



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-MERO-20-45

What OIG Audited

The Department of State (Department) allocated approximately \$57 million in foreign assistance grants and cooperative agreements in support of Somalia to the Bureau of African Affairs (AF), and the Bureau of Counterterrorism (CT) from FY 2017 through FY 2019. The Department is responsible for regularly conducting and implementing risk assessment and mitigation efforts to ensure that foreign assistance grants and cooperative agreements are meeting goals and objectives, and funds are used as intended.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department assessed potential risks associated with the implementation of foreign assistance awards in Somalia and executed compensating controls to mitigate those risks. OIG reviewed four awards, including one grant and three cooperative agreements, totaling \$51.5 million. Two awards were issued by AF and two awards were issued by CT.

What OIG Recommends

OIG made 10 recommendations that are intended to improve risk assessments, risk mitigation procedures, and vetting of foreign assistance grants and cooperative agreements in Somalia. On the basis of the management's response to a draft of this report, OIG considers eight recommendations resolved, pending further action, and two recommendations implemented and closed. A synopsis of management's comments to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. Management's response to a draft of this report is reprinted in its entirety in Appendices C through E.

^a Leahy vetting requires the Department to assess units or individuals proposed for training or other assistance for credible information regarding the commission of gross violations of human rights.

September 2020

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia

What OIG Found

Although AF and CT assessed general risks associated with foreign assistance awards in Somalia and executed some compensating controls to mitigate those risks, OIG identified areas for improvement. Specifically, OIG found that AF and CT oversight officials did not designate their four awards as high risk even though they were implemented in a country where travel is restricted due to political instability and terrorism. This occurred because the current Risk Assessment Worksheet weighs country/region-specific risks lower than organizational and programmatic risk. OIG also found that CT did not update risk assessments annually for its two awards. This occurred because CT's standard operating procedures did not align with Department requirements. When risk assessments are not accurate and kept current, bureaus operating in high-threat environments may not fully develop mitigation plans tailored to address foreseeable risks that may impede program implementation.

OIG also found that AF and CT did not (a) establish standard operating procedures or document controls for managing risks, (b) document reviews of performance reports to demonstrate adherence with award terms, or (c) require documentation to be maintained in official award files. This occurred primarily because AF and CT officials were not following Department requirements, such as documenting risk management processes, and because they did not effectively use the award file checklist to ensure completeness. Without a documented process to identify and mitigate risks, AF and CT are at an increased risk for waste, fraud, and mismanagement, and both will have limited assurance that their awards comply with Department requirements and achieve their intended purposes.

Finally, OIG found that while CT generally followed Department guidance for Leahy vetting,^a AF did not, nor did it include the "State Department Leahy Vetting Requirements" section in one of its awards. This occurred because AF officials were not applying the vetting requirements, and because an AF official imprudently removed vetting requirements from one award at the implementor's request. Excluding Leahy vetting requirements from the award and failure to properly vet award participants are contrary to Department policy and increases the likelihood that funds could be inadvertently provided to individuals who have committed gross violations of human rights.