



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-CGI-22-26

What OIG Audited

From FY 2018 through FY 2020, the Department of State (Department) reported approximately \$358 million in active grants and cooperative agreements to for-profit organizations in the State Assistance Management System (SAMS). In 2013, the Department mandated the use of SAMS. According to the Department, SAMS is its online Federal financial assistance management system built to unify Federal assistance processes and provide greater transparency, accountability, and reporting capabilities to bureaus and posts.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department managed and monitored selected grants and cooperative agreements to for-profit organizations in accordance with applicable Federal requirements, Department policies and guidance, and award terms and conditions. To perform the audit, OIG reviewed nine selected awards to for-profit organizations, across four Department bureaus, which were active in SAMS between FY 2018 and FY 2020.

What OIG Recommends

OIG made 11 recommendations to improve internal controls related to the oversight of grants and cooperative agreements. On the basis of the Bureau of Administration's response to a draft of this report, OIG considers all 11 recommendations resolved, pending further action. A synopsis of management's response to the recommendations offered and OIG's reply follow each recommendation in the Audit 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.

May 2022

OFFICE OF AUDITS

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION

Audit of the Department of State Management and Monitoring of Federal Assistance Awards to For-Profit Organizations

What OIG Found

Grants Officers (GO) and Grants Officer Representatives (GOR) did not always manage and monitor selected awards in accordance with requirements. Specifically, OIG found that GOs and GORs did not consistently perform and document performance and financial monitoring, complete annual updates to risk assessments and monitoring plans, obtain audit reports, or conduct annual reviews when applicable. In addition, OIG found that oversight personnel were maintaining key documentation in "unofficial" award files that included personal computer drives, shared drives, or bureau-specific systems, which is contrary to Department policy that mandates the use of SAMS as the official award file.

OIG determined that a primary reason for the deficiencies identified is that the Department has not required the use of a key oversight function within SAMS to manage post-award activities. Specifically, the SAMS' Post-Award Activities (PAA) function is a control mechanism for post-award activities to assist both recipients and oversight personnel in award management and monitoring. Although Department policy requires the use of SAMS for awards management, the use of the PAA function within SAMS is optional and therefore not being consistently used by oversight personnel. In addition, OIG noted instances in which the Department's Federal assistance oversight policies and procedures were not clear. For example, OIG found that policy related to GOR review of award recipients' financial reports was not clear, and the policy was also not explicit about who is responsible for ensuring that annual reviews are conducted for awards with a period of performance exceeding 12 months. Moreover, the Department needs a communication strategy to ensure that GOs and GORs are aware of oversight requirements and understand oversight responsibilities. Until these deficiencies are corrected, the Department will not have reasonable assurance that awards are being administered in accordance with requirements nor will it be able to affirm that the awards are achieving expected program goals and objectives.