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Office of Inspector General
United States Department of State

ISP-I-21-26

Office of Inspections

July 2021

**Inspection of the Bureau of
Administration, Office of the Procurement
Executive, Office of Acquisitions
Management, International Programs
Division's Grants Branch**

DOMESTIC OPERATIONS

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HIGHLIGHTS

Office of Inspector General
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What OIG Inspected

OIG inspected the Grants Branch, which is located in the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, International Programs Division.

What OIG Recommends

OIG made 2 recommendations to the Bureau of Administration.

In its comments on the draft report, the Bureau of Administration concurred with both recommendations. OIG considers both recommendations resolved. The Bureau of Administration's response to each recommendation, and OIG's reply, can be found in the Recommendations section of this report. The bureau's formal written response is reprinted in its entirety in Appendix B.

July 2021

OFFICE OF INSPECTIONS
DOMESTIC OPERATIONS

Inspection of the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, International Programs Division's Grants Branch

What OIG Found

- The Grants Branch was managed effectively and generally succeeded in its mission of supporting the Federal assistance management needs of its customers.
- Branch grants officers did not regularly engage in post-award management tasks for the Federal assistance awards they issued.
- The branch did not close out all awards within the 1-year time-period required by Federal regulation.
- The Grants Branch did not establish defined service standards to guide communication with customers and lacked internal controls to monitor the consistency and quality of the service it provided.

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CONTEXT

The Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, International Programs Division's Grants Branch provides Federal assistance award¹ services to Department of State (Department) bureaus, independent offices, and overseas missions. Federal assistance awards promote U.S. foreign policy and management objectives for a wide range of Department programs. Customer organizations may use the branch's services if they do not have their own warranted grants officer,² need to execute a Federal assistance award that exceeds a grants officer's warrant level,³ or otherwise require assistance in the issuance and administration of Federal assistance awards. Customer organizations pay a fee of 1.25 percent of the total award amount for Federal assistance award management services provided by the branch.⁴

The Grants Branch staff includes grants officers and grants management specialists⁵ who are responsible for issuing and overseeing awards and who work in collaboration with grants officer representatives (GOR)⁶ to manage Federal assistance awards. A summary of the branch's award actions from FY 2018 through FY 2020 is shown in Figure 1.

Figure 1: Grants Branch Award Actions by Fiscal Year

	FY 2018	FY 2019	FY 2020
New Awards	321	275	347
Cost Amendments	170	137	166
No Cost Amendments	363	281	414
Deobligations	116	159	126
Total Award Actions	970	852	1,053
Total Award Value	\$775,365,941	\$647,451,552	\$865,452,405
Total Service Fees Collected	\$7,389,513	\$5,970,514	\$7,240,396

Source: OIG generated from information obtained from the Department.

¹ Federal assistance issued by the Department includes grants, cooperative agreements, awards to individuals, and property grants as well as grants or other funding agreements with Foreign Public Entities.

² The grants officer is authorized by certificate of appointment—also known as a warrant—issued by the Office of the Procurement Executive to award, amend, and terminate a Federal assistance agreement. The grants officer is responsible for exercising prudent management of Federal assistance funds.

³ The dollar amount on a warrant refers to the amount of new Federal funding the grants officer can obligate for each assistance transaction. For example, an officer with a \$100,000 warrant can sign an award up to \$100,000 in value.

⁴ Some customer bureaus and posts negotiated waivers or reductions to the fee for award management services.

⁵ Grants management specialists assist grants officers with the management of Federal assistance awards.

⁶ Department policy states that the grants officer shall designate a GOR for all grant awards exceeding \$100,000. The GOR is certified by the Office of the Procurement Executive and designated, in writing, by the grants officer to oversee certain aspects of a specific assistance agreement from the award's inception through closeout. The GOR assists the grants officer in ensuring the Department exercises prudent management and oversight of the award through monitoring and evaluation of the recipient's performance. GORs typically are employees of the bureaus and embassies the branch supports.

Service fees paid by the branch's customers support a Working Capital Fund⁷ cost center used to offset expenses associated with the branch's operations. At the time of the inspection, 19 bureaus, 3 independent offices, and 33 overseas missions used the branch's Federal assistance management services. The Grants Branch was led by a Branch Chief who supervised a staff of 14 Civil Service employees and 1 third-party contractor.

OIG evaluated the Grants Branch executive direction, Federal assistance internal controls, and communication and customer service consistent with Section 209 of the Foreign Service Act of 1980.⁸

EXECUTIVE DIRECTION

OIG assessed the Grants Branch leadership based on interviews and questionnaires completed by branch personnel, as well as OIG's review of pertinent documents. OIG also conducted interviews with and solicited feedback on the branch's performance from overseas and domestic customers using a written survey.

Branch Chief Effectively Led Staff; Organization Generally Succeeded in Supporting Customer Needs

OIG found that the Branch Chief effectively managed the branch, which generally succeeded in its mission of supporting customers' Federal assistance management needs. The Branch Chief was a GS-15 Civil Service employee with nearly 20 years' experience supporting Department procurement and Federal assistance activities. Branch staff, in their responses to OIG's questionnaire and in interviews with OIG, favorably evaluated the Branch Chief's performance against the Department's leadership and management principles in 3 Foreign Affairs Manual (FAM) 1214. Staff also told OIG that the Branch Chief supported their professional development through training and, in the case of one employee, a detail opportunity in another Department bureau. Additionally, in response to an OIG survey of the branch's customers, 18 of 25 (72 percent) responding bureaus and embassies said the services provided by the branch met their business needs. Customers also told OIG they respected the branch staff's expertise, with 23 of 25 (92 percent) survey respondents agreeing that branch personnel possessed the necessary skills to manage their Federal assistance awards. However, as discussed below, OIG identified shortcomings in the branch's application of internal controls for Federal assistance awards as well as issues in communication with some customers.

FEDERAL ASSISTANCE INTERNAL CONTROLS

OIG evaluated the Grants Branch's policies and practices throughout the award lifecycle. While the branch largely met Department standards for the pre-award and award phases, OIG found

⁷ According to 1 Foreign Affairs Manual (FAM) 212.1-3a and b10, the Working Capital Fund is a chargeback system managed by the Bureau of Administration's Executive Office. It is a revolving fund that is a repository for revenue collected from operating several income-generating activities.

⁸ See Appendix A.

deficiencies in the post-award phase,⁹ including the monitoring of recipients' program and financial performance, and in the close-out process. As described below, OIG found branch staff did not regularly perform post-award management tasks for Federal assistance awards they issued. OIG also found that the branch did not close out all awards within the 1-year time-period required by Federal regulation.

Branch Staff Did Not Regularly Perform Post-Award Management Tasks

OIG found that branch grants officers did not regularly perform post-award management tasks for the Federal assistance awards they issued. Grants officer involvement in the post-award management of awards is necessary to ensure awards achieve programmatic objectives and that recipients use funds in accordance with Federal regulations.¹⁰ OIG noted, however, that there were two post-award management tasks that the grants officers did not regularly attend to. First, the officers did not maintain the required post-award documentation in the award files. OIG found that in its review of 27 branch-issued award files totaling more than \$100 million, 12 award files had partial documentation and 5 had no documentation at all.¹¹ Ten award files had complete post-award documentation. Second, the branch grant officers told OIG they generally did not review implementer reporting or written evaluations of implementer performance produced by GORs.¹² Instead, they relied on GORs to bring issues to their attention. Additionally, some branch grants officers told OIG they only monitored performance for awards they individually considered to be high-risk or when program offices requested amendments to an award. The GORs, on the other hand, told OIG the grants officers did not provide feedback on the GOR evaluations they produced and in at least one case, did not notice when a GOR fell behind on producing the required evaluations. OIG also noted in its file review that one award with a total value of \$9.9 million did not have any of the required GOR evaluations.

The Federal Assistance Directive states that the grants officer is responsible for ensuring the Department exercises prudent management and oversight of the assistance award¹³ and that the conduct and documentation of monitoring of all Department assistance awards is mandatory.¹⁴ Branch grants officers told OIG they did not have sufficient time to complete post-

⁹ The post-award phase refers to activities that take place following the issuance of a Federal assistance award, including the implementation of activities under the award and monitoring progress toward program goals.

¹⁰ 2 CFR §200.403(e) Subpart E outlines cost principles which determine the allowability of specific costs on Federal assistance awards.

¹¹ OIG selected 27 of 54 Federal assistance awards issued by the Grants Branch that had been reviewed in prior inspections between FY 2017 and the first quarter of FY 2021.

¹² *Federal Assistance Directive*, Chapter 4, Section D (October 2020) states the grants officer and GOR are responsible for ensuring monitoring is conducted and documented for every award. Evidence of monitoring must be uploaded to the Federal award file.

¹³ *Federal Assistance Directive*, Chapter 2, Section P (October 2020).

¹⁴ *Federal Assistance Directive*, Chapter 4, Section D, Monitoring and Reporting (October 2020).

award tasks because they managed a large number of awards.¹⁵ In the absence of proper post-award management of Federal assistance awards, the Department operates at an elevated risk that programs will fail to achieve programmatic objectives or that Department funds will be mismanaged.

Recommendation 1: The Bureau of Administration should clarify grants officers' responsibilities related to post-award management of Federal assistance awards and implement a process to assess grants officers' completion of the required tasks. (Action: A)

Awards Not Closed Out Within Required Timeframe

OIG found that the branch did not close out all awards within the 1-year time-period required by Federal regulation. Specifically, at the time of the inspection, the branch had 557 Federal assistance awards, with a total unliquidated balance of approximately \$21 million, that were overdue for closeout. In accordance with 2 CFR §200.344(g) and the Department's Federal Assistance Directive,¹⁶ Federal assistance awards must be closed no later than 1 year after the period of performance ends. Branch staff told OIG they lacked sufficient time to perform all closeout activities within the required timeframe. OIG determined that the branch previously had identified timely closeout as a challenge and had taken some actions to address the problem. For example, in 2019, the branch created a closeout team consisting of one grants management specialist entirely dedicated to closeout activities and two others who assisted with closeout activities part time. During the inspection, the Branch Chief acknowledged the need to continue to improve the branch's adherence to the 1-year closeout requirement and told OIG that she recently hired additional staff who could support the closeout process. Based on the branch's actions to improve its timely closeout of Federal assistance awards, OIG did not make a recommendation to address this issue.

COMMUNICATION AND CUSTOMER SERVICE

OIG evaluated the Grants Branch's support to Department customers on issues related to Federal assistance and concluded that it adequately supported most customers. However, as described below, OIG determined that the branch lacked standards on customer service after some customers expressed concern to OIG about issues in the quality of communication with branch staff. OIG also found that the branch did not routinely evaluate its staff on the quality of the customer service they provided.

Grants Branch Lacked Standards and Internal Controls to Ensure Consistent Customer Service

OIG found that the branch did not establish defined service standards to guide communication with customers and lacked internal controls to monitor the consistency and quality of the

¹⁵ Although the number of awards each grants officer managed varied based on the portfolio to which they were assigned, several estimated that they personally managed between 70 and 125 awards at the time of the inspection, with one stating that he managed 139 active awards.

¹⁶ *Federal Assistance Directive*, Chapter 5, Section A, Closeout Timeline (October 2020).

service the branch provided. As noted above, most bureaus and embassies that responded to OIG's survey said the branch's service met their business needs. However, 6 of 25 respondents (24 percent) said the branch did not provide timely responses to their inquiries. In interviews with OIG, customers recounted delayed responses on requests that took weeks or months to complete. In addition, employees in several customer bureaus told OIG that guidance coming from individual grants officers could be inconsistent and confusing.¹⁷ Although branch staff work commitments in their performance plans included an expectation that employees would acknowledge receipt of customer inquiries within one business day, staff told OIG their ability to resolve customer issues in a timely manner depended on their workload and the complexity of the request. In addition, the branch lacked comprehensive guidance defining standards of timeliness and accuracy for delivering services to its customers. Furthermore, the branch did not systematically solicit feedback from customers on its performance. Instead, issues were typically identified only when customers raised concerns directly with branch leadership.

The *Standards for Internal Control in the Federal Government*¹⁸ requires Federal managers to communicate quality information so external parties can achieve their objectives. The same standards also require managers to establish and operate monitoring activities for the internal control system and evaluate the results.¹⁹ Some customers told OIG they attempted to clarify service expectations with their grants officers. However, the branch had yet to develop standards that applied to all customers. In the absence of clear service standards and internal controls to monitor delivery of service, the branch risks continued, inconsistent delivery of service to its customers.

Recommendation 2: The Bureau of Administration should develop customer service standards for the Grants Branch, communicate them to customers, and implement internal controls to monitor the consistency and quality of service provided to customers. (Action: A)

Employee Performance Management Not Routinely Evaluated on Customer Service

OIG found that branch leadership did not routinely evaluate its staff on the quality of the customer service they provided. Performance plan work commitments for branch staff included an expectation that staff demonstrate customer service skills as one of 12 responsibilities cited in the work commitments, along with enhancing professional development and strengthening writing skills. However, the work commitments did not detail expectations around the quality of customer service. Furthermore, the lack of a systemic process to receive feedback from customers, as described above, left branch leadership with only anecdotal customer feedback on which to base an evaluation of each employee's performance in this area. As described in 5

¹⁷ To improve the quality of guidance it provided to customers, the branch launched a SharePoint website in late 2020 that contained internal Federal assistance award procedures and related information for customer organizations. However, customers generally were unaware of the site's existence. The branch agreed to better promote the SharePoint site within the Department to improve customer communication.

¹⁸ GAO-14-704G, September 2014, at 62 (Principle 15.03).

¹⁹ GAO-14-704G, September 2014, at 65 (Principle 16.01).

CFR §430.102(b)(4), employee performance management is used to assess and improve individual, team, and organizational performance. OIG brought this to the branch's attention, and branch leadership agreed to incorporate customer feedback into the performance evaluation process for branch staff.

RECOMMENDATIONS

OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendations. OIG issued the following recommendations to the Bureau of Administration. The bureau's complete response can be found in Appendix B.¹

Recommendation 1: The Bureau of Administration should clarify grants officers' responsibilities related to post-award management of Federal assistance awards and implement a process to assess grants officers' completion of the required tasks. (Action: A)

Management Response: In its June 15, 2021, response, the Bureau of Administration concurred with this recommendation.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration clarified grants officers' responsibilities related to post-award management of Federal assistance awards and implemented a process to assess grants officers' completion of the required tasks.

Recommendation 2: The Bureau of Administration should develop customer service standards for the Grants Branch, communicate them to customers, and implement internal controls to monitor the consistency and quality of service provided to customers. (Action: A)

Management Response: In its June 15, 2021, response, the Bureau of Administration concurred with this recommendation. The bureau noted an estimated completion date of the first quarter of FY 2022.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration developed customer service standards for the Grants Branch, communicated them to customers, and implemented internal controls to monitor the consistency and quality of service provided to customers.

¹ OIG faced delays in completing this work because of the COVID-19 pandemic and resulting operational challenges. These challenges included the inability to conduct most in-person meetings, limitations on our presence at the workplace, difficulty accessing certain information, prohibitions on travel, and related difficulties within the agencies we oversee, which also affected their ability to respond to our requests.

PRINCIPAL OFFICIAL

Title	Name	Arrival Date
Grants Branch		
Branch Chief	Joanna Snearly	07/2014

Source: Generated by OIG from data provided by the Bureau of Administration.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This inspection was conducted from January 4 to March 8, 2021, in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspections Handbook, as issued by the Office of Inspector General (OIG) for the Department and the U.S. Agency for Global Media (USAGM).

Objectives and Scope

The Office of Inspections provides the Secretary of State, the Chief Executive Officer of USAGM, and Congress with systematic and independent evaluations of the operations of the Department and USAGM. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved and U.S. interests are accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy; and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; and whether instances of fraud, waste, or abuse exist and whether adequate steps for detection, correction, and prevention have been taken.

OIG's specific objectives for this inspection of the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, International Programs Division's Grants Branch were to determine whether:

Leadership and Management:

- The branch was led in a manner consistent with the Department's leadership and management principles.
- Branch leadership used the performance appraisal system to assess Civil Service employee performance against established performance plans.
- Branch leadership promoted professional development for staff.
- The branch had developed effective mechanisms to forecast demand for its services and made corresponding adjustments to its allocation of resources.

Internal Controls:

- Grants officers systematically reviewed recipient and grants officer representative (GOR) reports to ensure the award recipient met programmatic objectives.
- Grants officers used financial reporting information to determine whether award funds were appropriately used by the award recipient.

- Grants officers provided sufficient guidance and oversight when a GOR flagged a performance issue.
- Branch leadership actively monitored performance of GOs in completing these required tasks.

Customer Service:

- The branch provided clear and standardized guidance to customer organizations on the division of Federal assistance award responsibilities and expectations for GOR management.
- The branch provided guidance for inexperienced GORs and their program offices.

Methodology

Due to the COVID-19 pandemic and taking into consideration relevant guidance, OIG largely conducted this inspection remotely and relied on audio- and video-conferencing tools in lieu of in-person interviews with Department and other appropriate personnel. OIG used professional judgment, along with documentary, testimonial, and analytical evidence collected or generated, to develop its findings, conclusions, and actionable recommendations.

As part of this inspection, OIG surveyed 22 Department bureaus and independent offices as well as 33 overseas posts regarding their satisfaction with the branch's performance, of which 27 organizations responded. OIG also selected 27 of 54 Federal assistance awards issued by the branch that OIG had reviewed in prior inspections from FY 2017 through the first quarter of FY 2021. For this inspection, these awards were analyzed to identify trends in documentation deficiencies. OIG also reviewed pertinent records provided by the Grants Branch and reviewed the substance of the report and its findings and recommendations with offices, individuals, and organizations affected by the inspection.

APPENDIX B: MANAGEMENT RESPONSE

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United States Department of State

Washington, D.C. 20520

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June 15, 2021

MEMORANDUM

TO: OIG/ISP – Sandra Lewis, Assistant Inspector General for Inspections

FROM: A/OPE/AQM – Patrick Reilly, Acting Director of Acquisitions Management

SUBJECT: OIG Draft Report: Inspection of the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, International Programs Division’s Grants Branch

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: The Bureau of Administration should clarify grants officers’ responsibilities related to post-award management of Federal assistance awards and implement a process to assess grants officers’ completion of the required tasks.

Management Response (06/15/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. All individuals must complete mandatory training to obtain a Grants Officer (GO) Certificate of Appointment and an initial warrant. The mandatory training, PY260, or online equivalent (PY472, PY474, PY476, and PY478), provides training on the responsibilities and duties of federal assistance management in both domestic and overseas contexts. The training also takes the student through all the various stages of federal assistance management including pre-award, award, post-award and close-out, as well as demonstrates how to use an ILMS-generated report to assess the number of open or expired awards. This tool has been found to be very useful for the timely closeout of grant awards. The OPE Federal Assistance Directive also clearly outlines GO responsibilities, including post-award management tasks (see Tab 1). The Federal Assistance Directive, dated October 2020 Version 5.0, is updated periodically in response to any changes to Federal regulations. In addition to the OPE Federal Assistance Directive, the Office of Acquisitions Management’s International Programs Grants Branch’s (AQM/IP/G) Standard Operating Procedures (SOP) on Federal Assistance Awards also clearly identifies GO roles and responsibilities in all phases of the grants award, including post-award required tasks (see Tab 2). The SOP is reviewed annually for updates and revisions in response to new or changed guidance, typically in the first quarter of the fiscal year. Lastly, completion of required tasks during the life cycle of the grant award is recorded and evaluated in SAMS in accordance with the aforementioned OPE Assistance Federal Directive and AQM/IP/G SOP. These completed actions are documented in detail from the SAMS generated FAD checklist e-4012 (see Tab 3 and Tab 4).

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Recommendation 2: The Bureau of Administration should develop customer service standards for the Grants Branch, communicate them to customers, and implement internal controls to monitor the consistency and quality of service provided to customers.

Management Response (06/15/21): The Office of the Procurement Executive (OPE) concurs with the recommendation. AQM/IP/G will develop a customer service standard, which will be incorporated into the SOP for Federal Assistance Awards as an update and released during Quarter 1 FY2022. The SOP update will also outline how AQM/IP/G will implement internal controls for monitoring the consistency and quality of service provided to customers. OPE will provide a copy of the revised SOP for Federal Assistance Awards once available.

The point of contact for this memorandum is Carly Sweet.

Attachments:

- Tab 1 – OPE Federal Assistance Directive, Version 5.0
- Tab 2 – AQM/IP/G Standard Operating Procedures: Federal Assistance Awards
- Tab 3 – SAMS Overseas - Status Tracking (Award Documentation and e-4012)
- Tab 4 – Award File Checklist

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ABBREVIATIONS

FAM	Foreign Affairs Manual
GOR	Grants Officer Representative

OIG INSPECTION TEAM MEMBERS

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