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Office of Inspector General
United States Department of State

AUD-SIP-26-09

Office of Audits

April 2026

Audit of the Department of State's Energy Security and Diversification Initiatives in the Black Sea Region

SECURITY AND INTERNATIONAL PROGRAMS DIVISION

UNCLASSIFIED



HIGHLIGHTS

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What OIG Audited

Prior to Russia's 2022 invasion of Ukraine, Russia was the single largest oil and gas supplier to Europe and Eurasia. Russia's war of aggression in Ukraine has highlighted the need to accelerate Europe's transition away from fossil fuels and dependence on Russian oil. The priorities that the Department of State (Department) identified include addressing vulnerabilities in the Black Sea region, addressing growing challenges in the region, and supporting efforts to transition the region away from a dependence on Russian energy sources. Specifically, from September 2021 through September 2024, the Bureau of Energy Resources (ENR) and the Bureau of International Security and Nonproliferation (ISN) have each implemented a number of foreign assistance awards intended to support energy security and diversification efforts in the Black Sea region.

OIG conducted this audit to determine whether Department efforts to coordinate and advance energy security and diversification initiatives in the Black Sea region have achieved desired results.

What OIG Recommends

OIG made six recommendations to improve the planning and monitoring of foreign assistance to advance energy security and diversification initiatives in the Black Sea region. Based on the responses to a draft of this report, OIG considers one recommendation closed; three recommendations resolved, pending further action; and two recommendations unresolved. A synopsis of the Department's comments and OIG's reply follows each recommendation in the Audit Results section of this report. The Department's responses are reprinted in their entirety in Appendices B, C, and D.

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OFFICE OF AUDITS

SECURITY AND INTERNATIONAL PROGRAMS DIVISION

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What OIG Found

OIG found that the Department bureaus implementing Black Sea energy security and diversification initiatives appropriately aligned their respective strategies and award-level goals and objectives with Department, bureau, and mission-level strategic plans in place from 2022 to 2024. While the Department continued to implement these programs and initiatives, at the time of OIG's review, the Department had not updated pertinent strategic guidance to help ensure that the implementation of these programs and initiatives continued to align with the current administration's strategy and priorities in these areas.

OIG examined nine Department awards that supported energy security and diversification initiatives in the Black Sea region and found that improvements were needed to demonstrate that the awards were on track to achieve intended results. Specifically, ISN had not consistently developed short-term indicators at the award level that would contribute to the progress of long-term program indicators. In the absence of developing indicators at the award level, ISN is limited in its ability to determine whether individual awards are helping to make meaningful progress toward program goals and objectives. In addition, although ISN completed monitoring plans for each applicable award in OIG's audit sample, the monitoring plans did not include information on the specific types of monitoring activities that would be performed in accordance with requirements. With respect to ENR, OIG found that one of the three awards reviewed lacked a monitoring plan, and another award lacked evidence that bureau officials collected and reported on progress against established performance indicators. Without documented monitoring plans or documenting progress toward meeting established performance indicators, as prescribed in the Toolkit and the FAM, ENR risks the loss of monitoring data that can be used to effectively measure the progress of these awards, and the ultimate benefit the assistance provided. The existence of documentation is important to maintain institutional knowledge, especially considering the Department's recent reorganization.

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OBJECTIVE

IG conducted this audit to determine whether Department of State (Department) efforts to coordinate and advance energy security and diversification initiatives in the Black Sea region have achieved desired results.

BACKGROUND

Prior to Russia's 2022 invasion of Ukraine, Russia was the single largest oil and gas supplier to Europe and Eurasia. The invasion resulted in energy instability across Europe as Russia has shown a persistent willingness to use its oil and gas supply dominance as leverage to achieve political goals. The energy instability that resulted from the invasion highlighted the importance of reducing reliance on Russian energy sources and improving energy security through diversification of supply, especially for many countries in the Black Sea Region (see Figure 1).

Figure 1. Map of the Black Sea Region



Source: "Experts react: What to know about the US-led Black Sea cease-fire deal with Russia and Ukraine," March 25, 2025, <https://www.atlanticcouncil.org/blogs/new-atlanticist/experts-react/what-to-know-about-the-black-sea-cease-fire-deal-with-russia-and-ukraine/>.

In June 2023, the Department submitted the Black Sea Security Strategy¹ to Congress which was intended to address growing challenges in the region and help U.S. partners in Europe transition away from a dependence on Russian energy sources. The strategy highlighted energy and diversification initiatives as a key line of effort. For example, the strategy outlined support

¹ Department, *Report to Congress on A Strategy for Working with NATO Allies to Deepen Ties with Black Sea Countries Section 7019(e) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2023 (Div. K, P.L.117-328) and the Joint Explanatory Statement (June 2023)*.

for integrating energy markets of aspiring EU member states² with internal EU markets; expanding regional electricity and natural gas infrastructure to produce, distribute, and store transitional and next generation energy sources across state boundaries; and supporting the growth of low-carbon energy sources such as solar, wind, geothermal, hydrogen, and conventional and small modular nuclear reactors.

The Bureau of European and Eurasian Affairs (EUR) Assistant Secretary's October 2023 written testimony for a U.S. Senate Foreign Relations Subcommittee hearing stated the following:

The United States has long recognized the geostrategic importance of the Black Sea region. Not only does the Black Sea border three [North Atlantic Treaty Organization (NATO)] Allies and several NATO partners, but it is also a vital corridor for the movement of goods – including Ukrainian grain and other products bound for world markets – and hosts significant untapped energy resources.³

Energy Security Priorities and Strategies for the Black Sea Region

The United States has played an important role in supporting international energy security initiatives, and a number of key strategic documents reflect U.S. priorities in this area. For example, the 2022 National Security Strategy and many Department-wide and bureau-level strategic documents highlight energy security initiatives as objectives. The 2022 National Security Strategy stated that “Events like Russia’s war of aggression against Ukraine have made clear the urgent need to accelerate the transition away from fossil fuels.” The Strategy goes on to say that “[W]e will work with partners and allies to ensure energy security and affordability, secure access to critical mineral supply chains, and create a just transition for impacted workers.”⁴

The Department has used many different strategies to guide its energy security and diversification efforts in the Black Sea region, most notably the Black Sea Strategy. In previous administrations, the Department relied on its Joint Strategic Plan, Joint Regional Strategy, Functional Bureau Strategies, and Integrated Country Strategies to guide its efforts.

² According to the European Commission, aspiring EU membership states include Albania, Bosnia and Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye, Ukraine, and Kosovo. “Commission reports on the progress of aspiring EU members,” November 4, 2025, https://commission.europa.eu/news-and-media/news/commission-reports-progress-aspiring-eu-members-2025-11-04_en.

³ S. Hrg. 118-254, “Assessing The Department of State’s Strategy for Security in the Black Sea Region.” Before the Subcommittee on Europe and Regional Security Cooperation, of the Committee on Foreign Relations United States Senate, 118th Congress, 1st Session, p.6 (2023) (prepared statement of James O’Brien, Assistant Secretary, European and Eurasian Affairs, United States Department of State).

⁴ The White House, *National Security Strategy*, page 28, October 2022.

The Black Sea Strategy

The Department's Black Sea Strategy, requested by and submitted to Congress in June 2023,⁵ explicitly addressed the need for energy diversification in the region and advancing U.S. priorities in the Black Sea region through five lines of effort, including, "[promoting] political engagement," "[strengthening] regional security cooperation," and "[promoting] regional energy security" which aims to "strengthen the Black Sea region's energy security and resilience through support for energy diversification."⁶

The Black Sea Strategy led to the establishment of the Black Sea Working Group, a coordination body created to avoid duplication of effort and minimize gaps in information about ongoing programs in the region. The working group consisted of members from different bureaus and offices within the Department, including EUR and the Bureau of Energy Resources (ENR) and met on a quarterly basis starting in early 2024. As of July 2025, however, the working group had suspended its quarterly meeting while it awaited instructions from the current administration.

Department Strategies

At the agency level, the FY 2022-2026 Department and U.S. Agency for International Development ⁷ (USAID) Joint Strategic Plan was developed to promote alignment with top-level strategies, such as the 2022 National Security Strategy. The Joint Strategic Plan outlined goals and objectives to guide bureau and mission planning. At the regional and functional bureau level, the Joint Regional Strategy and Functional Bureau Strategies informed priority setting and resource allocation at the regional and bureau level. The Black Sea Strategy builds upon goals outlined in the Joint Regional Strategy, focusing on strengthening regional cooperation and advancing U.S. priorities in the Black Sea region. Finally, Integrated Country Strategies guide whole-of-government priorities within a given country with input from all members of a mission's country team.⁸ The Joint Regional Strategy, Functional Bureau Strategy, and Integrated Country Strategies are distinct, 4-year strategic plans intended to support Joint Strategic Plan priorities. Collectively, they have made up the Department's core strategic planning process. Figure 2 illustrates each of these Department strategies and their relationship to one another with respect to this audit.

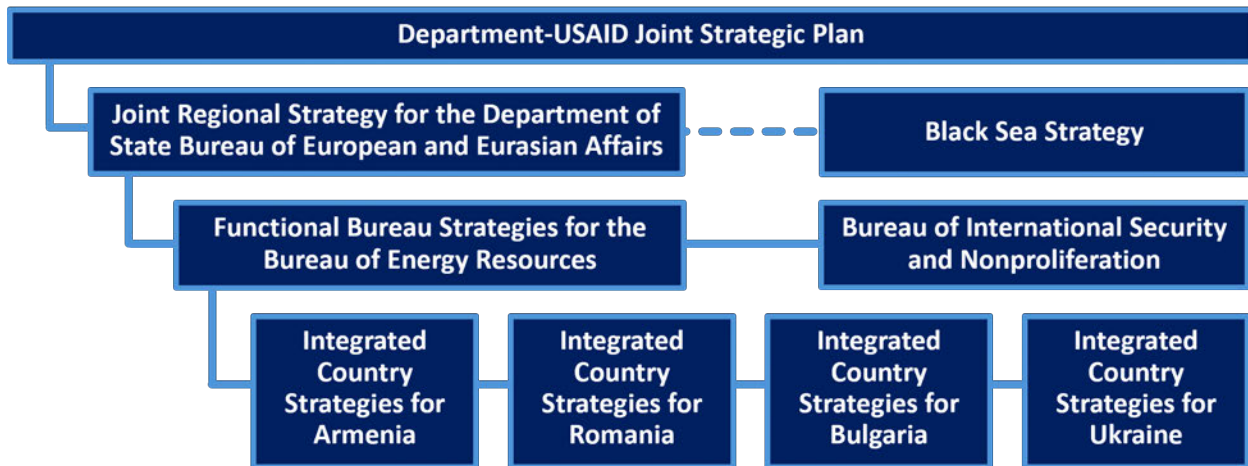
⁵ The Department's Black Sea Security Strategy Report was developed in accordance with Section 7019(e) of the Department of State Foreign Operations, and Related Programs Appropriations Act, 2023 (Div. K, P.L.117-328) and the Joint Explanatory Statement.

⁶ Department, *Report to Congress on A Strategy for Working with NATO Allies to Deepen Ties with Black Sea Countries Section 7019(e) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2023 (Div. K, P.L.117-328) and the Joint Explanatory Statement* (June 2023).

⁷ On March 28, 2025, the Department notified Congress of its intent to begin a significant and multifaceted integration of select USAID functions to the Department, current with a reorganization of domestic offices and bureaus in the Department.

⁸ A country team is an interagency group made up of the heads of each Department section in the embassy and the heads of the other U.S. government agencies represented at post.

Figure 2: Department Strategic Guidance Alignment



Source: OIG-generated from 18 FAM 301.2.

Department Roles, Responsibilities, and Efforts Related to Regional Energy Security and Diversification

At the time of our review, the bureaus involved in implementing regional energy priorities on behalf of the Department were EUR (including EUR’s Office of the Coordinator for U.S. Assistance to Europe and Eurasia [EUR/ACE]), ENR, and the Bureau of International Security and Nonproliferation (ISN).⁹

Bureau of European and Eurasia Affairs

EUR is responsible for conducting U.S. foreign relations with the countries in Europe and Eurasia,¹⁰ NATO, the Organization for Security and Cooperation in Europe, the Organization for Economic Cooperation and Development, the EU, and other transatlantic European international organizations.¹¹ According to EUR, its foreign assistance has sought “to leverage U.S. and EU partnerships to address the consequences of Russia’s war in Ukraine and other global threats.”¹² For example, EUR promoted energy diversification by supporting projects such as conventional nuclear development in Poland, a Small Modular Reactor (SMR) project in Romania, and hydrogen production in Ukraine.

⁹ See Appendix A of this report for more information on how the July 2025 Department reorganization has impacted the bureaus involved in implementing energy priorities on behalf of the Department.

¹⁰ EUR covers 50 countries and areas in Europe and Eurasia: Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Holy See, Hungary, Iceland, Ireland, Italy, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Monaco, Montenegro, Netherlands, North Macedonia, Norway, Poland, Portugal, Romania, Russia, San Marino, Serbia, Slovakia, Slovenia, Spain, Switzerland, Türkiye, Ukraine, United Kingdom.

¹¹ 1 FAM 141.1, “Assistant Secretary Responsibilities.”

¹² EUR, *Bureau Resource Request FY 2026*, page 54, June 2024.

Office of the Coordinator for U.S. Assistance to Europe and Eurasia

EUR's Office of the Coordinator for EUR/ACE oversees the bilateral economic, security, democracy, and humanitarian assistance of all U.S. government agencies providing assistance to 17 states of the former Soviet Union and Eastern Europe.¹³ EUR/ACE is statutorily responsible¹⁴ for coordinating bilateral foreign assistance programs and policy for countries in eastern Europe and Eurasia, including Ukraine.¹⁵ In addition, EUR/ACE is responsible for ensuring the proper management, implementation, and oversight of foreign assistance by those bureaus responsible for assistance programs. EUR/ACE recommends funding allocations for countries, programs, and U.S. government implementers from a number of Department foreign assistance accounts, including Assistance to Europe, Eurasia, and Central Asia; the Economic Support Fund; and International Narcotics Control and Law Enforcement.¹⁶

Bureau of Energy Resources

ENR led the Department's efforts to develop and execute international energy policy through diplomacy and programs that promote energy security for the United States and its allies and partners. The bureau also promoted economic prosperity through sustainable, affordable, and reliable energy access. ENR divided its core objectives into three pillars or divisions: energy diplomacy, energy transformation, and governance and access.

Through ENR's Energy and Mineral Governance Program, ENR worked with host governments and state-owned enterprises to build capacity and improve governance by developing the institutional and human expertise needed to oversee resources and grow economies sustainably. In addition, in the Balkans region (which includes Bulgaria and Romania), ENR provided advisory services on energy and mineral sector governance issues.

Following Russia's full-scale invasion of Ukraine, ENR helped build Ukrainian capacity in sustainable mining operations and install security barriers at Ukrainian energy infrastructure sites in 2024. In Ukraine, ENR provided technical assistance to increase domestic gas

¹³ The states under EUR/ACE's mandate include Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, Montenegro, North Macedonia, Serbia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

¹⁴ In 1989 and 1992, Congress enacted legislation to target assistance to the then newly independent states of the former Soviet Union as well as to Poland and Hungary. In the legislation, Congress defined responsibilities for a coordinator for the assistance programs and tasked the President with designating program coordinators within the Department for both programs. See Support for East European Democracy Act of 1989, Public Law 101-179, Sec. 601, November 28, 1989, codified at 22 United States Code (U.S.C.) § 5461, and Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992, Public Law 102-511, Sec. 102, October 24, 1992, codified at 22 U.S.C. § 5812. In response, the Department created two coordinator positions, which it later merged into a single coordinator, to lead EUR/ACE in carrying out this mandate, among other duties.

¹⁵ According to the U.S. Department of State, Department-wide authority for foreign assistance coordination rests with the Office of Foreign Assistance Oversight.

¹⁶ According to the FY 2026 Congressional Budget Justification, the FY 2026 request from the Department does not include requests for assistance to Europe and Eurasia, Central Asia, and the Economic Support Fund, among others, "to ensure that every dollar of foreign assistance will benefit and be accountable to the American people."

production. In May 2020, ENR stated its assistance to Ukraine aimed “to strengthen Ukraine’s energy security, attract U.S. investment, and counter Russian malign influence by promoting corporate governance reforms of state-owned enterprises and increase domestic gas production to reduce reliance on Russian gas imports.”¹⁷

Bureau of International Security and Nonproliferation

The stated mission of ISN was to prevent and roll back the spread of weapons of mass destruction, delivery systems, and advanced conventional weapons capabilities; to protect U.S. critical and emerging technology; and to promote the peaceful use of nuclear energy, science, and technology. ISN designed and implemented the Project Phoenix program, which provides a number of U.S.-expert-led small modular reactors (SMR) focused on roadmaps, technical advisory services, and engineering analyses. These SMRs may be deployed to modernize and enhance the electricity generation capabilities across Europe and Eurasia, including Ukraine. In addition, the program was intended to safeguard local jobs through workforce retraining.

In support of the Department’s energy security and diversification efforts, ISN promoted nuclear energy via the Foundational Infrastructure for the Responsible Use of Small Modular Technology (FIRST) program. According to ISN, FIRST helped partner countries establish a nuclear power program under the highest international standards for nuclear security, safety, and nonproliferation and fulfill their needs for reliable energy. Specifically, FIRST offers capacity building to interested partner countries that are new to civilian nuclear energy and to those seeking to expand their existing nuclear power programs with SMR. According to ISN, successful FIRST engagements can deepen strategic ties and advance technical collaboration with partner nations on secure and safe nuclear energy infrastructure. As a line of effort under the FIRST program, ISN funded the Project Phoenix program.

Department Reorganization

In July 2025, the Department underwent a reorganization to “focus the Department’s resources on policy priorities and eliminate redundant functions in order to better deliver for American taxpayer and empower the workforce from the group up, from bureaus to the embassies.”¹⁸ As part of the reorganization, ENR was abolished, and the Bureau of Economic, Energy, and Business Affairs (EEB) assumed ENR’s ongoing functions.¹⁹ In addition, ISN was merged with the Bureau of Arms Control, Deterrence, and Stability, to create the Bureau of Arms Control and Nonproliferation.²⁰ According to bureau officials, the reorganization has not impacted the

¹⁷ ENR, *Bureau Resource Request FY 2022*, page 35, May 2020.

¹⁸ Department, “The Department of State Reorganization Frequently Asked Questions,” updated July 23, 2025.

¹⁹ While four ENR offices were eliminated in the reorganization, two offices, one focused on functional energy and critical minerals policy and the other on ENR programs, were maintained and incorporated into a new directorate within EEB. The new directorate, the Energy and Critical Minerals Directorate, now houses the Office of Energy Supply Chains as well as the Office of Critical Minerals.

²⁰ The new bureau retains elements of ISN’s mission in its interim mission statement, which is to advance “U.S. national security by preventing the proliferation of weapons of mass destruction, their delivery systems, destabilizing advanced conventional weapons, and related technologies.”

awards reviewed for this audit because the bureaus assuming ENR and ISN responsibilities have continued to administer the awards. This report uses the names of the former bureaus to discuss the management of the awards at the time of OIG’s review.²¹

Energy Assistance Provided to the Black Sea Region

According to EUR/ACE, ENR, and ISN, the Department provided approximately \$84 million in energy assistance to the Black Sea region from September 2021 through September 2024. Of the \$84 million total energy assistance provided, ENR provided approximately \$28 million (33 percent), and ISN provided approximately \$56 million (67 percent). Table 1 shows the total energy assistance that the Department provided to countries in the Black Sea region from September 2021 through September 2024.

Table 1: Department-Funded Energy Security Assistance to Black Sea Region: September 2021 through September 2024

Country	ENR	ISN	Total
Armenia	\$0	\$4,182,217	\$4,182,217 (5%)
Azerbaijan	\$0	\$135,500	\$135,500 (0.2%)
Bulgaria	\$886,655	\$300,000	\$1,186,655 (1.4%)
Regional ^a	\$10,924,879	\$18,004,427	\$28,929,306 (34.6%)
Romania	\$118,649	\$565,512	\$684,161 (0.8%)
Ukraine	\$15,589,131	\$32,900,000	\$48,489,131 (58%)
Total	\$27,519,314	\$56,087,656	\$83,606,970

^a Regional projects and programs are designed to engage a number of countries in the region consistent with the project or program scope. The final allocation of funding across each country depends on the level of participation by each of the recipient countries, in accordance with their respective interests and availability, as well as mutual identification and validation of productive work. The recipients of ENR and ISN regional funds include Bulgaria and Romania.

Source: OIG-generated from funding information provided by ENR, EUR, and ISN involving energy security assistance to European and Eurasian countries.

Countries and Awards Selected for Review

For this audit, OIG reviewed assistance programs in the countries that received the greatest amount of energy security assistance, which included Armenia, Romania, and Ukraine, as well as Europe and Eurasia regional projects.^{22,23}

²¹ The realignment of bureaus and independent offices was effective July 14, 2025. According to ENR and ISN, the new bureaus will continue managing the awards through the end of their periods of performance. See Table 2 and Appendix A for additional details on the awards.

²² Assistance for Europe, Eurasia, and Central Asia, also known as AEECA, provides economic assistance to once-Communist states of the former Soviet Union and Eastern Europe and is the successor to two earlier accounts that channeled aid to the region after the Cold War.

²³ See Appendix A, “Purpose, Scope, and Methodology,” for additional details.

Armenia

According to the Department’s Integrated Country Strategy for Armenia, it is important for the country to improve its economic trajectory by diversifying its economic and energy base. Armenia is dependent on Russia for nearly two-thirds of its electricity generation, making diversification of energy supplies and greater domestic generation critical to its energy and economic independence, as well as its sovereignty.²⁴ According to the Integrated Country Strategy, the increase in Armenia’s energy security through increased capacity to manage natural resources will promote deeper trade, investment, and energy cooperation.²⁵

Romania

With its energy potential—particularly in the production of offshore natural gas and wind—Romania has hopes of becoming the EU’s largest natural gas producer. According to the Department’s Integrated Country Strategy, Romania is a leader in civilian nuclear energy and has partnered with the U.S. government to double the size of its Cernavoda Nuclear Power Plant and develop Europe’s first SMR in Doicești, a city in southern Romania. The increased development of its nuclear, offshore wind, and natural gas sectors in the Black Sea are intended to enable Romania to become a net exporter of both electricity and natural gas. In addition, this increased development will help Romania’s regional partners divest from Russian energy sources.²⁶

Bulgaria

According to the Department’s 2024 Integrated Country Strategy for Bulgaria, Bulgaria made significant progress to diversify and secure its energy sector and contribute to energy security across southeast Europe. Bulgaria reduced its reliance on Russian energy sources and strengthened energy infrastructure with its neighbors. The Department cited its commitment to helping Bulgaria identify new energy sources—especially for natural gas and nuclear fuel—and to augment and leverage infrastructure in Bulgaria and across the region to strengthen energy security.²⁷

Ukraine

Since 2022, the United States has committed approximately \$1.5 billion to Ukraine’s energy system, including \$824 million in energy assistance to support the country’s energy infrastructure in the midst of Russian attacks. Following the February 2022 invasion of Ukraine, Russia launched a campaign focused on destroying Ukraine’s energy infrastructure with airstrikes on thermal power plants and other critical infrastructure. Estimated losses are well into the billions of dollars, with the largest share of damage in the power sector, specifically in power generation and transmission. The World Bank estimated that, as of December 2024,

²⁴ Department, “Integrated Country Strategy – Armenia,” pages 2, updated May 4, 2022.

²⁵ Ibid., page 8.

²⁶ Department, “Integrated Country Strategy – Romania,” page 4, updated March 18, 2024.

²⁷ Department, “Integrated Country Strategy – Bulgaria,” page 1, February 29, 2024.

Ukraine would need at least \$68 billion to address energy sector damage, including \$53.7 billion to rebuild power generation.²⁸ According to the Department’s Integrated Country Strategy for Ukraine, promoting Ukraine’s ability to rebuild and protect civilian infrastructure is critical to revitalizing its economy and ensuring its future as a strong and reliable U.S. partner.²⁹

Award Details

To perform this audit, OIG selected nine awards—three ENR awards and six ISN awards—as detailed in Table 2.

²⁸ European Union, Government of Ukraine, United Nations, World Bank, “Ukraine Fourth Rapid Damage and Needs Assessment: February 2022 – December 2024,” page 139, December 31, 2024.

²⁹ Department, “Integrated Country Strategy - Ukraine,” page 14, August 29, 2023.

Table 2: Award Description of Department-Funded Energy Security Assistance to Black Sea Region

Award Name	Bureau	Program	Amount	Award Description
UkrGasVydobuvannya Production and Decarbonization (UGV)	ENR	Energy and Mineral Governance	\$8,437,295	Provides technical assistance and expert independent advisory services to increase domestic gas production in Ukraine.
Technical Assistance on Balkans Regional Mineral Resource Sector	ENR	Energy and Mineral Governance	\$2,256,570	Supports energy security through regional engagements intended to build capacity for governing mining operations soundly and sustainably on topics across the mining life cycle.
Hesco Barriers	ENR	N/A ³⁰	\$100,400	Transferred of an existing supply of HESCO barriers from Maryland to Ukraine.
FIRST Workshop	ISN	FIRST	\$619,967	Implement a FIRST workshop in conjunction with university partners on workforce development related to the NuScale SMR simulator in Romania.
Project Phoenix	ISN	Project Phoenix	\$5,000,000	Aim to complete a national level roadmap and site-specific feasibility studies for the development of secure and safe SMRs in Ukraine.
Project Phoenix Engineering Analysis	ISN	Project Phoenix	\$3,850,000	Implement an engineering analysis to review how safe and secure SMR technology may be used to modernize and enhance energy production in Poland, Czechia, and Bulgaria.
Project Phoenix Technical Advisory	ISN	Project Phoenix	\$5,000,000	Provide a technical advisory and consultancy services to rebuild, modernize, and enhance Ukraine electricity production.
FIRST Prefeasibility Study	ISN	FIRST	\$1,200,000	Develop an SMR feasibility study in Medsomar Nuclear Power Plant in Armenia.
FIRST Study Tour	ISN	FIRST	\$300,000	Complete 10-day FIRST study tour for representatives from relevant nuclear energy agencies and ministries in Armenia.
Total			\$26,764,232	

Source: OIG-generated table.

Foreign Assistance Pause and Review

In response to Executive Order (EO) 14169, Revaluating and Realigning United States Foreign Aid, issued on January 20, 2025, Secretary Rubio paused foreign assistance for 90 days in order to assess programmatic efficiencies and evaluate consistency with U.S. foreign policy. As part of this review, the Executive Order mandated that each foreign assistance program be subject to review. In addition, the review directed that responsible department and agency heads, in consultation with the Director of the Office of Management and Budget, decide within 90 days on whether to continue, modify, or cease each foreign assistance program based upon the review recommendations, with the concurrence of the Secretary of State.

During the pause and review, some energy-related awards were discontinued. According to ENR, the types of energy awards that were cut during the foreign assistance pause and review included those related to offshore wind development, clean energy, and advancing clean hydrogen in the Balkans. The types of awards that were granted waivers to continue included ISN's FIRST awards and ENR awards related to ENR's Energy and Mineral Governance Program. As of September 2025, eight of the nine awards selected for review as part of this audit were active and ongoing.³¹

AUDIT RESULTS

Finding A: Improvements Are Needed To Demonstrate Whether Awards Are Achieving Intended Results

OIG found that both ENR and ISN appropriately aligned their respective strategies to support the Black Sea region's energy security and diversification initiatives with Department, bureau, and mission-level strategic plans in place from 2022 to 2024. OIG also found that the goals and objectives of the ENR and ISN awards reviewed for this audit generally aligned with the applicable strategies that were in place at the time the awards were initiated. While the Department continued to implement these programs and initiatives, at the time of OIG's review, the Department had not updated pertinent strategic guidance to help ensure that the implementation of these programs and initiatives continued to align with the current administration's strategy and priorities in these areas. At the time of OIG's review, the Department's Black Sea Strategy had not been fully updated to reflect the current administration's priorities for the Black Sea region. Updating the Black Sea Strategy is particularly important considering the recent Department reorganization that directly impacted ENR and ISN, and to help ensure that related programs and activities are implemented in a coordinated manner that aligns with wider priorities.

³⁰ Because Award 104624FA003 was a one-time direct obligation, it was not part of any ongoing, long-term ENR programs.

³¹ The ninth award, the HESCO barriers award, was completed before the foreign assistance pause and review.

OIG examined nine Department awards that supported energy security and diversification initiatives in the Black Sea region and found that other improvements were needed to demonstrate that the awards were on track to achieve intended results. Specifically, ISN had not consistently developed short-term indicators at the award level that would contribute to the progress of long-term program indicators. In the absence of developing indicators at the award level, ISN is limited in its ability to determine whether individual awards are helping to make meaningful progress toward higher level program goals and objectives. In addition, although ISN completed monitoring plans for each applicable award in OIG's audit sample, the monitoring plans did not include information on the specific types of monitoring activities that would be performed in accordance with requirements. With respect to ENR, OIG found that one of the three awards reviewed lacked a monitoring plan, and another award lacked evidence that bureau officials collected and reported on progress against established performance indicators. Without documented monitoring plans or documenting progress toward meeting established performance indicators, as prescribed in the Toolkit and the FAM, ENR risks the loss of monitoring data that can be used to effectively measure the progress of these awards, and the ultimate benefit the assistance provided. The existence of such documentation is important to maintain institutional knowledge, especially considering the Department's recent reorganization.

Energy Strategies Were Aligned at the Department, Bureau, and Mission Level but Need To Be Updated to Reflect Current Priorities

OIG found that ENR and ISN coordinated and implemented awards designed to support the Black Sea region's energy security and diversification initiatives. Specifically, OIG found that there was alignment across the Department, bureau, and mission-level strategic plans that were in place from 2022 to 2024, which included (1) the Department and USAID Joint Strategic Plan; (2) EUR Joint Regional Strategy; (3) ENR and ISN Functional Bureau Strategies; and (4) Integrated Country Strategies for Armenia, Romania, Bulgaria, and Ukraine.³² The coordination was successful because ENR and ISN officials collaborated closely with other Department bureaus with complementary goals in the Black Sea region, thereby ensuring that applicable strategies were aligned across the Department. According to the Foreign Affairs Manual (FAM), strategic plans—such as the Joint Regional Strategy, Functional Bureau Strategies, and Integrated Country Strategies—should be aligned with higher level strategies such as the Joint Strategic Plan.³³ OIG found that the Integrated Country Strategies for Armenia, Bulgaria, Romania, and Ukraine all had mission goals that aligned with objectives from the Joint Strategic Plan. For example, each of the country strategies had objectives that generally aligned with Objective 1.4 of the Joint Strategic Plan, which is to “[l]ead allies and partners to address shared challenges and competitors; prevent, deter, and resolve conflicts; and promote international security,”³⁴ as well as Objective 2.3, which is to “[s]upport U.S. technological leadership, strengthen competitiveness, and enhance and protect the U.S. innovation base while leveraging

³² OIG reviewed Integrated Country Strategies for those countries where fieldwork for selected awards was focused— Armenia, Romania, and Ukraine.

³³ 18 FAM 301.2-4(A), “Key Elements and Standards for Core Strategy Documents.”

³⁴ Department and USAID, “Joint Strategic Plan FY 2022-2026,” page 19, March 2022.

technology to improve lives around the world.”³⁵ Moreover, Objective 1.2 of the Integrated Country Strategy for Ukraine is to ensure that “Ukraine has the tools to protect civilians and critical infrastructure, including the energy grid, heating, cyber networks, and the media environment and information space.”³⁶ This objective is linked to the Joint Regional Strategy’s Goal 4.1, which is to “[s]upport Ukrainian efforts to win the war and rebuild the country.”³⁷ Goal 4.1 is aligned with Objective 2.1 of the Joint Strategic Plan, which is to “[p]romote a global economy that creates opportunities for all Americans,”³⁸ among others. Figure 1 illustrates an example of Ukraine’s goal alignment with applicable strategies.

Figure 1: Ukraine Goal Alignment with Applicable Strategies



Source: OIG-generated from the Department and USAID Joint Strategic Plan, the Joint Regional Strategy for the Department of State Bureau of European and Eurasian Affairs Strategy, the Functional Bureau Strategy for the Bureau of Energy Resources, and the Integrated Country Strategies for Ukraine.

In addition to country-level alignment with the Joint Strategic Plan and the Joint Regional Strategy, the Functional Bureau Strategies for ENR and ISN both demonstrated alignment with multiple Joint Strategic Plan objectives. For example, the Functional Bureau Strategy for ENR stated that the strategic framework—which includes a goal to “[e]nsure the Energy Security of

³⁵ Ibid., page 27.

³⁶ Department, Integrated Country Strategy: Ukraine, page 14, August 2023.

³⁷ Department, “Joint Regional Strategy: Department of State Bureau of European and Eurasian Affairs and USAID Bureau of Europe and Eurasia,” page 38, July 2024.

³⁸ Department and USAID, “Joint Strategic Plan FY 2022-2026,” page 24, March 2022.

the United States and U.S. allies and Partners”—aligned with multiple objectives from the Joint Strategic Plan, including Objective 2.3.³⁹

The Department has taken on responsibility for administering additional foreign assistance programs formerly administered by USAID and Department officials have indicated that energy initiatives abroad will continue to be a priority in the current administration.⁴⁰ Congress has similarly expressed an interest in continuing international engagement on energy through proposed legislation that requires the Department to report on energy initiatives in Africa, Indo-Pacific, and the Balkans.

The current administration’s National Security Strategy declares energy dominance as a priority, specifically that “[r]estoring American energy dominance (in oil, gas, coal, and nuclear) and reshoring the necessary key energy components is a top strategic priority.”⁴¹ It also identifies opportunities for international energy investment and reflects a focus on energy and integrity of supply chains in deepening relationships with allies and curtailing the influence of adversaries. In addition to the National Security Strategy, several Executive Orders have also communicated a commitment to energy initiatives.⁴² EO 14213, for example, establishes a National Energy Dominance Council, of which the Secretary of State is a part, to among other things, advise the President about how to bring SMRs online.⁴³ Furthermore, EO 14299 directs the Department to implement a program to enhance the global competitiveness of American nuclear suppliers, investors, and lenders to compete for nuclear projects around the globe.⁴⁴

OIG found that the Department’s Black Sea Strategy had not been updated to fully reflect the current administration’s priorities for the Black Sea region. The Department developed and issued a new Agency Strategic Plan in January 2026 that reflects a new goal and objectives for the U.S. relationship with Europe that includes an emphasis on energy. Bureaus and missions are, in turn, responsible for developing Regional Bureau Strategies⁴⁵ and Integrated Country Strategies aligned with the Agency Strategic Plan. Although the timing of future bureau⁴⁶ and

³⁹ Department, “Functional Bureau Strategy: Bureau of Energy Resources,” page 13, April 2022.

⁴⁰ USAID managed a number of energy security programs in the Black Sea region, including in Armenia and Ukraine. For example, in Armenia USAID energy-related programs focused on market liberalization and improving regional connectivity, among others. However, USAID did not work on nuclear foreign assistance programs, which is generally under the purview of the Department. According to a Department official, historically, work between the Department and USAID on energy-related issues have been complementary and not duplicative.

⁴¹ The White House, *National Security Strategy of the United States of America*, November 2025, page 14.

⁴² Executive Order 14154, *Unleashing American Energy*, January 20, 2025, and Executive Order 14156, *Declaring a National Energy Emergency*, January 20, 2025, for example, highlight prioritization of domestic energy exploration and production.

⁴³ Executive Order 14213, *Establishing the National Energy Dominance Council*, February 14, 2025.

⁴⁴ Executive Order 14299, *Deploying Advanced Nuclear Reactor Technologies for National Security*, May 23, 2025.

⁴⁵ The Joint Regional Strategy is now called the Regional Bureau Strategy. The Joint Regional Strategies were previously developed in conjunction with USAID.

⁴⁶ The Joint Regional Strategy, which was formerly a joint effort with USAID, will continue as the EUR Regional Strategy.

mission strategies is unknown, there are indications that the Department has begun the process of preparing for the development of subsequent strategies as “frequently asked questions” for bureau strategic planning have been made available on the Department intranet site and bureau and mission-level strategy guidance and instructions are described as “coming soon”. Developing and issuing the bureau and mission-level strategies as soon as possible is important to decrease the risk of misaligning ongoing efforts related to energy security and energy diversification initiatives with larger strategic priorities in the Black Sea region. Moreover, strategic planning is essential to provide clear guidance for those involved with energy security and diversification initiatives and to help ensure the Department is implementing U.S. priorities in coordination. This is particularly important considering the recent Department reorganization and change in the current Administration’s priorities for this initiative. Accordingly, OIG is making the following recommendations:

Recommendation 1: OIG recommends that the Bureau of European and Eurasian Affairs ensure that the updated Regional Bureau Strategy, as well as Integrated Country Strategies for Armenia, Bulgaria, Romania, and Ukraine reflect the Department’s current priorities with respect to energy security and diversification in the Black Sea Region.

Management Response: EUR concurred with the recommendation, stating that it will prioritize initiating a timely review of the strategies.

OIG Reply: Based on EUR concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that EUR has taken steps to ensure that the updated Regional Bureau Strategy, as well as Integrated Country Strategies for Armenia, Bulgaria, Romania, and Ukraine, reflect the Department’s current priorities with respect to energy security and diversification in the Black Sea Region.

Awards’ Goals and Objectives Aligned with Applicable Strategies

OIG determined that the goals and objectives of the nine selected awards generally aligned with the applicable strategies that were in place at the time the awards were initiated in accordance with the FAM which states that programs must align to higher level strategies such as Functional Bureau Strategy and should have clearly stated goals and objectives to reflect.⁴⁷ For example, the UkrGasVydobuvannya (UGV) award that ENR funded in Ukraine states that the goal and objective of the award is to contribute to energy security and diversification through the support it provides for domestic gas production. The UGV award provides a steady supply of domestic hydrocarbon production to meet domestic needs and provide potential revenue from exports. This award directly aligns with Goal 4, Objective 4.1 of the Joint Regional Strategy, which aims to “[s]upport Ukrainian efforts to win the war and rebuild the country,” and Objective 4.6, which aims to “[a]lleviate the global impacts of Russia's war in Ukraine on food security, energy supplies and energy diversification efforts, and world economies.”⁴⁸ In

⁴⁷ 18 FAM 301.4-2 (d) “Program/Project Design.”

⁴⁸ Department and USAID, “Joint Regional Strategy,” pages 28,36, July 2024.

addition, ENR's award to supply HESCO barriers to Ukraine directly aligns with Mission Goal 1, Objective 1.2 of Ukraine's Integrated Country Strategy, which states that "Ukraine has the tools to protect civilians and critical infrastructure, including the energy grid, heating, and cyber networks, and the media environment and information space."⁴⁹

ISN's Project Phoenix-FIRST program reflected similar alignment with applicable strategies. The Project Phoenix-FIRST program in Bulgaria was designed to lay the groundwork for "deploying a secure, safe, and proliferation resistant SMR by leveraging existing electrical power generation infrastructure." The objective of this award aligns with the Joint Goal 3, Objective 3.4 of the Regional Strategy to "expand partnership with Europe and Eurasia to increase energy security."⁵⁰ In addition, the objective of this award aligns with Goal 1, Objective 1.2 of ISN's Functional Bureau Strategy, "to strengthen nuclear nonproliferation and security norms through capacity building and engagement."⁵¹ Moreover, it directly aligns with Mission Goal 1, Objective 1.2 of Bulgaria's Integrated Country Strategy, to "promote economic prosperity and energy diversification to improve Bulgaria's security and support Bulgaria's efforts to diversify the country's energy sources to increase energy independence and augment regional security."⁵² The alignment of award objectives with overall Department strategic objectives is important to ensure that awards are relevant, impactful, and unified in the approach to promoting energy security and diversification in the Black Sea region.

Improvements Are Needed to Demonstrate Whether Awards Are on Track To Achieve Intended Results

The Office of U.S. Foreign Assistance Resources⁵³ and the Bureau of Budget and Planning published the Program Design and Performance Management Toolkit (Toolkit) to help Department personnel better manage projects and programs.⁵⁴ The Toolkit states that "goals explain the overall intent or purpose of the program to which objectives and subsequent activities are expected to contribute and the objectives should incorporate SMART principles: specific, measurable, achievable, relevant and time-bound."

Performance Indicators

According to the Toolkit, performance indicators are used to monitor progress and to measure actual results compared to expected results.⁵⁵ In addition, the Toolkit states that different kinds of data and indicators—such as outcome and output indicators—can be collected to track

⁴⁹ Department, "Integrated Country Strategy: Ukraine," page 14, August 2023.

⁵⁰ EUR and the USAID Bureau of Europe and Eurasia, "Joint Regional Strategy," page 35, July 2024.

⁵¹ ISN, "Functional Bureau Strategy," page 12, February 2022.

⁵² Department, "Integrated Country Strategy: Bulgaria," page 7, February 2024.

⁵³ Following the Department's re-organization, the existing Office of U.S. Foreign Assistance Resources will be reorganized into the newly established Office of Foreign Assistance Oversight.

⁵⁴ Department, "Program Design and Performance Management Toolkit," page 4, October 2022.

⁵⁵ Ibid., page 52.

progress and results.⁵⁶ Outcome indicators focus on measuring the desired results of the program or what the Department achieves. These should be indications of progress toward, or achievement of, program goals or objectives.⁵⁷ Output indicators measure the direct, tangible results of program activities and answer, “what was the immediate product of the activity” and “what did we get?” To the extent practicable, performance indicators should be objective, practical, useful, direct, attributable, timely, and adequate.⁵⁸ In addition to the Toolkit, the Federal Assistance Directive (FAD) outlines requirements for individual awards. Specifically, the FAD states that performance goals and indicators should be included in the final negotiated scope of work. The FAD further states that the scope will serve as a standard for measuring the performance of the recipient.⁵⁹

ENR Developed Performance Indicators in Accordance with Department Requirements

OIG reviewed performance indicators for three ENR and five ISN awards and determined that ENR generally complied with Department requirements. Specifically, OIG reviewed three ENR awards totaling approximately \$11 million and determined that ENR developed a number of performance indicators for all of the applicable⁶⁰ awards. For example, ENR’s UGV award outlined performance indicators for implementers to report on in their monthly status reports. One of the identified performance indicators was the “number of people trained on energy, power, or extractives sector management with [U.S. government] assistance.” OIG determined that the performance indicator—1 of 20 outlined for the award—was objective, practical, useful, and consistent with the guidance outlined in the Toolkit and can be used to measure program results. One of the project’s stated goals is to support domestic gas production in Ukraine through providing technical trainings. Therefore, measuring the number of people trained provides a clear output indicator that measures the direct, tangible results of the project’s activities.

ISN Did Not Consistently Develop Performance Indicators at the Award Level

OIG reviewed five ISN awards totaling approximately \$15.3 million⁶¹ and determined that ISN developed logic models and performance indicators at the program level. According to the FAM, a program is “[a] major line of effort that includes a set of activities, processes, initiatives, or projects aimed at achieving a goal or objective of a Joint Regional Strategy or Functional

⁵⁶ Ibid.

⁵⁷ Ibid., page 53.

⁵⁸ Ibid., page 54.

⁵⁹ FAD, (October 2021 and later revisions), Chapter 2, “Pre-Federal Award Requirements,” Section N.2, “Scope of Work.”

⁶⁰ The HESCO barriers award was a one-time, D-9 obligation and was not subject to the requirement to develop performance indicators as outlined in the FAD. The requirement was only applicable to two of the three awards reviewed.

⁶¹ Award 19AQMM22F2178, issued by ISN, was included in our sample selection. However, according to ISN, this award is an Indefinite Delivery/Indefinite Quantity contract task order. Therefore, the completion of a risk assessment and monitoring plan is not required.

Bureau Strategy.”⁶² Specifically, according to ISN, they developed a logic model and related indicators for the entire FIRST bilateral program in Armenia. For example, ISN’s logic model for the FIRST program contains outcome indicators, such as “Armenian stakeholders better understand and see value in SMRs and begin to integrate SMRs into their clean energy transition dialogue and planning process.” In accordance with the Toolkit, this performance indicator is objective, practical, and useful and can be used to measure the results of the program. Moreover, according to ISN, the successful conclusion of a civil nuclear agreement with Armenia would constitute another important metric of success according to the logic model. ISN’s Office of Cooperative Threat Reduction, which was responsible for award design and management, stated that they worked closely with the Office of Nuclear Safety and Security,⁶³ which was responsible for developing and implementing U.S. policies related to peaceful nuclear cooperation, which then informs and drives their logic models and performance indicators.

Multiple awards have been issued by ISN as part of the FIRST program in Armenia. According to the FAD, the final negotiated scope of work for an individual award should be aligned with the strategic goals and objectives of the bureau and include clear performance goals and indicators.⁶⁴ Although ISN officials stated that they do not create logic models at the award level, officials provided OIG with examples of performance indicators for the awards in our sample. For example, for the FIRST study tour award, ISN noted that “U.S. Civilian Research and Development Foundation (CRDF) Global will implement a ten-day study tour for at least ten participants from Armenia to visit nuclear sites in the United States.”⁶⁵ This indicator is clear and measurable. However, OIG found that some of the other examples that ISN provided did not comply with the requirements in the FAD and Toolkit. For example, for the same award, ISN officials stated that one performance indicator was in the award deliverables section of the award documentation. Specifically, “CRDF Global will conduct pre- and post-engagement evaluations of participants to measure capacity, knowledge, awareness, strengths, weakness, and likelihood of implementation success in this particular issue area.”⁶⁶ Although this activity *implies* plans to measure the impact of the award, as written, it was not a measurable performance indicator because it is not specific and measurable to program activities. The Toolkit explains that to be measurable, the activity should be able to be evaluated or assessed

⁶² 18 FAM 301.4-1-(B), “Definitions.”

⁶³ ISN’s Office of Nuclear Safety and Security was responsible for negotiating bilateral civil nuclear cooperation agreements, including 123 Agreements and Nuclear Cooperation Memoranda of Understanding. A 123 Agreement is an agreement for Peaceful Nuclear Cooperation—named after Section 123 of the Atomic Energy Act of 1954—establishing a legally binding framework for significant peaceful nuclear cooperation between the United States and its partners and providing a foundation for long-term, strategic civil nuclear partnerships globally. U.S. law generally requires a 123 Agreement to be in force before licensing significant exports of U.S.-origin nuclear material (e.g., nuclear reactor fuel) and equipment (e.g., nuclear reactors and major components) to another partner.

⁶⁴ FAD, (October 2021 and later revisions), Chapter 2, “Pre-Federal Award Requirements,” Section N.2, “Scope of Work”.

⁶⁵ Award SISNCT22CA0072, page 16.

⁶⁶ Award SISNCT22CA0072, page 17 “Deliverables.”

against some standard such that it is possible to know when the objective is met. An example of a measurable performance indicator from the Toolkit related to a program goal of increasing the supply and demand for energy is “[n]ew energy policies, plans, regulations, and frameworks implemented.” This is a strong performance indicator because it measures the result of a capacity building program and indicates a behavioral change among participants that can be accomplished within the timeframe of a program.

ISN pointed to another example of a performance indicator in the same award. Specifically, under the “Deliverables” section of the award, ISN notes, “CRDF Global will provide detailed quarterly reports and a final report on the project, including participant lists; challenges, successes, and lessons learned; recommended actions for the upcoming quarter; and updated budget balances.”⁶⁷ Although these are important expectations related to ongoing monitoring of the award, they are also not measurable performance indicators as prescribed by the FAD and the Toolkit. Specifically, they do not detail how data will be used to measure the effects of the activities undertaken for the project.

In addition, ISN officials stated that they relied on deliverables documented in the Statement of Work (SOW) to measure each award’s progress. For example, one award’s SOW notes that “Jensen Hughes will conduct virtual project kickoff meetings.” According to Jensen Hughes’ Quarterly Report issued in March 2024, the kickoff meeting was completed. Although this deliverable demonstrates that key steps in the award’s implementation were completed and such a deliverable can be used to measure progress on an award, it cannot be used as a measure of the results or impact of the award. Specifically, it is not a clear performance indicator in accordance with the Toolkit as it does not contain a quantitative measure of participation or a measure of the direct, tangible results of the kickoff meeting.

ISN further noted that they are sometimes limited in the extent to which officials can include Sensitive But Unclassified information in the unclassified SOWs of awards. OIG acknowledges the sensitive nature of some of these awards but notes that this should not have precluded ISN from developing appropriate and measurable performance indicators that do not include sensitive information, such as the “[n]umber of participants that attended relevant trainings” or “[c]hange in understanding of key topic areas following training.”

Although ISN developed performance indicators as part of its higher-level logic model for the FIRST Program in Armenia, OIG found that ISN failed to consistently develop short-term indicators at the award level that would contribute to the progress of long-term program indicators. In the absence of developing indicators at the award level, ISN is limited in its ability to determine whether individual awards are helping to make meaningful progress toward higher level program goals and objectives. Therefore, OIG is offering the following recommendation:

⁶⁷ Ibid., page 18.

Recommendation 2: OIG recommends that the Bureau of Arms Control and Nonproliferation establish internal controls to ensure that measurable performance indicators are incorporated into the final negotiated scope of work for individual foreign assistance awards to assess progress against established long-term program goals related to energy security and diversification in the Black Sea region.

Management Response: ACN concurred with the recommendation, stating that it will establish internal controls to ensure measurable performance indicators are incorporated into award statements of work.

OIG Reply: Based on ACN's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that ACN has established internal controls to ensure that measurable performance indicators are incorporated into the final negotiated scope of work for individual foreign assistance awards to assess progress against established, long-term program goals related to energy security and diversification in the Black Sea region.

Monitoring Plans

The Toolkit explains that “[m]onitoring involves ongoing data collection against key performance indicators or milestones to gauge the direct and near-term effects of program activities and whether desired results are occurring as expected during program implementation.”⁶⁸ The Toolkit further notes that “[m]onitoring data tell us what is happening and help us determine if implementation is on track or if any timely corrections or adjustments may be needed to improve efficiency or effectiveness.”⁶⁹ Furthermore, according to the FAD, the goal of monitoring is to determine whether the recipient’s programmatic performance and financial management are adequate and whether the intended activities, goals, and objectives are being accomplished. The FAD notes that “monitoring should be conducted in accordance with the monitoring plan developed during the pre-award phase.”⁷⁰ Specifically, the FAD states that every award must have a written monitoring plan that details the specific monitoring activities to be performed.⁷¹ The FAM further elaborates on the roles and responsibilities of bureaus and independent offices in monitoring their programs and projects. Specifically, the FAM states that “[t]he Department of State is committed to using design, monitoring, evaluation, and data analysis best practices to achieve the most effective, evidence-informed U.S. foreign policy outcomes and greater accountability to our primary stakeholders, the

⁶⁸ U.S. Department of State, “Program Design and Performance Management Toolkit,” page 42, October 2022.

⁶⁹ Ibid.

⁷⁰ FAD, (October 2021 and later revisions) Chapter 4, “Post-Federal Award Requirements,” Section D, “Monitoring and Reporting.”

⁷¹ FAD, Chapter 2, “Pre-Federal Award Requirements,” Section O, “Developing a Monitoring Plan.”

American people.”⁷² The FAM further states that “[b]ureaus and independent offices must monitor the performance of their programs and projects.”⁷³

ENR Monitored Awards, but Two Awards Lacked Components Necessary for Effective Monitoring and Evaluation

With respect to monitoring, OIG found that ENR generally monitored the awards in our sample. However, one of the three awards lacked a monitoring plan, and another award lacked evidence that bureau officials collected and reported on progress against established performance indicators as required by the Toolkit and the FAM.⁷⁴

First, the UGV award lacked a monitoring plan. The technical proposal for the award states that the final monitoring and evaluation plan would be developed in consultation with ENR and will be referenced in periodic status updates as the implementer tracks progress toward agreed goals. The period of performance of the award began in September 2024. However, at the time of OIG’s review, ENR had not established a monitoring plan for the award. In August 2025, ENR stated that they directed UGV to include its monitoring plan in the work plan and that ENR will review the monitoring plan in the next couple of weeks. However, ENR’s response indicates that there was confusion as to who should develop the monitoring plan. Because the funding mechanism was a task order, it is not subject to the FAD. However, according to the FAM, all bureaus and independent offices are responsible for developing and maintaining a monitoring plan for each program, major project, and foreign-assistance-funded project, and incorporating its use into program and project management.⁷⁵

Despite the absence of a monitoring plan, ENR conducted monitoring activities, such as biweekly calls with the implementer. In addition, ENR officials received monthly status reports that described progress on project deliverables, near-term plans, and problems encountered.⁷⁶ The template for the monthly report included a section for the implementer to report on monitoring and evaluation metrics, which includes indicator data. Though this award was designed with appropriate performance indicators to be reported on in their monthly status reports, OIG was unable to determine whether the award was on track to achieve intended results because, at the time of OIG’s review, it was still too early in the award’s implementation.

Unlike the UGV award, ENR’s Balkans Minerals award included a monitoring plan but lacked evidence that implementers or bureau officials measured progress against established performance indicators as indicated in the Toolkit and FAM. For example, the monitoring plan

⁷² 18 FAM 301.4-1(a), “Purpose.”

⁷³ 18 FAM 301.4-3(a), “Monitoring.”

⁷⁴ 18 FAM 301.4-3.

⁷⁵ 18 FAM 301.4-3 (B), “Monitoring Plans.”

⁷⁶ Although the monthly report templates for the UGV award also contained a section for reporting on monitoring and evaluation metrics, the award was not far enough along for the implementer to have yet reported progress on the performance indicators outlined in the technical proposal.

for the ENR Balkans Minerals award listed planned monitoring activities, stating that the implementers will monitor award activity “through regular staff briefings, debriefings of advisors before and after their missions, and discussions with stakeholders.” Specifically, it states that “[d]uring these internal team touchpoints, we will address the quality of technical assistance offered by our team, delineate how specific tasks are undertaken relative to the Work Plan, discuss how our advisors are adapting to changing conditions, and determine how effectively counterpart officials are interacting with the team.” Like the UGV award, the monthly reports that the implementers submitted for this award described progress on project deliverables, near term plans, and problems encountered. However, these monthly reports did not discuss progress against established performance indicators. When asked about the lack of performance indicator tracking in the monthly reports, an ENR official reported that although they discussed progress against indicators in the virtual biweekly meeting held with the implementer, they did not document these discussions. According to the FAM, monitoring involves regular, ongoing data collection against performance indicators to gauge the direct or near-term effects of activities and whether desired results are occurring as expected during implementation. Bureaus and independent offices should ensure that monitoring data is collected at the frequency feasible and necessary to effectively manage and monitor progress and results, conduct internal learning, and meet external reporting or communication requirements.⁷⁷

Without documented monitoring plans or documenting progress toward meeting established performance indicators, as prescribed in the Toolkit and the FAM, ENR risks the loss of monitoring data that can be used to effectively measure the progress of these awards, and the ultimate failure or success of the assistance it provides. The existence of such documentation is important to maintain institutional knowledge, especially in the wake of the Department’s recent reorganization. Therefore, OIG is offering the following recommendations:

Recommendation 3: OIG recommends that the Bureau of Economic, Energy, and Business Affairs develop a monitoring plan for Award 19AQMM24F7486 in accordance with 18 Foreign Assistance Manual 301.4-3.

Management Response: EEB did not concur with the recommendation and did not provide an explanation for its nonconcurrency.

OIG Reply: Based on EEB's nonconcurrency with the recommendation, OIG considers this recommendation unresolved. Because EEB did not explain why it did not concur with the recommendation, OIG will revisit this issue with EEB during the audit compliance process. This recommendation will be resolved when EEB agrees to implement the recommendation or provides a reasonable alternative to achieve the intent of the recommendation. This recommendation will be closed when OIG receives documentation demonstrating that EEB has developed a monitoring plan for Award 19AQMM24F7486 in accordance with 18

⁷⁷ 18 FAM 301.4-3, “Monitoring.”

Foreign Assistance Manual 301.4-3 or an alternative agreed to during the audit compliance process.

Recommendation 4: OIG recommends that the Bureau of Economic, Energy, and Business Affairs establish internal controls to ensure that bureau officials are conducting and reporting data collection against established performance indicators in accordance with 18 Foreign Assistance Manual 301.4-3.

Management Response: EEB did not concur with the recommendation and did not provide an explanation for its nonconurrence.

OIG Reply: Based on EEB's nonconurrence with the recommendation, OIG considers this recommendation unresolved. Because EEB did not explain why it did not concur with the recommendation, OIG will revisit this issue with EEB during the audit compliance process. This recommendation will be resolved when EEB agrees to implement the recommendation or provides a reasonable alternative to achieve the intent of the recommendation. This recommendation will be closed when OIG receives documentation demonstrating that internal controls have been established to ensure that bureau officials are conducting and reporting data collection against established performance indicators in accordance with 18 Foreign Assistance Manual 301.4-3 or an alternative agreed to during the audit compliance process.

ISN's Monitoring Plans Did Not Detail Planned Monitoring Activities

Although ISN completed monitoring plans for each applicable award contained in OIG's sample, the monitoring plans did not include information on the specific types of monitoring activities that would be performed in accordance with the FAD.⁷⁸ For example, the monitoring plans for all five awards state that ISN "will exercise adequate oversight during the period of performance by maintaining consistent communications with [the] Grantee and by participating in events as

ISN's Weekly Implementer Meeting

In June 2025, OIG observed an ISN monitoring activity in progress for Project Phoenix companion Awards. During the meeting, the stakeholders discussed the draft agenda for the July 21-25, 2025, workshop in Krakow, Poland. Despite the foreign assistance pause, an implementing official stated that "they made really good progress toward their ultimate goals and are shooting for December 31, 2025, completion, as scheduled." Another implementing official concurred and said that they are progressing well on their tasks and entering the data collection phase.

appropriate." Despite the reference to ongoing communication, the monitoring plans did not specify the frequency of occurrence or include details about the types of meetings or communications that were expected. According to the FAD, the types of monitoring activities that should be included in the monitoring plan might be activities such as plans to conduct site visits or review a sample of expenses. According to an ISN official, "ISN conducts weekly calls with implementors [sic]." The same official said that "SOWs usually contain concrete details for number of meetings, etc." However, OIG found that none of the SOWs from the five applicable

⁷⁸ FAD, Chapter 2, Section O.

ISN awards included clear expectations regarding the number or types of meetings between ISN and the implementers or plans for other types of monitoring activities. Instead, each of the SOWs referenced monitoring in general terms stating, “[u]nless otherwise directed by ISN the implementer will arrange for periodic conference calls with ISN to coordinate implementation of the project.”

In addition, OIG found that for those performance indicators that were established in accordance with the Toolkit, ISN did not clearly articulate expectations for implementers to report on progress against performance indicators as required by the FAD. The FAD discusses the type of reports that should be required as part of the monitoring process, including required reports from implementers. Specifically, the FAD states that a performance progress report is a narrative report that award recipients submit that compares actual to planned performance and indicates the progress made in accomplishing the goals and objectives of the program as outlined in the original proposal and award provisions. The FAD further states that the awarding office should include details in the award provisions (specifically in the section titled “Additional Bureau/Post Specific Requirements”) on the type of information that should be included in implementer’s progress reports. In addition, the FAD notes that the reports should include an overall description of progress, successes, and challenges identified during the reporting period, as well as progress toward meeting any performance indicators included in the proposal or award provisions.⁷⁹ Despite this requirement, the “Additional Bureau/Post Specific Requirements” sections for two awards for Project Phoenix and one FIRST award were listed as not applicable. The remaining awards in our sample contained provisions such as “the recipient must submit performance reports and official correspondence for this award in English and Funding Restrictions for the United Nations Relief and Works Agency.” An ISN official noted that the “award goals and objectives are communicated through preamble/summary of an award so that the implementor [sic] knows the expectations upfront.” In addition, ISN informed OIG that the GOR for each award prepares a report documenting their review and analyses the recipient’s quarterly reporting. However, a review of the GOR’s FY 2024 Quarter evaluation of those reports states the “GOR reviewed June 7, 2024, and found no concerns. Project has started internal meetings and GOR will check in again with Q3 reporting.” OIG found no evidence that bureau officials monitored progress against indicators as required by the FAM.⁸⁰

Finally, an ISN official told OIG they complete additional monitoring activities, such as conducting “pre- and post-surveys which are included in the monitoring plans of relevant awards that relate to trainings or workshops that include knowledge enhancement and capacity building.” However, although OIG reviewed awards that included activities such as trainings and workshops, there were no plans to conduct surveys included in the monitoring plans as an oversight activity.

⁷⁹ Ibid., Chapter 4, Section D.2, “Performance Progress Report.” According to the FAD, the awarding office should include details on reporting requirements including the type of information that should be included in the report in the award provisions, specifically in the section titled “Additional Bureau/Post Specific Requirements.”

⁸⁰ 18 FAM 301.4-3, b “Monitoring.”

Without including detailed activities in its monitoring plans, articulating expectations for implementers to report on progress against performance indicators, ISN lacked the capability to properly assess the recipients' performance and progress of these awards. As such, ISN was limited in its ability to determine if awards are achieving intended results. Therefore, OIG is offering the following recommendations:

Recommendation 5: OIG recommends that the Bureau of Arms Control and Nonproliferation revise the monitoring plans for the five foreign assistance awards included in the scope of this audit to include details about the specific monitoring activities to be performed throughout the life of the award in accordance with the Federal Assistance Directive.

Management Response: ACN concurred with the recommendation and requested the recommendation be closed as the bureau has undertaken the requested revisions to the pertinent Risk Assessments and Monitoring Plans.

OIG Reply: Based on ACN's concurrence and documentation provided demonstrating that the recommendation has been implemented, OIG considers this recommendation closed and no further action is required. OIG reviewed documentation provided in response to this recommendation and confirmed that ACN revised monitoring plans for the five foreign assistance awards in the scope of this audit and included specific monitoring activities to be performed throughout the life of the award in accordance with the Federal Assistance Directive.

Recommendation 6: OIG recommends that the Bureau of Arms Control and Nonproliferation establish internal controls to ensure that bureau officials are conducting data collection against performance indicators in accordance with 18 Foreign Assistance Manual 301.4-3.

Management Response: ACN concurred with the recommendation, stating that it will establish internal controls to ensure that programmatic officials from the bureau collect data against performance indicators in accordance with 18 Foreign Assistance Manual 301.4-3.

OIG Reply: Based on ACN's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that ACN has established internal controls to ensure that bureau officials collect data against performance indicators in accordance with 18 Foreign Assistance Manual 301.4-3.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of European and Eurasian Affairs ensure that the updated Regional Bureau Strategy, as well as Integrated Country Strategies for Armenia, Bulgaria, Romania, and Ukraine reflect the Department's current priorities with respect to energy security and diversification in the Black Sea Region.

Recommendation 2: OIG recommends that the Bureau of Arms Control and Nonproliferation establish internal controls to ensure that measurable performance indicators are incorporated into the final negotiated scope of work for individual foreign assistance awards to assess progress against established long-term program goals related to energy security and diversification in the Black Sea region.

Recommendation 3: OIG recommends that the Bureau of Economic, Energy, and Business Affairs develop a monitoring plan for Award 19AQMM24F7486 in accordance with 18 Foreign Assistance Manual 301.4-3.

Recommendation 4: OIG recommends that the Bureau of Economic, Energy, and Business Affairs establish internal controls to ensure that bureau officials are conducting and reporting data collection against established performance indicators in accordance with 18 Foreign Assistance Manual 301.4-3.

Recommendation 5: OIG recommends that the Bureau of Arms Control and Nonproliferation revise the monitoring plans for the five foreign assistance awards included in the scope of this audit to include details about the specific monitoring activities to be performed throughout the life of the award in accordance with the Federal Assistance Directive.

Recommendation 6: OIG recommends that the Bureau of Arms Control and Nonproliferation establish internal controls to ensure that bureau officials are conducting data collection against performance indicators in accordance with 18 Foreign Assistance Manual 301.4-3.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether Department efforts to coordinate and advance energy security and diversification initiatives in the Black Sea region have achieved desired results.

OIG conducted this audit from February 2025 to September 2025¹ in the Washington, DC, metropolitan area and at U.S. Embassy Yerevan, Armenia. OIG also conducted audit work related to U.S. Embassy Bucharest, Romania; U.S. Embassy Sofia, Bulgaria; and U.S. Embassy Kyiv, Ukraine. The scope of this audit was the Department's energy security and diversification awards from September 1, 2021, to September 30, 2024. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These 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. This report relates, in part, to Overseas Contingency Operation Atlantic Resolve and was completed in accordance with OIG's oversight responsibilities described in Section 419 of the Inspector General Act of 1978, as amended.^{2,3}

To obtain background information for this audit, OIG reviewed federal laws and regulations and Department policies and procedures. Specifically, OIG reviewed the Foreign Affairs Manual, the Foreign Affairs Handbook, the Federal Assistance Directive, the Joint Strategic Plan of the U.S. Department of State (Department) and the U.S. Agency for International Development (USAID), the Joint Regional Strategy, the Functional Bureau Strategy, the Integrated Country Strategies, the Program Design and Performance Toolkit, and bureau-specific standard operating procedures.

To answer the audit objective, OIG judgmentally selected nine awards for review—three awards for the Bureau of Energy Resources (ENR) and six awards for the Bureau of International Security and Nonproliferation (ISN). The Department administered these awards between September 1, 2021, and September 30, 2024. OIG reviewed documentation and interviewed key officials involved in implementing strategies that address energy security and diversification from the Bureau of European and Eurasian Affairs (EUR), the Office of the Coordinator of U.S. Assistance to Europe and Eurasia (EUR/ACE), ENR, and ISN. In addition, OIG conducted a site visit to Embassy Yerevan to observe award activities and remotely attended program status meetings related to Embassy Kyiv, Ukraine's, participation in the FIRST program. Finally, OIG interviewed award implementers to gain an understanding of the program coordination, the program challenges, the impacts of program challenges, and the extent to which challenges impacted whether programs achieved desired results.

¹ The issuance of this report was delayed due to the lapse in appropriations, which began October 1, 2025, and ended November 12, 2025.

² 5 United States Code § 419, "Special provisions concerning overseas contingency operations."

³ Operation Atlantic Resolve is the U.S. contingency operation to deter Russian aggression against NATO and to reassure and bolster the alliance in the wake of Russia's 2022 full-scale invasion of Ukraine.

Department's Domestic Reorganization

In July 2025, the Department underwent a reorganization to “focus the Department’s resources on policy priorities and eliminate redundant functions in order to better deliver for the American taxpayer and empower the workforce from the ground up, from bureaus to the embassies.”⁴ As part of the reorganization, ENR was abolished, and the Bureau of Economic, Energy, and Business Affairs assumed its ongoing functions. In addition, ISN was merged with the Bureau of Arms Control, Deterrence, and Stability, to create the Bureau of Arms Control and Nonproliferation. This report uses the former names of the bureaus to accurately reflect the bureaus and awards managed at the time of OIG’s review. However, recommendations made in this report are directed to the newly established bureaus for action.

Data Reliability

OIG used computer-processed data to support the findings and conclusions presented in this report. Specifically, OIG used computer-processed data that ENR and ISN provided to determine the universe of awards associated with the Department’s energy security and diversification programs in the Black Sea region. ENR and ISN provided spreadsheets containing information on the awards implemented in the Black Sea region. To confirm the accuracy of the data, OIG conducted testing of the data and interviewed relevant officials to ensure that the data was reliable. Specifically, the audit team tested multiple data sets to determine whether there were duplicate award numbers in the specific countries and the regional category. In addition, the audit team reviewed the award documentation for inconsistencies in award numbers among the different data sets. Based on the results of initial testing and discussions with relevant bureau officials, the audit team assessed that the data were sufficiently reliable for the purposes of the audit.

Work Related to Internal Control

During the audit, OIG considered a number of factors—including the subject matter of the project—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 also considered the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government*⁵ 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 two of five internal control components from the *Standards for Internal Control in the Federal Government*—Control Activities and Monitoring—were significant to the audit objective. The Control Activities component includes the actions that

⁴ Department, “The Department of State Reorganization Frequently Asked Questions,” updated July 23, 2025.

⁵ Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system. The Monitoring component relates to activities that management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. In addition, OIG concluded that two of the principles related to the selected components were significant to the audit objective, as described in Table A.1.

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

Components	Principles
Control Activities	Principle 10 – Management should design control activities to achieve objectives and respond to risks.
Monitoring	Principle 16 – Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Source: OIG-generated from an 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, reviewed criteria, conducted a site visit in Armenia, and reviewed documents to obtain an understanding of the internal controls related to the significant components and principles for this audit. OIG assessed the design and implementation of key internal controls. Specifically, with respect to control activities, OIG did the following:

- Interviewed Department personnel to determine whether country-level strategies were complementary with one another, where appropriate, and aligned to higher level bureau strategies, such as the Joint Strategic Plan.
- Reviewed and analyzed the following applicable Department, bureau, and mission-level strategic plans to test whether they were aligned: (1) Department and USAID Joint Strategic Plan, (2) EUR Joint Regional Strategy, (3) ENR and ISN Functional Bureau Strategy, and (4) the Department’s Integrated Country Strategy for Armenia, Romania, and Ukraine.
- Reviewed and analyzed documentation and tested whether the Integrated Country Strategy, Joint Regional Strategy/Functional Bureau Strategy, and Joint Strategic Plan strategies were coordinated to explicitly address energy security—including related award goals and objectives—in accordance with applicable federal or Department guidance.
- Interviewed Department personnel to determine whether each respective bureau established performance indicators for the energy security and diversification awards to measure success.
- Reviewed, analyzed, and tested performance indicators to determine whether they were established, clearly defined, and measurable.
- Reviewed and analyzed quarterly program and financial reports to determine whether they reported information accurately, sufficiently, and timely in accordance with requirements.

- Reviewed and analyzed quarterly program reports and supporting documentation to determine whether program goals and objectives were fulfilled in accordance with requirements.
- Reviewed and analyzed documentation to determine the extent to which the Department assessed program outcomes.
- Reviewed and analyzed the selected award files to determine whether evaluations of award performance occurred on schedule and were documented as required.

With respect to monitoring activities, OIG did the following:

- Reviewed and analyzed monitoring plans and reports for compliance with requirements.
- Tested the implementation of the monitoring activities reported in the monitoring plans to determine whether the Department performed activities.
- Reviewed and analyzed the statement of work of the sample awards' documentation to determine whether the Department documented clear expectations of monitoring activities.
- Conducted an in-person site visit to Armenia and observed implementation of award activity to determine whether the award activities are consistent with the statement of work of the award.

Internal control deficiencies that OIG identified that are significant to the audit objective are presented in the Audit Results section of this report.

Sampling Methodology

During September 2021 and FYs 2022, 2023, and 2024, the Department provided approximately \$84 million in energy assistance to the Black Sea region. This amount included assistance to Armenia, Romania, Ukraine, Bulgaria, and the Europe and Eurasia Regional account. Specifically, ENR provided approximately \$28 million, and ISN provided approximately \$56 million through 57 awards during that time. To select the specific awards for review, OIG used data that ENR and ISN provided.

Based on the award data received from ISN and ENR in November 2024, the audit team initially identified a target universe of the top four funded countries and the regional fund: Ukraine (58 percent of all funds), Europe and Eurasia Regional (34.6 percent of all funds), Armenia (5 percent of all funds), Bulgaria (1.4 percent of all funds) and Romania (0.8 percent of all funds). The selection of the final sample of nine energy security and diversification awards was based on four criteria: (1) highest award amount, (2) highest funds expended, (3) award type, and (4) for regional awards, countries where both ENR and ISN have activities.

The sample was designed to ensure meaningful coverage of high-value awards across countries and program types and is not intended to support statistical projection.

Table A.2 provides information on the final sample of nine energy security and diversification awards that OIG reviewed.

Table A.2: Final Sample of Energy Security and Diversification Awards

Award Number	Bureau	Period of Performance	Program	Award Amount
19AQMM24F7486	ENR	9/30/2024-9/29/2027	Energy and Mineral Governance	\$8,437,295
19AQMM21F7632	ENR	9/29/2021-9/21/2025	Energy and Mineral Governance	\$2,256,570
104624FA003	ENR	N/A ^a	N/A ^b	\$100,400
19AQMM22F2178	ISN	07/18/2022-07/17/2023	FIRST	\$665,845
SISNCT24CA0077	ISN	04/01/2024-12/31/2025	Project Phoenix	\$5,000,000
SISNCT23CA0043	ISN	10/01/2023-12/31/2025	Project Phoenix	\$3,850,000
SISNCT24CA0039	ISN	01/29/2024-12/30/2025	Project Phoenix	\$5,000,000
SISNCT23CA0047	ISN	10/01/2023-12/31/2025	FIRST	\$1,200,000
SISNCT22CA0072	ISN	10/01/2022-12/31/2025	FIRST	\$300,000
Total				\$26,810,110

^a Award 104624FA003 was a one-time obligation. Therefore, there is no period of performance.

^b Because Award 104624FA003 was a one-time direct obligation, it was not part of any ongoing, long-term ENR programs.

Source: OIG-generated based on its review of award documents that ENR and ISN provided.

APPENDIX B: BUREAU OF ARMS CONTROL AND NONPROLIFERATION RESPONSE



United States Department of State

Washington, D.C. 20520

March 11, 2026

The Honorable Christopher T. Yeaw
Assistant Secretary
Bureau of Arms Control and Nonproliferation
U.S. Department of State
2201 C St. NW
Washington, DC 20520-5950

Ms. Beverly Charlton
Acting Assistant Inspector General for Audits
U.S. Department of State
1701 Fort Myers Drive
Arlington, VA 22209

Dear Ms. Charlton,

On January 30, 2025, the Office of the Inspector General (OIG) notified the Bureau of International Security and Nonproliferation - which, as part of the Department's reorganization plan put in place in 2025, is formally part of the newly created Bureau of Arms Control and Nonproliferation (ACN) - of its intention to initiate an audit of the Department of State's energy security and diversification initiatives in the Black Sea region. On February 19, 2026, the OIG presented the initial draft of its audit and associated recommendations for ACN review and comment. The final report makes six recommendations in total, with three of the six recommendations being directed at ACN. This letter is intended to provide OIG formal notification of ACN concurrence with the OIG's specific recommendations to ACN.

OIG Recommendation 2: OIG recommends that ACN establish internal controls to ensure that measurable performance indicators are incorporated into the final negotiated scope of work for individual foreign assistance awards to assess progress against established long-term program goals related to energy security and diversification in the Black Sea region.

ACN Response: Concur. ACN will establish internal controls to ensure measurable performance indicators are incorporated into award statements of work.

OIG Recommendation 5: OIG recommends that ACN revise the monitoring plans for the five foreign assistance awards included in the scope of this audit to include details about the specific monitoring activities to be performed throughout the life of the award in accordance with the Federal Assistance Directive.

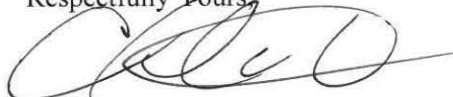
ACN Response: Concur, and request to Close. ACN has undertaken the requested revisions to the pertinent Risk Assessment and Monitoring Plans. ACN requests that OIG correspondingly close out this recommendation.

Recommendation 6: OIG recommends that ACN establish internal controls to ensure that bureau officials are conducting data collection against performance indicators in accordance with 18 Foreign Assistance Manual 301.4-3.

ACN Response: Concur. ACN will establish internal controls to ensure that bureau programmatic officials are conducting data collection against performance indicators in accordance with 18 Foreign Assistance Manual 301.4-3.

ACN is grateful to OIG for its review and analysis of the Bureau's contributions to the strategic objective of energy security and diversification in the Black Sea region. Please let us know if you have any further questions or concerns regarding this matter.

Respectfully Yours,



Christopher T. Yeaw

APPENDIX C: BUREAU OF ECONOMIC, ENERGY, AND BUSINESS AFFAIRS RESPONSE



UNITED STATES DEPARTMENT OF STATE
Bureau of Economic, Energy, and Business Affairs

March 3, 2026

Ms. Beverly Charlton
Acting Assistant Inspector General for Audits
U.S. Department of State
1701 Fort Myers Drive
Arlington, VA 22209

Dear Ms. Charlton,

On January 30, 2025, the Office of the Inspector General (OIG) notified what is now the Bureau of Economic, Energy, and Business Affairs (EEB) of its intention to initiate an audit of the Department of State's energy security and diversification initiatives in the Black Sea region. On February 19, 2026, the OIG presented the initial draft of its audit and associated recommendations for ACN review and comment. The final report makes six recommendations in total, with two of the six recommendations being directed to EEB. This letter is intended to provide OIG formal notification of EEB non-concurrence with the OIG's specific recommendations to EEB.

Recommendation 3: (U) OIG recommends that the Bureau of Economic, Energy, and Business Affairs develop a monitoring plan for Award 19AQMM24F7486 in accordance with 18 FAM 301.4-3.

EEB Response: Do not concur.

Recommendation 4: (U) OIG recommends that the Bureau of Economic, Energy, and Business Affairs establish internal controls to ensure that bureau officials are conducting and reporting data collection against established performance indicators in accordance with 18 FAM 301.4-3.

EEB Response: Do not concur.

Sincerely,

A handwritten signature in black ink, appearing to read 'Hugo Yoh', with a long horizontal flourish extending to the right.

Hugo Yoh
Acting Assistant Secretary

APPENDIX D: BUREAU OF EUROPEAN AND EURASIAN AFFAIRS
RESPONSE



United States Department of State
Bureau of European and Eurasian Affairs
Washington, D.C. 20520

February 27, 2026

Director Samantha Carter
Security and International Programs Division
(b) (6) @stateoig.gov

Director Carter,

The Bureau of European and Eurasian Affairs concurs with the Office of the Inspector General's recommendation to ensure that the updated Regional Bureau Strategy, as well as Integrated Country Strategies for Armenia, Bulgaria, Romania, and Ukraine, reflect the Department's current priorities with respect to energy security and diversification in the Black Sea Region, and will prioritize initiating a timely review of these strategies.

Sincerely,

A handwritten signature in blue ink, appearing to read "Andrew D. Stowe".

Andrew D. Stowe
Principal Deputy Assistant Secretary
Bureau of European and Eurasian Affairs

ABBREVIATIONS

ACN	Bureau of Arms Control and Nonproliferation
AEECA	Assistance for Europe, Eurasia, and Central Asia
CRDF	U.S. Civilian Research and Development Foundation
EEB	Bureau of Economic, Energy, and Business Affairs
EO	Executive Order
ENR	Bureau of Energy Resources
EU	European Union
EUR	Bureau of European and Eurasian Affairs
EUR/ACE	Office of the Coordinator for U.S. Assistance to Europe and Eurasia
FAD	Federal Assistance Directive
FAM	Foreign Affairs Manual
FIRST	Foundational Infrastructure for the Responsible Use of Small Modular Technology
GOR	Grants Officer Representative
ISN	Bureau of International Security and Nonproliferation
NATO	North Atlantic Treaty Organization
OIG	Office of Inspector General
SMR	Small Modular Reactor
SOW	Statement of Work
UGV	UkrGasVydobuvannya
USAID	U.S. Agency for International Development

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