

UNCLASSIFIED



Office of Inspector General  
United States Department of State

---

AUD-MERO-21-42

Office of Audits

September 2021

# **Audit of U.S. Embassy Kabul, Afghanistan, Public Affairs Section Administration of Grants and Cooperative Agreements**

MIDDLE EAST REGION OPERATIONS

UNCLASSIFIED



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

AUD-MERO-21-42

## What OIG Audited

From FY 2017 to FY 2020, the Public Affairs Section (PAS) at U.S. Embassy Kabul, Afghanistan, administered approximately \$197.1 million in awards to support civil society, free media, and regional integration; counterterrorism efforts; and to promote professional, educational, and cultural ties between Afghanistan and the United States.

The Office of Inspector General (OIG) conducted this audit to determine whether Embassy Kabul PAS administered selected grants and cooperative agreements in accordance with Federal and Department of State (Department) requirements. Specifically, OIG focused on three areas: due diligence and vetting; risk assessment, mitigation, and monitoring; and award monitoring and evaluation. To perform the audit, OIG judgmentally selected 20 awards (10 grants and 10 cooperative agreements) administered by the PAS between FY 2017 and FY 2020.

## What OIG Recommends

OIG made six recommendations to U.S. Embassy Kabul and the Bureau of South and Central Asian Affairs to improve the oversight and administration of future overseas Federal assistance awards. Embassy and bureau officials stated that they could not respond to a draft of this report due to their focus on the evacuation of staff and special immigrant visa applicants from Kabul, Afghanistan. OIG recognizes the challenges posed by the situation in Afghanistan and will work with the Department through the audit compliance process to ensure that the Department designs and implements corrective actions sufficient to address the recommendations offered, which will be categorized as unresolved for now.

September 2021

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

## Audit of U.S. Embassy Kabul, Afghanistan, Public Affairs Section Administration of Grants and Cooperative Agreements

### What OIG Found

Embassy Kabul PAS adhered to some Federal and Department requirements in the administration of grants and cooperative agreements. For example, with respect to due diligence and vetting, PAS verified that recipients were not previously suspended or debarred from receiving Federal funds but did not verify whether some recipients had ties to corruption, human rights violations, or illicit narcotics production or trafficking. PAS officials stated they did not conduct this type of vetting because procedures had not been developed at the time the awards were made.

With respect to assessing, mitigating, and monitoring risks, PAS conducted risk assessments prior to providing funds but did not document annual reviews of risks for 16 of 20 (80 percent) of the awards reviewed. Moreover, while officials identified risks in the risk assessments performed and recommended that mitigation measures be put in place, they did not provide documentation showing that the Grants Officers or Grants Officer's Representatives (GOR) established mitigation measures for 12 awards for which officials had identified high programmatic and organizational risks. Officials stated that Grants Officers and GORs likely discussed mitigation measures in-person or on the phone but did not document discussions in the award file.

With respect to monitoring and evaluating performance, PAS developed initial monitoring plans and reviewed these plans annually except in 2020 due to the COVID-19 pandemic. PAS also obtained performance and financial reports for most awards, but six awards were missing at least one performance report, and three awards were missing one or more financial reports. Lastly, PAS conducted evaluations of some of its awards but did not comply with requirements to assess whether all of its awards met the Department's definition of "large" programs and required evaluations.

Officials cited the security environment, staff turnover, and the COVID-19 pandemic as challenges in administering the awards. Nevertheless, OIG concludes that weak internal controls also contributed to the deficiencies. Until these deficiencies are addressed, PAS will have limited assurance that the award funds that it is administering are being used as intended and program goals and objectives are being achieved.

## CONTENTS

---

OBJECTIVE .....	1
BACKGROUND .....	1
Roles and Responsibilities for Oversight of Grants and Cooperative Agreements .....	2
Guidance on Vetting, Risk Assessments, and Monitoring Financial Awards .....	2
AUDIT RESULTS .....	4
Finding A: Elements of Vetting Procedures Need Improvement.....	4
Finding B: Elements of Risk Assessment and Risk Monitoring Procedures Need Improvement .....	10
Finding C: Elements of Program Monitoring and Evaluation Need Improvement.....	15
RECOMMENDATIONS .....	20
APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY .....	21
Data Reliability .....	22
Work Related to Internal Control.....	22
Sampling Methodology .....	23
Prior Office of Inspector General Reports.....	24
APPENDIX B: SUMMARY OF SELECTED AWARDS .....	26
ABBREVIATIONS .....	27
OIG AUDIT TEAM MEMBERS.....	28

## OBJECTIVE

---

The Office of Inspector General (OIG) conducted this audit to determine whether the Public Affairs Section (PAS) at U.S. Embassy Kabul, Afghanistan, administered selected grants and cooperative agreements in accordance with Federal and Department of State (Department) requirements.

## BACKGROUND

---

According to the Department's Integrated Country Strategy for Afghanistan, the policy priorities in Afghanistan center on consolidating and sustaining the effects of U.S. counterterrorism efforts, ending the conflict between the Taliban and wider Afghan society, and shifting responsibility to the Afghan government and people to secure their borders, institutions, and basic needs.<sup>1</sup> The Strategy lists four goals for the U.S. mission in Afghanistan:

- **Achieve peace and stability in Afghanistan.** Achieve a sustainable political settlement between the Afghan government and Taliban that reduces violence, respects Afghanistan's constitution, and upholds the rights of women and minorities.
- **Make the government in Afghanistan more stable, democratic, and accountable.** Build an Afghan government that is more stable, democratic, responsive, and increasingly capable of performing key functions.
- **Prevent the recurrence of a terrorist threats emanating from Afghanistan against the United States, while also strengthening law enforcement.** Build a strategic partnership with Afghanistan that protects U.S. national security interests, including denying safe haven to terrorist groups and transnational criminal organizations.
- **Promote economic prosperity in Afghanistan based on private sector-led exports and job creation with social gains in education, health, and women's empowerment.** Promote private sector-driven, export-led economic growth that leads to increased domestic revenues and budget sustainability, inclusive growth, and regional economic integration.<sup>2</sup>

Embassy Kabul's PAS work is intended to contribute to advancing these goals and objectives. For example, PAS supports regional integration and countering terrorism, funds (b) (7)(F) supports research into the best practices of successful Afghan women's businesses, and supports the creation of (b) (7)(F), among other projects. In FY 2017, PAS spent approximately \$28 million; in FY 2018, it spent approximately \$31.4 million; in FY 2019, it spent approximately \$21.6 million; and in FY 2020, it spent approximately \$24.5 million. In total, PAS administered 212 awards

---

<sup>1</sup> Department, Integrated Country Strategy for Afghanistan, "1. Chief of Mission Priorities," 2, Approved September 27, 2018, [https://www.state.gov/wp-content/uploads/2019/01/ICS-Afghanistan\\_UNCLASS\\_508.pdf](https://www.state.gov/wp-content/uploads/2019/01/ICS-Afghanistan_UNCLASS_508.pdf). The Integrated Country Strategy was originally approved September 27, 2018, and reviewed and updated November 15, 2020. It was the policy in place during the scope of this audit.

<sup>2</sup> Ibid., "2. Mission Strategic Framework," at 4.

valued at approximately \$197.1 million from FY 2017 to FY 2020.<sup>3</sup> Of those awards, 58 were grants with an approximate total value of \$65 million and 89 were cooperative agreements with an approximate total value of \$131 million. The remaining 65 awards, valued at approximately \$1.1 million, were comprised of grants of property, grants to individuals, and other low-dollar value agreements.

## **Roles and Responsibilities for Oversight of Grants and Cooperative Agreements**

The Grants Officer and the Grants Officer's Representative (GOR) manage and monitor Federal assistance awards. The Grants Officer is appointed and authorized by the Bureau of Administration's Office of the Procurement Executive to award and amend Federal assistance awards and is responsible and accountable for award execution. The GOR assists the Grants Officer to ensure that the Department exercises prudent management and oversight of the award through the monitoring and evaluation of the recipient's performance.<sup>4</sup> The Grants Officer appoints GORs through designation letters that outline duties and responsibilities. The Grants Officer is based in Washington, DC, while the GORs are located at U.S. Embassy Kabul.<sup>5</sup>

The Bureau of South and Central Asian Affairs manages U.S. foreign policy and U.S. relations with countries in south and central Asia including Afghanistan. Within the bureau, the Office of Press and Public Diplomacy (PPD) is responsible for developing standard operating procedures (SOP) for PAS at embassies within its region. PPD is also responsible for training the GORs on their oversight responsibilities.

## **Guidance on Vetting, Risk Assessments, and Monitoring Financial Awards**

The Federal Assistance Directive (FAD) establishes guidance, policies, and procedures for all domestic and overseas grant-making bureaus, offices, and posts within the Department that administer Federal financial assistance.<sup>6</sup> It provides guidance on areas of award administration including due diligence and vetting; risk assessment, mitigation, and monitoring; and program monitoring and evaluation.

### ***Due Diligence and Vetting***

The FAD states that oversight officials must conduct several due diligence steps and vetting as part of the risk analysis prior to finalizing an award.<sup>7</sup> Due diligence steps include checking the award recipient's records on debt, misconduct and performance, and audit results, among

---

<sup>3</sup> Some of the grants and cooperative agreements were awarded prior to FY 2017 but were active awards between FY 2017 and FY 2020. In this report, OIG uses the term "administered" to mean the oversight, monitoring, and administration of awards that were active from FY 2017 to FY 2020 regardless of the date of award.

<sup>4</sup> Federal Assistance Directive (FAD), May 2017, 76; FAD, October 2017, at 78; FAD, October 2018, at 79; FAD, October 2019, at 78.

<sup>5</sup> There were 2 Grants Officers and 20 GORs managing the PAS awards at the time of OIG's audit.

<sup>6</sup> FAD, May 2017, at 1; FAD, October 2017, at 1; FAD, October 2018, at 1; FAD, October 2019, at 1.

<sup>7</sup> FAD, May 2017, at 48; FAD, October 2017, at 49; FAD, October 2018, 49; FAD, October 2019, at 49-50.

other areas. Vetting includes checking the award recipients for ties to terrorism.<sup>8</sup> Recipients of awards funded by Economic Support Funds must be vetted additionally for acts of corruption, human rights violations, or involvement in illicit narcotics production or trafficking.<sup>9</sup>

### ***Risk Assessment, Mitigation, and Monitoring***

The FAD states that “[a]ll bureaus/offices/posts involved in the awarding of Federal financial assistance must take a proactive approach to detecting early warning signs of potential risks, and mitigating the probability of impact prior to making an award.”<sup>10</sup> According to the FAD, the awarding bureau, office, or post must complete a formal, documented risk assessment to identify potential risks, assess their significance, determine a mitigation strategy, and monitor the risks throughout the life of the project.<sup>11</sup> A risk assessment must be performed annually for agreements with period of performance more than 12 months in duration. If risks are identified, the FAD states that bureaus, offices, and posts should put measures in place to mitigate potential effects impacting the award.<sup>12</sup> Finally, the FAD states that “[e]very award must have a written monitoring plan that is appropriate to the award, and tied to the risk assessment.”<sup>13</sup>

### ***Monitoring and Evaluation***

The FAD states that monitoring Federal “assistance awards is mandatory and required to ensure that programmatic and financial management performance has been adhered to and that the intended activities, goals, and objectives are being accomplished.”<sup>14</sup> The FAD outlines Department responsibilities for monitoring the financial capability, stability, and funds management of the recipient, as well as the actual expenditures on the award. The Grants Officer and the GOR are responsible for ensuring that monitoring is conducted for each program. The Department’s Foreign Affairs Manual (FAM) defines evaluation as the “systematic collection and analysis of information about the characteristics and outcomes of programs, projects, or

---

<sup>8</sup> FAD, May 2017, at 48-55; FAD, October 2017, at 49-57; FAD, October 2018, at 49-57; FAD, October 2019, at 49-57.

<sup>9</sup> The Department of State, Foreign Operations, and Related Programs Appropriation Acts from FY 2017 to FY 2020 states that Economic Support Funds may not be made available for any program, project, or activity that includes the participation of any Afghan individual, organization, or government entity if the Secretary of State has credible information that such an individual, organization, or entity is knowingly involved in acts of grand corruption, illicit narcotics production or trafficking, or has committed a gross violation of human rights. Consolidated Appropriations Act, 2017, Pub. L. No. 115-31, Sec. 7044(a)(2)(A)(i); Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, Sec. 7044(a)(1)(A)(i); Consolidated Appropriations Act, 2019, Pub. L. No. 116-6, Sec. 7044(a)(1)(C)(iv). Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, Sec. 7044(a)(1)(D). Economic Support Funds are used to promote economic or political stability in areas where the United States has special strategic interests.

<sup>10</sup> FAD, May 2017, at 55-56; FAD, October 2017, at 57; FAD, October 2018, at 57; FAD, October 2019, at 57.

<sup>11</sup> FAD, May 2017, at 28, 55-57; FAD, October 2017, at 29, 57-59; FAD, October 2018, at 29, 57-59; FAD, October 2019, at 29, 57-59.

<sup>12</sup> FAD, May 2017, at 59; FAD, October 2017, at 61; FAD, October 2018, at 61; FAD, October 2019, at 61.

<sup>13</sup> FAD, May 2017, at 75; FAD, October 2017, at 77; FAD, October 2018, at 78; FAD, October 2019, at 77.

<sup>14</sup> FAD, May 2017, at 121; FAD, October 2017, at 126; FAD, October 2018, at 129; FAD, October 2019, at 128.

processes as a basis for making judgments, improving effectiveness and informing decisions about current and future programs, projects, and processes.”<sup>15</sup> The FAM requires that all bureaus and independent offices that receive and directly manage foreign assistance program funds “conduct evaluations of their large programs once in each program’s lifetime, or once every five years for ongoing programs, projects, or processes.”<sup>16</sup>

## AUDIT RESULTS

---

### **Finding A: Elements of Vetting Procedures Need Improvement**

OIG found that Embassy Kabul PAS conducted due diligence for all awards reviewed for this audit.<sup>17</sup> In addition, OIG found that PAS officials vetted all of the award recipients for ties to terrorism, as the FAD requires. However, OIG also found that PAS did not verify whether six of nine award recipients funded with Economic Support Funds had ties to corruption, human rights violations, or illicit narcotics production or trafficking, as required by Federal law.<sup>18</sup> PAS officials stated that they did not conduct this type of vetting because procedures had not been developed at the time the awards were made. Although procedures have since been developed, PAS did not consistently apply the procedures for the remaining three applicable awards. Consequently, current PAS practices do not fulfill the requirements set forth by Congress, which increases the risk that funds could be provided to individuals, organizations, and entities that have been involved in grand corruption, illicit narcotics production or trafficking, or have committed a gross violation of human rights.

#### ***The Public Affairs Section Conducted Pre-Award Due Diligence***

The FAD states that due diligence or “reasonable and prudent review of all relevant facts in an effort to ensure success during the performance of the award”<sup>19</sup> includes the following steps:

- **System for Award Management (SAM.gov) Check:** verify that the potential recipient of the Federal award does not have an active exclusion (i.e., has not been suspended or debarred from receiving Federal funds recorded in SAM.gov).<sup>20</sup>
- **Federal Awardee Performance and Integrity Information System (FAPIIS) Check:** for awards over \$150,000 in FY 2017 and FY 2018, and over \$250,000 in FY 2019 and

---

<sup>15</sup> 18 FAM 301.4-1(B), “Definitions.”

<sup>16</sup> 18 FAM 301.4-4b, “Evaluation.”

<sup>17</sup> In total, OIG reviewed 20 awards being administered by the PAS between FY 2017 and FY 2020. However, eight of these awards were awarded prior to FY 2017, which had different requirements for due diligence and vetting than those awarded post FY 2017. Therefore, OIG focused on the 12 awards that were awarded after FY 2017 to ensure consistent application of criteria for each of the awards reviewed with respect to due diligence and vetting.

<sup>18</sup> Consolidated Appropriations Act, 2017, Pub. L. No. 115-31, Sec. 7044(a)(2)(A)(i); Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, Sec. 7044(a)(1)(A)(i); Consolidated Appropriations Act, 2019, Pub. L. No. 116-6, Sec. 7044(a)(1)(C)(iv); Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, Sec. 7044(a)(1)(D).

<sup>19</sup> FAD, May 2017, at 57; FAD, October 2017, at 59; FAD, October 2018, at 59; FAD, October 2019, at 59.

<sup>20</sup> FAD, May 2017, at 48; FAD, October 2017, at 49-50; FAD, October 2018, at 50; FAD, October 2019, at 50.

FY 2020, verify that the potential recipient's performance does not contain instances of misconduct recorded in FAPIIS.<sup>21</sup>

- **Synchronized Pre-Deployment Operational Tracker (SPOT) Check:** for awards over \$150,000 or that have a period of performance of 30 days or more, verify that recipients account for their personnel in SPOT.<sup>22,23</sup>
- **Decision Memorandum:** ensure that a Decision Memorandum approving the recommendation to fund the proposal is signed by the designated authorizing official, in this instance, the Public Affairs Officer, when applicable.<sup>24</sup>
- **Final Review:** ensure that a final review of the risk assessment and negotiations with the potential recipient have been completed.<sup>25</sup>

OIG found that the Grants Officers and GORs conducted due diligence on all 12 applicable awards before providing funds.<sup>26</sup> For example, in a \$6.7 million cooperative agreement provided to an award recipient for the purpose of staffing and (b) (7)(F) (cooperative agreement 5), OIG found documentation demonstrating that the Grants Officer and GORs checked SAM.gov for suspensions and debarment information, FAPIIS for performance misconduct, and ensured recipients accounted for personnel working in Afghanistan in SPOT. OIG also found documentation of the Public Affairs Officer's Decision Memorandum in the award file, as well as evidence that the Grants Officer and GORs conducted final reviews of risk and negotiations prior to making the award.

Similarly, OIG found documentation that the Grants Officer and GORs conducted due diligence before awarding a \$4.0 million cooperative agreement to (b) (7)(F) (cooperative agreement 7), a \$3.6 million cooperative agreement to provide (b) (7)(F) (cooperative agreement 9), a \$1.6 million grant to (b) (7)(F) (grant 13), and a \$1.7 million grant to assist (b) (7)(F) (grant 14), among others. Table 1 shows that OIG determined that the

---

<sup>21</sup> FAD, May 2017, at 49-50; FAD, October 2017, at 51; FAD, October 2018, at 51-52; FAD, October 2019, at 51.

<sup>22</sup> National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, Sec. 861, requires a memorandum of understanding between the Departments of Defense and State, as well as the U.S. Agency for International Development, that includes the identification of common databases to track contracts and contractors in Afghanistan. The Department of Defense manages SPOT.

<sup>23</sup> FAD, May 2017, at 31; FAD, October 2017, at 32; FAD, October 2018, at 32; FAD, October 2019, at 32.

<sup>24</sup> FAD, May 2017, at 61; FAD, October 2017, at 63; FAD, October 2018, at 63; FAD, October 2019, at 63.

<sup>25</sup> FAD, May 2017, at 78; FAD, October 2017, at 81; FAD, October 2018, at 82; FAD, October 2019, at 82.

<sup>26</sup> See Appendix A, "Sampling Methodology," for additional details regarding the sample selection. Bureau of South and Central Asian Affairs officials cited sensitivity concerns with regard to the awards OIG selected for review and requested that OIG refrain from publishing the names of award recipients. Accordingly, OIG refers to the recipients as A through L and the awards as 1 through 20 in this report. See Appendix B for a list of all grants and cooperative agreements selected for review in this audit.

Grants Officers and GORs conducted due diligence for nearly all 12 awards<sup>27</sup> reviewed for this audit, except for one award for which the FAPIIS check was not completed.

**Table 1: Due Diligence Requirements**

Award Number	Award Value	SAM.gov Check	FAPIIS Check	SPOT Check	Decision Memo	Final Review
<b>Cooperative Agreements</b>						
1	\$4,469,526	✓	✗	✓	✓	✓
5	\$6,757,633	✓	✓	✓	✓	✓
7	\$3,975,000	✓	✓	✓	✓	✓
9	\$3,599,983	✓	✓	✓	✓	✓
10	\$4,707,402	✓	✓	✓	✓	✓
<b>Grants</b>						
12	\$1,479,168	✓	✓	✓	✓	✓
13	\$1,688,365	✓	✓	✓	✓	✓
14	\$1,693,421	✓	✓	✓	✓	✓
15	\$1,980,000	✓	✓	✓	✓	✓
16	\$1,998,560	✓	✓	✓	✓	✓
19	\$3,375,365	✓	✓	✓	✓	✓
20	\$2,784,065	✓	✓	✓	✓	✓
<b>Total Meeting Requirements</b>		<b>12</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>12</b>

Source: OIG generated based on analysis of award data and documentation maintained in PAS official award files.

The lone exception noted in reviewing the awards for due diligence was a \$4.5 million cooperative agreement to provide (b) (7)(F) (cooperative agreement 1). PPD officials could not provide documentation or an explanation as to why the document was missing because the Grants Officer and GOR who oversaw the award are no longer with the office and therefore were unavailable to address the missing documentation.

***Vetting for Ties to Terrorism Was Conducted, But Vetting for Ties to Corruption, Human Rights Violations, and Narcotics Trafficking Was Not***

The FAD requires that recipients of Department grants and cooperative agreements be vetted for ties to terrorism.<sup>28</sup> Vetting for ties to terrorism is conducted by the Bureau of Administration, Office of the Procurement Executive, Office of Acquisition Management, Critical Environment Contracting Analytics Staff, Risk Analysis and Management Program. To conduct the vetting, officials gather personally identifiable information about key individuals employed by organizations, or individual beneficiaries seeking U.S. Government funding, and vet that information against relevant databases for ties to terrorists or terrorist supporters. Once

<sup>27</sup> The PAS Grant SOP for award administration states that the SAM.gov check is also required when amending the award and increasing its value. Of the 12 awards reviewed, 9 were amended to increase costs. Of those awards, OIG determined that the GORs had checked all 9 recipients for prior instances of suspension and debarment in SAM.gov.

<sup>28</sup> FAD, May 2017, at 54; FAD, October 2017, at 56; FAD, October 2018, at 56; FAD, October 2019, at 56.

completed, Risk Analysis and Management officials send the results to the Grants Officer or GOR who then decides whether to provide funds. The GOR is responsible for uploading documentation of the vetting to the official award file. Of the 12 awards that OIG reviewed, all had documented evidence that vetting for ties to terrorism was conducted.<sup>29</sup>

In addition, Congress required that recipients of grants and cooperative agreements in Afghanistan funded by Economic Support Funds be vetted for involvement in acts of corruption, human rights violations, or illicit narcotics production or trafficking.<sup>30</sup> In August 2019, PAS incorporated this requirement into its SOP.<sup>31</sup> According to the SOP developed for this type of vetting, the GOR searches the Internet for information on all Afghan individuals and organizations participating in the award. The GOR documents the search results in the official award file. The GOR also provides the list of names to a designated point of contact in PPD, who checks them against an “ineligibility list” maintained by the Bureau of South and Central Asian Affairs, Office of Afghanistan Affairs. The GOR then uploads the results to the official award file.<sup>32</sup>

Of the 12 awards that OIG reviewed, 9 were required to have their recipients vetted for corruption, human rights violations, or illicit narcotics production or trafficking prior to initial award. Of those nine awards, OIG found evidence that only three award recipients had been vetted, as required. Moreover, OIG found that the GORs did not follow the SOP when vetting these three awards. For example, in cooperative agreement 9, the GORs incorrectly conducted an open-source Internet search. According to the SOP, the GORs were required to search a participant or organization’s name in quotation marks and Afghanistan (e.g., “John Smith” Afghanistan), but OIG found that the searches did not include quotation marks or Afghanistan. In addition, OIG found that GORs did not provide the list of names to their designated point of contact in PPD to check against the “ineligibility list,” as the SOP outlined.<sup>33</sup> PPD officials stated that they were never given access to the “ineligibility list” by the Office of Afghanistan Affairs. When OIG spoke with officials from the Office of Afghanistan Affairs, they stated that they were new to the office and unaware of their role or responsibilities in developing or maintaining such a list.

For the other six awards in which recipients were not vetted for corruption, human rights violations, or illicit narcotics production or trafficking, PAS officials stated that when the law was passed, they were expecting that a list of ineligible participants would be provided by the

---

<sup>29</sup> In May 2020, PAS began requiring vetting for ties to terrorism when an award is amended to increase the value. Three awards (cooperative agreement 9 and grants 13 and 15) were amended after May 2020 and required vetting. OIG found documented evidence that the GORs had conducted vetting for ties to terrorism for all three awards.

<sup>30</sup> Consolidated Appropriations Act, 2017, Pub. L. No. 115-31, Sec. 7044(a)(2)(A)(i); Consolidated Appropriations Act, 2018, Pub. L. No. 115-141, Sec. 7044(a)(1)(A)(i); Consolidated Appropriations Act, 2019, Pub. L. No. 116-6, Sec. 7044(a)(1)(C)(iv); Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, Sec. 7044(a)(1)(D).

<sup>31</sup> U.S. Embassy Kabul Public Affairs Section, Standard Operating Procedure for Corruption, Human Rights, and Narcotics (CHRN) Vetting, August 2019.

<sup>32</sup> *Ibid.*, at 3.

<sup>33</sup> *Ibid.*, at 2-3.

Office of the Secretary or the Bureau of South and Central Asian Affairs that they could use to manage and oversee their programs. PAS officials stated, however, that “the list was never provided.” PAS officials further stated that they also requested guidance from the Office of Afghanistan Affairs but did not get clarity on how the Department would implement the congressional requirement. According to PAS officials, in August 2019, PPD developed the SOP for corruption, human rights violations, or illicit narcotics production or trafficking vetting to meet the congressional requirement.<sup>34</sup> Because these six awards were issued before the development of the SOP, the GORs did not conduct vetting for corruption, human rights violations, or illicit narcotics production or trafficking prior to providing funds.<sup>35</sup> Despite both PAS and PPD officials telling OIG that they do not know how a “ineligibility list” is created or how they could obtain the list, the SOP requirement to check names against such a list remains. Table 2 shows the results of OIG’s review of the PAS’s vetting of select grants and cooperative agreements.

**Table 2: Public Affairs Section Vetting of Select Grants and Cooperative Agreements**

OIG Award Number	Award Value	Terrorism Vetting	Corruption, Human Rights Violations,
			Narcotics Vetting
1	\$4,469,526	✓	✗
5	\$6,757,633	✓	not applicable
7	\$3,975,000	✓	✗
9	\$3,599,983	✓	✓
10	\$4,707,402	✓	✓
12	\$1,479,168	✓	not applicable
13	\$1,688,365	✓	✗
14	\$1,693,421	✓	✗
15	\$1,980,000	✓	✗
16	\$1,998,560	✓	✓
19	\$3,375,365	✓	not applicable
20	\$2,784,065	✓	✗
<b>Total Meeting Requirements</b>		<b>12</b>	<b>3</b>

**Source:** OIG generated based on analysis of vetting data and documentation obtained from Embassy Kabul PAS official award files.

Although nearly all of the required due diligence vetting was completed, the lack of vetting for corruption, human rights violations, and illicit narcotics production and trafficking represents a critical breakdown of internal controls within PAS. The Government Accountability Office’s *Standards for Internal Control in the Federal Government* provides the overall framework for establishing and maintaining an effective internal control system to improve accountability in

<sup>34</sup> Consolidated Appropriations Act, 2017, Pub. L. No. 115-31, Sec. 7044(a)(2)(A)(i).

<sup>35</sup> The SOP also requires that GORs conduct vetting prior to issuing cost amendments that increase funding to awards funded by Economic Support Funds. OIG found that the PAS conducted vetting for four awards that had cost amendments in FY 2019 or FY 2020. No vetting was conducted for cost amendments prior to FY 2019.

achieving an agency's mission.<sup>36</sup> It states that "management should design control activities to achieve objectives and respond to risks."<sup>37</sup> These control activities are also known as the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. The *Standards for Internal Control in the Federal Government* also states that management should periodically review policies and procedures for continued relevance and effectiveness in achieving the entity's objectives.<sup>38</sup> The delayed development of the SOP for vetting corruption, human rights violations, or illicit narcotics production or trafficking, coupled with its inconsistent application, demonstrates a breakdown in a critical management control. Consequently, current PAS practices do not fulfill the requirements set forth by Congress, and there is an increased risk that funds could be provided to individuals, organizations, and entities that have been involved in acts of grand corruption, illicit narcotics production or trafficking, or have committed a gross violation of human rights. Therefore, OIG is offering the following recommendations.

**Recommendation 1:** OIG recommends that the Bureau of South and Central Asian Affairs revise, reinforce, and train its personnel on the standard operating procedures and internal controls over the process of vetting potential award recipients for corruption, human rights violations, or illicit narcotics production or trafficking when using Economic Support Funds in accordance with Department of State, Foreign Operations, and Related Programs Appropriation Act requirements beginning for Fiscal Year 2017.

**Management Response:** The Bureau of South and Central Asian Affairs stated that it could not provide a response to the recommendation offered within the timeframe afforded due to its focus on evacuating U.S. citizens and Special Immigrant Visa applicants from Kabul, Afghanistan. Officials stated that they would address OIG's report and recommendations as soon as their resources allow.

**OIG Reply:** OIG recognizes the challenges encountered with the evacuation of U.S. citizens and allies from Kabul, Afghanistan, and therefore will monitor implementation of this recommendation during the audit compliance process. Accordingly, OIG considers the recommendation unresolved until the Department responds. The recommendation will be considered resolved when the bureau provides OIG with a corrective action plan, including milestones for implementation, for this recommendation or an acceptable alternative that meets the recommendation's intent. The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of South and Central Asian Affairs has revised, reinforced, and trained its personnel on the standard operating procedures and internal controls over the process of vetting potential award recipients for corruption, human rights violations, or illicit narcotics production or trafficking when using Economic Support Funds in accordance with Department of State, Foreign Operations, and Related Programs Appropriation Act requirements beginning for Fiscal Year 2017.

---

<sup>36</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government 1* (GAO-14-704G, September 2014).

<sup>37</sup> *Ibid.*, at 45.

<sup>38</sup> *Ibid.*, at 56.

**Recommendation 2:** OIG recommends that U.S. Embassy Kabul, Afghanistan, vet all active award recipients of Public Affairs Section awards funded by Economic Support Funds, including those identified in this report as not being vetted, for corruption, human rights violations, or illicit narcotics production or trafficking in accordance with the Department of State, Foreign Operations, and Related Programs Appropriation Act requirements beginning for Fiscal Year 2017.

**Management Response:** U.S. Embassy Kabul stated that it could not provide a response to the recommendation offered within the timeframe afforded due to its focus on evacuating U.S. citizens and Special Immigrant Visa applicants from Kabul, Afghanistan. Officials stated that they would address OIG's report and recommendations as soon as their resources allow.

**OIG Reply:** OIG recognizes the challenges encountered with the evacuation and the prioritization of resources to support that effort. Accordingly, OIG considers the recommendation unresolved until the Department responds. The recommendation will be considered resolved when the Department provides OIG with a corrective action plan, including milestones for implementation, for this recommendation or an acceptable alternative that meets the recommendation's intent. The recommendation will be closed when OIG receives and accepts documentation demonstrating that the Department has vetted all active award recipients of Public Affairs Section awards funded by Economic Support Funds, including those identified in this report, for corruption, human rights violations, or illicit narcotics production or trafficking in accordance with the Department of State, Foreign Operations, and Related Programs Appropriation Act requirements beginning for Fiscal Year 2017.

## **Finding B: Elements of Risk Assessment and Risk Monitoring Procedures Need Improvement**

OIG found that PAS conducted risk assessments prior to providing funds but did not document its annual review of the risks, as required by the FAD. Specifically, PAS did not update the risk assessment worksheets for each year of the award's performance for 16 of 20 (80 percent) awards reviewed for this audit. Moreover, while PAS officials identified risks in the risk assessments and recommended that mitigation measures be put in place, there was no evidence that the Grants Officers or GORs established the mitigation measures for some risks. For example, for 12 awards in which officials had identified high programmatic and organizational risks, PAS could not provide documented evidence demonstrating that the Grants Officer or GORs had established measures to mitigate those risks. Officials stated that Grants Officers and GORs likely discussed mitigation measures in-person or on the phone but did not document discussions in the official award file. Documenting reviews of risks and actions to mitigate those risks, especially in a country like Afghanistan, increases the opportunity to adjust award implementation and better achieve defined objectives set forth in the Integrated Country Strategy.

***Pre-Award Risk Assessments Were Conducted and Approved by the Bureau, But Subsequent Annual Risk Assessments Were Not Documented***

The FAD requires that bureaus, offices, and posts conduct risk assessments prior to providing funds and states that "[Grants Officers] are responsible for verifying, prior to award, that the required risk assessment has taken place."<sup>39</sup> For awards issued overseas where the "U.S. share of costs is \$25,000 or above," the FAD states that regional bureau approval is required before providing funds.<sup>40</sup> Once the award is issued, the FAD states that for agreements for which the period of performance is longer than 12 months, Program Officers, Grants Officers, or GORs must review the risk assessment annually and document the annual risk assessment.<sup>41</sup> To document the risk assessment, the FAD requires that Program Officers, Grants Officers, or GORs use the risk assessment worksheet developed by the Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division.<sup>42</sup>

Like the analysis of PAS due diligence and vetting processes, OIG determined that PAS was also required to conduct pre-award risk assessments for 12 of the 20 sampled awards.<sup>43</sup> OIG reviewed the official award files and found that the Grants Officer verified that the required risk assessment was completed for 11 of 12 awards before providing funds. For the one award that did not have a documented pre-award risk assessment (cooperative agreement 7, valued at \$4 million and intended to support the (b) (7)(F) ██████████), PPD officials could not provide an explanation for the missing assessment. The Grants Officer and GOR who oversaw the award were no longer with the office and therefore were unavailable to provide insights about the missing documentation. As for the required bureau approval, OIG found documentation demonstrating that the Bureau of South and Central Asian Affairs had appropriately approved all 12 awards to receive funds.

After the awards' issuance, however, OIG found that PAS did not update the risk assessments annually as the FAD requires. Specifically, OIG found that PAS did not update the risk assessment worksheets for each year of the award's performance for 16 of 20 (80 percent) awards reviewed for this audit.<sup>44</sup> More specifically, OIG did not find documentation of annual risk assessments for 3 awards and only sporadic assessments for 13 awards (i.e., assessments were not conducted annually but were conducted at some point during the life of the award). Rather than assessing risks annually using the Department-required template, according to PPD officials, PAS reviewed and updated the risks during the cost amendment process because that process "triggers a more formal review." As such, OIG also reviewed the 19 cost amendments

---

<sup>39</sup> FAD, May 2017, at 57; FAD, October 2017, at 58; FAD, October 2018, at 59; FAD, October 2019, at 58.

<sup>40</sup> FAD, May 2017, at 78; FAD, October 2017, at 81; FAD, October 2018, at 82; FAD, October 2019, at 82.

<sup>41</sup> FAD, May 2017, at 57-58; FAD, October 2017, at 59; FAD, October 2018, at 59-60; FAD, October 2019, at 59.

<sup>42</sup> FAD, May 2017, at 57; FAD, October 2017, at 59; FAD, October 2018, at 59; FAD, October 2019, at 58.

<sup>43</sup> See Appendix A, "Sampling Methodology" for additional details.

<sup>44</sup> Annual risk assessments were required for all 20 awards active during the scope period. Of the 20 awards in OIG's sample, 8 were awarded prior to the scope period. OIG did not request or review those initial risk assessments.

and found evidence that the PAS reviewed risks during 15 cost amendments.<sup>45</sup> Beyond the cost amendment process, PPD officials stated that PAS monitored risk throughout the lifetime of the project including documenting risks in a separate “dashboard” document in the award file. The dashboard document includes information such as accomplishments, budget updates and concerns, program and operational concerns, high-priority issues, monitoring plan updates, and upcoming activities and milestones. PPD officials also stated that the GORs brief senior PAS leadership on the status of their awards several times a year and, through this process, the GORs monitor and update risks as appropriate. However, because of the COVID-19 pandemic, these briefings had not been occurring, and PPD officials acknowledged that the required risk assessment worksheet should be used to document the annual reviews.

***The Public Affairs Section Did Not Establish Risk Mitigation Measures for Some Identified Risks***

The FAD identifies three categories of risks that must be assessed: country, organizational, and programmatic.<sup>46</sup> For country risk, PAS officials consider the operating environment in Afghanistan. Organizational risks include the recipient’s location, number of years in operation, and audit history. Programmatic risks include the amount of funding and program history.<sup>47</sup> To assess risks, the FAD requires the Grants Officers and GORs to use the Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division, risk assessment worksheet.<sup>48</sup> When a Grants Officer or GOR assesses that a risk is high, the FAD states that the risk should be mitigated by implementing additional oversight activities.<sup>49</sup> Moreover, if additional requirements are imposed on the recipients, the FAD states that those requirements must be included as “Specific Award Conditions” in the award agreement.<sup>50</sup>

With respect to country risk, Embassy Kabul PAS designated all grants and cooperative agreements as high risk due to the challenging security and operating environment in Afghanistan. Accordingly, Grants Officers placed additional requirements on the recipient to minimize risk. OIG reviewed all available risk assessments and cost amendments for the awards in its sample and found that the Grants Officer incorporated measures to mitigate country risk for most but not all of the awards. Specifically, the Grants Officer incorporated additional measures into the Specific Award Conditions in 18 of 20 awards. For example, the Specific Award Conditions for a \$1.5 million grant to create and (b) (7)(F) (grant 12) state that “the Recipient is designated high risk due to the challenging operating and

---

<sup>45</sup> The cost amendments were dispersed across 9 awards. Some of these awards had multiple cost amendments, and some had only one.

<sup>46</sup> FAD, May 2017, at 56-57; FAD, October 2017, at 58; FAD, October 2018, at 58; FAD, October 2019, at 58.

<sup>47</sup> The Risk Assessment worksheet created by the Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division, includes types of risks that must be considered in the categories of “Organization Risk” and “Program Risk.” This worksheet is more expansive than what is listed in the FAD.

<sup>48</sup> FAD, May 2017, at 57; FAD, October 2017, at 58-59; FAD, October 2018, at 59; FAD, October 2019, at 58-59.

<sup>49</sup> FAD, May 2017, at 58-59; FAD, October 2017, at 60-61; FAD, October 2018, at 60-61; FAD, October 2019, at 60-61.

<sup>50</sup> FAD, May 2017, at 59; FAD, October 2017, at 61; FAD, October 2018, at 61; FAD, October 2019, at 61.

security environment in Afghanistan” and requires the recipient to submit quarterly detailed financial reports in addition to regular reporting. However, an amendment to grant 18 to the same recipient for similar work did not include any additional requirements to address risk.

With respect to organizational and programmatic risks, PAS designated 17 of 20 awards as high risk. OIG reviewed the Specific Award Conditions for these awards and found that 12 of 17 awards (71 percent) did not include language to address high programmatic or organizational risks. For example, the risk assessment for cooperative agreement 2 (a \$3.3 million award that provides (b) (7)(F) and establishes a mentoring program) identified risks related to the recipient’s performance on a prior award and recommended that language be incorporated into the Specific Award Conditions to address the risks. However, OIG reviewed the Specific Award Conditions for the cooperative agreement and did not find language addressing organizational risk. For cooperative agreement 8 (a \$4 million award to (b) (7)(F)), PAS identified organizational risks and recommended language be added to the Specific Award Conditions requiring the recipient to submit monthly reports and develop a policy to manage sub-recipients, among other things. Again, OIG found no such corresponding language in the award agreement. PPD officials stated that there are times when mitigating measures are included in the award conditions without directly equating them to organizational or programmatic risks. Officials also stated that the Grants Officer and GORs may use their discretion when deciding what to include in the award agreement, explaining that in some cases, the GOR may have felt it was not necessary to include additional language in the award agreement. Lastly, officials stated that Grants Officers and GORs likely discussed risk mitigation measures in-person or on the phone with the recipients but did not document decisions made in the award file. Nevertheless, a PPD official stated that PAS, and the GORs specifically, could do better in documenting their decision-making process.

Similar to Finding A in this report, a breakdown in internal controls contributed to PAS’s failure to document reviews of risks annually and establish risk mitigation measures for some risks. The *Standards for Internal Controls in the Federal Government* states that “[m]anagement should identify, analyze, and respond to risks related to achieving the defined objectives.”<sup>51</sup> This is important as risk assessments provide the basis for developing appropriate risk responses. Although PAS officials were aware of the requirements for annual risk reviews and establishing mitigating measures, without supporting documentation, their actions did not fully comply with the FAD. Moreover, documenting reviews of risks and actions to mitigate those risks, especially in a country like Afghanistan, increases the opportunity to adjust award implementation and better achieve defined objectives set forth in the Integrated Country Strategy. OIG is therefore offering the following recommendations.

**Recommendation 3:** OIG recommends that the Bureau of South and Central Asian Affairs, Office of Press and Public Diplomacy, develop and implement internal controls designed to enforce or verify Grants Officers’ and Grants Officer’s Representatives’ compliance with reviewing and documenting risks annually using the Bureau of Administration, Office of

---

<sup>51</sup> GAO-14-704G, September 2014, at 37.

the Procurement Executive-developed risk assessment worksheet, as required by the Federal Assistance Directive.

**Management Response:** The Bureau of South and Central Asian Affairs stated that it could not provide a response to the recommendation offered within the timeframe afforded due to its focus on evacuating U.S. citizens and Special Immigrant Visa applicants from Kabul, Afghanistan. Officials stated that they would address OIG's report and recommendations as soon as their resources allow.

**OIG Reply:** OIG recognizes the challenges encountered with the evacuation and the prioritization of resources to support that effort. Accordingly, OIG considers the recommendation unresolved until the Department responds. The recommendation will be considered resolved when the bureau provides OIG with a corrective action plan, including milestones for implementation, for this recommendation or an acceptable alternative that meets the recommendation's intent. The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of South and Central Asian Affairs, Office of Press and Public Diplomacy, has developed and implemented internal controls designed to enforce or verify Grants Officers' and Grants Officer's Representatives' compliance with reviewing and documenting risks annually using the Bureau of Administration, Office of the Procurement Executive-developed risk assessment worksheet, as required by the Federal Assistance Directive.

**Recommendation 4:** OIG recommends that the Bureau of South and Central Asian Affairs develop and implement internal controls designed to enforce or verify Grants Officers' and Grants Officer's Representatives' compliance with mitigating measures for risks identified in the risk assessments, as required by the Federal Assistance Directive.

**Management Response:** The Bureau of South and Central Asian Affairs stated that it could not provide a response to the recommendation offered within the timeframe afforded due to its focus on evacuating U.S. citizens and Special Immigrant Visa applicants from Kabul, Afghanistan. Officials stated that they would address OIG's report and recommendations as soon as their resources allow.

**OIG Reply:** OIG recognizes the challenges encountered with the evacuation and the prioritization of resources to support that effort. Accordingly, OIG considers the recommendation unresolved until the Department responds. The recommendation will be considered resolved when the bureau provides OIG with a corrective action plan, including milestones for implementation, for this recommendation or an acceptable alternative that meets the recommendation's intent. The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of South and Central Asian Affairs has implemented internal controls designed to enforce or verify Grants Officers' and Grants Officer's Representatives' compliance with mitigating measures for risks identified in the risk assessments, as required by the Federal Assistance Directive.

**Recommendation 5:** OIG recommends that U.S. Embassy Kabul, Afghanistan, establish and document measures to mitigate programmatic and organizational risks identified in the risk assessments for future Public Affairs Section awards it administers, as required by the Federal Assistance Directive.

**Management Response:** U.S. Embassy Kabul stated that it could not provide a response to the recommendation offered within the timeframe afforded due to its focus on evacuating U.S. citizens and Special Immigrant Visa applicants from Kabul, Afghanistan. Officials stated that they would address OIG’s report and recommendations as soon as their resources allow.

**OIG Reply:** OIG recognizes the challenges encountered with the evacuation and the prioritization of resources to support that effort. Accordingly, OIG considers the recommendation unresolved until the Department responds. The recommendation will be considered resolved when U.S. Embassy Kabul provides OIG with a corrective action plan, including milestones for implementation, for this recommendation or an acceptable alternative that meets the recommendation’s intent. The recommendation will be closed when OIG receives documentation demonstrating that the Department has established and documented measures to mitigate programmatic and organizational risks identified in the risk assessments for future Public Affairs Section awards it administers, as required by the Federal Assistance Directive.

## **Finding C: Elements of Program Monitoring and Evaluation Need Improvement**

OIG found that Embassy Kabul PAS developed initial monitoring plans for all the awards OIG reviewed for this audit and, except for five awards active in calendar year 2020,<sup>52</sup> appropriately reviewed the plans annually. In addition, PAS obtained performance and financial reports for most awards, but six awards were missing at least one performance report, and three awards were missing one or more financial reports. Lastly, PAS conducted evaluations of some of its awards but did not comply with requirements to assess whether all of its awards met the Department’s definition of “large” programs for the purpose of conducting evaluations. The evaluations are an important tool for management to determine appropriate corrective actions for any deficiencies identified in a timely manner. Because PAS did not determine whether evaluations should have been conducted, PAS officials may have missed opportunities to identify and correct deficiencies during award implementation.

### ***Initial Monitoring Plans Were Completed, and Most Annual Reviews Were Conducted***

The FAD requires that the Grants Officers or GORs develop an initial monitoring plan before awarding a grant or cooperative agreement.<sup>53</sup> The FAD further requires that, “[f]or awards with a period of performance longer than [1] year, at a minimum, an annual review of the

---

<sup>52</sup> In calendar year 2020, PAS did not review the monitoring plans for five awards due to the COVID-19 pandemic and staff turnover.

<sup>53</sup> FAD, May 2017, at 75; FAD, October 2017, at 77; FAD, October 2018, at 78; FAD, October 2019, at 77-78.

monitoring plan must be completed to ensure any new risks and/or changes in scope, schedule, or costs are accounted for, documented, and monitored.”<sup>54</sup> OIG found that PAS had developed initial monitoring plans for all 12 applicable grants and cooperative agreements reviewed for this audit. In addition, OIG reviewed the award files and found documentation of annual reviews of the monitoring plans for each award, except in calendar year 2020. In calendar year 2020, there was no documentation demonstrating that the monitoring plans for five awards were reviewed.<sup>55</sup> PAS officials stated challenges related to the COVID-19 pandemic and staff turnover contributed to the lapse in reviews for the five awards in calendar year 2020.

***The Public Affairs Section Obtained Most of the Required Performance and Financial Reports***

The FAD states that award recipients must submit performance reports and financial reports according to reporting schedules outlined in the award’s provisions but that the frequency of reporting “must be no less frequently than annually nor more frequently than quarterly except in unusual circumstances . . .”<sup>56</sup> The Grants Officer can also add other reporting requirements in the Specific Award Conditions in the award agreement.<sup>57</sup> In reviewing the official award files, OIG found that most of the award files contained all required information; 6 of 20 awards (30 percent) did not contain all required performance and financial reports.<sup>58</sup> Specifically, the six award files were missing at least one performance report, and three award files were missing at least one financial report. According to PAS officials, a terrorist attack prevented one recipient (who was implementing several projects) from submitting all required reports.

OIG also reviewed the Specific Award Conditions in the awards’ provisions and found that 18 of 20 awards included other reporting requirements. For example, the Specific Award Conditions for cooperative agreement 1 (a \$4.5 million award that provides (b) (7)(F) and establishes a mentorship program) require the recipient to submit additional detailed monthly financial reports with a line-item breakdown of costs incurred or paid. OIG confirmed that all 18 award files that had additional reporting per the Specific Award Conditions contained most of the requisite reports.

***The Public Affairs Section Monitored Awards, But Is Unclear Which Awards Should Be Formally Evaluated***

PAS officials stated that because of the difficult operating environment in Afghanistan, they often cannot visit project sites. To help them monitor the awards, the Office of Acquisitions Management, on behalf of the Bureau of South and Central Asian Affairs, issued a contract in 2017 to provide the bureau with project monitoring, evaluation, assessment planning, and

---

<sup>54</sup> FAD, May 2017, at 75-76; FAD, October 2017, at 77-78; FAD, October 2018, at 78; FAD, October 2019, at 78.

<sup>55</sup> In 2020, there were 10 active awards that required monitoring plan reviews. OIG found evidence that the monitoring plans for five had been reviewed while five had not.

<sup>56</sup> FAD, May 2017, at 72; FAD, October 2017, at 74; FAD, October 2018, at 74; FAD, October 2019, at 74.

<sup>57</sup> FAD, May 2017, at 78; FAD, October 2017, at 81; FAD, October 2018, 82; FAD, October 2019, at 82.

<sup>58</sup> In total, there were 409 quarterly reports and 433 monthly reports that OIG reviewed. Of these reports, OIG only found 4 quarterly reports and 21 monthly reports missing.

support for grants and cooperative agreements implemented in Afghanistan. In May 2019, the contractor subcontracted to an Afghan company to collect information “from direct in-person ground monitoring of the status of on-going programs, and from survey interviews with program participants and beneficiaries, to produce reports for each visit.” The contractor and subcontractor have provided PAS with monitoring services for 11 of 20 awards in OIG’s sample. PAS officials stated that they are planning to contract for services for six additional awards. The Monitoring and Evaluation Specialist stated that the factors PAS takes into consideration when determining the need for third-party monitors include compliance, high dollar value, project activity planned, and decision points. In addition to using the contractor, PAS officials stated that they conduct virtual monitoring, which could include the use of “geo-tagged” photos provided by the award recipient that show the location and time the photo was taken, and virtual financial site visits during which the award recipient sends all financial documents for PAS to review.

With respect to program evaluations, PAS conducted evaluations of some but not all of the awards they administered. For example, for the \$2.4 million grant to create and (b) (7)(F) (grant 18), PAS approved the hiring of an outside survey and research company to evaluate the award. PAS also approved the hiring of another outside company to evaluate the \$1.7 million grant to support research into successful (b) (7)(F) (grant 11). PPD officials stated that they evaluated these awards because they wanted to “ensure intended results for awards with years’ worth of funding and unique challenges.” When OIG asked if these grants and cooperative agreements represented “large” programs that should be evaluated as required by 18 FAM 301.4-4b, PAS officials stated that they “have not received additional guidance as to how the 18 FAM 300 definition [of “large” programs] relates to grants, which can be a part of a program or a project.” The FAM, 18 FAM 301.4-4b, states that bureaus that “receive and directly manage foreign assistance program funds must conduct evaluations of their large programs once in each program’s lifetime, or once every five years for ongoing programs, projects, or processes,” and it defines “large” as “meeting or exceeding the median cost of programs, projects, or processes for that bureau or independent office.” Additional Department guidance on 18 FAM 300 states that bureaus and independent offices should have consulted with the Office of U.S. Foreign Assistance Resources or the Bureau for Budget and Planning to identify major programs and projects by June 2018 and should have established monitoring and evaluation plans by June 2019.<sup>59</sup>

OIG asked whether PAS consulted with the Office of U.S. Foreign Assistance Resources and the Bureau for Budget and Planning to identify major programs, and PPD officials responded that they had communicated with these offices. However, PPD officials did not state whether a determination was made that additional awards required evaluation, nor was there evidence that PAS had assessed its awards to determine applicability of the FAM’s definition of a “large” program to plan and execute appropriate evaluations.

---

<sup>59</sup> Department of State, Guidance for the Design, Monitoring, and Evaluation Policy at the Department of State 4, January 2019. In the Guidance for the Design, Monitoring, and Evaluation Policy at the Department of State, January 2019, supplemental guidance for 18 FAM 300, “major” and “large” are both used within the same section. In this instance, OIG will interpret the word “major” to mean “large.”

OIG determined that a breakdown in internal controls may explain why PAS has not assessed whether program evaluations were required in accordance with the FAM. The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that "Management uses separate evaluations to monitor the design and operating effectiveness of the internal control system at a specific time or of a specific function or process."<sup>60</sup> The evaluations are important because through them, management may be able to determine appropriate corrective actions for any deficiencies identified in a timely manner. For example, of the 20 awards OIG reviewed, the Grants Officer implemented and documented 1 Corrective Action Plan.<sup>61</sup> This instance involved the \$6.8 million cooperative agreement to fund the operations of (b) (7)(F) (cooperative agreement 5) for which both a PAS review and findings from an independent auditor found deficiencies with the recipient's financial, personnel, and procurement management. To address the deficiencies, PAS placed the recipient on a Corrective Action Plan and required the recipient to update all policies that were found missing or deficient. According to documentation OIG reviewed, all the actions in the Corrective Action Plan were completed within the assigned timeframe.<sup>62</sup> Because PAS did not assess whether evaluations of its awards were needed, PAS was not compliant with Department requirements and likely missed opportunities to identify and correct deficiencies during award implementation. OIG is therefore offering the following recommendation.

**Recommendation 6:** OIG recommends that the Bureau of South and Central Asian Affairs, in coordination with the Bureau of Budget and Planning and the Office of U.S. Foreign Assistance Resources, determine the applicability of the Foreign Affairs Manual (18 FAM 301.4-4, "Evaluation,") requirements to "large" awards that U.S. Embassy Kabul, Afghanistan, Public Affairs Section, administers. If determined to be applicable, they should implement a policy requiring the Embassy Kabul Public Affairs Section to comply with the requirements set forth in 18 FAM 301.4-4, "Evaluation."

**Management Response:** The Bureau of South and Central Asian Affairs stated that it could not provide a response to the recommendation offered within the timeframe

---

<sup>60</sup> GAO-14-704G, September 2014, at 66.

<sup>61</sup> The FAD states that "[i]f a recipient is not complying with a specific requirement of the award, such as submitting financial and performance reports or performing the project, the [Grants Officer] must inform the recipient of the problem and request the recipient to remedy the situation with a reasonable deadline and requested follow-up action" and the Grants Officer may institute a Corrective Action Plan to address deficiencies found during preaward or post-award that indicate that the recipient does not have the systems in place to adequately manage Federal funds. FAD, May 2017, at 131-132; FAD, October 2017, at 138; FAD, October 2018, at 141; FAD, October 2019, at 141.

<sup>62</sup> One recipient who received funding in four awards in OIG's sample also received funds from the United States Agency for International Development. The United States Agency for International Development issued a Corrective Action Plan to correct deficiencies found with the recipient's security, financial management, and performance quality. The Grants Officer managing these four awards used that Corrective Action Plan to inform his decision-making. Specifically, the Grants Officer placed these awards under a "partial suspension of project activities" until progress was made on the United States Agency for International Development Corrective Action Plan.

afforded due to its focus on evacuating U.S. citizens and Special Immigrant Visa applicants from Kabul, Afghanistan. Officials stated that they would address OIG's report and recommendations as soon as their resources allow.

**OIG Reply:** OIG recognizes the challenges encountered with the evacuation and the prioritization of resources to support that effort. Accordingly, OIG considers the recommendation unresolved until the Department responds. The recommendation will be considered resolved when the bureau provides OIG with a corrective action plan, including milestones for implementation, for this recommendation or an acceptable alternative that meets the recommendation's intent. The recommendation will be closed when OIG receives documentation demonstrating that the Bureau of South and Central Asian Affairs has determined the applicability of 18 FAM 301.4-4, "Evaluation," requirements to "large" awards that U.S. Embassy Kabul, Afghanistan, Public Affairs Section, administers and has implemented, if applicable, a policy requiring the Embassy Kabul Public Affairs Section to comply with the requirements set forth in 18 FAM 301.4-4."

## RECOMMENDATIONS

---

**Recommendation 1:** OIG recommends that the Bureau of South and Central Asian Affairs revise, reinforce, and train its personnel on the standard operating procedures and internal controls over the process of vetting potential award recipients for corruption, human rights violations, or illicit narcotics production or trafficking when using Economic Support Funds in accordance with Department of State, Foreign Operations, and Related Programs Appropriation Act requirements beginning for Fiscal Year 2017.

**Recommendation 2:** OIG recommends that U.S. Embassy Kabul, Afghanistan, vet all active award recipients of Public Affairs Section awards funded by Economic Support Funds, including those identified in this report as not being vetted, for corruption, human rights violations, or illicit narcotics production or trafficking in accordance with the Department of State, Foreign Operations, and Related Programs Appropriation Act requirements beginning for Fiscal Year 2017.

**Recommendation 3:** OIG recommends that the Bureau of South and Central Asian Affairs, Office of Press and Public Diplomacy, develop and implement internal controls designed to enforce or verify Grants Officers' and Grants Officer's Representatives' compliance with reviewing and documenting risks annually using the Bureau of Administration, Office of the Procurement Executive-developed risk assessment worksheet, as required by the Federal Assistance Directive.

**Recommendation 4:** OIG recommends that the Bureau of South and Central Asian Affairs develop and implement internal controls designed to enforce or verify Grants Officers' and Grants Officer's Representatives' compliance with mitigating measures for risks identified in the risk assessments, as required by the Federal Assistance Directive.

**Recommendation 5:** OIG recommends that U.S. Embassy Kabul, Afghanistan, establish and document measures to mitigate programmatic and organizational risks identified in the risk assessments for future Public Affairs Section awards it administers, as required by the Federal Assistance Directive.

**Recommendation 6:** OIG recommends that the Bureau of South and Central Asian Affairs, in coordination with the Bureau of Budget and Planning and the Office of U.S. Foreign Assistance Resources, determine the applicability of the Foreign Affairs Manual (18 FAM 301.4-4, "Evaluation,") requirements to "large" awards that U.S. Embassy Kabul, Afghanistan, Public Affairs Section, administers. If determined to be applicable, they should implement a policy requiring the Embassy Kabul Public Affairs Section to comply with the requirements set forth in 18 FAM 301.4-4, "Evaluation."

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

---

The Office of Inspector General (OIG) conducted this audit to determine whether the Public Affairs Section (PAS) at the U.S. Embassy Kabul, Afghanistan, administered selected grants and cooperative agreements in accordance with Federal and Department of State (Department) requirements.

OIG conducted this audit from November 2020 to July 2021 in Kabul, Afghanistan, and the Washington, DC, metropolitan area. OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those 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 believes that the evidence obtained provides 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 include limitations on in-person meetings, difficulty accessing information, and related difficulties within the Department that affected its ability to respond to OIG requests for information in a timely manner. Despite the challenges, OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report. This report relates to Overseas Contingency Operation Freedom's Sentinel and was completed in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended.<sup>1</sup>

To obtain background information for this audit, OIG researched applicable regulations, policy, procedures, and guidance promulgated in Title 2 of the Code of Federal Regulations; public laws; the Foreign Affairs Manual; Foreign Affairs Handbook; internal Bureau of South and Central Asian Affairs, Office of Press and Public Diplomacy standard operating procedures; and individual grant and cooperative agreement terms and conditions. To gain an understanding and to assess implementation of the regulations, policies, procedures, and guidance, OIG interviewed Grants Officers, Grants Officer's Representatives, and other relevant officials from the PAS, the Bureau of Administration, the Bureau of South and Central Asian Affairs, Office of Afghan Affairs, and the Bureau of South and Central Asian Affairs, Office of Press and Public Diplomacy.

To test whether PAS administered selected grants and cooperative agreements in accordance with Federal and Department requirements, OIG judgmentally selected 20 high-valued grants and cooperative agreements administered by the PAS between FY 2017 and FY 2020. OIG then reviewed information obtained from PAS, the Bureau of Administration, the Bureau of South and Central Asian Affairs, Office of Press and Public Diplomacy, and constituent offices. OIG also

---

<sup>1</sup> U.S. combat operations in Afghanistan ended on December 31, 2014. As part of Operation Freedom's Sentinel, U.S. forces remain in the country to participate in a coalition mission to train, advise, and assist Afghan National Defense and Security Forces and to conduct counterterrorism operations against the remnants of al Qaeda. Embassy Kabul PAS work contributes to U.S. counterterrorism programs, which is subject to Section 8L oversight.

reviewed data from the Department's Integrated Logistics Management System and award files stored electronically at the embassy and maintained by PAS.

## **Data Reliability**

OIG used computer-processed data to select the 20 grants and cooperative agreements for review. OIG obtained and reviewed data in the Department's State Assistance Management Systems (SAMS), which is the Department's electronic grants management system that serves as an electronic file folder for Federal assistance awards. The electronic award file contains official award documentation including the award risk assessments, monitoring plans, performance and financial documentation, and award provisions. The Department required that Embassy Kabul use SAMS as the official award files and processing system for all Federal assistance instruments beginning in FY 2018.<sup>2</sup> OIG also obtained and reviewed data stored electronically at the embassy and maintained by the PAS that was not in SAMS. Comparing and contrasting the data from the two sources allowed OIG to determine that the data were sufficiently complete and reliable for the purpose of selecting the 20 awards.

## **Work Related to Internal Control**

During the audit, OIG considered several factors, including the audit's subject matter, to determine whether internal control was significant to the audit objective. Based on its consideration, OIG determined that internal control was significant for this audit. OIG then considered the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government*<sup>3</sup> to identify internal controls that were significant to the audit objective. Considering internal control in the context of a comprehensive internal control framework can help auditors to determine whether underlying internal control deficiencies exist.

For this audit, OIG concluded that three of the five of internal control components from the *Standards for Internal Control in the Federal Government*, Risk Assessment, Control Activities, and Monitoring, were significant to the audit objective. The Risk Assessment component assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. The Control Activities component includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system. The Monitoring component relates to activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other review. OIG also concluded that four principles related to the selected components were significant to the audit objective as described in Table A.1.

---

<sup>2</sup> Embassy Kabul's PAS also maintains separate award files for awards prior to 2018 that were not subject to the SAMS mandate. These files are maintained in IT infrastructure that is physically present on post.

<sup>3</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

**Table A.1: Internal Control Components and Principles Identified as Significant**

<b>Components</b>	<b>Principles</b>
Risk Assessment	Principle 7 – Identify, analyze, and respond to risks
Control Activities	Principle 10 – Design control activities Principle 12 – Implement control activities
Monitoring	Principle 16 – Perform monitoring activities

**Source:** OIG generated based on analysis of internal control components and principles from the Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

OIG interviewed Department officials, performed process walkthroughs, and reviewed documents and policies to gain an understanding of internal controls related to the components and principals identified as significant for this audit. OIG also performed procedures to assess the design and implementation of key internal controls. Specifically:

- OIG reviewed PAS due diligence and vetting, risk assessment and monitoring, and program monitoring and evaluation policies and procedures and award file data to determine the Public Affairs Section’s compliance.
- OIG reviewed award file data to determine if the initial risk assessment worksheets included risk mitigation plans; the award was designated as high risk, and the Department completed follow-up risk assessments.
- OIG reviewed “Specific Award Conditions” in each award to see if additional monitoring was required, all reporting was collected by PAS, and monitoring plans were reviewed annually.

Internal control deficiencies identified during the audit that are significant within the context of the audit objective are presented in the Audit Results section of this report.

### **Sampling Methodology**

OIG selected 20 grants and cooperative agreements, valued at approximately \$69.3 million, or about 34 percent of the total funds that the PAS administered between FY 2017 and FY 2020 to review. OIG judgmentally selected these grants and cooperative agreements from a universe of 212 awards valued at about \$197.1 million that the PAS administered during the same period. OIG selected 10 grants and 10 cooperative agreements with the highest dollar value. Awards with a period of performance that ended during FY 2017 or that were awarded in FY 2020 were removed because these awards would provide the audit team with insufficient data for analysis while also staying within the scope of the audit objective. Awards not meeting a judgmentally selected threshold of the top 20 awards by dollar amount were removed to ensure that audit team resources were being used efficiently. These grants and cooperative agreements were awarded to 12 recipients. Bureau of South and Central Asian Affairs officials cited sensitivity concerns with the awards and requested that OIG refrain from publishing the names of award recipients. Accordingly, OIG will refer to the recipients as A through L and award 1 through 20 in this report. See Appendix B, Table B.1, for a list of the selected awards.

## **Prior Office of Inspector General Reports**

***Audit of Department of State Foreign Assistance Grants and Cooperative Agreements in Somalia (AUD-MERO-20-45, September 2020).*** OIG reported that although the Bureau of African Affairs and the Bureau of Counterterrorism assessed general risks associated with foreign assistance awards in Somalia and implemented some compensating controls to mitigate those risks, some controls required improvement. Specifically, OIG reported that officials did not designate the awards as high risk even though they were implemented in a country where travel is restricted because of political instability and terrorism. OIG also reported that the bureaus did not establish standard operating procedures or document controls for managing risks, document reviews of performance reports to demonstrate adherence with award terms or require documentation to be maintained in official award files. OIG made 10 recommendations, all of which have been implemented and closed.

***Audit of the Department of State's Approach To Adjust the Size and Composition of U.S. Missions Afghanistan and Iraq (AUD-MERO-20-38, August 2020).*** OIG reported that Mission Afghanistan reduced personnel by 32 percent even though the foreign policy priorities and strategic diplomatic objectives for the mission remained unchanged. Officials expressed concerns about oversight, monitoring, and evaluation of projects with fewer staff members. OIG made three recommendations to ensure staffing levels in Afghanistan and Iraq align with U.S. foreign policy priorities and that these missions have the appropriate resources to achieve strategic diplomatic objectives. As of June 2021, all three recommendations remained open and were considered resolved, pending further action.

***Audit of Global Engagement Center Federal Assistance Award Management and Monitoring (AUD-MERO-20-26, April 2020).*** OIG reported that the Global Engagement Center did not consistently manage and monitor its awards in accordance with Federal requirements, Department policies and guidance, and award terms and conditions. OIG also reported that officials did not review recipients' performance reports and financial information. These deficiencies occurred, in part, because the Center did not have enough experienced personnel to issue, manage, and monitor the awards and because it had not formally adopted internal policies, processes, and procedures for managing and monitoring Federal assistance awards. OIG made five recommendations. As of June 2021, four had been implemented and closed, while one remained open and was considered resolved, pending further action.

***Audit of Monitoring and Evaluating Department of State Foreign Assistance in the Philippines (AUD-MERO-19-39, September 2019).*** OIG reported that the Bureau of Counterterrorism did not systematically monitor performance or collect and analyze data to inform its monitoring efforts, nor did it require the Bureau of Diplomatic Security to submit financial reports. In addition, the Bureau of International Narcotics and Law Enforcement Affairs did not document its reviews of award performance, nor did it review financial reports quarterly. Furthermore, the Office to Monitor and Combat Trafficking in Persons did not have monitoring plans that complied with the Federal Assistance Directive and thereby allowed funds to be used to pay for salaries of personnel who were not actively working on its awards. OIG made 28 recommendations to address the deficiencies identified. As of June 2021, 27 recommendations

had been implemented and closed, while 1 recommendation remained open and was considered resolved, pending further action.

***Audit of Humanitarian Assistance Cooperative Agreements Supporting Internally Displaced Persons in Iraq (AUD-MERO-19-20, March 2019).*** OIG reported that the Bureau of Population, Refugees, and Migration generally complied with Federal requirements, Department guidance, and award terms and conditions in monitoring cooperative agreements supporting internally displaced persons in Iraq. OIG reported that the bureau completed risk assessments, developed and implemented monitoring plans, reviewed quarterly performance progress reports, conducted programmatic desk reviews, and made site visits when practicable. OIG also reported that the bureau generally established budgets by cost categories and reviewed recipients' quarterly financial reports in accordance with Federal and Department regulations, as well as the cooperative agreements' terms and conditions. OIG made three recommendations; all of which have been implemented and closed.

***Inspection of the Bureau of South and Central Asian Affairs (ISP-I-18-11, February 2018).*** OIG reported that the bureau's Office of Press and Public Diplomacy Grants Unit was providing effective oversight of its public diplomacy grants. OIG reviewed 20 grants from FY 2016 and FY 2017 and found them in compliance with the Federal Assistance Directive, although OIG also found that the Grants Unit had not conducted any formal evaluations of its major programs, despite the high number of grants. OIG made seven recommendations to build on the Bureau of South and Central Asian Affairs' reorganization plan and to improve strategic planning, foreign assistance tracking, Government Technical Monitor training, and completion of Civil Service employee performance appraisals. OIG made seven recommendations; all of which have been implemented and closed.

***Management Assistance Report: Improved Oversight Needed to Standardize the Use of Risk Assessments and Monitoring Plans for Overseas Grants (ISP-17-33, July 2017).*** OIG reported a pattern of non-compliance with risk assessment and monitoring plan requirements in its review of findings from 12 inspections and 13 evaluations of the Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division conducted between March 2015 and January 2017. OIG made five recommendations to improve awareness of these requirements and to standardize their use overseas. All five recommendations have been implemented and closed.

## APPENDIX B: SUMMARY OF SELECTED AWARDS

Table B.1: Grants and Cooperative Agreements in OIG's Sample

Recipient*	Award Number*	Description	Award Value
<b>Cooperative Agreements</b>			
A	1	(b) (7)(F)	\$4,469,526
A	2		\$3,315,749
A	3		\$4,402,000
A	4		\$3,018,099
B	5		\$6,757,633
B	6		\$6,658,237
C	7		\$3,975,000
D	8		\$3,960,118
D	9		\$3,599,983
A	10		\$4,707,402
<b>Grants</b>			
E	11		\$1,725,509
F	12		\$1,479,168
G	13		\$1,688,365
H	14		\$1,693,421
I	15		\$1,980,000
J	16		\$1,998,560
K	17		\$2,240,350
F	18		\$2,422,804
L	19		\$3,375,365
G	20		\$2,784,065

\* Recipient names and award numbers have been masked at the request of the Bureau of South and Central Asian Affairs.

**Source:** OIG generated based on award data obtained from official award files maintained by U.S. Embassy Kabul's Public Affairs Section on December 10, 2020.

## ABBREVIATIONS

---

FAD	Federal Assistance Directive
FAM	Foreign Affairs Manual
FAPIIS	Federal Awardee Performance and Integrity Information System
GOR	Grants Officer Representative
OIG	Office of Inspector General
PAS	Public Affairs Section
PPD	Office of Press and Public Diplomacy
SAM	System for Award Management
SAMS	State Award Management System
SOP	Standard Operating Procedure
SPOT	Synchronized Pre-Deployment Operational Tracker

## OIG AUDIT TEAM MEMBERS

---

Tinh Nguyen, Division Director  
Middle East Region Operations  
Office of Audits

Latesha Turner, Audit Manager  
Middle East Region Operations  
Office of Audits

Erin Taylor, Management Analyst  
Middle East Region Operations  
Office of Audits

Heather Kinsman, Management Analyst  
Middle East Region Operations  
Office of Audits

UNCLASSIFIED



## **HELP FIGHT** FRAUD, WASTE, AND ABUSE

1-800-409-9926

[Stateoig.gov/HOTLINE](https://stateoig.gov/HOTLINE)

If you fear reprisal, contact the  
OIG Whistleblower Coordinator to learn more about your rights.

[WPEAOmbuds@stateoig.gov](mailto:WPEAOmbuds@stateoig.gov)

UNCLASSIFIED