(U) Management Assistance Report: Internal Controls Are Needed To Safeguard Inherently Governmental Functions at the Global Engagement Center, AUD-MERO-22-19, February 2022

(U) Summary of Review

(U) During an Office of Inspector General (OIG) audit of the Department of State’s (Department) cooperative agreements and grants related to Iran,¹ which is presently underway, OIG identified instances in which Global Engagement Center (GEC) third-party contractors were performing inherently Governmental functions. The Office of Management and Budget (OMB) Policy Letter 11-01 states that certain inherently Governmental functions, such as approving cooperative agreement activities, are intimately related to the public’s interest and therefore may only be performed by Federal employees.²

(U) OIG reviewed five cooperative agreements awarded by GEC from FY 2018 through FY 2020 and found that third-party contractors were assigned to perform inherently Governmental functions on four of five (80 percent) cooperative agreements (awards) reviewed. Specifically, in GEC’s award provisions, third-party contractors were improperly assigned to approve project workplans.³ OIG also identified two instances in which third-party contractors performed inherently Governmental activities by directing award recipients’ messaging on sensitive topics related to Iran. These deficiencies occurred, in part, because GEC’s Policies and Procedures Manual did not clearly delineate the inherently Governmental activities of the Grants Officer Representative (GOR) from the activities of third-party contractors assigned as Project Officers. In addition, GEC officials did not design and implement internal controls to ensure that only GEC Federal employees retained decision-making authority over functions that are intimately related to the public’s interest. Until these deficiencies are fully addressed, GEC will continue to be at risk of third-party contractors overstepping their authority and performing inherently Governmental functions related to award management.

(U) OIG also found that GEC did not designate GORs throughout the period of performance or notify award recipients about changes in GORs assigned in accordance with Department requirements. For example, GEC initiated award performance without officially designating GORs for all awards and left gaps in GOR coverage for three awards when personnel departed the office. OIG also found that GEC did not properly notify award recipients in writing about changes to the assigned GORs or furnish award recipients with a copy of the GOR designation memorandum in accordance with Department and GEC requirements. This occurred primarily because GEC did not design and implement internal control activities to ensure that GORs were properly designated prior to awarding cooperative agreements and throughout their period of performance. In addition, GEC relied on the State Assistance

¹ (U) The objective of the ongoing audit of the Department’s cooperative agreements and grants related to Iran is to determine whether the cooperative agreements and grants related to countering Iranian influence (1) aligned with U.S. strategic goals and objectives and (2) were monitored in accordance with Federal and Department requirements.


³ (U) Ibid., Appendix A, states that approval of award recipients’ work must be reserved for Federal employees.
Management System\(^4\) (SAMS) to automatically notify award recipients about GOR changes, even though this practice does not comply with GEC’s internal procedures or Department requirements. As a result, GEC could not demonstrate consistent oversight throughout the period of performance for any of the five awards reviewed, and the roles and responsibilities of Government oversight personnel were not always clear to award recipients.

(U) Until GEC establishes necessary internal controls to ensure that it is properly using third-party contractors and administering awards in accordance with Department and Federal requirements, the awards administered by GEC will be at risk for mismanagement. Therefore, OIG is offering nine recommendations to prompt immediate action intended to address the deficiencies identified with GEC’s management and oversight of its cooperative agreements related to Iran.

(U) OIG made nine recommendations to GEC to address the challenges identified in this report. On the basis of GEC’s response to a draft of this report, as well as stated and planned actions, OIG considers all nine recommendations resolved, pending further action. A synopsis of management’s comments and OIG’s reply follow each recommendation in the Results section of this report. GEC’s response to a draft of this report is reprinted in its entirety in Appendix A.

\(^4\) (U) SAMS is the Department’s online assistance management system and is the official Federal award record for all domestic awards issued after April 1, 2015.