



MA-14-03
United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

September 26, 2014

UNCLASSIFIED

TO: M – Patrick F. Kennedy
A – Joyce A. Barr

FROM: OIG – Steve A. Linick

SUBJECT: Management Alert (Grants Management Deficiencies)

The management and oversight of grants poses heightened financial risk to the Department of State (Department). In FY 2012, the Department obligated more than \$1.6 billion for approximately 14,000 grants and cooperative agreements worldwide.¹ This is a significant outlay of funds, which makes oversight and accountability of the funds even more critical.

Grants present special oversight challenges because, unlike contracts, grants do not generally require the recipient to deliver any specific good or service to the government. The Department uses them to award assistance to individuals and organizations for a variety of purposes, such as fostering educational and cultural exchanges with citizens of other countries, promoting democracy and civil society, facilitating refugee resettlement, combating human trafficking, and developing the law-enforcement and justice-system capabilities of other nations.²

The Office of Inspector General (OIG) and other oversight agencies have identified a number of significant deficiencies in the grant-management process. Indeed, OIG has designated the management of grants, contracts, and cooperative and interagency agreements as one of the Department's major management challenges each year from fiscal year 2008.³ Furthermore, nearly 40 percent of OIG inspections of all types issued since 2010 have identified specific grant-management deficiencies in the inspected entity, even though not all inspected entities managed grants.⁴ Audits conducted by OIG have reported similar deficiencies, including insufficient oversight caused by too few staff managing too many grants, insufficient training of grant officials, and inadequate documentation and closeout of grant activities.

Insufficient Oversight

One of the most significant grant-management challenges faced by the Department is insufficient oversight, caused primarily by a small number of employees managing a large number of grants. The two key officials in the management of a grant are the grants officer (GO) and the grants

¹ GAO, GAO-14-635, *State Department: Implementation of Grants Policies Needs Better Oversight*, July 21, 2014.

² For a listing of all grants awarded by the Department, see www.grants.gov.

³ The Inspector General's Assessment of the Department's Management and Performance Challenges is contained in the *United States Department of State, Fiscal Year 2013 Agency Financial Report*, pp. 122–129.

⁴ 61 of the 156 inspections conducted since 2010 have reported at least one grant management deficiency.

officer representative (GOR). The GO is authorized to award, amend, or terminate a grant and is charged with exercising prudent management over grant funds.⁵ The GOR should have technical expertise related to program implementation and is designated, in writing, by the GO to administer certain aspects of a specific grant, including monitoring and evaluation of performance and close-out.⁶

As of May 2014, there were 571 GOs in the Department.⁷ Department guidance assigns GOs more than 25 specific responsibilities throughout the lifecycle of each grant, from preaward to postaward.⁸ With thousands of grants to manage, the Department lacks enough GOs to be able to complete critical tasks. Turnover among GOs and GORs is also a challenge. Many GOs and GORs are Foreign Service officers who rotate to another post within one to three years. Thus, a single grant could have multiple GOs and GORs, which hampers the development of institutional memory.

These challenges have been documented repeatedly in OIG work. In an audit of grants funded by three bureaus—accounting for 82 percent of the Department’s unspent balances for all of the Department’s expired grants—OIG noted that the grant closeout process was made difficult by staffing shortages. One GO, for example, was responsible for more than 500 grants, and Department officials noted gaps in GO and GOR assignments, which may have contributed to the documentation deficiencies and closeout backlog found during the audit.⁹ In a recent management assistance report, OIG identified \$500,000 in unallowable and unsupported costs, including a loan to an employee and costs incurred prior to the period of performance, that were attributable to insufficient oversight of construction grants in Afghanistan.¹⁰

A recent inspection of Embassy San Salvador found that there were no trained GORs in the embassy to oversee the Department’s foreign assistance programs.¹¹ Embassy Manila has disbursed \$5.25 million in anti-trafficking grants since fiscal year 2004, but OIG concluded that it had not assigned sufficient staff and resources to oversight, including the monitoring of high-risk grantees.¹² Embassy Bangui had only one employee with a grants warrant, and when the GO permanently left the embassy on short notice, the Deputy Chief of Mission had to get emergency authority to approve a grant.¹³ In a recent inspection of Embassy Bujumbura, OIG noted that the embassy’s only two GOs are married, so the embassy will not have a warranted GO should they go on leave at the same time. In addition, a locally employed staff member in the economic

⁵ Department of State, Office of the Procurement Executive, Grants Policy Directive (GPD) 28, rev. 1, “Roles and Responsibilities for the Award and Administration of Federal Assistance.”

⁶ Department of State, Office of the Procurement Executive, Grants Policy Directive (GPD) 28, rev. 1, “Roles and Responsibilities for the Award and Administration of Federal Assistance.”

⁷ GAO, GAO-14-635, *State Department: Implementation of Grants Policies Needs Better Oversight*, July 21, 2014.

⁸ Department of State, Office of the Procurement Executive, Grants Policy Directive (GPD) 28, rev. 1, “Roles and Responsibilities for the Award and Administration of Federal Assistance.”

⁹ OIG, AUD-CG-13-31, *Audit of Grant Closeout Processes for Selected Department of State Bureaus*, June 2013.

¹⁰ OIG, AUD-CG-14-37 *Management Assistance Report—Termination of Construction Grants to Omran Holding Group*, September 2014.

¹¹ OIG, ISP-I-14-05A, *Inspection of Embassy San Salvador, El Salvador*, March 2014.

¹² OIG, ISP-I-13-10A, *Inspection of Embassy Manila, the Philippines*, February 2013.

¹³ OIG, ISP-I-13-13A, *Inspection of Embassy Bangui, Central African Republic*, February 2013.

section serves as the sole GOR in the embassy, and other sections often seek her assistance with their grants, diverting her from working on other economic issues.¹⁴

GAO has also reported on the Department's grant workforce shortage and criticized the over-reliance on contractor employees to oversee grants in Iraq and Afghanistan, which it concluded could lead to conflicts of interest and the potential for loss of government control and accountability for mission-related policy, as well as waste, fraud, and abuse.¹⁵

OIG's work has also demonstrated the problems caused by turnover of grant officials. In recent audits of eight major grants administered by the Bureau of African Affairs during FY 2010–FY 2012, valued at \$32.2 million,¹⁶ OIG found that four grants lacked GORs for some period of time after the assigned representatives had vacated their positions. OIG did not find evidence that anyone performed oversight of the grants during these gaps. Likewise, in a July 2012 audit of funds used for climate-change programs, OIG found that all seven grants it reviewed lacked GORs at some point during the grant. Only one grant file contained a designation memorandum assigning a replacement GOR.¹⁷

Both OIG and the Special Inspector General for Iraq Reconstruction reported that turnover associated with one-year tours contributes to the significant vulnerability to waste and mismanagement of Iraq reconstruction funds, including grants.¹⁸

Insufficient Training

The Department requires specific training for both GOs and GORs in areas such as ethics, financial management, and monitoring and evaluation.¹⁹ GOs must complete a minimum of 24 hours of training,²⁰ and GORs are required to complete an introductory grants course and a course on grants monitoring. Both must update their training with at least 16 hours of courses every 3 years. This training is important to ensure that GOs and GORs understand their important roles in the management and oversight of grant funds.

Nonetheless, OIG has repeatedly identified deficiencies related to the training of grants officials. For example, in the audit of the Bureau of African Affairs grants, OIG reported that the Bureau utilized GORs who lacked the training needed to adequately administer and oversee grants.²¹ This likely contributed to the finding that the GORs on four of the eight grants reviewed by OIG did not fully understand their roles and responsibilities or understand how to perform the functions of a GOR.

¹⁴ OIG, ISP-I-14-20A, *Inspection of Embassy Bujumbura, Burundi*, July 2014.

¹⁵ GAO, GAO-10-357, *Contingency Contracting: Improvements Needed in Management of Contractors Supporting Contract and Grant Administration in Iraq and Afghanistan*, April 12, 2010.

¹⁶ OIG, AUD-CG-14-31, *Audit of the Administration and Oversight of Contracts and Grants Within the Bureau of African Affairs*, August 2014.

¹⁷ OIG, AUD/CG-12-40, *Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated to Address Global Climate Change*, July 2012.

¹⁸ OIG, ISP-I-13-25, *A Inspection of Embassy Baghdad and Constituent Posts, Iraq*, May 2013); SIGIR, *Iraq Reconstruction: Lessons from Auditing U.S.-funded Stabilization and Reconstruction Activities*, October 2012.

¹⁹ Department of State, Office of the Procurement Executive, Grants Policy Directive (GPD) 1, rev. 6, "Grants Officer Appointments," and GPD 16, rev. 3, "Designation of Grants Officer Representatives."

²⁰ This minimum increases with the minimum dollar amount of grants the GO is authorized to award.

²¹ OIG, AUD-CG-14-31, *Audit of Selected Contracts and Grants Within the Bureau of African Affairs*, August 2014.

In five of the FY 2014 inspection reports, OIG recommended increased training for GORs.²² For example, although grants are a critical tool in Embassy La Paz’s outreach and engagement efforts, the embassy does not have enough staff with grants training. At the time of OIG’s inspection, responsibility for grant oversight fell almost exclusively on the two Foreign Service officers who had not yet completed grants training. The officers expressed concern about their knowledge gaps, and they were unable to turn to their supervisors for counsel because the supervisors also lacked grants experience or training.²³

Inadequate Documentation and Closeout

Insufficient staff and training have resulted in documentation deficiencies, as well as significant delays in the closeout process. For example, in the audit of the Bureau of African Affairs grants, OIG found that documentation of performance and financial reviews was absent from the grant file, resulting in GORs who were unaware of grantee noncompliance or performance shortfalls. In the review of climate-change grants, OIG identified documentation deficiencies with regard to reviews of quarterly performance or financial reports and site visits.²⁴ Documentation of both responsibilities is required by Department policy.²⁵

OIG inspections frequently encounter incomplete grant files. Since 2013, nine inspections have identified grant documentation deficiencies.²⁶ For example, at Embassy Manama, some grant files from FY 2012 and FY 2013 lacked required receipts and contained minimal final program reports.²⁷ At Embassy Khartoum, grants files were not always complete and sometimes contained no documents beyond the Federal Assistance Award form.²⁸ At Embassy Kyiv, documentation for public diplomacy grants was random, authorization and appropriation data was frequently missing or incorrect, and evidence of follow-up with grantees was often absent.²⁹

A recent GAO report on implementation of the Department’s grant oversight policies concluded that although the Department has developed policies and procedures that provide a supportive environment for managing grants, its officials generally did not adhere to the policies and procedures relating to documenting internal-control activities.³⁰ For example, 32 of the 61 grant

²² See, for example, OIG, ISP-I-14-06, *Inspection of the Bureau of Conflict and Stabilization Operations*, March 2014, ISP-I-14-16A, *Inspection of Embassy La Paz, Bolivia*, July 2014, ISP-I-14-12A, *Inspection of Embassy Lima, Peru*, June 2014, ISP-I-14-07A, *Inspection of Embassy Manama, Bahrain*, March 2014, and ISP-I-14-05A, *Inspection of Embassy San Salvador, El Salvador*, March 2014.

²³ OIG, ISP-I-14-16A, *Inspection of Embassy La Paz, Bolivia*, July 2014.

²⁴ OIG, AUD/CG-12-40, *Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated to Address Global Climate Change*, July 2012.

²⁵ Department of State, Office of the Procurement Executive, Grants Policy Directive (GPD) 42, “Monitoring Assistance Awards.”

²⁶ OIG, ISP-I-14-07A, *Inspection of Embassy Manama, Bahrain*, March 2014, ISP-I-14-04A, *Inspection of Embassy Panama City, Panama*, February 2014, ISP-I-13-45A, *Inspection of Embassy Kyiv, Ukraine*, September 2013, ISP-I-13-48A, *Inspection of Embassy Moscow and Constituent Posts, Russia*, September 2013, ISP-I-13-42A, *Inspection of Embassy Minsk, Belarus*, September 2013, ISP-I-13-37A, *Inspection of Embassy Khartoum, Sudan*, July 2013, ISP-I-13-29A, *Inspection of Embassy Juba, South Sudan*, May 2013, ISP-I-13-28, *Inspection of the Bureau of International Information Programs*, May 2013, and ISP-I-13-08A, *Inspection of Embassy Phnom Penh, Cambodia*, January 2013.

²⁷ OIG, ISP-I-14-07A, *Inspection of Embassy Manama, Bahrain*, March 2014.

²⁸ OIG, ISP-I-13-37A, *Inspection of Embassy Khartoum, Sudan*, July 2013.

²⁹ OIG, ISP-I-13-45A, *Inspection of Embassy Kyiv, Ukraine*, September 2013.

³⁰ GAO, GAO-14-635, *State Department: Implementation of Grants Policies Needs Better Oversight*, July 21, 2014.

files reviewed by GAO did not contain the required monitoring plan. GAO also noted that considerable turnover among grants officials makes documenting internal-control activities particularly important.

Documentation deficiencies frequently complicate the grant closeout process—an important final point of accountability that occurs once a grant’s period of availability to the grantee has expired. It ensures that grantees have met all financial requirements and have provided final reports. Closeout also allows agencies to identify and redirect unused funds to other projects and priorities as authorized or to return unspent balances to the U.S. Treasury.³¹

The audit of the closeout process for grants funded by three Department bureaus found that required documentation was often missing from the grant files. Only 6 of 37 grant files reviewed by OIG had the documentation that would permit closeout to commence.³² Furthermore, of the 60 grant files originally requested, 10 had been prematurely destroyed, 3 were missing, and one was mislabeled. Missing documentation and files inhibit a proper closeout, which may include deobligation of unspent funds. Deobligated funds may be available to the Department for other authorized purposes, but if closeout action is not initiated quickly, those funds can expire for use. OIG noted that, as of March 1, 2012, \$81.9 million in unspent funds were linked to 955 grant accounts for which the period of performance had ended.

Similarly, an OIG inspection of the Office to Monitor and Combat Trafficking in Persons identified a backlog of 70 grant closeouts.³³ OIG’s inspection of the Bureau of Educational and Cultural Affairs identified more than 280 grant awards that could not be closed out because of missing documentation, such as a final negotiated indirect-cost reimbursement agreement or final reports.³⁴

Conclusions:

The Department should take immediate action to ensure that adequate numbers of properly trained GOs and GORs are assigned, required documentation is maintained in grant files, and expired grants are closed out in a timely manner. The failure to maintain appropriate oversight over grants results in an unacceptable lack of internal control and exposes the Department to significant financial risk. These conditions could lead to the misuse or misappropriation of grant funds, failure to meet grant program objectives, or the inability to use unobligated grant funds before they expire. Furthermore, the lack of documentation impairs OIG oversight of Department programs and operations that administer or finance grants, and it creates conditions conducive to fraud, where corrupt individuals may attempt to conceal evidence of illicit behavior by omitting key documents from grant files.³⁵

³¹ GAO, GAO-12-360, *Grants Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, April 16, 2012.

³² OIG, AUD-CG-13-31, *Audit of Grant Closeout Processes for Selected Department of State Bureaus*, June 2013.

³³ OIG, ISP-I-12-37, *Inspection of the Office to Monitor and Combat Trafficking in Persons*, June 2012.

³⁴ In a follow-up review during the following fiscal year, OIG noted improvements in the Bureau’s performance. OIG, ISP-I-12-15, *Inspection of the Bureau of Educational and Cultural Affairs*, February 2012, and ISP-C-13-51, *Compliance Follow up Review of the Bureau of Education and Cultural Affairs*, September 2013.

³⁵ OIG, MA-A-0002, *Management Alert (Contract File Management Deficiencies)*, March 20, 2014.

Recommendations:

To deal with these oversight gaps, OIG makes the following recommendations:

Recommendation 1: OIG recommends that the Under Secretary for Management institute a GO and GOR workforce planning effort, similar to the Acquisition Human Capital Plan required for the Department's overall acquisition workforce,³⁶ to identify, for tracking, training, and budget purposes, the appropriate number of personnel needed Department-wide to ensure adequate grants management.

Management Response: The Bureau of Administration concurred with the recommendation and will implement a Grants Human Capital Plan (GHCP) in FY 2015 to coincide with the Acquisition Human Capital Plan. A template for the GHCP and a draft memo for soliciting input have been prepared and will be distributed to bureaus in October 2014.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that the FY 2015 plan is complete.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, develop and implement a process to randomly sample grant files, appropriately stratified by risk, to ensure that grants are closed out promptly, with required documentation, at the end of their periods of performance and to determine whether funds remaining on expired grants can be deobligated.

Management Response: The Bureau of Administration concurred with the recommendation. The Office of the Procurement Executive (A/OPE) created a File Audit Coordinator function to manage file audits and additional staff will join the office within 60 days. A/OPE added more detailed grant file assessments to its Grants Management Reviews and Post-focused Grant Evaluation and Assistance Team reviews. Finally, A/OPE will conduct additional file reviews of grants that are delinquent to closure to identify root cause problems.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that A/OPE has instituted random samples of grant file reviews. OIG emphasizes that the sample must be random to be effective, both in understanding the magnitude of the deficiencies and in creating incentives for grants officials to comply with their responsibilities.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, provide the written results of all random grant-file reviews to the appropriate bureaus and offices to ensure that GOs, GORs, and other grant-management officials are held accountable for their oversight performance.

³⁶ The Office of Management and Budget requires large agencies to develop an annual Acquisition Human Capital Plan. Memorandum from Lesley A. Field, Deputy Administrator, Office of Management and Budget, *Acquisition Workforce Development Strategic Plan for Civilian Agencies – FY 2010-2014* (October 27, 2009).

Management Response: The Bureau of Administration concurred with the recommendation. A/OPE will provide the reports of reviews to the appropriate bureaus and offices.

OIG Reply: OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that A/OPE has instituted a process to regularly share the written results of grant file reviews.

As the action offices for these recommendations, please provide information on actions taken or planned for the three recommendations within 30 days of the date of this letter. Actions taken or planned are subject to follow-up and reporting in accordance with the enclosed compliance response information.

If you have any questions, please contact Jeff McDermott, Senior Investigative Counsel, at (202) 663-(b) (6) or via e-mail at (b) (6) [\(b\) \(6\)@state.gov">@state.gov](mailto:<span style=).

Bureau of Administration Response to Recommendations



United States Department of State

*Assistant Secretary of State
for Administration*

Washington, D.C. 20520

September 17, 2014

UNCLASSIFIED

TO: OIG - Steve A. Linick

FROM: A - Joyce A. Barr

A handwritten signature in blue ink, appearing to be 'JAB', written over the name 'Joyce A. Barr'.

SUBJECT: Management Alert (Grants Management Deficiencies) dated
September 3, 2014

The Office of the Inspector General (OIG) subject Management Alert advises that the Department should take immediate action to ensure that adequate numbers of properly trained Grants Officers (GOs) and Grants Officers' Representatives (GORs) are assigned, that required documentation is maintained in grant files, and that expired grants are closed out in a timely manner. The Bureau of Administration agrees that each of these actions contribute to robust grants management oversight.

The Office of the Procurement Executive works closely with the OIG to strengthen grants oversight in the Department. A/OPE created basic grants training which is attended by OIG personnel to gain a better understanding of Department processes and controls. The OIG provides trainers for semi-annual Grants Update training to help ensure that GOs and GORs understand OIG areas of concern and are briefed on updated grants policies and issues. The basic grant training is available both in a classroom setting and in an on-line format to provide immediately available training to overseas locations.

In fiscal year 2014, A/OPE conducted 27 Federal Assistance classroom courses with 520 hours of instruction and two distance learning courses. The classes were completed by almost 2,500 participants in FY 2014 and over 2,800 participants in FY 2013. A/OPE will revise the basic class in FY 2015 to consolidate two classes into a single updated course and additionally develop two new courses; one for Grants Officer Representatives and the second course will be for advanced grants management topics. A/OPE will work with the OIG to ensure these courses

include any OIG identified gaps. A/OPE will issue a Department Notice to reiterate to all locations with grants programs that training is readily available, accessible and required.

The Government Accountability Office (GAO) in its report on government-wide grants training (GAO-13-591, *Grant Workforce: Agency Training Practices Should Inform Future Government-wide Efforts*, June 2013) found that only five of the 22 agencies surveyed required grants management certification and a detailed review of Health and Human Services and State's certification program found that only State had fully implemented an agency-wide grants training/certification program (pg. 21). A/OPE has worked with other agencies to share our best practices on training. A/OPE is further enhancing this training with a special FY 2015 session on the new government-wide grants regulations.

In FY 2014, A/OPE delivered webinars on special topics, such as new Grants Policy Directives (GPDs). A/OPE provided custom bureau-focused training to the Conflict and Stabilization Office (CSO), Education and Cultural Affairs Bureau (ECA), International Narcotics and Law Enforcement Bureau (INL), South and Central Asia Bureau (SCA), and Democracy and Human Rights Bureau (DRL) over the past two fiscal years and continues to work with OIG to identify higher risk bureaus that need specific training and specific training topics.

Grants.net, an internal Department-wide online community, continues to serve as a forum to discuss specific grants management challenges and solutions. A/OPE Grants Desk Officers are available, both via Grants.net and email/telephone, to provide individual counseling and advice to both posts and domestic bureaus.

A/OPE created a GOR certification program in FY 2013. Department policy requires GORs to understand as much about grants as Grants Officers and to be certified and tracked in a database. This allows the Department to identify the community of GORs and to work with them on grants management.

In 2013 the Department went from zero to 1,200 certified GORs in the span of just one year. GAO recognized the importance of the program in their June 2014 review where they stated, "In addition, State provides its grants officials mandatory training on these policies and guidance, and routinely identifies and shares best practices."

A/OPE created a Grants Management Review (GMR) program in FY 2011 to review grants operations and identify areas for improvement. OIG recognized the importance of these reviews by recommending bureaus for GMRs in its audits.

Grants management at the Department is buttressed by an infrastructure of policies called Grants Policy Directives (GPDs). A recent GAO report (GAO-14-635, State Department: Implementation of Grants Policies Needs Better Oversight, June 2014) reviewed the Department's grants policies in detail and concluded that "the Department of State has established policies and guidance that provide a supportive environment for managing grants and cooperative agreements. For example, State has outlined its expectations for grants management in detailed policies and guidance that should be clear for all grants officials. In particular, the requirements to conduct a risk analysis and document the implementation of required control activities conform to the federal standards for internal control." The OIG reports cite the requirements of the GPDs as forming the basis of Department grants oversight and identify where bureaus and offices are not in compliance.

We have addressed the management alert recommendations as laid out in the enclosure and look forward to working collaboratively with your staff and with our federal assistance community to continue to build on and strengthen the Department's federal assistance policies and procedures.

**OIG MANAGEMENT ALERT ON GRANT MANAGEMENT
DEFICIENCIES**

Management Alert Recommendations:

- (1) OIG recommends that the Under Secretary for Management institute a GO and GOR workforce planning effort, similar to the Acquisition Human Capital Plan required for the Department' overall acquisition workforce, to identify for tracking, training and budget purposes the appropriate number of personnel needed Department-wide to ensure adequate grants management.**

RESPONSE: The Bureau of Administration concurs with this recommendation.

The Acquisition Human Capital Plan is mandated by the Office of Management and Budget (OMB) and is submitted in April each year. A/OPE will implement a Grants Human Capital Plan (GHCP) in FY 2015 to coincide with the Acquisition Human Capital Plan submission. Bureaus are being briefed on the GHCP during September 2014. A template for the GHCP and a draft memo for soliciting inputs have been prepared and will be distributed to bureaus in October 2014. Bureaus have the responsibility to budget and staff to their needs as identified in the plan.

- (2) OIG recommends that the Bureau of Administration, Office of the Procurement Executive, develop and implement a process to randomly sample grant files, appropriately stratified by risk, to ensure that grants are closed out promptly, with required documentation, at the end of their periods of performance and to determine whether funds remaining on expired grants can be de-obligated.**

RESPONSE: The Bureau of Administration concurs with this recommendation.

A/OPE created a File Audit Coordinator function to manage file audits across A/OPE with support from subject matter experts in grants and contracts. We have added more detailed grant file assessments to the Grants

Management Reviews (GMRs) and Post-focused Grant Evaluation and Assistance Team (GREAT) reviews. A/OPE will conduct additional file reviews of grants that are delinquent to closure to identify root cause problems. The need for an additional resource to support grant file reviews was previously identified, approved and announced. We anticipate additional staff will join A/OPE within 60 days.

A previous OIG audit (AUD-CG-13-31 “Audit of Grant Closeout Processes for Selected Department of State Bureaus”, June 2013) identified the need to ensure that grants are closed out in a timely manner. Of the 1,341 identified awards more than 1,180 have been closed. In response, A/OPE strengthened the close-out process for federal assistance awards by revising Grants Policy Directive 41: “Procedures for Grant Close-out”, to include requiring closeout of agreements within thirty days of receipt of the required final reports unless a final Negotiated Indirect Rate Agreements (NICRA) rate has not been determined by the organization’s cognizant agency. Additionally, to expedite the process State hired the Department of Interior’s National Business Center to negotiate NICRAs.

We additionally implemented a standard federal assistance management system now used by 26 domestic grant-making bureaus. The system, known as the State Assistance Management System (SAMS), is managed by the Department of Health and Human Services GrantSolutions (<http://grantsolutions.gov>). The deployments and operations are managed by the Office of Logistics Management (A/LM). The system accounts for approximately 87 percent of the dollars obligated by State for grants and cooperative agreements.

In May of 2013, A/OPE and the Federal Assistance Financial Management (FAFM) office within the Office of the Deputy Chief Financial Officer (DCFO) worked with A/LM to develop a mandatory internal control documentation checklist within SAMs that must be completed by the Grants Officer before closing an award. The team also developed a closeout report that indicates which awards have an expired Period of Performance and have not been closed. This report will be provided by A/OPE to the bureaus on a monthly basis beginning in October 2014. A/OPE is working with A/LM to implement bureau award file reports to assist with the systematic inspection of federal assistance files by A/OPE and the appropriate bureaus and grants officials. These reports and procedures will be ready for use by Department personnel in January 2015.

In addition, A/LM is conducting a requirements analysis to identify potential solutions for a standard federal assistance system for all overseas Department Missions that are involved in the award and administration of federal assistance. The Department anticipates completing this analysis by the end of October 2014.

The Bureau of Administration has been advised by the DCFO that beginning in FY 2012, the FAFM implemented several review processes to improve the closeout process for domestic grants reported in the Health and Human Services Payment Management System (PMS). These processes are risk based in that they focus on those grants with older open balances or where the period of performance has ended.

The DCFO additionally notes that each February, FAFM creates and reviews a list of all open awards for appropriation accounts that will cancel at the end of the fiscal year. FAFM then distributes the list to each awarding bureau and requests that they review each to determine what action is needed to either liquidate the obligation or de-obligate any unneeded funds before the accounts are cancelled. Working with the bureaus, FAFM provides guidance and recommendations on the actions the bureaus should take to close the awards.

In addition, FAFM creates and provides each bureau a list of all awards where, according to PMS records, the period of performance has ended. Bureaus are requested to review all items and either confirm the validity of any open amount or initiate the close-out action as needed.

To improve the financial controls and processes around grant closeout activities, FAFM has developed and deployed a number of training courses. For example, FAFM in coordination with the Foreign Service Institute (FSI), developed PA367, a distance learning course that trains Financial Management Officers (FMOs), Grant Officers and others on grant life cycles, roles and responsibilities, monitoring, payments, closeout, and other federal assistance topics. In addition, FAFM updates and presents a federal assistance module at both financial management courses at FSI to all new (PA211) and senior (PA219) FMOs as well as locally employed staff who attend each. The courses cover topics similar to PA367, as well as current hot topics and changes in policy.

(3) OIG recommends that the Bureau of Administration, Office of the Procurement Executive, provide the written results of all random grants file reviews to the appropriate bureaus and offices to ensure that GOs, GORs and other grant-management officials are held accountable for their oversight performance.

RESPONSE: The Bureau of Administration concurs with this recommendation. Reports of reviews will be provided to the appropriate bureaus and offices.