistance tracking capabilities.[1] In a 2017 report,[2] OIG found that Department efforts to improve its tracking of foreign assistance funds had yielded limited progress and lacked executive guidance and support. Moreover, OIG assessed that the Department's proposed approach to addressing deficiencies in foreign assistance tracking would not produce the full range of data needed by senior policymakers, bureaus that manage foreign assistance, or external audiences. The objectives of this current review were to: (1) determine what progress the Department has made in improving its ability to track and report on foreign assistance since OIG's 2017 report; (2) assess the sufficiency of the Department's proposed solutions; and (3) determine the effects of any shortcomings in the Department's ability to track foreign assistance funding.

OIG found that the Department took several steps to improve its ability to track foreign assistance funds since the issuance of the 2017 report. At the time of this 2020 review, the Department planned to begin collecting more detailed data for each accounting transaction involving foreign assistance funds in FY 2021. Department staff told OIG this action would further improve the accuracy of the Department's foreign assistance data, allowing it to better comply with its public reporting requirements and meet the data needs of senior Department officials. Despite this plan to collect more detailed data, OIG found the Department did not assess the full range of potential effects its changes would have on bureaus that manage foreign assistance, nor did it identify sufficient measures to mitigate such effects. OIG also found that the Department did not adequately communicate and train bureaus on how to implement its proposed changes to improve foreign assistance tracking. Such a lapse risks the continued production of unreliable data on the Department's foreign assistance portfolio. OIG made three recommendations to the Office of Foreign Assistance to address these issues. In its comments on the draft report, the Department concurred with all three recommendations. OIG considers all three recommendations resolved. The Department's response to each recommendation and OIG's reply can be found in the Recommendations section of this report. The Department's formal written response is reprinted in its entirety in Appendix B.

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[1] This review addressed the Department's tracking of transaction-level foreign assistance financial data, which the Department is required by law and policy to make publicly available. The Department maintains additional types of foreign assistance data, including data holdings related to foreign assistance budgeting, strategic planning, performance monitoring, and evaluation. These additional foreign assistance data holdings were not included in the scope of OIG's review.

[2] OIG, *Compliance Follow-up Review: Department of State Is Still Unable to Accurately Track and Report on Foreign Assistance Funds* (ISP-C-17-27, June 2017).

BACKGROUND

The Department's foreign assistance budget totaled $18.5 billion in FY 2018.[3] Although other Federal agencies obligated and expended a portion of these funds,[4] the Department reported that 21 bureaus and independent offices obligated $10.2 billion[5] in foreign assistance in FY 2018. Foreign assistance funds support U.S. foreign policy objectives, especially in the areas of security, counternarcotics, public health, nonproliferation, and humanitarian relief, as well as democracy and governance. Over the past two decades, the Department's foreign assistance outlays have more than quadrupled.[6]

Department Subject to New Requirements Related to Foreign Assistance, Financial Reporting, and Data

The Department is required by law and policy[7] to make information on its foreign assistance programs publicly available. In 2016, Congress passed the Foreign Aid Transparency and Accountability Act,[8] which codified the requirement for the Department to publish foreign assistance data on the website foreignassistance.gov or through a successor online publication. As shown in Figure 1, in recent years Congress also passed several other laws which affect the Department's reporting of financial information, management of foreign assistance, and corporate use of data, including foreign assistance data.

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[3] At the time of OIG's review, the Department had yet to report complete information on its FY 2019 foreign assistance obligations and expenditures. Accordingly, OIG used FY 2018 data for this review.

[4] For example, the Department transfers most of the funding appropriated in the Global Health Programs – State account to other Federal agencies that assist with the President's Emergency Plan for AIDS Relief, including the U.S. Agency for International Development and the Department of Health and Human Services' Centers for Disease Control and Prevention.

[5] This figure does not include Foreign Military Financing and International Military Education and Training funds administered by the Department of Defense.

[6] The Department reported $2.43 billion in foreign assistance obligations and expenditures in FY 1998.

[7] Consistent with the Office of Management and Budget's Memorandum M-10-06, "Open Government Directive," and Bulletin No. 12-01, "Guidance on Collection of U.S. Foreign Assistance Data," the Department is required to make data on its foreign assistance activities available to the public.

[8] Foreign Aid Transparency and Accountability Act of 2016, Pub. L. No. 114-191.

Figure 1: Recent Legislation Affecting the Department's Foreign Assistance Management

The Digital Accountability and Transparency Act of 2014 (Pub. L. No. 113-101)	Foreign Aid Transparency and Accountability Act of 2016 (Pub. L. No. 114-191)	Grants Oversight and New Efficiency Act (Pub. L. No. 114-117)
Department required to report financial and payment data on usaspending.gov.	Department required to publish foreign assistance data on foreignassistance.gov or successor publication.	Department required to report on the closeout of Federal assistance awards.

Foundations for Evidence-Based Policymaking Act of 2018 (Pub. L. No. 115-435)	Grant Reporting Efficiency and Agreements Transparency Act of 2019 (Pub. L. No. 116-103)
Department required to designate a Chief Data Officer to oversee development of policies and processes to ensure data quality and integrity.	Department required to use newly developed data standards for future Federal assistance awards.

Source: Generated by OIG.

In 2014, the Department created the Foreign Assistance Data Review (FADR) working group to improve its foreign assistance tracking and reporting capabilities and ensure compliance with the Department's legal and policy obligations.[9] The Office of Foreign Assistance, which leads the FADR working group, told OIG 26 bureaus and independent offices[10] that manage foreign assistance participated in the working group at the time of OIG's review. The working group also includes participation from bureaus that enable foreign assistance data collection, including the Bureau of Administration and the Bureau of the Comptroller and Global Financial Services (CGFS), which are owners of enterprise IT systems used to manage foreign assistance.[11] (See Figure 2, below, for information on the FADR structure.) Since 2017, Congress has included language in the Department's annual appropriation[12] that requires a report on the

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[9] In addition to the recent legal requirements outlined above, previous legislation such as the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. No. 109-282) required Federal award information to be published on a single, searchable website that is available to the public. In addition, the requirements outlined in the Office of Management and Budget's Memorandum M-10-06, "Open Government Directive" and Bulletin No. 12-01, "Guidance on Collection of U.S. Foreign Assistance Data," also predated the creation of the Foreign Assistance Data Review.
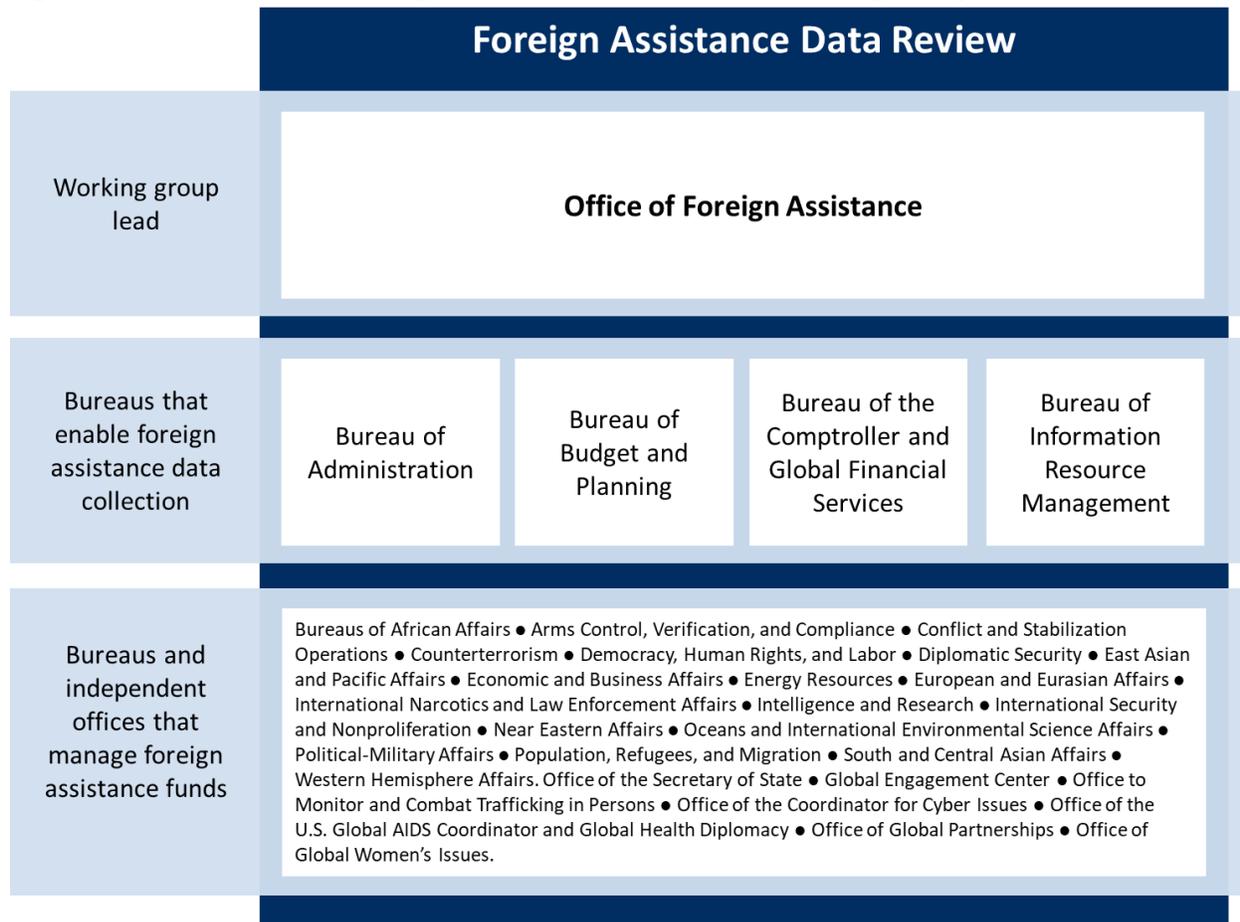
[10] The working group included participation from several independent offices, including the Office of the Coordinator for Cyber Issues, Office to Monitor and Combat Trafficking in Persons, Office of Global Partnerships, Office of Global Women's Issues, and Office of the U.S. Global AIDS Coordinator and Health Diplomacy. As a result, the number of working group participants exceeded the 21 bureaus and independent offices reported in the Department's FY 2018 public data.

[11] The Bureaus of Budget and Planning and Information Resource Management also participate in the working group due to their respective responsibilities related to financial management and IT policy.

[12] Since FY 2017, Congress has included language in the Department's annual appropriation which includes provisions related to the Department's effort to improve foreign assistance tracking. For example, see Section 7063(a) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (Div. G, Pub. L. No. 116-94).

implementation plan for FADR-related changes to the Department's enterprise IT systems. Congress also restricted the Department's ability to obligate funds to create new or expand existing IT systems unless they are consistent with FADR and OIG recommendations.

Figure 2: Structure of the Foreign Assistance Data Review Working Group

Foreign Assistance Data Review	
Working group lead	**Office of Foreign Assistance**
Bureaus that enable foreign assistance data collection	Bureau of Administration • Bureau of Budget and Planning • Bureau of the Comptroller and Global Financial Services • Bureau of Information Resource Management
Bureaus and independent offices that manage foreign assistance funds	Bureaus of African Affairs • Arms Control, Verification, and Compliance • Conflict and Stabilization Operations • Counterterrorism • Democracy, Human Rights, and Labor • Diplomatic Security • East Asian and Pacific Affairs • Economic and Business Affairs • Energy Resources • European and Eurasian Affairs • International Narcotics and Law Enforcement Affairs • Intelligence and Research • International Security and Nonproliferation • Near Eastern Affairs • Oceans and International Environmental Science Affairs • Political-Military Affairs • Population, Refugees, and Migration • South and Central Asian Affairs • Western Hemisphere Affairs. Office of the Secretary of State • Global Engagement Center • Office to Monitor and Combat Trafficking in Persons • Office of the Coordinator for Cyber Issues • Office of the U.S. Global AIDS Coordinator and Global Health Diplomacy • Office of Global Partnerships • Office of Global Women's Issues.

Source: Generated by OIG based on information provided by the Department.

In addition to efforts undertaken by the FADR working group, the Department used data available at the enterprise level to provide decisionmakers more insight into foreign assistance spending. For example, Department staff created country dashboards to provide Department principals—including the Secretary—with updated data on foreign assistance and other indicators to inform their decision-making on foreign policy matters. The dashboard effort, led by the newly created Center for Analytics,[13] reflects a broader focus on data issues within the Department. The Center for Analytics will be headed by the Chief Data Officer, a new Department position required under the Foundations for Evidence-Based Policymaking Act of 2018,[14] as shown in Figure 1, above.

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[13] The Center for Analytics, located within the Office of Management Strategy and Solutions, serves as the Department's official enterprise-level data and analytics hub.

[14] Pub. L. No. 115-435, § 3520.

Previous Oversight Reports Identified Deficiencies in Department Foreign Assistance Tracking Capabilities

Despite considerable growth in the Department's foreign assistance portfolio, described above, OIG, the Government Accountability Office (GAO), and the Office of Management and Budget consistently have identified deficiencies in the Department's ability to track and report on its use of foreign assistance funds. In 2015, OIG—drawing on inspections and audits from 2005 to 2014—reported that the Department's enterprise IT systems did not track detailed information on the use of foreign assistance funds, which inhibited bureaus' ability to manage foreign assistance and the Department's ability to respond to external queries.[15] In a 2017 compliance follow-up review,[16] OIG found that Department efforts to improve foreign assistance tracking yielded limited progress and lacked executive guidance and support. Moreover, OIG determined that the Department's proposed approach to addressing deficiencies in foreign assistance tracking would not produce the full range of data needed by senior policymakers, bureaus that manage foreign assistance, or external audiences.

External reviews also identified shortcomings in the quality of foreign assistance data reported by the Department. For example, a 2016 GAO audit[17] found that the Department published incomplete data on its public website, foreignassistance.gov. Similarly, in a statutorily required 2019 report[18] on the implementation of the Foreign Aid Transparency and Accountability Act of 2016,[19] the Office of Management and Budget found that Department data on foreignassistance.gov did not adequately report foreign assistance transactions at the country and sector[20] levels and identified deficiencies in the quality of published data. In a 2020 annual assessment report of transparency among the world's major aid donors undertaken by an international nongovernmental organization,[21] the Department for the first time achieved a "good" rating for its reported data on foreign assistance, an improvement over previous assessments since 2011. However, the report noted that the improved rating resulted from the Department's more frequent reporting of foreign assistance information and that the Department's published information either failed quality checks or was incomplete. Additionally, at the time of OIG's review, GAO was conducting an audit of the Department's foreign assistance data quality.

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[15] OIG, *Management Assistance Report - Department Financial Systems Are Insufficient to Track and Report on Foreign Assistance Funds* (ISP-I-15-14, February 2015).

[16] ISP-C-17-27, June 2017.

[17] Government Accountability Office, *Actions Needed to Improve Transparency and Quality of Data on ForeignAssistance.gov* (GAO-16-768, August 2016).

[18] Office of Management and Budget, *Report to the Congress on Implementation of the Foreign Aid Transparency and Accountability Act (FATAA)* (February 15, 2019).

[19] Pub. L. No. 114-191.

[20] The Office of Foreign Assistance uses sectors to indicate the purpose of a specific foreign assistance activity. For example, Agriculture, Basic Education, and Civil Society are three of the 52 sectors. These sectors are organized under nine broader foreign assistance categories.

[21] Publish What You Fund, 2020 *Aid Transparency Index: U.S. Brief*.

Director of Foreign Assistance Charged With Leading Foreign Assistance Tracking Efforts

Based on the recommendations in OIG's 2017 report, the then-Deputy Secretary designated the Director of the Office of Foreign Assistance to oversee the development and execution of a plan to address the Department's foreign assistance tracking and reporting needs.[22] In required reports to Congress,[23] the Department provided a FADR implementation plan and cited improvements in the quantity and quality of publicly reported foreign assistance data. In its Congressional reports, the Department estimated it would complete the FADR-related modifications to its enterprise IT systems in FY 2021. Based on these actions, OIG closed both recommendations in the 2017 report by the end of 2018.

OIG's objectives[24] for this review were to determine what progress the Department has made in improving its ability to track and report on foreign assistance since the issuance of the 2017 report. Additionally, OIG sought to assess the sufficiency of the Department's proposed solutions and determine the effect of any shortcomings in the Department's approach.

FINDINGS

As described below, OIG found the Department took several steps to improve its ability to track foreign assistance since OIG issued its 2017 report. Despite these efforts, OIG determined the Department did not use a consultative approach as it evaluated potential changes to improve foreign assistance tracking. As a result, the Department did not assess the full range of potential effects its changes would have on bureaus that manage foreign assistance nor did it identify sufficient measures to mitigate such effects. OIG also found the Department did not adequately communicate and train bureaus on how to implement its proposed changes to foreign assistance tracking.

Department Took Steps to Improve Foreign Assistance Tracking

OIG found the Department took several steps to improve foreign assistance tracking following the issuance of the 2017 report. Under the Office of Foreign Assistance's leadership of the FADR working group, the Department reported to OIG that, since 2017, it spent $6.8 million to make FADR-related changes to its enterprise IT systems. For example, the Department

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[22] Since the then-Deputy Secretary took this action on October 4, 2017, three officials have served as Office of Foreign Assistance director. The current Director started on July 22, 2019.

[23] Section 7063(a) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (Div. G, Pub. L. No. 116-94) required the Secretary to submit to the Congressional Committees on Appropriations an update of the plan for implementing recommendations in OIG's 2015 report, *Department Financial Systems Are Insufficient to Track and Report on Foreign Assistance Funds* (ISP-I-15-14, February 2015). Similar reports to Congress were required in 2017, 2018, and 2019.

[24] See Appendix A.

implemented changes to the State Assistance Management System[25] to track additional information on countries that benefit from Federal assistance awards.[26] The Department also developed and piloted a module in the Department's domestic financial management system to better track foreign assistance-funded interagency agreements.[27] Finally, the Office of Foreign Assistance led a Department-wide effort to standardize award titles and descriptions to improve the utility of foreign assistance data and minimize the need for manual redactions to publicly reported data. Staff in the Office of Foreign Assistance told OIG these changes resulted in improvements in the Department's ability to report accurate foreign assistance data to internal and external stakeholders. The Department told Congress in June 2019 that FADR-related changes resulted in the value of obligations and disbursements reported on foreignassistance.gov to increase by 261 percent ($3.8 billion to $13.7 billion) from FY 2016 to FY 2018.[28]

At the time of this review, the Department planned to implement additional FADR-related changes to the Department's financial management systems in FY 2021.[29] The proposed changes would enable the Department to associate a benefitting country or region, as well as a sector, for each accounting transaction involving foreign assistance funds. Department staff told OIG the proposed approach would address a deficiency noted in OIG's 2017 report[30] by enabling the Department to capture data for the full range of financial transactions that involve foreign assistance funds, including Federal assistance awards, interagency agreements, and procurements. Employees in the Office of Foreign Assistance, the Bureau of Administration, and CGFS also told OIG the proposed changes, if fully implemented, would improve the accuracy of the Department's foreign assistance data, allowing it to better comply with the public reporting requirements described above and to meet the foreign assistance data needs of senior Department officials. However, as noted below, OIG found the Department needed to take additional steps to ensure its proposed changes would achieve their intended effect of improving the Department's ability to centrally track foreign assistance data.

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[25] The State Assistance Management System (SAMS) is the Department's online Federal financial assistance management system. The SAMS program includes two systems: SAMS Domestic, used by the Department's domestic bureaus, and SAMS Overseas, used by overseas posts. The Department's Federal Assistance Directive Sections E.1 and E.2 require that all Federal assistance awards must be issued and managed using the SAMS systems.

[26] Federal assistance issued by the Department includes grants, cooperative agreements, awards to individuals, and property grants, as well as grants or other funding agreements with Foreign Public Entities.

[27] Interagency agreements, made between two Federal agencies, define the support (goods or services) the serving agency provides to the requesting agency (in this case, the Department).

[28] Department of State, "FY 2019 Update of Plan for Implementing the Foreign Assistance Data Review (FADR) Findings Report and Recommendations of the Office of Inspector General (OIG)," June 10, 2019.

[29] The Department uses two systems: the Global Financial Management System for domestic transactions, and the Regional Financial Management System for financial transactions originating overseas.

[30] OIG's analysis of Department data concluded that the limited changes the FADR working group envisioned in 2017 would not produce representative data for multi-country and multi-sector Federal assistance awards. ISP-C-17-27, June 2017, at 4.

Department Did Not Fully Assess and Mitigate Effects of Proposed Changes

OIG found the Department did not assess the full range of potential effects its foreign assistance tracking changes would have on bureaus that manage foreign assistance, nor did it identify sufficient measures to mitigate such effects. Specifically, OIG determined the Department did not use a consultative process as it determined necessary modifications to the Department's enterprise IT systems.[31] Furthermore, the Department did not secure buy-in from the bureaus that use the systems and would thus be most affected by the resulting changes. The Office of Foreign Assistance convened weekly meetings under the auspices of the FADR working group with the Bureau of Administration and CGFS to devise and implement the IT systems changes described above. However, these meetings did not include participation from bureaus that manage foreign assistance. As a result, these bureaus told OIG they had only episodic involvement in the FADR working group. When interviewed by OIG, many were unaware of the specific changes the Department planned to require in FY 2021.

In discussions with OIG, several bureaus aware of the planned changes expressed concern that the changes, as initially proposed, would create unsustainable workloads for their program and financial staff and place onerous reporting requirements on their implementers. Bureaus expressing these concerns typically administered regional or centrally managed[32] assistance accounts that benefit multiple countries. For example, during the course of OIG's review, one bureau estimated that the proposed changes would result in an approximately 850 percent increase in the number of its foreign assistance accounting transactions each year. Separately, a 2019 survey conducted by CGFS in its capacity as a member of the FADR working group identified a single grant recipient in another bureau that would be required to submit 135 separate financial reports to ensure the Department could track FADR-required data. In OIG interviews, personnel in bureaus that manage foreign assistance also expressed concern that the increased workload associated with these changes may limit their ability to fully execute their foreign assistance budgets before the funds expire[33] and said the changes would increase the administrative burden of managing contracts, grants, and interagency agreements once foreign assistance funds are obligated.[34]

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[31] In response to requirements identified by the FADR working group, the Department made or planned to make modifications to the Global Financial Management System, Regional Financial Management System, and State Assistance Management System, which is part of the Department's Integrated Logistics Management System.

[32] Centrally managed or global foreign assistance funds are those which allow the Department to determine which countries benefit, subject to certain limitations such as congressional earmarks or notification requirements.

[33] At midnight on the last day of an appropriation's period of availability, the appropriation account expires and is no longer available for incurring new obligations. *See* 31 U.S.C. § 1502(a).

[34] Several bureaus told OIG the use of accounting data to track country and sector data would increase the number of accounting transactions and introduce increased potential for human error. One bureau told OIG the use of multiple accounting strips on a single contract, grant, or interagency agreement would add complexity in cases where funding needed to be reallocated. In such cases, funds would need to be de-obligated, reclassified, and re-obligated, potentially increasing the likelihood that foreign assistance funds would be returned to the Treasury should the bureau miss a deadline for processing the associated transactions.

Employees in the Office of Foreign Assistance, the Bureau of Administration, and CGFS told OIG they attempted to understand and mitigate the potential adverse effects of the changes they made to enterprise IT systems. In 2019, they identified eight bureaus[35] that would be significantly affected by the FADR-related changes. In response to this analysis, the same employees told OIG they took several steps to mitigate potential adverse effects. These included allowing bureaus to track foreign assistance transactions by region or sub-region rather than country; seeking additional funds to offset increased costs for transactions processed through the Payment Management System;[36] and considering technical solutions to minimize the reporting burden on implementers.[37] Notwithstanding these steps, bureaus continued to express concerns at the time of OIG's review, as outlined above.

Office of Management and Budget Circular A-130[38] requires Federal agencies, when making changes to enterprise IT systems, to balance the collection of new information against associated costs. Staff in the Bureau of Administration and CGFS told OIG they did not consult sufficiently with bureaus that manage foreign assistance because they believed the Office of Foreign Assistance was authorized to set requirements for the changes based on its leadership of the FADR working group. The same staff told OIG they believed the changes were necessary to comply with the Department's legally mandated reporting obligations[39] and were, therefore, not subject to input from affected bureaus. However, without a systematic effort to identify and mitigate the potential adverse effects of modifications made to enterprise IT systems, the Department risks placing unnecessary burdens on staff responsible for managing foreign assistance and on the implementers of Department foreign assistance programs.

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[35] The analysis found that the Bureaus of Democracy, Human Rights, and Labor; East Asian and Pacific Affairs; International Narcotics and Law Enforcement Affairs; International Security and Nonproliferation; Near Eastern Affairs; and Population, Refugees, and Migration, along with the Office to Monitor and Combat Trafficking in Persons and the Office of Global Women's Issues, each would experience a greater-than-100 percent increase in recipient reporting and costs associated with use of the Payment Management System.

[36] The Department of Health and Human Services' Payment Management System is used to process payment requests and financial reporting for most of the Department's domestic Federal assistance awards. *See* 4 Foreign Assistance Manual 616b. The Department assessed that FADR-related changes would increase the amount bureaus pay to use the system because they are billed based on the number of active accounting lines in the system.

[37] After the completion of OIG's review, the Department indicated that it had issued an interagency agreement to the Department of Health and Human Services to make changes to the Payment Management System. The Department represented that these changes, when combined with other actions described in this report, would allow for the tracking of additional information in the Payment Management System and eliminate the need for additional funding to cover increased transaction costs.

[38] Office of Management and Budget Circular A-130, "Managing Information as a Strategic Resource," July 28, 2016.

[39] Several provisions of law require the Department to make financial and foreign assistance information publicly available. This includes the Foreign Aid Transparency and Accountability Act of 2016 (Pub. L. No. 114-191), which requires the Department to report comprehensive, timely, and comparable information on covered U.S. foreign assistance programs on foreignassistance.gov, as well as the Digital Accountability and Transparency Act of 2017 (Pub. L. No. 113-101), which requires the Department to report financial and payment information data on usaspending.gov.

Recommendation 1: The Office of Foreign Assistance, in coordination with the Bureaus of Administration and the Comptroller and Global Financial Services, should consult with bureaus that manage foreign assistance funds to assess potential effects and resource implications of their changes to IT systems and develop and implement an action plan to mitigate adverse effects. (Action: F, in coordination with A and CGFS)

Department Did Not Sufficiently Communicate or Train Bureaus on Proposed Changes

OIG also found that the Office of Foreign Assistance, the Bureau of Administration, and CGFS did not sufficiently communicate their proposed changes to improve the Department's foreign assistance tracking and did not develop a plan to train bureaus on the associated changes to enterprise IT systems. As previously described, many of the bureaus interviewed by OIG did not have regular involvement in the FADR working group and were unaware of the FADR-related changes the Department planned to implement in FY 2021. Multiple bureaus interviewed by OIG—including some of the largest managers of foreign assistance—did not believe they were required to use the FADR-related changes to IT systems to centrally track information on their programs and, in at least one case, planned to continue to use informal cuff records[40] to track their foreign assistance. Finally, some bureaus told OIG that a lack of guidance and training when the Department introduced the interagency agreement module slowed execution of these agreements and required bureaus to develop their own user guides and devote additional resources to resolve difficulties with the new module.

To keep bureaus aware of FADR-related activities, Office of Foreign Assistance staff produced monthly newsletters to maintain communication with bureaus that manage foreign assistance. They also developed a PowerPoint presentation to explain how bureaus should implement FADR-related changes. As described above, despite these steps, Department staff consistently told OIG they were unaware of the FADR-related changes and what actions they were required to take as a result. In addition, the changes were not sufficiently communicated at a senior level to the affected bureaus. Although senior officials in the Office of Foreign Assistance, including the Director, were engaged on data issues, Department staff told OIG that Office of Foreign Assistance senior officials typically only became engaged when the office received pushback from specific bureaus. Staff in the Office of Foreign Assistance, the Bureau of Administration, and CGFS acknowledged that the proposed changes would require additional training for bureaus that manage foreign assistance; however, at the time of OIG's review they had yet to develop training materials or offered training sessions for Department employees who use the IT systems.[41]

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[40] Bureaus maintain informal records (also known as "cuff records") to help ensure the accuracy of the Department's official accounting records. They are not considered official accounting records.

[41] Department staff also told OIG that disruptions caused by COVID-19 may delay their ability to implement the changes planned in FY 2021.

The insufficient communication with the affected bureaus on FADR-related changes did not conform with GAO's *Standards for Internal Control in the Federal Government,*[42] which requires management to document internal controls and to communicate them to those responsible for their performance. The same standards also require the Department to communicate the necessary information to achieve its objectives.[43] The deficiencies described above occurred, in part, because of the Office of Foreign Assistance's unclear role in overseeing how bureaus execute their foreign assistance funds. Although the Deputy Secretary tasked the Office of Foreign Assistance with leading the Department's efforts on foreign assistance tracking, bureaus told OIG their interactions with the Office of Foreign Assistance typically related to the development of foreign assistance budgets and the allocation of resources. Once foreign assistance funds were released to bureaus and offices, the Office of Foreign Assistance historically played a limited role in monitoring the funds. Additionally, OIG found that the Office of Foreign Assistance, the Bureau of Administration, and CGFS lacked a common understanding of roles and responsibilities for communicating the changes to Department staff. Without a plan to communicate what information bureaus are required to track in the systems of record and training to implement those changes, there is a risk the Department will continue to produce unreliable data on its foreign assistance portfolio.

> **Recommendation 2:** The Office of Foreign Assistance, in coordination with the Bureaus of Administration and the Comptroller and Global Financial Services, should clearly communicate foreign assistance tracking requirements for bureaus that manage foreign assistance and provide the training necessary to implement these changes. (Action: F, in coordination with A and CGFS)

Department Did Not Have a Plan to Monitor and Enforce Tracking Requirements

As described above, OIG found the bureaus that manage foreign assistance did not believe they were required to use the FADR-related changes to IT systems to track detailed information on their programs and, in some cases, planned to continue to rely on cuff records to track their foreign assistance.[44] Continued reliance on cuff records to track information about the benefitting country and sector would prevent the Department from centrally tracking such information, which is the purpose of the FADR-related changes. Furthermore, the Office of Foreign Assistance's historically limited role in post-allotment monitoring, as described above, elevates the risk that bureaus and offices could report data in a manner inconsistent with the Office of Foreign Assistance's guidance. GAO's *Standards for Internal Control in the Federal Government*[45] requires management to evaluate performance and hold individuals accountable for their internal control responsibilities. Management also is required to obtain relevant data

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[42] Government Accountability Office, *Standards for Internal Control in the Federal Government* 29 (GAO-14-704G, September 2014).

[43] GAO-14-704G, September 2014, at 60.

[44] In such cases, a bureau would report funds as global or regional while tracking more detailed, country-level allocations in their cuff records.

[45] GAO-14-704G, September 2014, at 32.

from reliable sources based on the identified information requirements.[46] This lack of understanding about what steps bureaus will be required to take occurred, in part, because of the communication shortcomings described above. Without a mechanism to ensure that bureaus are properly implementing the FADR-related changes, the Department risks continuing to produce incomplete data on its foreign assistance activities despite the time and money invested in the FADR-related changes.

> **Recommendation 3:** The Office of Foreign Assistance should develop and communicate a plan and process to monitor bureaus that manage foreign assistance to ensure compliance with any new foreign assistance tracking requirements. (Action: F)

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[46] GAO-14-704G, September 2014, at 59.

RECOMMENDATIONS

OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendations. OIG issued the following recommendations to the Office of Foreign Assistance. The Department's complete response can be found in Appendix B.[1] The Department also provided technical comments that were incorporated into this report, as appropriate.

Recommendation 1: The Office of Foreign Assistance, in coordination with the Bureaus of Administration and the Comptroller and Global Financial Services, should consult with bureaus that manage foreign assistance funds to assess potential effects and resource implications of their changes to IT systems and develop and implement an action plan to mitigate adverse effects. (Action: F, in coordination with A and CGFS)

Management Response: In its December 11, 2020, response, the Office of Foreign Assistance concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Office of Foreign Assistance consulted with bureaus that manage foreign assistance funds to assess potential effects and resource implications of their changes to IT systems and developed and implemented an action plan to mitigate adverse effects.

Recommendation 2: The Office of Foreign Assistance, in coordination with the Bureaus of Administration and the Comptroller and Global Financial Services, should clearly communicate foreign assistance tracking requirements for bureaus that manage foreign assistance and provide the training necessary to implement these changes. (Action: F, in coordination with A and CGFS)

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OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Office of Foreign Assistance clearly communicated foreign assistance tracking requirements for bureaus that manage foreign assistance and provided the training necessary to implement these changes.

Recommendation 3: The Office of Foreign Assistance should develop and communicate a plan and process to monitor bureaus that manage foreign assistance to ensure compliance with any new foreign assistance tracking requirements. (Action: F)

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[1] OIG faced delays in completing this work because of the COVID-19 pandemic and resulting operational challenges. These challenges included the inability to conduct most in-person meetings, limitations on our presence at the workplace, difficulty accessing certain information, prohibitions on travel, and related difficulties within the agencies we oversee, which also affected their ability to respond to our requests.

Management Response: In its December 11, 2020, response, the Office of Foreign Assistance concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Office of Foreign Assistance developed and communicated a plan and process to monitor bureaus that manage foreign assistance to ensure compliance with any new foreign assistance tracking requirements.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This review was conducted from May 6 to August 24, 2020, in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspections Handbook, as issued by the Office of Inspector General (OIG) for the Department of State (Department) and the U.S. Agency for Global Media (USAGM).

The Office of Inspections provides the Secretary of State, the Chief Executive Officer of USAGM, and Congress with systematic and independent evaluations of the operations of the Department and USAGM. Consistent with Section 209 of the Foreign Service Act of 1980, this review focused on the Department's ability to track its foreign assistance activities.

OIG's specific inspection objectives were to:

1. Determine what progress the Department has made in improving its ability to track and report on foreign assistance.
2. Assess the sufficiency of the Department's proposed solution(s).
3. Determine effects of any shortcomings in the Department's ability to track and report on foreign assistance.

For this review, OIG conducted interviews with Department staff, surveyed Department bureaus responsible for managing foreign assistance funds, and reviewed documentation associated with Department efforts to improve foreign assistance tracking. Finally, OIG used professional judgment, along with documentary, testimonial, and analytical evidence collected or generated, to develop its findings and actionable recommendations.

Jonathon Walz (Team Leader), John Finkbeiner, and Lian von Wantoch conducted this review.

Other report contributors include Dolores Adams, Caroline Mangelsdorf, and Rebecca Sawyer.

APPENDIX B: MANAGEMENT RESPONSE

United States Department of State

Washington, D.C. 20520

December 11, 2020

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

FROM: Office of Foreign Assistance – James Richardson, Director

SUBJECT: Response to Draft OIG Report – Review of Department of State Foreign Assistance Tracking Capabilities

The Office of Foreign Assistance (F) thanks OIG for the opportunity to provide a response to the draft OIG report, "Review of Department of State Foreign Assistance Tracking Capabilities." F appreciates the review given our shared interest in improving the quality of State Department foreign assistance data. We expect that actions resulting from the review will enhance the Department's tracking of foreign assistance financial data, to include obligations and disbursements, per the scope of the review, as well as be applicable more broadly. F is pleased to report that we have made notable progress:

- In conjunction with the Bureau of the Comptroller and Global Financial Services (CGFS), we refreshed the FY 2015-FY 2017 financial data, which resulted in an increase of reporting on roughly 400%, or more than $47 billion, in funding;
- In addition to this dataset, we added both Foreign Military Financing (FMF) and International Military Education and Training (IMET) financial data ($36 billion), and Contributions to International Organizations (CIO) and Contributions for International Peacekeeping Activities (CIPA) financial data ($35 billion), neither of which had previously been captured;
- We improved the quality of both titles and descriptions of foreign assistance transactions, especially procurements – previously more than 20% of data had no title, 12% of data had no descriptions, and 85% of those descriptions were less than 80 characters. Blank title and descriptions are now nearly 0% and nearly all descriptions are more than 80 characters;
- We have improved the granularity of more than 40% of sector tagging of obligations to provide more detailed project information; and

- The Foreign Assistance Data Review (FADR) working group, led by F, has begun implementing a change management strategy, and in turn is developing webinars, video tutorials, and reference guides on navigating the FADR-related systems changes.

The aforementioned actions were informed by stakeholder feedback and user information, which F will continue to use to improve processes, systems operations, guidance, and related training and support.

Specific to the recommendations provided in the draft OIG report, "Review of Department of State Foreign Assistance Tracking Capabilities," F provides the following responses.

OIG Recommendation 1: The Office of Foreign Assistance, in coordination with the Bureaus of Administration and the Comptroller and Global Financial Services, should consult with bureaus that manage foreign assistance funds to assess potential effects and resource implications of their changes to IT systems and develop and implement an action plan to mitigate adverse effects. (Action: F, in coordination with A and CGFS)

Management Response: F concurs with the recommendation. F, CGFS, and A have begun implementing the recommendation by holding stakeholder meetings with State Department bureaus to convey FADR changes, to solicit feedback, and ensure an understanding of implications and user needs. F, CGFS, and A will ensure consultations with all relevant bureaus and provide corresponding support to mitigate adverse implications and user needs.

OIG Recommendation 2: The Office of Foreign Assistance, in coordination with the Bureaus of Administration and the Comptroller and Global Financial Services, should clearly communicate foreign assistance tracking requirements for bureaus that manage foreign assistance and provide the training necessary to implement these changes. (Action: F, in coordination with A and CGFS)

Management Response: F concurs with this recommendation. F, in coordination with A and CGFS, will clearly communicate changes to State Department foreign assistance financial data tracking requirements and provide necessary training to implement these changes.

OIG Recommendation 3: The Office of Foreign Assistance should develop and communicate a plan and process to monitor bureaus that manage foreign assistance to ensure compliance with any new foreign assistance tracking requirements. (Action: F)

Management Response: F concurs with this recommendation. F will develop and communicate a plan and process to monitor State Department bureaus' compliance with new foreign assistance financial data tracking requirements.

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