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**Information Report: Systemic
Weaknesses Related to the
Administration and Oversight of
Department of State Contracts and
Federal Assistance From
FY 2017 to FY 2019**

INFORMATION REPORT

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CONTENTS

| | |
|---|----|
| OBJECTIVE | 2 |
| BACKGROUND..... | 2 |
| Bureau of Administration, Office of the Procurement Executive..... | 2 |
| Purpose of the Information Report..... | 4 |
| RESULTS..... | 5 |
| Finding A: Numerous OIG Reports Identified Weaknesses in the Department’s Administration and Oversight of Contracts | 5 |
| Finding B: Numerous OIG Reports Identified Weaknesses in the Administration and Oversight of Federal Assistance Awards..... | 13 |
| CONCLUSION..... | 21 |
| APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY | 23 |
| APPENDIX B: DETAILS OF OFFICE OF INSPECTOR GENERAL REPORTS..... | 25 |
| APPENDIX C: DETAILS OF OFFICE OF INVESTIGATION ACTIVITIES..... | 39 |
| APPENDIX D: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE MANAGEMENT RESPONSE..... | 40 |
| OIG AUDIT TEAM MEMBERS..... | 41 |

Project Summary

The Office of Inspector General (OIG) has long identified the administration and oversight of contracts and Federal assistance¹ as a major management challenge for the Department of State (Department). In this information report, OIG summarizes issues identified and reported² from FY 2017 through FY 2019 that relate to the Department's administration and oversight of contracts and Federal assistance. The purpose of this report is to identify systemic weaknesses³ and gauge the Department's progress toward resolving deficiencies by addressing recommendations made by OIG. OIG will use this information to measure the Department's future progress toward addressing the systemic weaknesses identified.

In 96 reports that were issued from FY 2017 through FY 2019, OIG made 528 recommendations related to improving the Department's administration and oversight of contracts and Federal assistance awards. Collectively, these reports identified \$217.8 million in potential monetary benefits.⁴ The reports described instances when Contracting Officers (CO) and Grants Officers (GO) were not adequately educating and supporting Contracting Officer's Representatives (COR) and Grants Officer Representatives (GOR) or enforcing Federal regulations and Department policy through effective and vigilant monitoring. During the same period, OIG's Office of Investigations (INV) conducted investigations involving a wide range of criminal, civil, and administrative allegations related to contract and Federal assistance fraud. INV efforts to address these allegations resulted in 5 convictions, 87 debarments, 15 suspensions, and recoveries totaling over \$17.9 million.

The recurring nature of OIG's contract and Federal assistance award administration and oversight findings suggests that, although the Department has made progress in implementing OIG's recommendations, it still has work to do to make lasting changes and improvements. Sustained attention from the Bureau of Administration is needed to ensure COs and GOs are properly executing their roles and held accountable for underperformance in managing their assigned portfolios. OIG encourages senior Department officials to examine current policies and procedures and assess the need for change based on longstanding deficiencies. In addition, OIG urges Department leadership to share this report

¹ 2 Code of Federal Regulations (C.F.R.) § 200.40. Federal assistance is defined as financial assistance that non-Federal entities receive or administer in the form of grants, cooperative agreements, and non-cash contributions or donations of property.

² OIG included findings from OIG's reports issued by the Office of Audits (AUD), Office of Inspections (ISP), Office of Evaluations and Special Projects (ESP), and INV. In addition, OIG summarized information from significant INV cases related to contracts and Federal assistance from FY 2017 to FY 2019.

³ For this report, OIG considered a weakness to be systemic when the same or similar issue was identified in two or more of the reports reviewed that were issued during the scope period of FY 2017 through FY2019.

⁴ Benefits arising from audits can be expressed in monetary terms. Potential monetary benefits are classified as "Questioned Costs" or "Funds Put To Better Use." Costs are questioned by OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the project, such cost is not supported by adequate documentation (an unsupported cost); or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. OIG also identifies funds that could be used more efficiently if management took actions to implement and complete the recommendation.

with procurement officials and bureau and office management to raise awareness of recurring issues and to take action that will lead to improvements.

In response to a draft of this report, the Bureau of Administration, Office of the Procurement Executive (OPE) stated it appreciates OIG's acknowledgement of the progress made toward implementing OIG recommendations within the review period. In addition, OPE stated that the report correctly highlights the many acquisition-related facets a dynamic, worldwide organization must continue to identify to advance complex U.S. foreign policy objectives. OPE further stated that it took seriously and would work diligently to recover questioned costs identified in OIG's reports in accordance with CO or GO determinations. OPE's response to a draft of this report is reprinted in its entirety in Appendix D.

OBJECTIVE

OIG conducted this project to identify and describe systemic weaknesses and recommendations identified by OIG during FY 2017 through FY 2019 related to the Department's administration and oversight of contracts and Federal assistance. OIG will use this information to measure the Department's future progress toward addressing the systemic weaknesses identified.

BACKGROUND

The Department uses approximately \$30 billion annually⁵ for contracts and Federal assistance (grants and cooperative agreements). OIG has long viewed the oversight of contracts and Federal assistance as a major management challenge for the Department. Most recently, in its FY 2019 Management Challenges report,⁶ OIG stated that a growing body of work illustrates the difficulty that the Department faces in adequately administering and overseeing contracts and Federal assistance programs. In addition, in 2014, OIG issued two Management Alerts identifying specific challenges related to contract file and grant management deficiencies.⁷

Bureau of Administration, Office of the Procurement Executive

OPE provides leadership over Department-wide acquisition and Federal assistance policies, including developing, issuing, and maintaining acquisition and Federal assistance regulations, procedures, and guidance. OPE also provides Department-wide leadership over a full range of

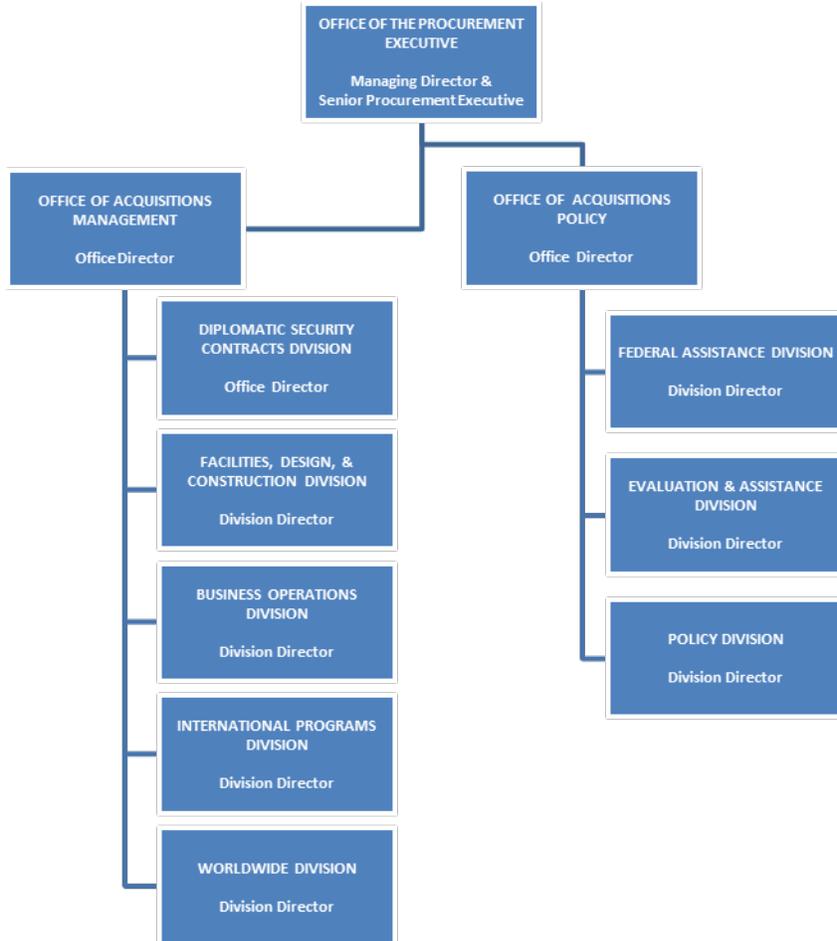
⁵ Department of State, *Agency Financial Report, Fiscal Year 2019*, Section III: Other Information, 113, indicates that inadequate oversight and mismanagement pose considerable financial risk because of the substantial resources involved (more than \$15 billion for contracted services and \$15 billion for grants and fixed charges obligated in FY 2018).

⁶ OIG, *Inspector General Statement on the Department of State's Major Management and Performance Challenges Fiscal Year 2019* 6-7 (OIG-EX-20-02, January 2020).

⁷ OIG, *Management Alert: Contract File Management Deficiencies* (MA-A-0002, March 2014) and *Management Alert: Grants Management Deficiencies* (MA-14-03, September 2014).

acquisitions management and grants management services. Figure 1 shows OPE’s organization of its contracting and Federal assistance offices and divisions.

Figure 1: Office of the Procurement Executive Organization Chart



Source: Prepared by OIG on the basis of OPE’s organization chart.

Under the leadership of the Procurement Executive, the Office of Acquisitions Management (AQM) plans and directs the Department’s acquisition programs and conducts contract operations that support worldwide activities. AQM provides a full range of contract management services, including acquisition planning, contract negotiations, cost and price analyses, and contract administration. AQM also establishes acquisition agreements that include grants and cooperative agreements in support of program requirements for any bureau in the Department.

Contract Administration and Oversight Responsibilities

The Federal Acquisition Regulation, Department of State Acquisition Regulation, and Department policy describe the roles and responsibilities of Government personnel who award, administer, and oversee contracts. The CO is the U.S. Government’s authorized agent for working with contractors and has sole authority to solicit proposals and negotiate, award,

administer, modify, or terminate contracts.⁸ The CO performs duties at the request of the requirements office and relies on those offices for technical support concerning the products or services being acquired.⁹ COs may designate in writing a COR,¹⁰ who is generally a member of the bureau or office requesting the contract. The COR is delegated limited authority to act on behalf of the CO; in this role, the COR conducts contract surveillance to verify that the contractor is fulfilling contract requirements and to document performance for the contract record.¹¹ The CO may also appoint a Government Technical Monitor (GTM) to assist the COR in monitoring contractor performance.¹² The bureau or office requesting the contract participates by nominating CORs and GTMs and assessing their performance.¹³ The requesting bureau or office affirms, with this participation, that the COR will be afforded necessary time and support to perform designated COR responsibilities.

Grants Administration and Oversight Responsibilities

The Office of Management and Budget's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,"¹⁴ and Department policy issued by OPE, describe the roles and responsibilities of Government personnel who award, administer, and oversee Federal grants and cooperative agreements. The two individuals with primary oversight and monitoring responsibilities with respect to any Federal assistance award are the GO and the GOR. GOs are authorized to award, amend, and terminate Federal assistance agreements. The GO must designate a GOR for all awards exceeding \$100,000.¹⁵ The GOR assists the GO in ensuring that the Department exercises prudent management and oversight of the award through the monitoring and evaluation of the recipient's performance.¹⁶ The requesting bureau also has responsibilities for ensuring proper oversight.¹⁷

Purpose of the Information Report

This information report describes certain findings and recommendations presented in OIG reports issued from FY 2017 through FY 2019 to highlight systemic issues in the administration and oversight of contracts and Federal assistance that warrant the Department's attention. Although this report contains no recommendations, it provides the Department with an opportunity to assess the need for changes based on the recurring nature of OIG's findings.

⁸ 14 Foreign Affairs Handbook (FAH)-2 H-141(a), "Responsibilities of the Contracting Officer."

⁹ *Ibid.*

¹⁰ 14 FAH-2 H-141(b)(4), "Responsibilities of the Contracting Officer;" Federal Acquisition Regulation 1.602-2(d), "Responsibilities."

¹¹ 14 FAH-2 H-141(b)(4); 14 FAH-2 H-142, "Responsibilities of the Contracting Officer's Representative (COR)."

¹² Department of State Acquisition Regulation 642.271, "Government Technical Monitor (GTM)."

¹³ 14 FAH-2 H-143.2(a)(1), "COR Appointment Procedures," Bureau of Administration, OPE, Department Notice 14486, "Work Elements for Contracting Officer Representatives and Government Technical Monitors" (January 14, 2011); and 14 FAH-2 H-114(g), "COR Work Commitments."

¹⁴ 2 C.F.R Part 200.

¹⁵ Bureau of Administration, OPE, Federal Assistance Directive, "Chapter 2: Pre-Federal Award Requirements," "P. Grants Officer Designates Grants Officer Representative (GOR)" 78 (October 2019).

¹⁶ *Ibid.* "Chapter 1: General," "D.2. Grants Officers and Other Signature Authorities" 6.

¹⁷ *Ibid.* "Chapter 2: Pre-Federal Award Requirements," "K. Conduct a Risk Assessment" 60.

Appendix A provides additional information on the purpose, scope, and methodology of this project.

RESULTS

Finding A: Numerous OIG Reports Identified Weaknesses in the Department’s Administration and Oversight of Contracts

From FY 2017 through FY 2019, OIG issued 72 reports¹⁸ that identified weaknesses related to the Department’s administration and oversight of contracts. The reports identified issues at 13 domestic bureaus, 6 regional bureaus, and 23 overseas posts. These reports also identified \$176 million in potential monetary benefits. In addition, the reports contained 350 recommendations related to contract administration and oversight.

A common reason for the identified deficiencies was insufficient oversight of the CORs by the COs and by the bureau or office management officials involved. Weaknesses can also be attributed, at least in part, to insufficient training and experience of the personnel charged with contract administration as well as inadequate support from COs and bureau or office management. As detailed in Table 1, OIG categorized the contract administration issues it reported during FY 2017 through FY 2019 to identify systemic weaknesses.¹⁹

Table 1: Summary of Systemic Weaknesses Related To Contract Administration and Oversight Identified in OIG Reports Issued From FY 2017 Through FY 2019

| Types of Weaknesses | Number of Reports* |
|---------------------------------------|---------------------------|
| Inadequate Oversight | 63 |
| Improper Contract Actions | 38 |
| Poorly Written Contract Requirements | 9 |
| Failure to Meet Contract Requirements | 16 |
| Improper Contract Closeout | 9 |
| Incomplete Contract Files | 51 |

* A report can have more than one type of weakness.

Source: Prepared by OIG on the basis of information obtained from AUD, ISP, ESP, and INV reports related to contract administration and oversight.

¹⁸ OIG considered findings from AUD, ISP, ESP, and INV. Appendix B provides details of each report.

¹⁹ OIG considered a weakness to be systemic when the same or similar issues were identified in two or more of its reports.

OIG also reviewed 350 recommendations²⁰ made to the Department in the 72 reports and found that the recommendations generally addressed: (1) the need for the development and implementation of bureau- and post-specific standard operating procedures to increase COR compliance with Federal regulations and Department policy and (2) the development of an internal control environment that encourages both compliance and accountability. As of April 2020, recommendations that have not been fully implemented included taking action to review and potentially recover approximately \$45.5 million in improper or unsupported payments made to a contractor, developing quality assurance surveillance plans, designating experienced and trained personnel to oversee contracts, and updating or developing and implementing standard operating procedures. Closing these recommendations will help address some of the systemic weaknesses identified and described below, though additional sustained attention to these issues is needed to effect lasting change.

OIG's investigative work underscores the importance of adequate contract administration and oversight. Specifically, during the scope period for this review, OIG investigated 15 cases that pertained to contract fraud, including cases related to contract kickback schemes, willful non-compliance with contractual obligations, and conspiracy to defraud the government. The Department recovered approximately \$14.5 million related to these cases.

Inadequate Oversight

OIG found that 63 (88 percent) of 72 reports reviewed contained findings related to inadequate contract oversight, which is a long-term management challenge for the Department. These reports included findings that related to CORs or other Department personnel who did not adequately monitor contractors' technical progress and did not properly review contractors' invoices before approving them for payment. Some of the reasons for inadequate oversight of contracts cited in these reports included CORs and other Department personnel who did not have sufficient experience and training to oversee contracts, COs who did not provide guidance to or oversight of CORs, and bureau or post management who did not prioritize the COR's contract oversight responsibilities. Without comprehensive oversight of contracts from COs, CORs, and other officials involved, such as bureau or post management, the Department will not make meaningful progress in addressing this long-time management challenge.

Lack of Training and Experience

Of the 63 reports that identified issues related to oversight, OIG identified 31 (49 percent) that cited issues with the training provided to and the experience of CORs and other contract oversight personnel. For example, during one project,²¹ three of seven CORs and alternate CORs interviewed stated that, in their opinions, they did not have the necessary experience to oversee the large and complex contracts to which they were assigned. In addition, four of the

²⁰ As of April 2020, the Department had taken corrective action sufficient to close 240 recommendations while 110 remained open.

²¹ OIG, *Audit of the Oversight of Fuel Acquisition and Related Services Supporting Department of State Operations in Iraq 16* (AUD-MERO-17-16, December 2016).

seven CORs and alternate CORs interviewed stated that this was their first contract oversight assignment. In another report,²² OIG identified 13 of 15 GTMs who were monitoring 25 contractors and had not performed required oversight such as monitoring the number of hours worked by the contractor. In addition, OIG reported that these 13 CORs had not completed mandatory training. In another report,²³ OIG identified a COR who, despite being assigned to a \$22.8 million contract, did not have the proper certification or required training.

OPE and Bureau Management Commitment Is Needed

The COR is a significant part of an acquisition team. OIG's reports identified instances in which CORs did not have the support from COs and bureau or office management needed to successfully execute their oversight responsibilities. For example, in one report²⁴ OIG concluded that locally-employed staff serving as CORs for 13 contracts did not have sufficient training because embassy management did not treat their COR training as a priority. In another report,²⁵ OIG recounted the experience of CORs who stated that they could not perform their duties due to competing priorities. One report²⁶ identified risks to contracts totaling more than \$120 million due, in part, to deficiencies in contractor oversight. During that project, OIG found that only one COR was responsible for overseeing 14 complex computer software and IT support contracts. In another report,²⁷ OIG identified that bureau management and the COs did not sufficiently oversee the CORs and GTMs to ensure they complied with Federal guidelines and Department policies on administering contracts. OIG also reported that bureau management had no process in place to identify CORs or GTMs who acted without designated authority from the CO and new CORs and GTMs received no formal communication about their roles and responsibilities. In another report,²⁸ OIG identified that bureau management did not sufficiently oversee COR and GTM performance, nor did bureau management always include required performance work commitments in the COR and GTM performance standards.

COs are ultimately responsible for ensuring adequate contract administration and oversight. Specifically, COs are responsible for designating sufficient and certified (i.e., trained and experienced) CORs for each contract, ensuring key documentation, such as acquisition plans and quality assurance plans are developed, and verifying that CORs perform oversight throughout contract execution. Bureau and office management must also do its part to ensure the proper oversight of contracts by supporting CORs and holding them accountable for performing their responsibilities.

²² OIG, *Inspection of the Bureau of South and Central Asian Affairs* 19-20 (ISP-I-18-11, February 2018).

²³ OIG, *Inspection of Embassy Santo Domingo, Dominican Republic* 16 (ISP-I-19-17, July 2019).

²⁴ OIG, *Inspection of Embassy Monrovia, Liberia* 15 (ISP-I-17-12, May 2017).

²⁵ OIG, *Inspection of Embassy Accra, Ghana* 14 (ISP-I-17-17, June 2017).

²⁶ OIG, *Inspection of the Bureau of Information Resource Management's Office of Governance, Resource, and Performance Management* 5 (ISP-I-18-15, April 2018).

²⁷ OIG, *Audit of the Bureau of Consular Affairs, Office of Consular Systems and Technology, Administration of Selected Information Technology Contracts* 6 (AUD-CGI-17-38, May 2017).

²⁸ OIG, *Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants* 7 (AUD-CGI-18-50, August 2018).

Improper Contract Actions

OIG found that 38 (53 percent) of 72 reports reviewed contained findings related to improper contract actions, such as unauthorized commitments,²⁹ services added that were outside the scope of contracts, changes in scope that were not approved by the CO, and the improper use of a purchase card to acquire goods and services. For example, nine reports³⁰ identified approximately 230 unauthorized commitments at overseas posts, totaling \$6,593,251. In another report,³¹ OIG stated that a CO added services, totaling \$11.8 million, to an operations and maintenance contract that were outside the scope of the contract. OIG identified different reasons for the deficiencies identified in its reports. For example, in one report,³² OIG stated that unauthorized commitments occurred because an employee, who received a temporary warrant during a staffing gap, continued to approve procurements after his warrant expired. Unauthorized commitments and out of scope changes do not provide assurance that competition requirements were met and the cost of goods and services was fair and reasonable.

Poorly Written Contract Requirements

OIG found that 9 (13 percent) of 72 reports reviewed contained findings related to poorly written contract requirements included in statements of work. These nine reports included findings that the statements of work, which are developed during the pre-award phase of the procurement, lacked specific requirements such as deliverable due dates and did not clearly define acceptable delivery standards. For example, one report³³ described two contracts that did not include specific dates for the completion of deliverables. In another report,³⁴ OIG indicated that the Department sought several changes to design specifications, security requirements, and construction standards throughout the project. Some of the reasons for the poorly written contract requirements cited in these reports included the lack of acquisition planning, the lack of available subject matter experts to consult with during the pre-award phase, and inattention from COs and bureau or post management. The lack of clearly defined and measurable contract requirements in statements of work does not allow reviewers to

²⁹ An unauthorized commitment is a non-binding agreement created by a Government representative who lacks the authority to enter into that agreement on behalf of the Government. The only individuals who can bind the Government are warranted COs and purchase cardholders acting within the limits of their delegated authority.

³⁰ OIG, *Inspection of Port Moresby, Papua New Guinea* 13 (ISP-I-17-07A, January 2017); ISP-I-17-17, June 2017, at 14; *Inspection of Embassy Beijing and Constituent Posts, China* 21 (ISP-I-18-04, December 2017); *Inspection of Embassy Dakar, Senegal* 14 (ISP-I-19-03, November 2018); *Inspection of Embassy Banjul, The Gambia* 13-14 (ISP-I-19-04, November 2018); *Inspection of Embassy New Delhi and Constituent Posts, India* 30 (ISP-I-19-10, December 2018); *Inspection of Embassy Nassau, The Bahamas* 10-11 (ISP-I-19-19, August 2019); *Management Assistance Report: Cost Controls for Food Services Supporting Department of State Operations in Iraq Require Attention* 16-17 (AUD-MERO-18-31, March 2018); and *Audit of the Administration and Oversight of Fuel Contracts at U.S. Embassy Amman, Jordan* 5-7 (AUD-MERO-18-33, March 2018).

³¹ OIG, *Management Assistance Report: Contract Management—Lessons Learned From Embassy Kabul, Afghanistan, Operations and Maintenance Contract* 5 (AUD-MERO-17-04, October 2016).

³² ISP-I-19-10, December 2018, at 30.

³³ OIG, *Inspection of the Bureau of Population, Refugees, and Migration* 17 (ISP-I-17-10, February 2017).

³⁴ OIG, *Evaluation of the Bureau of Diplomatic Security's Aegis Construction Contract at Camp Eggers, Afghanistan* 9 (ESP-19-04, July 2019).

adequately assess contractor performance, which contributes to the Department's inability to hold contractors accountable.

Failure to Meet Contract Requirements

OIG found that 16 (22 percent) of 72 reports reviewed contained findings related to contractors that did not fulfill contractual requirements. For example, one report³⁵ explained that a COR did not receive many of the critical contractor deliverables; however, no evidence existed to show that action was taken by the COR or the CO (who was also aware of the contractor's failure to meet requirements) to remedy the issue. In another report,³⁶ OIG described a contractor that consistently missed project milestones and failed to adhere to contract requirements, causing significant delays. Even though the CO was aware of the non-compliance with the contract, the CO failed to take any meaningful corrective action to protect the Department's interest. In another report,³⁷ OIG identified instances in which one contractor did not meet contractual performance requirements; notwithstanding, the contractor was paid in full. Some of the reasons cited in these reports for the deficiencies identified included the lack of adequate acquisition planning, the lack of or poor oversight, and, in some cases, lack of action to hold contractors accountable. OIG identified delays caused by the deficiencies that led to cost overruns and further delays of the estimated project completion date.

Improper Contract Closeout

OIG found that 9 (13 percent) of 72 reports reviewed contained findings related to contract closeout.³⁸ These reports included findings that identified instances of failure to initiate the contract closeout process after the contract was completed³⁹ and other instances in which steps were taken toward contract closeout even when the required supplies or services had not been successfully delivered by the contractor. For example, six reports⁴⁰ identified contracts that were not closed out within the timeframes required by the Federal Acquisition Regulation. In another report,⁴¹ OIG explained that, approximately 19 months after the

³⁵ OIG, *Audit of the Bureau of Overseas Buildings Operations Commissioning of Diplomatic Housing at U.S. Embassy Kabul, Afghanistan* 14-15 (AUD-MERO-19-37, August 2019).

³⁶ ESP-19-04, July 2019, at 25.

³⁷ OIG, *Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs to Support Contingency Operations in Iraq Need Improvement* 17 (AUD-MERO-17-33, March 2017).

³⁸ Contract closeout refers to the process of verifying that all the administrative actions have been taken on a contract that is completed. The requirements and procedures for contract closeout are established by the Federal Acquisition Regulation.

³⁹ Contract completion means that the contractor delivered all the required supplies or services, the Government inspected and accepted them, and the base period and any option periods exercised have expired.

⁴⁰ OIG, *Inspection of Embassy Nairobi, Kenya* (ISP-I-19-08, October 2018); AUD-MERO-18-33, March 2018; *Inspection of Embassy Bogota, Colombia* (ISP-I-19-14, April 2019); ISP-I-19-17, July 2019; *Inspection of Embassy Port-au-Prince, Haiti* (ISP-I-19-18, June 2019); *Audit of the Office of Nonproliferation and Disarmament Fund Financial and Contract Activities During FY 2016 and FY 2017* (AUD-FM-19-22, April 2019).

⁴¹ OIG, *Management Assistance Report: Outstanding Construction Deliverables and Deficiencies Need Attention at New Embassy Compound The Hague, the Netherlands* 5 (AUD-CGI-19-38, August 2019).

issuance of the Certificate of Substantial Completion⁴² related to a construction contract, the contractor responsible for the construction of an embassy compound had not fulfilled all contract requirements. Among reasons cited for the deficiencies identified were lack of oversight, COs and bureau or post management who did not follow closeout procedures, lack of communication and procedures between offices responsible for procurement and offices responsible for vendor payment, competing priorities, and resistance from procurement personnel who stated that the closeout process within eFiling was time-consuming and cumbersome. The untimely closeout of contracts can result in delayed return and potential loss of Government-furnished material and equipment and the significant loss of funds that should be deobligated and reprogrammed to meet other important needs of the Department.

Incomplete Contract Files

OIG found that 51 (71 percent) of 72 reports reviewed contained findings related to contract files that were incomplete, missing, or not readily available. Table 2 provides details of the types of deficiencies identified in the 52 reports.

**Table 2: Contract File Deficiencies Identified in
OIG Reports Issued From FY 2017 Through
FY 2019**

| Type of Issue Identified | Number of Reports |
|---|--------------------------|
| Lack of or Inadequate COR Designation | 27 |
| Lack of Acquisition Plan | 14 |
| Other Missing, Required Contract Documentation* | 51 |

* For example, the lack of quality assurance plans, COR reports, and contractor progress reports.

Source: Prepared by OIG on the basis of information obtained from AUD, ISP, ESP, and INV reports.

Some of the reasons cited in these reports for incomplete contract files included CORs who did not understand what documentation should be maintained in the contract files, inconsistent maintenance of files (e.g., some CORs used hard-copy files while other CORs stored files electronically), and inadequate oversight of CORs and their contract files performed by COs and bureau and post management. Complete and accurate documentation related to acquisition actions is vital to hold contractors accountable, ensure that the terms and conditions of contracts are met, and reduce risks for the Government and other stakeholders. Records are needed to support decisions made and actions taken.

⁴² Upon satisfactory completion of required inspections for a construction project, the project director issues a Certificate of Substantial Completion that states that all major construction items have been completed and only minor items remain to be completed before final acceptance of the project.

Progress in Implementing Recommendations

As of April 2020, the Department completed corrective actions sufficient to close 240 (69 percent) of the 350 recommendations OIG reviewed. However, 110 recommendations remained open. Of these 110 recommendations, 56 have been open close to or more than 1 year, and 54 have been open more than 2 years. Some particularly notable open recommendations relate to the need for the Department to review and potentially recover approximately \$45.5 million in payments made to a contractor, develop quality assurance surveillance plans, designate experienced and trained personnel to oversee contracts, and update or develop and implement standard operating procedures. Because of the financial implications, the Department should promptly take corrective action to close open recommendations related to contract administration and oversight. Table 3 shows the status of the 350 recommendations from the 72 reports OIG reviewed.⁴³

Table 3: OIG Recommendations Related to Contract Administration and Oversight From FY 2017 Through FY 2019

| OIG Component | Number of Recommendations | Status of Recommendations, as of April 2020 | |
|---------------|---------------------------|---|------------|
| | | Open | Closed |
| AUD | 284 | 91 | 193 |
| ISP | 60 | 15 | 45 |
| ESP | 5 | 4 | 1 |
| INV | 1 | 0 | 1 |
| Total | 350 | 110 | 240 |

Source: Prepared by OIG on the basis of compliance information obtained for AUD, ISP, ESP, and INV reports.

In response to a FY 2014 OIG report,⁴⁴ the Bureau of Administration developed the eFiling system for COs, CORs, and support staff to electronically store and organize contract files. On April 14, 2017, COR eFiling became available for contracts awarded domestically. However, use of the system was not made mandatory at that time. In FY 2018, OIG recommended⁴⁵ that the Bureau of Administration require CORs to maintain contract files in the eFiling system to allow for increased contract oversight, accountability and transparency, and to foster increased communication between AQM and the Department bureaus involved. For example, OIG stated that if CORs had been using the COR eFiling system, then COs and other procurement officials could have performed oversight more efficiently and effectively.⁴⁶ That report concluded that

⁴³ Details on the number of recommendations by report are included in Appendix B.

⁴⁴ OIG, *Audit of the Contract Closeout Process for Contracts Supporting the U.S. Mission in Iraq* (AUD-MERO-14-06, December 2013).

⁴⁵ OIG, *Management Assistance Report: Dispersal of Contracting Officer Representatives Creates Oversight Challenges* (ISP-I-18-33, August 2018).

⁴⁶ *Ibid.*

with better oversight, the contract administration deficiencies identified might have been mitigated. OIG also concluded that the absence of a requirement for CORs to use the eFiling system impeded the Department's efforts to centralize all COR files. The report⁴⁷ similarly explained that requiring eFiling would remove the need for bureaus or offices to develop separate electronic tools to maintain COR files. Bureaus' practice of developing their own applications increases costs to the Department and its overall effort to create standardization to assist with continuity during personnel turnover would not be achieved.

In July 2018, the Bureau of Administration disagreed with the OIG recommendation to require the mandated use of eFiling. It explained that this disagreement was partly due to the lack of funding needed to continue deployment to all domestic and overseas locations within the time period recommended by OIG. Over the next 18 months, the Bureau of Administration continued to update OIG on the status of its efforts regarding eFiling. Ultimately, in June 2020, the Bureau of Administration stated that it was, in fact, mandating the use of eFiling for domestic and overseas COs and CORs effective October 1, 2020.⁴⁸

Mandatory eFiling is an important step to improve contract administration. OIG encourages the Department to build on this success by ensuring consistent use of eFiling by bureaus and posts, as well as ensure the full use of system capabilities. Doing so will help the Department address weaknesses frequently identified by OIG in its reports. To avoid similar deficiencies noted by OIG in the use of State Assistance Management System (SAMS),⁴⁹ which was deployed for Federal assistance award file management, the Department must take steps to ensure the consistent use of eFiling by bureaus and posts, as well as to ensure the full use of system capabilities.

Investigative Work Underscores the Importance of Adequate Oversight

OIG investigated 15 cases that pertained to contract fraud during the scope period, including cases related to contract kickback schemes, willful non-compliance with contractual obligations, and conspiracy to defraud the government. The Department recovered approximately \$14.5 million related to these cases. For example, a Department contractor agreed to pay a \$975,576 administrative settlement to resolve allegations that it knowingly provided false information to the Department related to training local guards at an embassy. As a result of another case, a CO was arrested and charged with conspiracy, bribery, honest services fraud, and making false statements related to receiving cash payments from the owner of a construction firm. These cases underscore the importance of adequate contract administration and oversight.

⁴⁷ *Ibid* at 6.

⁴⁸ OPE, Procurement Information Bulletin No. 2020-04, "Electronic Contract Filing (eFiling)" (June 4, 2020).

⁴⁹ Discussion of weaknesses related to SAMS and Federal assistance award file management is in Finding B.

Finding B: Numerous OIG Reports Identified Weaknesses in the Administration and Oversight of Federal Assistance Awards

From FY 2017 through FY 2019, OIG issued 51 reports⁵⁰ that identified weaknesses related to the Department’s administration and oversight of Federal assistance awards. The reports identified issues at 13 domestic bureaus and offices, 4 regional bureaus, and 30 overseas posts. These reports also identified approximately \$41.8 million in potential monetary benefits. In addition, the reports contained 178 recommendations related to Federal assistance administration and oversight.

The deficiencies identified in these reports occurred in large part because of insufficient oversight of the GORs by the GOs and the bureau or office management officials involved. The weaknesses can also be attributed, at least in part, to insufficient training and experience of the personnel charged with foreign assistance award administration as well as inadequate support from GOs and bureau or office management. As detailed in Table 4, OIG categorized the Federal assistance award issues it reported during FY 2017 through FY 2019 to identify systemic weaknesses.⁵¹

Table 4: Summary of Systemic Weaknesses Related to Federal Assistance Award Administration and Oversight Identified in OIG Reports From FY 2017 Through FY 2019

| Types of Weaknesses | Number of Reports* |
|---|---------------------------|
| Inadequate Oversight | 48 |
| Improper Federal Assistance Actions | 22 |
| Poorly Written Federal Assistance Award Requirements | 11 |
| Failure to Meet Federal Assistance Award Requirements | 12 |
| Improper Federal Assistance Award Closeout | 16 |
| Incomplete Federal Assistance Files | 42 |

* A report may have more than one type of weakness.

Source: Prepared by OIG on the basis of information obtained from AUD, ISP, and ESP reports.

OIG also reviewed 178 recommendations⁵² made to the Department in the 51 reports and found that the recommendations generally addressed the need to establish and implement additional written policies and procedures to facilitate compliance with Department standards. Some key recommendations that had not been fully implemented by the Department as of April 2020 related to GO and management use and oversight of SAMS, which is the system

⁵⁰ OIG considered findings from AUD, ISP, ESP, and INV. Appendix B provides details of each report.

⁵¹ OIG considered a weakness to be systemic when the same or similar issues were identified in two or more of its reports.

⁵² As of April 2020, the Department had taken corrective action in response to 115 recommendations while 61 recommendation were resolved, but open, and 2 recommendations were unresolved.

used by the Department to automate the oversight of Federal assistance awards. For example, OIG found that GOs and management did not prioritize or oversee use of SAMS as needed, or develop and implement a process to validate, at least annually, that required documentation for Federal assistance awards was being maintained in SAMS.

OIG's investigative work underscores the importance of adequate Federal assistance administration and oversight. During the scope period, OIG investigated four cases that pertained to Federal assistance fraud, including cases related to willful non-compliance with grant provisions with the intent of defrauding the Government. The Department recovered approximately \$3.46 million related to these cases.

Inadequate Oversight

OIG found that 48 (94 percent) of 51 reports reviewed contained findings related to inadequate oversight of Federal assistance funds, which is a long-term management challenge for the Department. These reports included findings related to GOs, GORs, and other Department personnel who did not adequately monitor award recipients' performance, ensure that performance indicators were established and met, conduct annual risk assessments, and perform site visits as required. In one report,⁵³ OIG identified that at least 10 explosive detection canines overseen by a recipient had died from various medical problems from 2008 through 2016, while others were living in unhealthy conditions. Further, eight OIG reports⁵⁴ identified instances in which Federal assistance awards did not align with Department goals and objectives or the awards did not include well-defined and measurable performance indicators.

Some of the reasons cited in these reports for inadequate oversight of Federal assistance awards included GOs, GORs, and other Department personnel who did not have sufficient experience or training to oversee Federal assistance awards; GOs who did not provide guidance to or oversight of GORs; and bureau or post management officials who did not prioritize the GOR's Federal assistance award oversight responsibilities (e.g., did not provide GORs with time to perform key oversight activities or attend required training). Without comprehensive oversight of Federal assistance awards from GOs, GORs, and other officials involved in Federal assistance award oversight, the Department will not make meaningful progress in addressing this long-time management challenge. In addition, the Department jeopardizes the success of Federal assistance by assigning insufficiently trained and inexperienced personnel to oversee Federal assistance awards.

⁵³ OIG, *Evaluation of the Antiterrorism Assistance Explosive Detection Canine Program – Health and Welfare 10* (ESP-19-06, September 2019).

⁵⁴ OIG, AUD-CGI-18-50, August 2018, at 23-24; *Audit of the Bureau of Near Eastern Affairs Middle East Partnership Initiative 5-6* (AUD-MERO-17-08, November 2016); *Audit of the Conventional Weapons Destruction Program in Afghanistan, Iraq, and Lebanon 12-13* (AUD-MERO-17-49, August 2017); *Inspection of Embassy Rangoon, Burma 8-9* (ISP-I-17-05A, January 2017); ISP-I-18-11, February 2018, at 18-19; ISP-I-17-10, February 2017, at 15; *Audit of the Department of State Implementation of Policies Intended To Counter Violent Extremism 9-10* (AUD-MERO-19-27, June 2019); and ISP-I-19-17, July 2019, at 8.

Lack of Training and Experience

Of the 48 reports that identified issues related to oversight, OIG identified 16 (33 percent) that cited issues with the training and experience of the GORs and other oversight personnel involved. For example, officials at one regional bureau explained that program personnel without experience developed the statements of work and performance indicators while GOs focused only on fiscal issues.⁵⁵ OIG's report concluded that the resulting indicators were not appropriate for collecting, analyzing, and reporting performance data. In two other projects,⁵⁶ OIG found that the GOs did not have the required training or the required warrants to conduct proper management and oversight of Federal assistance awards. In another report,⁵⁷ OIG found that two of three employees responsible for overseeing Federal assistance funds at one post had not completed mandatory training, and none of the three had received training in the use of SAMS,⁵⁸ even though the post had made use of SAMS mandatory more than 1 year before the OIG project. OIG determined that the employees' supervisors, who as warranted GOs were ultimately accountable for the Federal assistance awards, did not arrange for the necessary training. This lack of training led to delays in Federal assistance processing and increased the risk of inadequate oversight.

OPE and Bureau Management Commitment Is Needed

The GOR is a significant part of the Federal assistance team. OIG reports identified instances in which GORs and other personnel responsible for the administration and oversight of Federal assistance funds did not have needed support from GOs and bureau or office management to successfully execute their oversight responsibilities. For example, in one report,⁵⁹ OIG found that employees consistently stated that their office lacked sufficient staff to manage Federal assistance awards. To address staffing vacancies, bureau management assigned additional responsibilities to its existing, already overburdened, GORs. In one case, a GOR was formally responsible for awards in a portfolio for which she had no regular involvement. Furthermore, OIG determined that the increased workload prevented supervisors from monitoring compliance with established internal controls, contributing to the deficiencies identified.

In another report,⁶⁰ OIG found that the embassy had designated its grants as "high risk"⁶¹ because of recipients' limited capacity, the political nature of the work, and the need to make cash payments to recipients. Nonetheless, the number of grants awarded exceeded the staff's capacity to exercise oversight. OIG noted that because most recipients operated in remote

⁵⁵ AUD-MERO-17-08, November 2016, at 14.

⁵⁶ OIG, *Inspection of Embassy Bishkek, Kyrgyzstan* 8 (ISP-I-17-13, March 2017) and *Inspection of Embassy Riyadh and Constituent Posts, Saudi Arabia* 17 (ISP-I-18-17, May 2018).

⁵⁷ ISP-I-18-04, December 2017, at 10.

⁵⁸ SAMS is the Department's program name for the Federal assistance management systems (SAMS Domestic and SAMS Overseas) that service the Department's domestic and overseas federal assistance personnel.

⁵⁹ OIG, *Inspection of the Bureau of Democracy, Human Rights, and Labor's Foreign Assistance Program Management* 4-5 (ISP-I-19-12, October 2018).

⁶⁰ ISP-I-17-05A, January 2017, at 8-9.

⁶¹ Categorizing grants as high risk triggers a responsibility for increased oversight, which can overburden staff and exceed their capacity to perform effective oversight.

locations, embassy staff rarely performed site visits. OIG advised managers to limit the number of grants in the future to accommodate the staff's capacity to manage those awards. During another project,⁶² GORs stated that they did not believe their managers fully understood the time required to monitor assistance awards.

GOs and bureau and office management must provide sufficient, consistent, and comprehensive support to all Federal assistance personnel to meaningfully address this long-time management challenge.

Improper Federal Assistance Actions

OIG found that 22 (43 percent) of 51 reports reviewed contained findings related to improper Federal assistance actions. These included changes to an agreement or to a budget that were not approved by the GO; the use of funds for unallowable expenses, including travel and indirect costs; expenses that did not have sufficient supporting documentation; and misapplied funds. For example, in one report,⁶³ OIG stated that the award recipient used approximately \$7,500 to employ staff (security guards, social workers, a psychologist, a recreational coordinator, a nurse, and caregivers) who did not work on award-related activities. In that same report, OIG noted that, despite identifying unallowable costs in a previous site visit for the same recipient, the GOR did not follow up to ensure that unallowable costs were addressed and that no other funds were disbursed for unallowable items.

In another report,⁶⁴ OIG identified \$1,635,762 in questioned costs for unallowable and unsupported costs, as well as conflict of interest violations for four of seven awards reviewed. Specifically, OIG found instances where one recipient paid stipends from Department awards to his children and instances where a different recipient made subawards to an organization run by his spouse and from which he received a salary. These instances of noncompliance with conflict of interest requirements resulted in unallowed costs totaling \$862,985.

OIG identified different reasons for the deficiencies identified in its reports, with most related to weaknesses in the Department's controls over its oversight of award recipients. These controls did not assure effective monitoring, compliance with requirements, or routine review of expenditures. As a result of improper actions by award recipients identified in the 22 reports, OIG identified \$41,750,952 in potential monetary benefits.

Poorly Written Federal Assistance Award Requirements

OIG found that 11 (22 percent) of 51 reports reviewed contained findings related to poorly written award requirements. For instance, one report⁶⁵ explained that an agreement with an

⁶² ISP-I-18-02, October 2017, at 14.

⁶³ OIG, *Audit of Monitoring and Evaluating Department of State Foreign Assistance in the Philippines 22-23* (AUD-MERO-19-39, September 2019).

⁶⁴ OIG, *Audit of Department of State Grants and Cooperative Agreements Awarded to Kennesaw State University 7-8* (AUD-SI-17-43, June 2017).

⁶⁵ OIG, *Inspection of Embassy Kigali, Rwanda 10* (ISP-I-19-15, March 2019).

award recipient included terms and conditions for a grant; however, the award was for a cooperative agreement that required different terms and conditions. In another report,⁶⁶ OIG stated that the Department had not included a requirement to recover value-added taxes⁶⁷ in agreements, resulting in the loss of funds to the U.S. Government. Some of the reasons cited in these reports for the deficiencies identified included inexperienced program personnel who developed performance indicators that were not appropriate for collecting, analyzing, and reporting performance data; a lack of alignment of program goals and objectives with Department goals and objectives; and a lack of internal controls to ensure indicators were developed as required. Poorly written Federal assistance award documents can hamper the Department's ability to ensure funds are used as intended.

Failure To Meet Federal Assistance Award Requirements

OIG found that 11 (22 percent) of 51 reports reviewed contained findings related to awardees that did not comply with Federal assistance requirements such as submitting financial and progress reports within required timeframes. For example, three reports⁶⁸ concluded that the award recipients failed to meet cost-sharing requirements.⁶⁹ In another report,⁷⁰ OIG found that 57 percent of recipient awards that were reviewed did not achieve performance targets. In another report,⁷¹ OIG found that the recipient did not send faculty members to an international conference, even though doing so was a key element of the award and required by the terms and conditions of the award agreement. Some of the reasons cited for the deficiencies identified included the lack of guidance to award and sub-award recipients, the lack of technical competencies related to performing required financial administration of awards, the lack of oversight of cost-sharing requirements, the lack of site visits, and inadequate reviews during site visits when they were performed. Monitoring compliance with Federal assistance award requirements is essential because failure to meet award requirements jeopardizes the Department's ability to achieve the goals and objectives of its Federal assistance programs.

⁶⁶ OIG, *Audit of Cooperative Agreement Sub-Award Recipients Supporting the U.S. President's Emergency Plan for AIDS Relief 20* (AUD-SI-19-43, September 2019).

⁶⁷ A value-added tax is a foreign tax charged for the purchase of goods or services that a non-Federal entity is legally required to pay in country.

⁶⁸ OIG, *Audit of Atlas Service Corps, Inc., Grant Expenditures and Program Income 17* (AUD-CGI-17-32, March 2017); *Audit of the Administration of Selected Cooperative Agreements Awarded to the Institute of International Education by the Bureau of Educational and Cultural Affairs 9* (AUD-CGI-18-15, February 2018); AUD-SI-17-43, June 2017, at 17.

⁶⁹ Cost-sharing refers to the portion of project costs that are not borne by the U.S. Government. The award recipient must contribute the cost-sharing amount that was agreed upon.

⁷⁰ AUD-MERO-17-08, November 2016, at 11.

⁷¹ AUD-SI-17-43, June 2017, at 20-21.

Improper Federal Assistance Award Closeout

OIG found that 16 (31 percent) of 51 reports reviewed contained findings related to Federal assistance award closeout⁷² weaknesses, including the failure to close out expired awards and maintaining unneeded unliquidated obligation balances.⁷³ For example, 13 reports⁷⁴ cited Federal assistance awards that were not closed out in accordance with Department policy. Some of the reasons cited in these reports for the deficiencies identified included award recipients that did not complete closeout documentation and GOs that did not process closeout documentation. Furthermore, the existence of unliquidated obligations in expired Federal assistance accounts suggests a lack of coordination between financial and program management. Untimely closeout of Federal assistance awards can result in the loss of funds that should be deobligated and reprogrammed to meet other important needs of the Department.

Incomplete Federal Assistance Files

OIG found that 42 (82 percent) of 51 reports reviewed contained findings related to Federal assistance files that were incomplete, missing, or had documents that were not readily available.⁷⁵ Table 5 provides details of the types of deficiencies identified in the 42 reports.

⁷² Closeout means the process by which the Federal awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the Federal award have been completed and takes actions required by 2 C.F.R. § 200.343.

⁷³ An unliquidated obligation represents the amount of goods or services ordered that have not been actually or constructively received or the amount of goods and services that have been received but for which payment has not yet been made. When unliquidated obligations are no longer needed because goods and services have been received and paid for, any remaining amounts should be reviewed for validity and de-obligated so that funding can be made available for other authorized purposes.

⁷⁴ OIG, ISP-I-17-05A, January 2017, at 9; ISP-I-17-07A, January 2017, at 5; ISP-I-17-17, June 2017, at 7-8; *Inspection of Embassy Luanda, Angola* 6 (ISP-I-17-19, June 2017); *Inspection of Embassy Djibouti, Djibouti* 6 (ISP-I-18-14, April 2018); *Inspection of Embassy Georgetown, Guyana* 9 (ISP-I-18-19, May 2018); ISP-I-19-03, November 2018, at 8; ISP-I-19-08, October 2018, at 21; *Inspection of U.S. Mission to Somalia* 12 (ISP-I-19-09, October 2018); ISP-I-19-10, December 2018, at 11; ISP-I-19-15, March 2019, at 8-9; *Inspection of Embassy Libreville, Gabon* 12 (ISP-I-19-16, June 2019); and ISP-I-19-19, August 2019, at 9.

⁷⁵ Documentation requested was not found within the official Federal assistance award file because Department personnel kept such documentation in other locations such as a desk, individual computer hard drive, etc.

Table 5: Federal Assistance File Deficiencies Identified in OIG Reports Issued From FY 2017 Through FY 2019

| Type of Issue Identified | Number of Reports |
|---|--------------------------|
| Lack of or Inadequate GOR Designation | 14 |
| Lack of or Inadequate Risk Assessment or Monitoring Plan | 31 |
| Other Missing, Required Federal Assistance Documentation* | 32 |

* Includes excluded-parties lists (an electronic directory of individuals and organizations that are not permitted to receive federal contracts or assistance) checks, site visit documentation, justification documents for non-competitive awards, and closeout documentation.

Source: Prepared by OIG on the basis of information obtained from AUD, ISP, ESP, and INV reports.

OIG identified a variety of reasons for the deficiencies identified. These included: (1) GOs and GORs who did not understand the extent of documentation required to demonstrate that monitoring occurred, (2) the failure to transfer Federal assistance file documentation from the previous grants management legacy system to SAMS, (3) GOs or GORs who were not using SAMS (even when it had been deployed at the bureau or post), and (4) a lack of awareness of requirements for file documentation. Complete and accurate Federal assistance files are important because they provide the Department with timely and complete information and can demonstrate that funding decisions are advancing the Department's goals.

Progress in Implementing Recommendations

As of April 2020, the Department completed corrective actions sufficient to close 115 (65 percent) of the 178 recommendations OIG reviewed. However, 63 recommendations remained open. Of these 63 recommendations, 14 have been open for more than 1 year, and 12 have been open more than 2 years. Some particularly significant open recommendations relate to the need to take action to recover approximately \$386,000 in unallowable expenditures and to determine whether approximately \$1.7 million in funds should have been put to a better use; bring posts' grants programs into compliance with standards; develop and implement standard operating procedures for selecting recipient expenditures for review; and consistently review all inactive unliquidated obligations. The Department should promptly take corrective action to close the remaining recommendations to make lasting changes and improvements in the administration and oversight of Federal assistance and potentially recover funds for the Department. Table 6 shows the status of the 178 recommendations from the 51 reports OIG reviewed.⁷⁶

⁷⁶ Details on the number of recommendations by report are included in Appendix B.

Table 6: OIG Recommendations Related to Federal Assistance Administration and Oversight From FY 2017 Through FY 2019

| OIG Component | Number of Recommendations | Status of Recommendations as of April 2020 | |
|---------------|---------------------------|--|------------|
| | | Open | Closed |
| AUD | 107 | 43 | 64 |
| ISP | 66 | 15 | 51 |
| ESP | 5 | 5 | 0 |
| Total | 178 | 63 | 115 |

Source: Prepared by OIG on the basis of compliance information obtained from AUD, ISP, and ESP reports.

Some key recommendations that had not been fully implemented by the Department as of April 2020 related to SAMS. SAMS⁷⁷ was designed to automate and centralize the Federal assistance management process within the Department. SAMS is intended to provide visibility, reporting capabilities, and streamlined processing for the Department's Federal assistance activities, and it features planning, pre-award, monitoring, and closeout tools. OIG acknowledges the significant improvement the Department made by implementing this electronic Federal assistance management application. However, all levels of management must be committed to its proper use for this tool to be successful. The Department must monitor the consistent use of SAMS by bureaus and posts and ensure full use of system capabilities. OIG's findings suggest that this has not consistently been the case.

For example, in FY 2018 and 2019, OIG issued 13 reports⁷⁸ at posts where SAMS had been deployed but noted that award files were nonetheless missing critical documentation. OIG determined that a primary reason for the deficiencies was inadequate oversight or prioritization by GOs and management officials to ensure the award files were maintained in accordance with Department policy. OIG offered recommendations to address these deficiencies. As of April 2020, the recommendations remain open pending further action. Two other OIG reports⁷⁹ noted that SAMS did not notify users when required documents were missing from the Federal assistance award files. In one of these reports,⁸⁰ OIG recommended that the bureau develop and implement a process to validate, at least annually, that the required documentation is maintained in SAMS. This recommendation remains open.

⁷⁷ The Department's transition from a legacy system to SAMS Domestic was completed in May 2018. Global deployment of SAMS Overseas to 264 posts was completed in August 2019.

⁷⁸ OIG, ISP-I-18-17, May 2018, 16; ISP-I-19-03, November 2018, 7-8; ISP-I-19-08, October 2018, 13-14; ISP-I-19-09, October 2018, at 11-12; ISP-I-19-10, December 2018, at 11; ISP-I-19-12, October 2018, at 5-6; ISP-I-19-14, April 2019, at 7; ISP-I-19-15, March 2019, at 9-10; ISP-I-19-16, June 2019, at 12; ISP-I-19-17, July 2019, at 10; ISP-I-19-18, June 2019, at 11; ISP-I-19-19, August 2019, at 9; *Inspection of Embassy Paramaribo, Suriname* 9 (ISP-I-19-20, July 2019).

⁷⁹ OIG, AUD-CGI-18-50, August 2018, at 25 and *Audit of Foreign Assistance for Internally Displaced Persons in Iraq* (AUD-MERO-18-56, August 2018).

⁸⁰ AUD-MERO-18-56, August 2018, at 12.

Investigative Work Underscores the Importance of Adequate Oversight

OIG investigated four cases that pertained to Federal assistance fraud during the scope period, including cases related to willful non-compliance with grant provisions with the intent of defrauding the Government. The Department recovered approximately \$3.5 million related to these cases. During one investigation, OIG found that a grant recipient who was managing multiple awards from the Department had subcontracted work to his spouse and his stepson. That investigation also identified approximately \$38,000 in expenditures that were unsupported by proper documentation. During a joint investigation with the U.S. Agency for International Development, OIG investigators found a recipient who had deliberately misrepresented costs, fabricated records of expenditures, and diverted Federal funds. The recipient reimbursed the Government almost \$3.5 million to resolve the allegations. These cases underscore the importance of adequate administration and oversight of Federal assistance awards.

CONCLUSION

The oversight of contracts and Federal assistance awards continues to be a significant challenge for the Department. OIG's body of work during FY 2017 through FY 2019 demonstrates that the Department continues to have serious, recurring, and systemic weaknesses in the administration and oversight of contracts and Federal assistance. During the period of this review, OIG made 528 recommendations in 96 reports related to improving the Department's administration and oversight of contracts and Federal assistance awards. This information report demonstrates that many COs and GOs are not adequately educating and supporting CORs and GORs or enforcing Federal regulations and Department policy through effective and vigilant monitoring. Furthermore, OIG continues to identify instances where oversight officials did not effectively hold contractors and Federal assistance award recipients accountable for meeting award requirements. Because effective and experienced oversight was often absent, the recommendations in the 96 reports issued during the scope period were intended to ensure compliance with Federal regulations and Department policy.

Although the Department has made progress in implementing OIG's recommendations, the Department still has work to do to make lasting changes and improvements. This ongoing need is demonstrated by the recurring nature of OIG's contract and Federal assistance award administration and oversight findings. Sustained attention is needed from OPE to ensure COs and GOs are properly executing their roles and held accountable for underperformance in managing their assigned portfolios. A strong institutional body with responsibility and authority for holding procurement officials and Department management accountable for complying with existing Department policies and procedures would be one way to bring about sustained attention to these issues and make lasting changes and improvements. This oversight entity could ensure, for example, that COs and GOs are adequately monitoring CORs and GORs and transparently maintaining files using the Department's centralized applications (eFiling and SAMS). Full implementation and use of these centralized applications would assist the Department to improve oversight, accountability, and transparency of contract and

Federal assistance administration. A concerted effort must be made to encourage procurement and oversight officials to fully use these systems. The oversight entity could also ensure that management is providing the time and support needed to its CORs and GORs so they can successfully perform their duties. Furthermore, the oversight entity could take steps to ensure CORs' and GORs' performance is fairly evaluated and documented.

OIG encourages senior Department officials to examine current policies and procedures and assess the need for change based on longstanding deficiencies. Furthermore, OPE should consider implementing a strategy to develop and maintain its acquisition and oversight workforce to ensure the Department has the right people with the right skills, capabilities, and experiences, and that institutional knowledge is preserved when experienced members of its workforce leave the organization. In addition, OIG urges Department leadership to share this report with procurement officials and bureau and office management to raise awareness of recurring issues and to take action toward improvements.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this project to identify and describe systemic weaknesses and associated recommendations identified by OIG from FY 2017 through FY 2019 related to the Department of State's (Department) administration and oversight of contracts and Federal assistance. OIG will use this information to measure the Department's future progress toward addressing the systemic weaknesses identified.

OIG conducted its work from January to April 2020 in the Washington, DC, metropolitan area. OIG faced delays in completing this work because of the COVID-19 pandemic and resulting operational challenges. To identify relevant reports, OIG requested reports discussing contract and Federal assistance weaknesses issued during the scope period from each OIG component: Office of Audits (AUD), Office of Inspections (ISP), Office of Evaluations and Special Projects (ESP), and Office of Investigations (INV). OIG conducted this evaluation in accordance with the *Quality Standards for Inspection and Evaluation*. These standards require that OIG plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the evaluation objective. OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the evaluation objective.

OIG identified frequently reported findings and corresponding recommendations in its reports, quantified persistent and systemic issues impacting the Department, and identified monetary benefits related to implementing the recommendations that OIG offered. For this report, OIG considered a weakness to be systemic when the same or similar issue was identified in two or more of the reports reviewed that were issued during the scope period of FY 2017 through FY2019. Table A.1 shows the number of contract and Federal assistance oversight reports identified for the scope period and the number and status of related recommendations.¹

Table A.1: Contract and Federal Assistance Oversight Reports Issued by OIG From FY 2017 Through FY 2019

| OIG Office | Number of Reports | Number of Recommendations | Number of Open Recommendations* | Number of Closed Recommendations* |
|--------------|-------------------|---------------------------|---------------------------------|-----------------------------------|
| AUD | 49 | 391 | 134 | 257 |
| ISP | 42 | 126 | 30 | 96 |
| ESP | 4 | 10 | 9 | 1 |
| INV | 1 | 1 | 0 | 1 |
| Total | 96 | 528 | 173 | 355 |

* Recommendation status as of April 30, 2020.

Source: Prepared by OIG on the basis of information obtained from AUD, ISP, ESP, and INV.

¹ Appendix B provides details of each OIG report.

Table A.2 shows the number of significant contract and Federal assistance oversight investigations performed by INV during the scope period.

Table A.2: Contract and Federal Assistance Oversight Investigations From FY 2017 Through FY 2019

| Case Type | Number of Cases |
|--------------------------|------------------------|
| Contract Fraud | 15 |
| Federal Assistance Fraud | 4 |
| Total | 19 |

Source: Prepared by OIG on the basis of information obtained from INV.

APPENDIX B: DETAILS OF OFFICE OF INSPECTOR GENERAL REPORTS

Table B.1: Reports Issued by the Office of Inspector General From FY 2017 Through FY 2019 With Contract and Federal Assistance Administration and Oversight Weaknesses and Recommendation Status as of April 30, 2020

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----------|---|-------------------|----------------|--|---|--------------------------|----------------------------|
| 49 | Office of Audits | | | | | | |
| 1 | Audit of the Department of State Vetting Process for Syrian Non-Lethal Assistance (AUD-MERO-17-01) | N/A | X | - ^c | 9 | 7 | 2 |
| 2 | Management Assistance Report: Contract Management—Lessons Learned From Embassy Kabul, Afghanistan, Operations and Maintenance Contract (AUD-MERO-17-04) | X | N/A | 5 | - | 0 | 5 |
| 3 | Audit of the Bureau of Near Eastern Affairs Middle East Partnership Initiative (AUD-MERO-17-08) | N/A | X | - | 5 | 0 | 5 |
| 4 | Audit of the Oversight of Fuel Acquisition and Related Services Supporting Department of State Operations in Iraq (AUD-MERO-17-16) | X | N/A | 18 | - | 2 | 16 |
| 5 | Management Assistance Report: Health and Safety Concerns Identified Related to Armored Vehicle Disposals (AUD-SI-17-20) | X | N/A | 2 | - | 0 | 2 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|---|-------------------|----------------|--|---|--------------------------|----------------------------|
| 6 | Audit of Atlas Service Corps, Inc., Grant Expenditures and Program Income (AUD-CGI-17-32) | N/A | X | - | 5 | 0 | 5 |
| 7 | Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs to Support Contingency Operations in Iraq Need Improvement (AUD-MERO-17-33) | X | N/A | 8 | - | 2 | 6 |
| 8 | Management Assistance Report: Challenges Remain in Monitoring and Overseeing Antiterrorism Assistance Program Activities in Pakistan (AUD-MERO-17-37) | X | N/A | 4 | - | 1 | 3 |
| 9 | Audit of the Bureau of Consular Affairs, Office of Consular Systems and Technology, Administration of Selected Information Technology Contracts (AUD-CGI-17-38) | X | N/A | 9 | - | 0 | 9 |
| 10 | Audit of the Department of State's Contract To Monitor Foreign Assistance Programs in Iraq (AUD-MERO-17-41) | X | N/A | 3 | - | 0 | 3 |
| 11 | Audit of Department of State Grants and Cooperative Agreements Awarded to Kennesaw State University (AUD-SI-17-43) | N/A | X | - | 4 | 0 | 4 |
| 12 | Management Assistance Report: Building Deficiencies Identified at | X | N/A | 19 | - | 0 | 19 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|---|-------------------|----------------|--|---|--------------------------|----------------------------|
| | U.S. Embassy Kabul, Afghanistan Need Prompt Attention (AUD-MERO-17-44) | | | | | | |
| 13 | Audit of Baghdad Diplomatic Support Center Task Orders Awarded Under Operations and Maintenance Support Services Contract SAQMMA12D016 (AUD-MERO-17-45) | X | N/A | 6 | - | 0 | 6 |
| 14 | Audit of the Bureau of South and Central Asian Affairs Invoice Review Process for the Afghanistan Life Support Services Contract (AUD-MERO-17-47) | X | N/A | 2 | - | 2 | 0 |
| 15 | Audit of the Conventional Weapons Destruction Program in Afghanistan, Iraq, and Lebanon (AUD-MERO-17-49) | N/A | X | - | 7 | 0 | 7 |
| 16 | Audit of Select Cost-of-Living Allowances for American Employees Stationed in Foreign Areas (AUD-FM-17-51) | X | N/A | 16 | - | 7 | 9 |
| 17 | Audit of Invoices Submitted by Torres Advanced Enterprise Solutions, LLC, for Select Local Guard Force Contracts (AUD-CGI-17-63) | X | N/A | 7 | - | 0 | 7 |
| 18 | Management Assistance Report: Lapse in Oversight at Embassy Islamabad, Pakistan, Allowed Design Change To Proceed | X | N/A | 5 | - | 0 | 5 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|--|-------------------|----------------|--|---|--------------------------|----------------------------|
| | Without the Contracting Officer's Knowledge (AUD-MERO-18-01) | | | | | | |
| 19 | Management Assistance Report: Contract Terms and Guidance for Approving Student Training Expenses Relating to the Justice and Corrections Programs in Afghanistan Require Attention (AUD-MERO-18-14) | X | N/A | 6 | - | 0 | 6 |
| 20 | Audit of the Administration of Selected Cooperative Agreements Awarded to the Institute of International Education by the Bureau of Educational and Cultural Affairs (AUD-CGI-18-15) | N/A | X | 0 | 20 | 0 | 20 |
| 21 | Audit of the National Endowment for Democracy and Its Core Institutes' Use of Grant Funds During FYs 2015 and 2016 (AUD-FM-18-24) | N/A | X | - | 4 | 0 | 4 |
| 22 | Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan (AUD-MERO-18-30) | X | N/A | 6 | - | 1 | 5 |
| 23 | Management Assistance Report: Cost Controls for Food Services Supporting Department of State Operations in Iraq Require Attention (AUD-MERO-18-31) | X | N/A | 14 | - | 6 | 8 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|--|-------------------|----------------|--|---|--------------------------|----------------------------|
| 24 | Audit of the Administration and Oversight of Fuel Contracts at U.S. Embassy Amman, Jordan (AUD-MERO-18-33) | X | N/A | 28 | - | 0 | 28 |
| 25 | Management Assistance Report: Contract Administration Practices Involving the Construction of the New Office Compound Taipei, Taiwan, Require Attention (AUD-SI-18-34) | X | N/A | 2 | - | 2 | 0 |
| 26 | Audit of Costs Invoiced Under the Afghanistan Life Support Services Contracts (AUD-MERO-18-35) | X | N/A | 3 | - | 0 | 3 |
| 27 | Audit of Food Safety Controls Under Baghdad Life Support Services Task Order SAQMMA14F0721 (AUD-MERO-18-38) | X | N/A | 8 | - | 2 | 6 |
| 28 | Audit of the Bureau of Overseas Buildings Operations Process for Reviewing Invoices for the Construction of the U.S. Embassy in Islamabad, Pakistan (AUD-MERO-18-46) | X | N/A | 3 | - | 0 | 3 |
| 29 | Audit of the Bureau of Diplomatic Security's Invoice Review Process for Worldwide Protective Services Contracts (AUD-MERO-18-47) | X | N/A | 4 | - | 0 | 4 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|--|-------------------|----------------|--|---|--------------------------|----------------------------|
| 30 | Audit of Humanitarian Assistance to South Sudan (AUD-MERO-18-48) | N/A | X | - | 1 | 0 | 1 |
| 31 | Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants (AUD-CGI-18-50) | X | X | 10 | 7 | 13 | 4 |
| 32 | Management Assistance Report: Department of State Has Not Implemented the Required Value Engineering Program for Contracts Exceeding \$5 Million (AUD-CGI-18-52) | X | N/A | 2 | - | 1 | 1 |
| 33 | Audit of Cost Controls Within the Baghdad Life Support Services Contract Food Services Task Order SAQMMA14F0721 (AUD-MERO-18-55) | X | N/A | 4 | - | 1 | 3 |
| 34 | Audit of Foreign Assistance for Internally Displaced Persons in Iraq (AUD-MERO-18-56) | N/A | X | - | 3 | 2 | 1 |
| 35 | Audit of the Department of State's Administration of its Aviation Program (AUD-SI-18-59) | X | N/A | 25 | - | 18 | 7 |
| 36 | Audit of the Bureau of Near Eastern Affairs Selection and Management of Contract Oversight Personnel in Iraq (AUD-MERO-19-10) | X | N/A | 13 | - | 6 | 7 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|--|-------------------|----------------|--|---|--------------------------|----------------------------|
| 37 | Management Assistance Report: Modification and Oversight of the Bureau of Medical Services' Contract for Aeromedical Biocontainment Evacuation Services Violated Federal Requirements (AUD-SI-19-11) | X | N/A | 7 | - | 1 | 6 |
| 38 | Information Report: The Bureau of Administration Took Action To Address Expired Office of Facilities Management Services Contracts (AUD-CGI-19-12) | X | N/A | 0 | - | 0 | 0 |
| 39 | Lessons Learned from Office of Inspector General Audits Concerning the Review and Payment of Contractor Invoices Supporting Overseas Contingency Operations (AUD-MERO-19-19) | X | N/A | 7 | - | 5 | 2 |
| 40 | Audit of Humanitarian Assistance Cooperative Agreements Supporting Internally Displaced Persons in Iraq (AUD-MERO-19-20) | N/A | X | - | 3 | 1 | 2 |
| 41 | Audit of the Office of Nonproliferation and Disarmament Fund Financial and Contract Activities During FY 2016 and FY 2017 (AUD-FM-19-22) | X | N/A | 2 | - | 0 | 2 |
| 42 | Management Assistance Report: Results of 2014 Audit of Bureau | X | N/A | 2 | - | 1 | 1 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|--|-------------------|----------------|--|---|--------------------------|----------------------------|
| | of Diplomatic Security Worldwide Protective Services Contract Task Orders 2, 9, and 11 (AUD-MERO-19-23) | | | | | | |
| 43 | Management Assistance Report: Noncompliance with Federal and Department Procurement Policy at U.S. Embassy Kabul, Afghanistan, Needs Attention (AUD-MERO-19-25) | X | N/A | 7 | - | 2 | 5 |
| 44 | Audit of the Department of State Implementation of Policies Intended To Counter Violent Extremism (AUD-MERO-19-27) | N/A | X | - | 9 | 8 | 1 |
| 45 | Audit of the Bureau of Overseas Buildings Operations Commissioning of Diplomatic Housing at U.S. Embassy Kabul, Afghanistan (AUD-MERO-19-37) | X | N/A | 5 | - | 5 | 0 |
| 46 | Management Assistance Report: Outstanding Construction Deliverables and Deficiencies Need Attention at New Embassy Compound The Hague, The Netherlands (AUD-CGI-19-38) | X | N/A | 5 | - | 4 | 1 |
| 47 | Audit of Monitoring and Evaluating Department of State Foreign Assistance in the Philippines (AUD-MERO-19-39) | X | X | 4 | 19 | 14 | 9 |
| 48 | Audit of the Execution of Security-Related Construction | X | N/A | 13 | - | 11 | 2 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|---|-------------------|----------------|--|---|--------------------------|----------------------------|
| | Projects at U.S. Embassy Kabul, Afghanistan (AUD-MERO-19-40) | | | | | | |
| 49 | Audit of Cooperative Agreement Sub-Award Recipients Supporting the U.S. President's Emergency Plan for AIDS Relief (AUD-SI-19-43) | N/A | X | - | 11 | 9 | 2 |
| 42 | Office of Inspections | | | | | | |
| 1 | Inspection of Embassy Rangoon, Burma (ISP-I-17-05A) | X | X | 0 | 1 | 0 | 1 |
| 2 | Inspection of Port Moresby, Papua New Guinea (ISP-I-17-07A) | X | X | 2 | 1 | 0 | 3 |
| 3 | Inspection of the Bureau of Population, Refugees, and Migration (ISP-I-17-10) | X | X | 3 | 1 | 0 | 4 |
| 4 | Inspection of Embassy Monrovia, Liberia (ISP-I-17-12) | X | X | 1 | 1 | 0 | 2 |
| 5 | Inspection of Embassy Bishkek, Kyrgyzstan (ISP-I-17-13) | X | X | 0 | 0 | 0 | 0 |
| 6 | Inspection of Embassy Colombo, Sri Lanka (ISP-I-17-14) | N/A | X | - | 0 | 0 | 0 |
| 7 | Inspection of Embassy Freetown, Sierra Leone (ISP-I-17-16) | X | X | 1 | 1 | 0 | 2 |
| 8 | Inspection of Embassy Accra, Ghana (ISP-I-17-17) | X | X | 4 | 2 | 0 | 6 |
| 9 | Inspection of Consulate General Jerusalem (ISP-I-17-18) | N/A | X | - | 1 | 0 | 1 |
| 10 | Inspection of Embassy Luanda, Angola (ISP-I-17-19) | N/A | X | - | 2 | 0 | 2 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|---|-------------------|----------------|--|---|--------------------------|----------------------------|
| 11 | Inspection of Embassy Tel Aviv, Israel (ISP-I-17-20) | X | X | 0 | 2 | 0 | 2 |
| 12 | Inspection of the Bureau of Near Eastern Affairs (ISP-I-17-22) | N/A | X | - | 6 | 0 | 6 |
| 13 | Management Assistance Report: Improved Oversight Needed to Standardize the Use of Risk Assessments and Monitoring Plans for Overseas Grants (ISP-17-33) | N/A | X | - | 5 | 0 | 5 |
| 14 | Inspection of the Bureau of African Affairs (ISP-I-18-01) | X | N/A | 0 | - | 0 | 0 |
| 15 | Inspection of the Bureau of African Affairs' Foreign Assistance Program Management (ISP-I-18-02) | X | X | 0 | 5 | 5 | 0 |
| 16 | Inspection of Embassy Beijing and Constituent Posts, China (ISP-I-18-04) | X | X | 3 | 3 | 0 | 6 |
| 17 | Inspection of Consulate General Hong Kong, China (ISP-I-18-06) | X | X | 1 | 1 | 0 | 2 |
| 18 | Inspection of the Bureau of South and Central Asian Affairs (ISP-I-18-11) | X | X | 1 | 3 | 0 | 4 |
| 19 | Inspection of Embassy Managua, Nicaragua (ISP-I-18-12) | N/A | X | - | 1 | 0 | 1 |
| 20 | Inspection of Embassy San Jose, Costa Rica (ISP-I-18-13) | X | X | 3 | 1 | 0 | 4 |
| 21 | Inspection of Embassy Djibouti, Djibouti (ISP-I-18-14) | N/A | X | - | 1 | 0 | 1 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|--|-------------------|----------------|--|---|--------------------------|----------------------------|
| 22 | Inspection of the Bureau of Information Resource Management's Office of Governance, Resource, and Performance Management (ISP-I-18-15) | X | N/A | 4 | - | 0 | 4 |
| 23 | Inspection of Embassy Guatemala City, Guatemala (ISP-I-18-16) | X | X | 2 | 1 | 0 | 3 |
| 24 | Inspection of Embassy Riyadh and Constituent Posts, Saudi Arabia (ISP-I-18-17) | X | X | 1 | 3 | 0 | 4 |
| 25 | Inspection of Embassy Addis Ababa, Ethiopia (ISP-I-18-18) | X | X | 1 | 2 | 0 | 3 |
| 26 | Inspection of Embassy Georgetown, Guyana (ISP-I-18-19) | X | X | 4 | 1 | 0 | 5 |
| 27 | Inspection of the Bureau of Consular Affairs' Office of Policy Coordination and Public Affairs (ISP-I-18-28) | X | N/A | 1 | - | 0 | 1 |
| 28 | Management Assistance Report: Dispersal of Contracting Officer Representatives Creates Oversight Challenges (ISP-I-18-33) | X | N/A | 1 | - | 1 | 0 |
| 29 | Inspection of Embassy Dakar, Senegal (ISP-I-19-03) | X | X | 2 | 0 | 0 | 2 |
| 30 | Inspection of Embassy Banjul, The Gambia (ISP-I-19-04) | X | N/A | 2 | - | 1 | 1 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|-----|--|-------------------|----------------|--|---|--------------------------|----------------------------|
| 31 | Inspection of Embassy Nairobi, Kenya (ISP-I-19-08) | X | X | 6 | 4 | 4 | 6 |
| 32 | Inspection of U.S. Mission to Somalia (ISP-I-19-09) | N/A | X | - | 2 | 0 | 2 |
| 33 | Inspection of Embassy New Delhi and Constituent Posts, India (ISP-I-19-10) | X | X | 2 | 0 | 1 | 1 |
| 34 | Inspection of the Bureau of Democracy, Human Rights, and Labor (ISP-I-19-11) | X | N/A | 2 | - | 0 | 2 |
| 35 | Inspection of the Bureau of Democracy, Human Rights, and Labor's Foreign Assistance Program Management (ISP-I-19-12) | N/A | X | - | 6 | 3 | 3 |
| 36 | Inspection of Embassy Bogota, Colombia (ISP-I-19-14) | X | X | 3 | 2 | 5 | 0 |
| 37 | Inspection of Embassy Kigali, Rwanda (ISP-I-19-15) | X | X | 0 | 4 | 0 | 4 |
| 38 | Inspection of Embassy Libreville, Gabon (ISP-I-19-16) | N/A | X | - | 1 | 1 | 0 |
| 39 | Inspection of Embassy Santo Domingo, Dominican Republic (ISP-I-19-17) | X | X | 4 | 0 | 3 | 1 |
| 40 | Inspection of Embassy Port-au-Prince, Haiti (ISP-I-19-18) | X | X | 4 | 1 | 4 | 1 |
| 41 | Inspection of Embassy Nassau, The Bahamas (ISP-I-19-19) | X | X | 2 | 1 | 2 | 1 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|----------|---|-------------------|----------------|--|---|--------------------------|----------------------------|
| 42 | Inspection of Embassy Paramaribo, Suriname (ISP-I-19-20) | N/A | X | - | 0 | 0 | 0 |
| 4 | Office of Evaluations and Special Projects | | | | | | |
| 1 | Management Assistance Report: Incorporation of Clause Requiring Contractor Cooperation with the Office of Inspector General (ESP-18-02) | X | N/A | 1 | - | 1 | 0 |
| 2 | Management Assistance Report: Use of Confidentiality Agreements by a Department of State Contractor (ESP-18-03) | X | N/A | 1 | - | 0 | 1 |
| 3 | Evaluation of the Bureau of Diplomatic Security's Aegis Construction Contract at Camp Eggers, Afghanistan (ESP-19-04) | X | N/A | 3 | - | 2 | 1 |
| 4 | Evaluation of the Antiterrorism Assistance Explosive Detection Canine Program – Health and Welfare (ESP-19-06) | N/A | X | - | 5 | 5 | 0 |

| No. | Report Title | Contract Weakness | Grant Weakness | Number of Contract Related Recommendations | Number of Grant Related Recommendations | Open Status ^a | Closed Status ^b |
|--|---|-------------------|----------------|--|---|--------------------------|----------------------------|
| 1 Office of Investigations | | | | | | | |
| 1 | Management Assistance Report: Bureau of International Security and Nonproliferation Fund Invoice Submission Process (INV-17-02) | X | N/A | 1 | - | 1 | 0 |
| Total Number of Recommendations | | | | 350 | 178 | 173 | 355 |

^a A recommendation is opened on the date that the audit report is issued. An open recommendation is considered either (a) unresolved, meaning no agreement has been reached between the OIG and management on the recommendation or proposed corrective action, or (b) resolved, meaning OIG and management has agreed on the recommendation and proposed corrective action, but the implementation has not been completed.

^b A recommendation is closed after Department management has completed agreed-upon corrective action.

^c OIG included a "0" if the report did not have any recommendations that related to a contract or Federal assistance weakness reported. OIG included a "--" if recommendations were not applicable because the report did not identify a contract or Federal assistance weakness.

Source: Prepared by the Office of Inspector General on the basis of internal compliance information.

APPENDIX C: DETAILS OF OFFICE OF INVESTIGATION ACTIVITIES

Table C.1: Office of Inspector General Investigative Activity Related to Contract and Federal Assistance Fraud From FY 2017 Through FY 2019

| Action | Number of Contract Fraud Actions | Number of Grant Fraud Actions | Total Number of Actions |
|---------------------------------------|---|--------------------------------------|--------------------------------|
| Arrest | 5 | 0 | 5 |
| Conviction | 7 | 0 | 7 |
| Debarment | 76 | 11 | 87 |
| Suspension | 10 | 5 | 15 |
| Resignation | 7 | 1 | 8 |
| Termination | 0 | 10 | 10 |
| Visa Denial | 0 | 1 | 1 |
| Admonishment | 2 | 0 | 2 |
| Suspension of Employee | 2 | 0 | 2 |
| Revocation of Clearance | 1 | 0 | 1 |
| Warrant Cancelled | 1 | 0 | 1 |
| Amount of Related Recoveries * | \$14,450,649 | \$3,461,288 | \$17,911,937 |

* Includes fines/restitution, cost recovery, and administrative settlements.

Source: Prepared by the Office of Inspector General on the basis of information obtained from the Office of Investigations.

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



United States Department of State

Washington, D.C. 20520

UNCLASSIFIED

September 1, 2020

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/OPE – Vincent J. Chaverini, *VJC*
Acting

SUBJECT: Draft Report on *Information Report: Systemic Weaknesses Related to the Administration and Oversight of Department of State Contracts and Federal Assistance From FY 2017 to FY 2019*

The Office of the Procurement Executive (A/OPE) thanks the Office of the Inspector General (OIG) for this opportunity to provide a response to the subject draft report. A/OPE further appreciates OIG's acknowledgement of the notable progress made toward implementing OIG recommendations within the review period. The Information Report identifies the administration and oversight of contracts and Federal assistance as a persistent management challenge for the Department. A/OPE concurs and views these challenges as intrinsic to contracting across the entire Federal spectrum. This report correctly highlights the many acquisition-related facets a dynamic, worldwide organization must continue to identify to advance complex U.S. foreign policy objectives.

Regarding the theme of accountability, A/OPE's domestic operations were reorganized in July 2018. This provided an opportunity to adjust and improve operational efficiency, ensure greater transparency in acquisitions, and provide stronger and more effective contracting solutions. To capitalize on this opportunity, A/OPE engaged with the Foreign Service Institute to recalibrate and improve training for Contracting Officers (CO), Contracting Officer Representatives (COR), Grants Officers (GO), and Grants Officer Representatives (GOR) to ensure modules are current and emphasize the importance of carrying out their fiduciary and oversight responsibilities. A/OPE is also addressing the modernization of its IT systems, and hopes to soon equip the Department acquisition and Federal assistance community with improved capability to collaborate, educate, and react to dynamic events with expediency and in a manner consistent with both expectations and obligations.

In this report, the OIG identified \$235.7 million (page 1) of \$30 billion (page 2) annually used across the Department as potential monetary benefits arising from audits. A/OPE takes seriously all questioned and unsupported costs that relate to audit findings and, when within the purview of A/OPE operations, will work diligently to recover all possible funds in accordance with CO or GO determinations. We question whether this amount reflects a "systemic weakness," but the Office of the Procurement Executive will continue to improve and strengthen its solutions and resources through a responsive and knowledgeable workforce.

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