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Management Assistance Report: Financial Monitoring of Foreign Assistance Grants and Cooperative Agreements in Somalia Needs Improvement

MANAGEMENT ASSISTANCE REPORT

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Summary of Review

The Department of State (Department) provides foreign assistance to Somalia to promote security and support the development of a unified and peaceful nation. From FY 2017 through FY 2019, the Bureau of African Affairs (AF) and the Bureau of Counterterrorism (CT) provided almost \$65.4 million through four Federal financial assistance awards to support the Department's mission in Somalia. In September 2020, the Office of Inspector General (OIG) completed an audit of the Department's risk assessment and mitigation processes for its foreign assistance to Somalia. In that report, OIG noted that risk assessments, risk mitigation procedures, and vetting of foreign assistance grants and cooperative agreements needed improvement.¹ This Management Assistance Report serves as a companion to that report and focuses on deficiencies identified with the Bureau of Administration, Office of the Procurement Executive (OPE); AF; and CT financial monitoring procedures for the four selected awards.

OIG reviewed four awards granted to Bancroft Global Development (Bancroft), the United Nations Office of Project Services, Valar, and the International Development Law Organization. OIG found that the award recipients did not always submit financial reports by required deadlines. OIG also found that the Department did not always review the reports once they were submitted. Without timely submissions and reviews of required financial reports, the Department has limited insight into whether Federal funds are spent as intended and in accordance with the terms and conditions of the awards.

OIG also reviewed award expenditures incurred under three of the four awards.² For the two awards implemented by Valar and the International Development Law Organization and overseen by CT, OIG found that expenditures were generally made within the parameters of the terms and conditions of the award. However, for the award implemented by Bancroft and overseen by AF, OIG identified \$321,599 in questioned costs for unallowable or unsupported expenditures related to travel, lodging, prepaid calling cards,³ fuel, interpreter fees, and meals, among other categories. OIG determined that these expenses should not have been paid, in part, because the Grants Officer and the Grants Officer Representative (GOR) did not conduct a site visit until 2 years and 8 months after issuing the award and did not request additional supporting documentation from Bancroft on its financial transactions despite having noted potential concerns with Bancroft's financial activities in the pre-award risk assessment. By not conducting timely site visits or obtaining and reviewing supporting documentation, the Grants Officer and GOR failed to comply with Department requirements to ensure award expenditures were used for their intended purpose.

¹ OIG, *Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia* (AUD-MERO-20-45, September 2020).

² OIG did not review expenditures incurred under the fourth award because it was implemented by the United Nations Office of Project Services, a public international organization that, according to the *Federal Assistance Directive* (FAD), is not expected to subject its books and records to inspection. OPE, FAD, Version 4, October 2019, at 113.

³ Bancroft officials purchased prepaid calling cards to facilitate communications with program participants.

In addition to these questioned costs, OIG also found that the Department permitted Bancroft to keep \$3.78 million that the organization paid its employees as incentive compensation that was not authorized in the terms and conditions of the award. This was permitted even after the Office of Federal Assistance Financial Management (FAFM) in the Bureau of the Comptroller and Global Financial Services having reviewed Bancroft's expenditures and concluded that Bancroft's incentive compensation payments were not authorized under the award. OIG reviewed Bancroft's submitted budget and did not find a reference to incentive compensation. Moreover, OIG did not find a reference to incentive compensation in the majority of the affected employees' contracts. OIG concludes that FAFM's determination that the compensation was not authorized is correct and should not have been paid to Bancroft. Therefore, OIG is questioning the unauthorized \$3.78 million paid to Bancroft for incentive compensation.

OIG made eight recommendations to address the deficiencies identified in this report and to recover any unallowable, unsupported, or unauthorized expenditures made to Bancroft. In response to a draft of this report, the Bureau of Administration concurred with the recommendations offered. On the basis of the bureau's concurrence with the recommendations and actions planned, OIG considers all eight recommendations resolved, pending further action. A synopsis of the Bureau of Administration's response to the recommendations offered and OIG's reply follow each recommendation in the Results section of this report. The Bureau of Administration's response to a draft of this report is reprinted in its entirety in Appendix B.

BACKGROUND

The Department provides foreign assistance to Somalia to promote security and support the development of a unified and peaceful nation. Specifically, AF is working to bring peace and stability to the war-torn nation by supporting the African Union Mission in Somalia, as well as Somalia's Transitional Government, National Security Forces, and regional administrations. In addition, due to the increased attacks on soft targets (such as restaurants, stadiums, hotels, and markets) by terrorist groups like al-Shabaab, CT is focused on building partner government law enforcement capacity and crisis response capabilities to prevent and respond to terrorist incidents.

Foreign Assistance Awards in Somalia

From 2017 through 2019, AF and CT provided approximately \$65.4 million in support of the Department's mission in Somalia through four grants and cooperative agreements. Specifically, the awards consisted of one grant and three cooperative agreements awarded by the Grants Officers from OPE, and overseen by GORs from AF and CT.

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

In January 2017, OPE, on behalf of AF, awarded a cooperative agreement to Bancroft to implement the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (Mentorship and Training award). The value of the award was \$33 million, and the period of performance ended in August 2020. The primary goal of this award was to mentor African Union Mission in Somalia and Somali National Army Danab units to carry out their mandated security tasks effectively and engage safely, professionally, and constructively with Somali communities.

Stipends Support for the Somali National Army

In September 2018, OPE, on behalf of AF, awarded a grant to the United Nations Office of Project Services to implement the Stipends Support for the Somali National Army award (Stipend Support award). The value of this award is \$18.8 million with the period of performance ending in March 2022. The award objective is to ensure that designated units of the Somali National Army and designated civilians in the Somali Ministry of Defense receive timely stipends support from the U.S. Government.⁴

Somali Law Enforcement: Local Policing and Protection

In September 2018, OPE, on behalf of CT, awarded a cooperative agreement to Valar to implement the Somali Law Enforcement: Local Policing and Protection award (Law Enforcement award). The value of this award is \$8.8 million, with the period of performance ending in September 2021. The award objectives are to build the capacity of Somali police, secure critical infrastructure from terrorist attacks in Mogadishu by developing the Somali police's capability to perform physical security vulnerability assessments, identify force protection materiel and equipment recommendations, and train guard forces at key government installations in Mogadishu.

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

In September 2017, OPE, on behalf of CT, awarded a cooperative agreement to the International Development Law Organization to implement the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (Financial Reporting Centre award). The value of this award is \$4.8 million, with the period of performance ending in February 2022. The award objective is to "strengthen the [Financial Reporting Centre's] capacity to safeguard Somalia's financial system from money laundering and terrorist financing . . . by collecting, analyzing, and disseminating financial intelligence for the investigation and prosecution of financial crimes."

⁴ Stipends are paid to the Somali National Army to support the establishment of a unified, capable, and accountable Somali federal security institution to provide basic safety and security to its citizens.

Financial Monitoring Guidance

The Federal Assistance Directive (FAD) establishes guidance, policies, and procedures for domestic and overseas bureaus, offices, and posts when administering Federal assistance. According to the FAD, monitoring is mandatory for all Department assistance awards and required to ensure all financial management performance has been adhered to and whether the recipient complies with the Code of Federal Regulations (C.F.R.),⁵ Department policy, and the award terms and conditions.⁶ The FAD states that the Grants Officer and the GOR are responsible for ensuring that monitoring is conducted and documented for every award.⁷ These officials are also responsible for monitoring the financial capability, stability, funds management of the recipient, and the expenditures on the award activity.⁸

Roles and Responsibilities

The FAD also establishes roles and responsibilities for Grants Officers, GORs, and FAFM in relation to Federal assistance awards. According to the FAD, Grants Officers are Department employees who have the authority, to the maximum extent practicable and consistent with law, to determine the application of rules, regulations, and policies on a specific award.⁹ The FAD also establishes that a GOR is a Department employee designated, in writing, by the Grants Officer to oversee certain aspects of a specific award, including managerial responsibilities for the programmatic aspects of the award.¹⁰ Finally, the FAD states that FAFM develops policy, guidance, and training related to the financial management of Federal financial assistance on topics such as obligation, payment, financial closeout, and debt collection. It also monitors compliance with Department financial policies and assists with collecting data for various audit programs.¹¹

RESULTS

Finding A: Improved Procedures Are Needed To Address Financial Monitoring Deficiencies

OIG found that the award recipients did not always submit Federal Financial Reports in a timely manner and once submitted, the Grants Officer and GORs did not always review them, as

⁵ Grants and Agreements, 2 C.F.R. § 200, Subpart D - Post Federal Award Requirements, establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards.

⁶ FAD, October 2019, at 128.

⁷ Ibid.

⁸ Ibid., at 129.

⁹ Ibid., at 3.

¹⁰ Ibid., at 14.

¹¹ Ibid., at 4.

required by the FAD.¹² The Grants Officers and GOR stated that the increased workload and volume of awards contributed to their delay in reviewing the reports. The lack of timely report submissions and reviews could prevent the Department from identifying noncompliance with Department requirements. Furthermore, compliance with Department requirements to conduct and document reviews of the Federal Financial Reports is essential to provide the Department with assurance that Federal funds are spent as intended and in accordance with the terms and conditions of the awards. OIG also found that for the awards implemented by Valar and the International Development Law Organization and overseen by CT, award expenditures were generally made within the parameters of the terms and conditions of the awards.

However, for the award implemented by Bancroft and overseen by AF, OIG is questioning \$321,599 in expenditures that OIG identified as unallowable or unsupported in accordance with the terms and conditions of the award. This occurred, in part, because the Grants Officer and GOR did not conduct a site visit until 2 years and 8 months after issuing the award and did not request additional supporting documentation from Bancroft on its financial transactions. Finally, OIG is also questioning \$3.78 million that the Department paid Bancroft in incentive compensation payments to its employees that were not authorized in the terms and conditions of the award. Even after FAFM officials concluded that the incentive compensation payments were not authorized, the Grants Officer permitted Bancroft to keep the expended funds.

Award Recipients Did Not Always Submit Reports in a Timely Manner, and Bureaus Did Not Always Review Financial Reports as Required

The terms and conditions of the four awards that OIG reviewed required the recipients to submit Federal Financial Reports on a quarterly basis. For each award, OIG reviewed four of the required financial reports.¹³ As shown in Table 1, OIG found that Bancroft submitted reports on time; the United Nations Office of Project Services submitted two of four (50 percent) reports late — 5 days late in one instance, and 3 months late in the other instance; Valar submitted one of four (25 percent) reports 4 days late; and the International Development Law Organization submitted one of four (25 percent) reports 8 days late. When OIG asked about the circumstances concerning the late submissions, the Grants Officer for the AF awards stated that the United Nations Office of Project Services was occasionally delinquent, and the lateness issue was discussed with the United Nations Office of Project Services. The Grants Officer for the CT awards stated that delays in reporting are not uncommon, especially with grantees operating in difficult places. The Grants Officer added that she usually grants the recipients some flexibility because of the difficult operating environment. Despite some late submissions, OIG confirmed that all recipients submitted all required reports. Table 1 summarizes the submissions of the Federal Financial Reports.

¹² FAD, October 2019, at 79. The FAD states that the Federal Financial Report should be reviewed within 30 days of receipt of the reports.

¹³ See Appendix A for sample selection details.

Table 1: Federal Financial Report Submissions

Award	Reports Required FY 18–FY 19	Reports Submitted FY 18–FY 19	Reports Tested	Submitted On Time (Percentage)
Mentorship and Training	8	8	4	4 (100)
Stipend Support	4	4	4	2 (50)
Law Enforcement	4	4	4	3 (75)
Financial Reporting Centre	8	8	4	3 (75)

Source: OIG generated based on the analysis of Federal Financial Reports received from award recipients and OPE.

The FAD also requires the Grants Officer or GOR to document his or her review and approval of the financial reports in the official award file within 30 days of receipt of the reports.¹⁴ The FAD requires the Grants Officer or GOR to document his or her review and approval by signing the Federal Financial Reports, adding a note to the official award file, or reviewing and approving in the Payment Management System.¹⁵ OIG found that for the AF awards, the Grants Officer reviewed one of eight (13 percent) reports.¹⁶ Specifically, for Bancroft’s Mentorship and Training award, OIG found that the Grants Officer reviewed one of four reports and documented the review in the Payment Management System within 30 days of receipt, as required by the FAD. For the three remaining reports, OIG did not find evidence of the Grants Officer’s review. In addition, for the United Nations Office of Projects Services’ Stipend Support award, OIG did not find evidence that the Grants Officer reviewed any of the four reports selected by OIG for testing. The Grants Officer stated this occurred because she had experienced technical issues with the newly upgraded Payment Management System and could not access the reports for several months, though she stated that she also receives the reports by email. She also stated that workload and staffing shortages resulting from the Department’s hiring freeze made it difficult to find time to review the reports.

With respect to the CT awards, the Grants Officer and GOR documented their review for five of eight (63 percent) reports. Specifically, for Valar’s Law Enforcement award, the Grants Officer reviewed one report and the GOR reviewed two reports. For the one remaining report, OIG did not find evidence that it was reviewed. For the International Development Law Organization’s Financial Reporting Centre award, the GOR reviewed two of four reports. However, for the two remaining reports, OIG did not find evidence that they were reviewed. According to the Grants Officers, the increased workload and volume of awards contributed to the lack of reviews. Table 2 summarizes the review of the Federal Financial Reports.

¹⁴ FAD, October 2019, at 79 and 129.

¹⁵ The Payment Management System is a U.S. Government-wide centralized Federal award payment and cash management system managed by the U.S. Department of Health and Human Services.

¹⁶ According to the Grants Officer, the GOR focused on progress reports while she reviewed the Federal Financial Reports.

Table 2: Grants Officer and Grants Officer Representative Review of Federal Financial Reports

Award	Reports Tested	Grants Officer or GOR Documented Review (Percentage)
Mentorship and Training	4	1 (25)
Stipend Support	4	0 (0)
Law Enforcement	4	3 (75)
Financial Reporting Centre	4	2 (50)

Source: OIG generated based on the analysis of Payment Management System reports and quarterly GOR reports received from OPE and CT.

The lack of timely report reviews was also identified in the *Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia* relating to AF's and CT's review of performance reports for these awards.¹⁷ The lack of timely report submissions and reviews could prevent the Department from identifying noncompliance with Department requirements. Furthermore, compliance with Department requirements to conduct and document reviews of the Federal Financial Reports is essential to provide the Department with assurance that Federal funds are spent as intended and in accordance with the terms and conditions of the awards. Because the Mentorship and Training award has closed, OIG is not offering a recommendation specific to this award. However, OIG is offering the following recommendations to address the other deficiencies noted with the submission and review of financial reports.

Recommendation 1: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in conjunction with the Bureau of African Affairs, develop and implement a process to ensure that the United Nations Office of Project Services submit all required quarterly Federal Financial Reports in accordance with the terms and conditions of the award.

Management Response: The Bureau of Administration concurred with the recommendation, stating that the Office of Acquisitions Management, International Programs Grants Officers are "currently utilizing a process that meets the requirements set forth by the OPE [FAD]." The Bureau of Administration also stated that the process requires the Grants Officer to review the submission of required quarterly reports and then document the review through the completion of a form in the State Assistance Management System. The bureau further stated that reviews of required reports are also captured in the Office of Acquisition Management Grants Branch standard operating procedures. Furthermore, the bureau stated that these procedures require the Grants Officers to review the GOR's Federal Financial Report assessment for any agreement, including the United Nations Office of Project Services, and capture this activity by marking the task complete in the State Assistance Management System. The Bureau of

¹⁷ AUD-MERO-20-45, September 2020.

Administration attached its standard operating procedures along with its response for OIG's review.

OIG Reply: On the basis of the Bureau of Administration's concurrence with the recommendation, OIG considers this recommendation resolved, pending further action. In addition, OIG reviewed and considered the bureau's standard operating procedures and identified additional management controls that can be implemented to help ensure that the United Nations Office of Project Services complies with the terms and conditions of the award with respect to submission of the Federal Financial Reports, as recommended. For example, the bureau could require the GOR to remind recipients to submit quarterly reports via email prior to the report date, as well as escalating the matter to the Grants Officer for any recipients that are delinquent in submitting reports. It is important to note that these management control examples are currently employed by CT and included in its standard operating procedures. The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented a process to ensure that the United Nations Office of Project Services submit all required quarterly Federal Financial Reports in accordance with the terms and conditions of the award.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in conjunction with the Bureau of Counterterrorism, develop and implement a process to ensure that Valar and the International Development Law Organization submit all required quarterly Federal Financial Reports in accordance with the terms and conditions of the awards.

Management Response: The Bureau of Administration concurred with the recommendation, stating that the Office of Acquisitions Management, International Programs Grants Officers are "currently utilizing a process that meets the requirements set forth by the OPE [FAD]." The bureau also stated that the process requires the Grants Officer to review the submission of required quarterly reports and then document the review through the completion of a form in the State Assistance Management System. The bureau further stated that reviews of required reports are also captured in the Office of Acquisition Management Grants Branch standard operating procedures. Furthermore, the bureau stated that these procedures require the Grants Officers to review the GOR's Federal Financial Report assessment and capture this activity by marking the task complete in the State Assistance Management System. The bureau added that CT similarly has a standard operating procedure in place that was developed in coordination with the Bureau of Administration. The bureau stated that the standard operating procedures will "ensure grantees submit all required performance and financial reporting in accordance with the terms and conditions of the awards and require CT Bureau GORs to review the [Federal Financial Reports] and document the review in the award file within 30 days of receipt." The Bureau of Administration attached its standard operating procedures as well as those of CT along with its response for OIG's review.

OIG Reply: On the basis of the Bureau of Administration's concurrence with the recommendation, OIG considers this recommendation resolved, pending further action. OIG reviewed and considered the standard operating procedures provided by the bureau and identified additional management controls that can be implemented to help ensure Valar and the International Development Law Organization comply with the terms and conditions of the award with respect to Federal Financial Report submission. Like OIG's reply to management's response to Recommendation 1, the bureau could take additional steps to require the GOR to remind award recipients to submit quarterly reports via email prior to the report date, as well as escalating the matter to the Grants Officer when award recipients are delinquent in submitting reports. The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented a process to ensure that Valar and the International Development Law Organization submit all required quarterly Federal Financial Reports in accordance with the terms and conditions of the award.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs, develop and implement a process that ensures the Grants Officer and Grants Officer Representative for the Stipends Support for the Somali National Army award (SLMAQM18GR2254) review the Federal Financial Reports and document the review in the award file within 30 days of receipt, as required by the Federal Assistance Directive.

Management Response: The Bureau of Administration concurred with the recommendation, stating that the Office of Acquisitions Management, International Programs Grants Officers are "currently utilizing a process that meets the requirements set forth by the OPE [FAD]." The Bureau of Administration also stated that the process requires the Grants Officer to review the submission of required quarterly reports and then document the review through the completion of a form in the State Assistance Management System. The bureau further stated that reviews of required reports are also captured in the Office of Acquisition Management Grants Branch standard operating procedures. Furthermore, the bureau stated that these procedures require the Grants Officers to review the GOR's Federal Financial Report assessment for any agreement, including the Stipends Support for the Somali National Army award, and capture this activity by marking the task complete in the State Assistance Management System. The Bureau of Administration attached its standard operating procedures along with its response for OIG's review.

OIG Reply: On the basis of the Bureau of Administration's concurrence with the recommendation, OIG considers this recommendation resolved, pending further action. In addition, OIG reviewed and considered the bureau's standard operating procedures and identified steps that can be taken to help ensure that the Grants Officer and GOR for the Stipends Support award review the Federal Financial Reports and document the review in the award file within 30 days of receipt. For example, the bureau could clarify the term "programmatic" in its procedures. Currently, the procedures state:

GORs are required to provide a written assessment to the [Grants Officer] of the recipient's performance 30 days after submission of programmatic reports. The [Grants Officer/Grant Management Specialist] is required to review the GOR report and add any comments, as needed, regarding the programmatic progress of the award.

It is unclear if the term "programmatic" includes the review of financial reports. In addition, OIG also notes that the Bureau of Administration's standard operating procedures state that the GOR provides their written assessment to the Grants Officer "30 days after submission of programmatic reports," which may cause GORs to submit reports late to the Grants Officer because the FAD states that this review should occur "within 30 days of receipt of the reports."¹⁸ The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented a process that ensures the Grants Officer and GOR for the Stipends Support award review the Federal Financial Reports and document the review in the award file within 30 days of receipt, as required by the FAD.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of Counterterrorism, develop and implement a process that ensures the Grants Officer and Grants Officer Representative for the Somali Law Enforcement: Local Policing and Protection award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025) review the Federal Financial Reports and document the review in the award file within 30 days of receipt, as required by the Federal Assistance Directive.

Management Response: The Bureau of Administration concurred with the recommendation, stating that the Office of Acquisitions Management, International Programs Grants Officers are "currently utilizing a process that meets the requirements set forth by the OPE [FAD]." The bureau also stated that the process requires the Grants Officer to review the submission of required quarterly reports and then document the review through the completion of a form in the State Assistance Management System. The bureau further stated that reviews of required reports are also captured in the Office of Acquisition Management Grants Branch standard operating procedures. Furthermore, the bureau stated that these procedures require the Grants Officers to review the GOR's Federal Financial Report assessment and capture this activity by marking the task complete in the State Assistance Management System. The bureau added that CT similarly has a standard operating procedure in place that was developed in coordination with the Bureau of Administration. The bureau stated that the standard operating procedures will "ensure grantees submit all required performance and financial reporting in accordance with the terms and conditions of the awards and require CT Bureau GORs to review the [Federal Financial Reports] and document the review in the award file within 30 days of receipt." The

¹⁸ FAD, October 2019, at 79.

Bureau of Administration attached its standard operating procedures as well as those of CT along with its response for OIG's review.

OIG Reply: On the basis of the Bureau of Administration's concurrence with the recommendation, OIG considers this recommendation resolved, pending further action. OIG reviewed and considered the bureau's standard operating procedures and identified steps that can be taken to help ensure that the Grants Officer and GOR for the Law Enforcement award and the Fit-for-Purpose award review the Federal Financial Reports and document the review in the award file within 30 days of receipt. Like OIG's reply to management's response to Recommendation 3, the bureau could clarify the term "programmatic" in its procedures. As previously mentioned, the procedures state:

GORs are required to provide a written assessment to the [Grants Officer] of the recipient's performance 30 days after submission of programmatic reports. The [Grants Officer/Grant Management Specialist] is required to review the GOR report and add any comments, as needed, regarding the programmatic progress of the award.

It is unclear if the term "programmatic" includes the review of financial reports. In addition, OIG also notes that the Bureau of Administration's standard operating procedures state that the GOR provides their written assessment to the Grants Officer "30 days after submission of programmatic reports," which may cause GORs to submit reports late to the Grants Officer because the FAD states that this review should occur "within 30 days of receipt of the reports."¹⁹ The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has developed and implemented a process to ensure that the Grants Officer and GOR for the Law Enforcement award and the Fit-for-Purpose award review the Federal Financial Reports and document the review in the award file within 30 days of receipt, as required by the FAD.

Expenditures Incurred Under Valar's Law Enforcement Award and the International Development Law Organization's Financial Reporting Centre Awards Were Allowable and Allocable

The FAD states that a cost incurred under an award must be allowable and allocable in accordance with the terms and conditions of the award. For a cost to be allowable, the FAD states that it must be necessary and reasonable for the performance of the Federal award.²⁰ The cost also needs to be adequately documented. For a cost to be allocable, the FAD states that it must be "chargeable to the award," and "incurred specifically for the Federal award."²¹ OIG found that Valar and the International Development Law Organization made expenditures that were allowable and allocable within the parameters of the terms and conditions of the awards. OIG randomly selected 50 expenditures incurred under Valar's Law Enforcement award

¹⁹ Ibid., at 79.

²⁰ Ibid., at 65.

²¹ Ibid., at 66.

and 50 expenditures incurred under the International Development Law Organization's Financial Reporting Centre award for review.²² OIG compared the expenditures that the two organizations incurred against their respective approved award budgets to determine whether these expenditures were allowable. OIG also reviewed payment vouchers, travel documentation, receipts, timesheets, and applicable supporting documentation and compared them to the expense list provided by Valar and the International Development Law Organization to determine whether they were allocable. On the basis of its review and analysis, OIG determined that the expenditures were allowable, allocable, and supported with appropriate documentation.

Bancroft Made \$321,599 in Unallowable and Unsupported Expenditures Under Its Mentorship and Training Award

OIG is questioning \$321,599 in expenditures as unsupported or unallowable under the terms and conditions of AF's Bancroft award.²³ OIG reviewed 200 expenditures incurred under Bancroft's Mentorship and Training award to determine whether the expenditures were allowable, allocable, and supported with adequate documentation.²⁴ OIG found that in 115 instances, Bancroft incurred costs for travel, lodging, prepaid calling cards, fuel, meals, and interpreter expenses, among other expenditures, that were unallowed under the terms and conditions of the award or were unsupported.

Although the budget that Bancroft submitted and the Grants Officer approved prior to issuing the award allowed for travel expenses related to rest and recuperation, the budget allows employees to be reimbursed only for travel to his or her home country of record. Specifically, the award allows for four full-fare economy class round trip tickets for each mentor to return to his or her home country of record for rest and recuperation. However, OIG found that Bancroft paid mentors to travel to a country different from their home country of record in five instances, at a cost of \$8,440. The Grants Officer modified the award in December 2018 to allow for "full-fare economy class round trip tickets or equivalent," which gives the mentor the flexibility to travel to a different location if, and only if, the cost was equivalent to or less than the cost had the employee traveled to his or her home of record for rest and recuperation purposes. OIG asked Bancroft to provide a cost analysis of the mentor's expenses for traveling to a destination different than their home country, but Bancroft did not provide supporting documentation. Therefore, OIG cannot conclude that these travel expenditures were equivalent in price to that of their home country.

OIG also found four instances, in which lodging expenditures, which totaled \$1,325, lacked proper supporting documentation. Rather than providing information, such as check-in and check-out times, Bancroft provided handwritten lists and/or an Excel spreadsheet of personnel

²² See Appendix A for sample selection details.

²³ OIG did not review expenditures incurred under the United Nations Office of Project Services' Stipend Support award because it is a public international organization that, according to the FAD, is not expected to subject its books and records to inspection.

²⁴ See Appendix A for sample selection details.

who stayed in Bancroft-rented lodging and the number of nights they stayed. For example, in two instances, Bancroft employees traveled through Nairobi to Somalia to conduct training, but Bancroft submitted handwritten documentation on the number of employees who needed lodging rather than detailed evidence of the employee’s arrival and departure from the facilities.

With respect to prepaid calling cards, the award budget does not list them as allowable expenditures.²⁵ Yet, OIG found 30 expenditures, totaling \$22,511, in which prepaid calling cards were purchased. The award budget also does not allow expenditures for fuel, but OIG found that Bancroft charged for fuel in 24 expenditures, totaling \$92,600. As for meals, the award budget allows Bancroft to incur meal expenditures for mentors. However, OIG found 37 instances in which Bancroft incurred meal expenditures, totaling \$176,268, for guests, mentees, and business partners. Bancroft personnel stated that they incurred meal expenditures for guests in meetings because “that was part of the business.” However, OIG could not find this allowance in the approved budget. Furthermore, the award budget does not allow expenditures for interpreter fees, but in seven expenditures, OIG found that Bancroft incurred a total of \$4,983 in interpreter fees. Finally, OIG found eight instances in which Bancroft spent funds to support its engineering and mobility teams; staff expenses, such as cash advances, risk insurance, and salary payments; data for systems; construction; and other unallowable expenses, such as supplies and workshop expenses, that totaled \$15,472. As with the other expenditures, these were not listed as allowable in the award budget. Table 3 presents the unallowable and unsupported expenditures OIG identified under Bancroft’s Mentorship and Training award.

Table 3: Bancroft’s Unallowable and Unsupported Expenses

Expense	Number of Expenditures	Value
Meals	37	\$176,268
Fuel	24	\$92,600
Prepaid Calling Cards	30	\$22,511
Other Unallowable Expenses	8	\$15,472
Travel	5	\$8,440*
Interpreter	7	\$4,983
Lodging	4	\$1,325*
Total	115	\$321,599

* Unsupported expenditures

Source: OIG generated based on an analysis of Bancroft’s expenditures involving the Mentorship and Training award.

The Grants Officer and GOR did not detect these unallowable costs, in part, because they did not conduct a site visit until 2 years and 8 months after issuing the award, from January 2017 to

²⁵ Prepaid calling cards were included in the original award and the first modification of the award; however, prepaid calling cards were not included in the second modification to the award and therefore, were unallowable after December 18, 2018, when the second modification was issued.

August 2019, and did not request additional supporting documentation from Bancroft on its transactions. The Grants Officer explained that the FAD states that “it is not generally appropriate to request receipts or detailed expenditure reports from the recipient.”²⁶ However, the FAD also states that “if there are suspected excessive or irregular expenditures, it is permissible to request supporting documentation” and that “examination of receipts and spending reports often occurs during site visits.”²⁷ The Grants Officer and GOR noted potential concerns with Bancroft’s financial activities in its pre-award risk assessment and therefore, should have asked for supporting documentation.

To address the shortfalls, in January 2020, OPE modified the award to require Bancroft to submit additional supporting documentation. Moreover, the GOR acknowledged that he should have made the site visit earlier in the award’s implementation, but his workload played a part in the delay. By not conducting timely site visits or obtaining and reviewing supporting documentation, the Grants Officer and GOR failed to comply with Department requirements to ensure that award expenditures were used for their intended purpose. Because the Mentorship and Training award has closed, OIG is not offering a specific recommendation to address the site visit deficiency noted with this award. However, OIG is questioning \$321,599 in unallowable or unsupported expenditures for this AF award and is offering the following recommendations related to these costs.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs (a) determine the allowability of the \$9,765 in questioned cost (consisting of \$8,440 of unsupported travel costs and \$1,325 of unsupported lodging costs as detailed in Table 3) incurred by Bancroft Global Development under the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and (b) recover all costs determined to be unsupported.

Management Response: The Bureau of Administration concurred with the recommendation, stating that, in coordination with AF, it will take action to determine the allowability of the \$9,765 in questioned costs.

OIG Reply: On the basis of the Bureau of Administration’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration (a) determined the allowability of the \$9,765 in questioned cost incurred by Bancroft under the Mentorship and Training award and (b) recovered all costs determined to be unsupported.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs (a) determine the

²⁶ FAD, October 2019, at 129.

²⁷ Ibid.

allowability of the \$311,834 in questioned costs (consisting of \$22,511 in unallowable prepaid calling cards, \$4,983 in unallowable interpreter fees, \$92,600 in unallowable fuel, \$176,268 in unallowable meals and \$15,472 in unallowable other costs as detailed in Table 3) incurred by Bancroft Global Development under the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and (b) recover all costs determined to be unallowable.

Management Response: The Bureau of Administration concurred with the recommendation, stating that, in coordination with AF, it will take action to determine the allowability of the \$311,834 in questioned costs.

OIG Reply: On the basis of the Bureau of Administration's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration (a) determined the allowability of the \$311,834 in questioned costs incurred by Bancroft under the Mentorship and Training award and (b) recovered all costs determined to be unallowable.

The Grants Officer Allowed Bancroft To Keep Funds Expended on Unauthorized Incentive Compensation Pay

OIG also found that the Department permitted Bancroft to keep \$3.78 million that the organization paid its employees as incentive compensation that was not authorized by the award's terms and conditions. The Grants Officer asked FAFM in the Bureau of the Comptroller and Global Financial Services to review Bancroft's award expenditures, which FAFM completed during a site visit in August 2019. The Grants Officer told OIG that she requested FAFM's assistance because she did not have the necessary skills to monitor Bancroft's financial activities. At the end of their site visit, FAFM officials concluded that Bancroft "is withholding 'incentive compensation,' which is not authorized under the subject award." FAFM also stated the "actual amount paid per month deviates significantly from the requested amount with the difference/amount that [Bancroft] defines as 'incentive compensation.'"

In response to FAFM's findings, Bancroft stated that "the incentive compensation program is fully compliant with all applicable laws and regulations" and that "in particular, incentive compensation arrangements like ours are expressly permitted by 2 C.F.R. § 200.430(f)." Bancroft officials also stated:

The incentive compensation payments were included in the total 'salary' paid to personnel on the budgets that Bancroft submitted to [the Department]. The detailed line-item budget requires a monthly representation of the annual salary for each position. Accordingly, we combined the estimated monthly salary and the expected monthly incentive compensation to calculate a total monthly compensation.

Bancroft officials further stated that, “we take responsibility for not explicitly describing our long-standing incentive compensation program in our submitted budgets and budget narratives and that we should have listed incentive compensation separately from salary and explained it in the budget narrative.” Bancroft officials also promised greater transparency in future budget submissions.

Based on Bancroft’s explanation, the Grants Officer permitted Bancroft to keep the funds expended for incentive compensation because she found sufficient Bancroft’s justification that its compensation program was compliant with applicable laws and the incentive compensation payments were included in the employee’s total salary as stated in the budget submitted to the Department. In response to Bancroft’s explanations, the Grants Officer stated:

While [the Department] appreciates Bancroft’s dedication and innovative approach to this very challenging program and the dangerous environment your staff is operating in, prior approval requirements for any changes to the award, as outlined in the [Department] Terms and Conditions and 2 C.F.R. [§] 200.308, Revision of Budget and Program Plans, are binding. [The Department] accepts Bancroft’s assurances for improved communication and greater transparency. [The Department] considers this finding resolved.

Although the Grants Officer seemingly acknowledged that Bancroft did not comply with the terms and conditions of the award by paying incentive compensation, she nevertheless found Bancroft’s response to be sufficient and “resolved” the matter.

Notwithstanding Bancroft’s and the Grants Officer’s statements, OIG did not find a reference to incentive compensation in the submitted budget or the terms and conditions of the award. In addition, OIG did not find reference to incentive compensation in the majority of the affected employees’ contracts. Moreover, despite the Grants Officer contacting FAFM for assistance because, according to the Grants Officer, she did not have sufficient knowledge or skills to monitor complex financial transactions such as incentive compensation, the Grants Officer chose not to follow the conclusions of the Department’s financial experts in FAFM on the matter. The FAD provides limited guidance for collaboration with FAFM regarding financial monitoring, and specifically states that the Grants Officer and GOR are responsible “for monitoring the financial capability, stability, funds management of the recipient, and the actual expenditures on the award activity.”²⁸ However, the Foreign Affairs Manual states that FAFM “[p]rovides oversight of the financial management activities related to grants and other forms of Federal financial assistance throughout the Department.”²⁹ Without guidance regarding the authority of FAFM in the FAD, especially when the Grants Officer may not be able to sufficiently monitor financial transactions, the Department will not have assurance that its foreign assistance funds are being appropriately spent.

²⁸ Ibid.

²⁹ 1 Foreign Affairs Manual 614.12-3, “Office of Federal Assistance Financial Management (CGFS/FPRA/FAFM).”

OIG recognizes the dangerous nature of the work that Bancroft was undertaking; however, incentive compensation must be explicitly allowed in the budget and terms and conditions of the award before incentive payments can be made. OIG, therefore, concludes that FAFM's determination that the compensation was not authorized is correct and should not have been paid, and OPE should reconsider its decision to allow Bancroft to keep the funds. Therefore, in addition to recognizing the need for updated guidance in the FAD to prevent future such occurrences, OIG is questioning the unauthorized \$3.78 million paid to Bancroft for incentive compensation and is offering the following recommendations.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs and the Officer of Federal Assistance Financial Management (a) determine whether the \$3,776,500 that Bancroft Global Development spent on incentive compensation payments from the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) were allowable and (b) recover all costs determined to be unallowable.

Management Response: The Bureau of Administration concurred with the recommendation, stating that, in coordination with AF, it will take action to determine the allowability of the \$3,776,500 spent on incentive compensation.

OIG Reply: On the basis of the Bureau of Administration's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration (a) determined whether the \$3,776,500 that Bancroft spent on incentive compensation payments from the Mentorship and Training award were allowable and (b) recovered all costs determined to be unallowable.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of the Comptroller and Global Financial Services, update the Foreign Assistance Directive, Chapter 1, "General," D. "Roles and Responsibilities" to clarify the Office of Federal Assistance Financial Management role in the financial monitoring process as it relates to Grants Officer and Grants Officer Representative responsibilities.

Management Response: The Bureau of Administration concurred with the recommendation, stating that, in coordination with the Bureau of the Comptroller and Global Financial Services, it will update the FAD to clarify the Office of Federal Assistance Financial Management's role in the financial monitoring process as it relates to Grants Officer and GOR responsibilities.

OIG Reply: On the basis of the Bureau of Administration's concurrence with the recommendation and planned action, OIG considers this recommendation resolved, pending further action. The recommendation will be closed when OIG receives

documentation demonstrating that the Bureau of Administration updated the FAD, Chapter 1, "General," D. "Roles and Responsibilities," clarifying the Office of Federal Assistance Financial Management's role in the financial monitoring process, as it relates to Grants Officer and GOR responsibilities.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in conjunction with the Bureau of African Affairs, develop and implement a process to ensure that the United Nations Office of Project Services submit all required quarterly Federal Financial Reports in accordance with the terms and conditions of the award.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in conjunction with the Bureau of Counterterrorism, develop and implement a process to ensure that Valar and the International Development Law Organization submit all required quarterly Federal Financial Reports in accordance with the terms and conditions of the awards.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs, develop and implement a process that ensures the Grants Officer and Grants Officer Representative for the Stipends Support for the Somali National Army award (SLMAQM18GR2254) review the Federal Financial Reports and document the review in the award file within 30 days of receipt, as required by the Federal Assistance Directive.

Recommendation 4: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of Counterterrorism, develop and implement a process that ensures the Grants Officer and Grants Officer Representative for the Somali Law Enforcement: Local Policing and Protection award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025) review the Federal Financial Reports and document the review in the award file within 30 days of receipt, as required by the Federal Assistance Directive.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs (a) determine the allowability of the \$9,765 in questioned cost (consisting of \$8,440 of unsupported travel costs and \$1,325 of unsupported lodging costs as detailed in Table 3) incurred by Bancroft Global Development under the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and (b) recover all costs determined to be unsupported.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs (a) determine the allowability of the \$311,834 in questioned costs (consisting of \$22,511 in unallowable prepaid calling cards, \$4,983 in unallowable interpreter fees, \$92,600 in unallowable fuel, \$176,268 in unallowable meals and \$15,472 in unallowable other costs as detailed in Table 3) incurred by Bancroft Global Development under the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and (b) recover all costs determined to be unallowable.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs and the Officer of Federal Assistance Financial Management (a) determine whether the \$3,776,500 that Bancroft Global Development spent on incentive compensation payments from the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) were allowable and (b) recover all costs determined to be unallowable.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of the Comptroller and Global Financial Services, update the Foreign Assistance Directive, Chapter 1, "General," D. "Roles and Responsibilities" to clarify the Office of Federal Assistance Financial Management role in the financial monitoring process as it relates to Grants Officer and Grants Officer Representative responsibilities.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

In September 2020, the Office of Audit within the Office of Inspector General (OIG) completed an audit of the Department of State's (Department) risk assessment and mitigation processes for its foreign assistance to Somalia. In that report, OIG noted that risk assessments, risk mitigation procedures, and vetting of foreign assistance grants and cooperative agreements needed improvement.¹ This Management Assistance Report serves as a companion to that report and focuses on deficiencies identified with the Bureau of Administration, Office of the Procurement Executive, Bureau of African Affairs (AF), and Bureau of Counterterrorism (CT) financial monitoring procedures for the four awards.

This report relates to Overseas Contingency Operation, North and West Africa Counterterrorism Operation, and was completed in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended. OIG conducted this audit from October 2020 to June 2021 at the U.S. Consulate General Frankfurt, Germany. OIG prepared this Management Assistance Report in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG faced challenges in completing this work because of the COVID-19 pandemic. These challenges included limitations on in-person meetings, difficulty accessing information, prohibitions on travel, and related difficulties within the Department that affected its ability to respond timely to OIG requests for information. Despite these challenges, OIG was able to conduct its audit work remotely using teleconferences and electronic data requests and believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

To obtain background information for this audit, OIG researched and reviewed Federal laws, regulations, and Department policies and procedures related to foreign assistance funding. Specifically, OIG reviewed the Federal Assistance Directive, Code of Federal Regulations, and bureau-specific standard operating procedures. OIG interviewed officials from the Office of the Procurement Executive, AF, CT, Office of Federal Assistance Financial Management, Bancroft Global Development (Bancroft), United Nations Office of Project Services, Valar, and the International Development Law Organization. The audit scope included four foreign assistance grants and cooperative agreements issued from FY 2017 through FY 2019, to include the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (Mentorship and Training award); Stipends Support for the Somali National Army award (Stipend Support award); Somali Law Enforcement: Local Policing and Protection award (Law Enforcement award); and Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (Financial Reporting Centre). To assess each award, OIG obtained and reviewed a sample of quarterly Federal Financial Reports and a sample of expenditures from FY 2018 through FY 2019.

¹ OIG, *Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia* (AUD-MERO-20-45, September 2020).

Data Reliability

OIG used computer-processed data to determine the universe of Department foreign assistance-funded awards and award expenditures. The steps to assess the reliability of each dataset are discussed in the following paragraphs.

Universe of Department Foreign Assistance-Funded Awards

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

Award Expenditures

OIG obtained expenditures for the sample of Federal Financial Reports for three awards implemented by Bancroft Global Development, Valar, and the International Development Law Organization. OIG compared the sample of expenditures to the supporting documentation and receipts for the three applicable samples and determined that the expenditures generally matched the supporting documentation. Although OIG could not attest to the completeness of the award expenditure documentation, OIG determined that the data were sufficiently reliable for the purpose of determining if award expenditures were allowable and supported.²

Sampling Methodology

To answer the audit objective, OIG obtained information on grants and cooperative agreements provided to Somalia from 2017 through 2019, which totaled \$64.5 million.³ OIG selected four awards using a risk-based selection process considering location, time period, bureau, and dollar amount. To select the awards for review, the audit team used a two-step process: first, the audit team identified the bureau that provided the most funds on the awards and then selected the bureaus with the highest-dollar value. Second, to identify the bureaus with the most dollars spent, OIG grouped the data by bureau and sorted from highest- to lowest-dollar

² See Finding A of this report for details regarding unallowable and unsupported expenditures.

³ The sampling methodology was developed in October 2019, and the audit team used the same sample that was identified and reported in AUD-MERO-20-45, September 2020.

value. OIG identified AF and CT as the two bureaus with the highest amounts of foreign assistance funds awarded through grants and cooperative agreements for Somalia, at \$34 million and \$23 million, respectively (\$57 million in total). For AF, OIG selected the two highest-dollar value awards—one grant and one cooperative agreement—originally valued at \$27.5 million and \$6.4 million, respectively. During the audit, the value of the four awards increased. As of April 2021, the value of these awards had increased to \$33million and \$18.8 million, respectively. For CT, OIG did not select the highest-dollar award because it was the subject of a separate OIG review. Therefore, OIG selected the next two highest-dollar value awards at \$7.2 million and \$2.9 million. As of April 2021, the value of these two awards increased to \$8.8 million and \$4.8, respectively.

To evaluate the timeliness of each award’s submission of the Federal Financial Reports and review of these reports, OIG selected a nonstatistical sample, using a random sampling design, of four Federal Financial Reports for each award from FYs 2018 and 2019. OIG selected FY 2018 second quarter, FY 2019 first quarter, FY 2019 second quarter, and FY 2019 third quarter for review. For the awards with a period of performance of only 1 year (FY 2019), OIG selected all four Federal Financial Reports for that year for review.

To evaluate expenditures for the Mentorship and Training award, Law Enforcement award, and the Financial Reporting Centre award, OIG selected a nonstatistical sample, using a random sampling design, of 50 expenditures for each award from FY 2018 second quarter, FY 2019 first quarter, FY 2019 second quarter, and FY 2019 third quarter. For the awards with a period of performance of only 1 year (FY 2019), a sample of expenditures was selected from all four quarters for that year. OIG removed all expenditures under \$200 before selecting the random sample for each award. Because OIG identified a significant number of unallowable expenditures with the Bancroft award, OIG selected an additional 50 expenditures to review.

Of the 100 expenditures reviewed for the Bancroft award, there were recurring unallowable expenditures for prepaid calling cards, fuel, interpreter expenses, and meals. Therefore, OIG identified an additional 80 expenditures for these four categories from the sample universe identified above.⁴ OIG did not review expenditures incurred under the United Nations Office of Project Services’ Stipend Support award because it is a public international organization that, according to the FAD, is not expected to subject its books and records to inspection.⁵ Table A.1 provides details related to OIG’s sample of Federal financial reports and expenditures.

⁴ See Finding A of this report for details regarding unallowable and unsupported expenditures.

⁵ Office of the Procurement Executive, *Federal Assistance Directive 113*, Version 4, October 2019.

Table A.1: OIG Sample of Federal Financial Reports and Expenditures

Award	Implementor	Target Universe (Sample Size)	
		Financial Reports	Expenditures
Mentorship and Training Award	Bancroft Global Development	8 (4)	1,827 (100)
Stipend Support Award	United Nations Office of Project Services	4 (4)	-
Law Enforcement Award	Valar	4 (4)	1,098 (50)
Financial Reporting Centre Award	International Development Law Organization	8 (4)	603 (50)
Total		24 (16)	3,528 (200)

Source: OIG generated based on financial data and award information provided by the Office of the Procurement Executive, CT, and the award implementors.

APPENDIX B: BUREAU OF ADMINISTRATION RESPONSE



United States Department of State

Washington, D.C. 20520

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July 12, 2021

MEMORANDUM

TO: OIG/AUD – Tinh Nguyen

FROM: A/OPE/AQM – Vince J. Chaverin, Jr. *VJC*

SUBJECT: OPE Management Response to the Management Assistance Report: Financial Monitoring of Foreign Assistance Grants and Cooperative Agreements in Somalia Needs Improvement (AUD-MERO-21-XX)

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

Recommendation 1: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in conjunction with the Bureau of African Affairs, develop and implement a process to ensure that the United Nations Office of Project Services submit all required quarterly Federal Financial Reports in accordance with the terms and conditions of the award.

Management Response to Draft Report (07/12/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. The Office of Acquisitions Management, International Programs (A/OPE/AQM/IP) Grants Officers (GOs) are currently utilizing a process that meets the requirements set forth by the OPE Federal Assistance Directive (FAD). The process requires the GO to review submission of required quarterly reports and this is documented through the completion of the e-4012 in the official system of record, SAMS. Review of required reports are also captured in the AQM Grants Branch Standard Operating Procedures (SOPs). The SOPs require GOs to complete reviews of the Grants Officer Representative's (GOR's) FFRs assessment for any agreement, including the United Nations Office of Project Services, and capture this activity by marking the tasks complete in the SAMS Domestic comment field (see attached SOPs).

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in conjunction with the Bureau of Counterterrorism, develop and implement a process to ensure that Valar and the International Development Law Organization submit all required quarterly Federal Financial Reports in accordance with the terms and conditions of the awards.

Management Response to Draft Report (07/12/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. The Office of Acquisitions Management, International Programs (A/OPE/AQM/IP) Grants Officers (GOs) are currently utilizing a process that meets the requirements set forth by the OPE Federal Assistance Directive (FAD). The process requires the GO to review submission of required quarterly reports and this is documented through the

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completion of the e-4012 in the official system of record, SAMS. Review of required reports are also captured in the AQM Grants Branch Standard Operating Procedures (SOPs). The SOPs require GOs to complete reviews of the Grants Officer Representative's (GOR's) FFR assessment and capture this activity by marking the tasks complete in the SAMS Domestic comment field.

CT Bureau similarly has in place SOPs that were developed in coordination with A/OPE, support the aforementioned A/OPE process, and were recently approved by an OIG compliance team. These SOPs ensure grantees submit all required performance and financial reporting in accordance with the terms and conditions of the awards and require CT Bureau GORs to review FFRs and document the review in the award file within 30 days of receipt.

The referenced A/OPE and CT Bureau SOPs are included with this response as substantiating evidence.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs, develop and implement a process that ensures the Grants Officer and Grants Officer Representative for the Stipends Support for the Somali National Army award (SLMAQM18GR2254) review the Federal Financial Reports and document the review in the award file within 30 days of receipt, as required by the Federal Assistance Directive.

Management Response to Draft Report (07/12/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. The Office of Acquisitions Management, International Programs (A/OPE/AQM/IP) Grants Officers (GOs) are currently utilizing a process that meets the requirements set forth by the OPE Federal Assistance Directive (FAD). The process requires the GO to review submission of required quarterly reports and this is documented through the completion of the e-4012 in the official system of record, SAMS. Review of required reports are also captured in the AQM Grants Branch Standard Operating Procedures (SOPs). The SOPs require GOs to complete reviews of the Grants Officer Representative's (GOR's) FFRs assessment for any agreement, including the Stipends Support for the Somali National Army award, and capture this activity by marking the tasks complete in the SAMS Domestic comment field (see attached SOPs).

Recommendation 4: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of Counterterrorism, develop and implement a process that ensures the Grants Officer and Grants Officer Representative for the Somali Law Enforcement: Local Policing and Protection award (SLMAQM18CA2066) and the Building an Effective, Fit-for-Purpose Financial Reporting Centre in Somalia award (SLMAQM17CA2025) review the Federal Financial Reports and document the review in the award file within 30 days of receipt, as required by the Federal Assistance Directive.

Management Response to Draft Report (07/12/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. The Office of Acquisitions Management, International Programs (A/OPE/AQM/IP) Grants Officers (GOs) are currently utilizing a process that meets the requirements set forth by the OPE Federal Assistance Directive (FAD). The process requires

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the GO to review submission of required quarterly reports and this is documented through the completion of the e-4012 in the official system of record, SAMS. Review of required reports are also captured in the AQM Grants Branch Standard Operating Procedures (SOPs). The SOPs require GOs to complete reviews of the Grants Officer Representative's (GOR's) FFR assessment and capture this activity by marking the tasks complete in the SAMS Domestic comment field.

CT Bureau similarly has in place SOPs that were developed in coordination with A/OPE, support the aforementioned A/OPE process, and were recently approved by an OIG compliance team. These SOPs ensure grantees submit all required performance and financial reporting in accordance with the terms and conditions of the awards, and also require CT Bureau GORs to review Federal Financial Reports and document the review in the award file within 30 days of receipt.

The referenced A/OPE and CT Bureau SOPs are included with this response as substantiating evidence.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs (a) determine the allowability of the \$9,765 in questioned cost (consisting of \$8,440 of unsupported travel costs and \$1,325 of unsupported lodging costs as detailed in Table 3) incurred by Bancroft Global Development under the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and (b) recover all costs determined to be unsupported.

Management Response to Draft Report (07/12/21): The Office of the Procurement Executive (OPE) concurs with the recommendation and will, in coordination with the Bureau of African Affairs, take action to determine the allowability of \$9,765 in questioned costs.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs (a) determine the allowability of the \$311,834 in questioned costs (consisting of \$22,511 in unallowable prepaid calling cards, \$4,983 in unallowable interpreter fees, \$92,600 in unallowable fuel, \$176,268 in unallowable meals and \$15,472 in unallowable other costs as detailed in Table 3) incurred by Bancroft Global Development under the Mentorship and Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) and (b) recover all costs determined to be unallowable.

Management Response to Draft Report (07/12/21): The Office of the Procurement Executive (OPE) concurs with the recommendation and will, in coordination with the Bureau of African Affairs, take action to determine the allowability of \$311,834 in questioned costs.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of African Affairs and the Officer of Federal Assistance Financial Management (a) determine whether the \$3,776,500 that Bancroft Global Development spent on incentive compensation payments from the Mentorship and

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Training for the Somali National Army and the African Union Mission in Somalia award (SLMAQM17CA1018) were allowable and (b) recover all costs determined to be unallowable.

Management Response to Draft Report (07/12/21): The Office of the Procurement Executive (OPE) concurs with the recommendation and will, in coordination with the Bureau of African Affairs, take action to determine the allowability of \$3,776,500 spent on incentive compensation.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, in coordination with the Bureau of the Comptroller and Global Financial Services, update the Foreign Assistance Directive, Chapter 1, "General," D. "Roles and Responsibilities" to clarify the Office of Federal Assistance Financial Management role in the financial monitoring process as it relates to Grants Officer and Grants Officer Representative responsibilities.

Management Response to Draft Report (07/12/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. OPE, in coordination with the Bureau of the Comptroller and Global Financial Services, will update the Federal Assistance Directive (FAD) to clarify the Office of Federal Assistance Financial Management role in the financial monitoring process as it relates to Grants Officer and Grants Officer Representative responsibilities.

Attachments:

Tab 1 – Standard Operating Procedures: Federal Assistance Awards

Tab 2 – CT Grants Post-Award Standard Operating Procedures

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Attachments and tabs are available upon request, consistent with applicable law.

ABBREVIATIONS

AF	Bureau of African Affairs
C.F.R.	Code of Federal Regulations
CT	Bureau of Counterterrorism
FAD	Federal Assistance Directive
FAFM	Office of Federal Assistance Financial Management
GOR	Grants Officer Representative
OIG	Office of Inspector General
OPE	Office of the Procurement Executive

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