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AUD-MERO-17-41

Office of Audits

May 2017

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# Audit of the Department of State's Contract To Monitor Foreign Assistance Programs in Iraq

## MIDDLE EAST REGION OPERATIONS

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Middle Eastern Region Operations Division

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### What OIG Found

OIG found that the contracting officer's representatives approved invoices for payment without reviewing sufficient documentation to support the invoiced amount. Specifically, OIG found that 51 of 75 invoices (68 percent) were approved for payment without documentation that supported the invoiced amount. As a result, OIG is questioning a total of \$3,053,893 in unsupported costs, as shown below.

Bureau	Invoices Reviewed	Invoices with Unsupported Costs	Total Unsupported Costs
NEA	39	37	\$2,695,051
INL	9	1	\$57
DRL	15	12	\$318,752
PRM	12	1	\$40,033
<b>Total</b>	<b>75</b>	<b>51</b>	<b>\$3,053,893</b>

Additionally, OIG found that the Department did not adequately maintain contract files and that the Department did not promptly realign funds to specific contract line items with depleted balances, which resulted in ANI delaying for months invoicing for incurred costs.

With respect to the contractor's performance, OIG found that ANI provided satisfactory monitoring support to the Department bureaus and fulfilled contract requirements. For example, as contractually required, ANI submits reports on its monitoring activities. OIG reviewed a random selection of 50 reports that ANI prepared and submitted to the bureaus and found that they met contract requirements. In addition, bureau and Embassy Baghdad representatives stated that they considered ANI's monitoring reports useful and praised ANI's monitoring support. However, OIG also found that the monitoring contract could be improved by including objective and measurable criteria for performance, which would help the Department better assess contractor performance.

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### What OIG Audited

In September 2011, the Department of State (Department) awarded a \$15-million indefinite-delivery, indefinite-quantity contract to All Native, Inc. (ANI) to provide support for overseeing foreign assistance programs in Iraq. Under this contract, the Department's Bureau of Administration (A Bureau) issued four separate task orders, obligating more than \$7 million to ANI to provide monitoring support to four regional and functional Department bureaus—Near Eastern Affairs (NEA); International Narcotics and Law Enforcement (INL); Democracy, Human Rights, and Labor (DRL); and Population, Refugees, and Migration (PRM)—that are providing foreign assistance in Iraq.

OIG conducted this audit to assess the Department's management and oversight of ANI's performance in monitoring the foreign assistance programs in Iraq. Specifically, the objectives of this audit were to determine (1) the extent to which the Department is managing and overseeing the contract in accordance with Federal and Department regulations and guidelines and (2) whether the contractor is providing monitoring support in accordance with contract terms and conditions.

### What OIG Recommends

OIG made three recommendations to A Bureau to determine whether the \$3,053,893 in unsupported costs identified in this report are allowable, recover all costs determined to be unallowable, and improve the oversight capabilities of future monitoring contracts by including objective and measurable criteria to assess contractor performance. A Bureau agreed with all recommendations offered, and a synopsis of its response and OIG's reply follow each recommendation in the Results section of this report. Management comments from A, PRM, DRL, and INL to a draft of this report are reprinted as Appendices C through F, respectively.

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## OBJECTIVE

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OIG conducted this audit to assess the Department of State's (Department) management and oversight of All Native, Inc. (ANI) in the monitoring of foreign assistance programs in Iraq. Specifically, the objectives of this audit were to determine (1) the extent to which the Department is managing and overseeing the monitoring contract in accordance with Federal and Department regulations and guidelines and (2) whether the contractor, ANI, is providing monitoring support in accordance with contract terms and conditions.

## BACKGROUND

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In partnership with the Government of Iraq, the Department's foreign assistance programs are intended to improve the capability and effectiveness of the Iraqi Government at all levels, increase participation of civil society, create conditions for more diverse and broad-based economic growth, and address ongoing humanitarian needs.<sup>1</sup> Between 2005 and 2011, the Department implemented more than 80 assistance programs in Iraq valued at more than \$206 million.<sup>2</sup> The Bureau of Near Eastern Affairs (NEA) sought assistance in managing and overseeing these foreign assistance programs. In 2011, the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), on behalf of NEA, awarded a \$15-million indefinite-delivery, indefinite-quantity<sup>3</sup> contract (SAQMMA11D0119) to ANI to provide monitoring support for these programs.<sup>4</sup>

The contractor, ANI, is part of the All Native Group network of small businesses that serve the technical needs of the Federal Government at home and abroad. All Native Group is a division of Ho-Chunk, Inc., which is an economic development corporation that is owned by the Winnebago Tribe of Nebraska. According to its website, ANI is a tribally owned, Small Business Administration 8(a)-certified company that provides workforce solutions and professional services to the Federal Government, including administrative and management services; aviation support; base operations support; grant management; training for instructors; and support for IT, investigators, engineers, and couriers.<sup>5</sup>

As of January 2017, A/LM/AQM had awarded four separate task orders under SAQMMA11D0119 to support NEA, the Bureau of International Narcotics and Law Enforcement

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<sup>1</sup> Foreign assistance is provided through such instruments as grants, cooperative agreements, and voluntary contributions.

<sup>2</sup> SAQMMA11D0119, Section C.1 – Background.

<sup>3</sup> Indefinite-delivery, indefinite-quantity contracts, under which task orders are awarded for specific requirements, allow the Government to procure an indefinite quantity of services for a fixed time.

<sup>4</sup> The contract included a base year and four option years, all of which were exercised. The base year period of performance was September 29, 2011, to September 28, 2012. The final option year expired on September 28, 2016, but was extended for 6 months to accommodate the solicitation process for a follow-on contract.

<sup>5</sup> <https://allnativeinc.com/business-llnes.html>, accessed March 22, 2017.

Affairs (INL); the Bureau of Democracy, Human Rights, and Labor (DRL); and the Bureau of Population, Refugees, and Migration (PRM). Although the four task orders differ slightly in the logistical work that the Department could request of ANI, they all include helping the bureaus develop and implement monitoring plans and facilitate training. However, because of deteriorating security conditions in Iraq, the bureaus requested that ANI focus on providing in-country monitoring of the foreign assistance programs. This audit accordingly assesses ANI's monitoring support performed under the contract and associated task orders.

The contract reflects the Department's preference that ANI hire local Iraqis to serve as program monitors. As of August 2016, ANI's monitoring team consisted of 10 local Iraqis; NEA, DRL, and PRM each have 3 monitors providing support, and 1 monitor serves as the team's assistant. In agreement with the Department program offices, since 2014, ANI has been cross-training the monitors so each can provide services across activities and across all bureaus. This provides ANI with more flexibility to meet the Department's needs from both a funding and security standpoint, given the challenges of traveling within Iraq.

As of January 2017, A/LM/AQM had obligated more than \$7.2 million and expended more than \$5.9 million across the task orders supporting NEA, INL, DRL, and PRM. Table 1 summarizes the mission of each bureau, the task order supporting the bureau, and the funding status.

**Table 1: Department Bureaus Supported by ANI Contract Task Orders and Status of Funding, as of January 12, 2017**

Mission	Task Order	Obligations and Expenditures
<b>Bureau of Near Eastern Affairs (NEA)</b>		
Implement U.S. foreign policy and U.S. diplomatic relations with 18 countries (including Iraq) and the Palestinian Territories handling issues that include Middle East peace, terrorism and weapons of mass destruction, and political and economic reform.	SAQMMA11F4330	Obligated  <b>\$3,911,793</b>
	Period of Performance: 9/2011–5/2017	Expended  <b>\$3,559,447</b>
<b>Bureau of International Narcotics and Law Enforcement Affairs (INL)</b>		
Counter international crime, illegal drugs, and instability abroad; help countries deliver justice and fairness by strengthening their police, courts, and corrections systems by working with partners from international organizations and non-governmental organizations.	SAQMMA13F3841	Obligated  <b>\$471,721</b>
	Period of Performance: 9/2013–9/2015	Expended  <b>\$470,171</b>
<b>Bureau of Democracy, Human Rights, and Labor (DRL)</b>		
Promote democracy, protect human rights and international religious freedom.	SAQMMA13F4036	Obligated  <b>\$1,692,334</b>
	Period of Performance: 9/2013–3/2017	Expended  <b>\$1,200,478</b>
<b>Bureau of Population, Refugees, and Migration (PRM)</b>		
Provide protection and assistance to refugees, stateless persons, conflict victims, and vulnerable migrants by administering and monitoring assistance programs and promoting orderly and humane international migration.	SAQMMA14F1970	Obligated  <b>\$1,134,380</b>
	Period of Performance: 9/2014–9/2017	Expended  <b>\$721,963</b>

**Source:** Generated by OIG based on data from the Department's Global Financial Management System, 1/12/2017, and information on the Department's intranet.

## Contract Oversight Responsibilities

Contracting officers and their designated contracting officer's representatives (COR) are responsible for overseeing the ANI contract and its associated task orders. However, the grants officer representatives (GOR) and program officers in the bureaus use the information provided by ANI in assessing the foreign assistance programs they are charged with managing.

The Federal Acquisition Regulation (FAR) defines the contracting officer as the person with the authority to enter into, administer, and terminate contracts and make related determinations and findings.<sup>6</sup> The Foreign Affairs Handbook (FAH) duties, the contracting officer's responsibility

<sup>6</sup> FAR 2.101 "Definitions."

is to “[establish] the contract terms, conditions, and general provisions, including the methods of pricing, paying, and financing” and “[administer] the contract, including the execution of contract modifications and other changes.”<sup>7</sup> The contracting officer is also responsible for designating and authorizing CORs to assist with overseeing contracts and task orders, including performance of specific technical or administrative functions.<sup>8</sup> The FAH states that the COR has “limited authority to act on behalf of the contracting officer.”<sup>9</sup> Those authorities include administering the contract after it has been awarded and monitoring the contractor’s technical progress and expenditures. The COR is also responsible for informing the contracting officer of any performance or schedule failure by the contractor. Generally, the designation and authorization letters (also known as delegation letters) state that the CORs are responsible for monitoring the contractor’s progress, accepting work on behalf of the U.S. Government, reviewing and approving invoices, and maintaining contract files.<sup>10</sup>

Once contracting officers in A/LM/AQM award the task orders to ANI on behalf of the bureaus, the CORs have primary administrative oversight responsibility for the task orders. Contracting officers told OIG that they generally do not become involved in management and oversight of the task orders except to execute contract modifications, which are requested by the program offices within the bureaus. For each of the four task orders under the ANI contract, the COR was nominated by the applicable funding bureau for that task order—NEA, INL, DRL, or PRM. Because GORs are the users of information produced by ANI’s monitoring support, the CORs work closely with the GORs assigned by their bureaus to oversee the individual foreign assistance programs.<sup>11</sup> All CORs and contracting officers are located in the Washington, DC, area.

## AUDIT RESULTS

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### Finding A: Department Did Not Provide Adequate Administrative Oversight of the ANI Task Orders

OIG found that the Department did not comply with all Department and Federal acquisition requirements when managing and overseeing the ANI task orders. According to the FAH, the contracting officers within A/LM/AQM are responsible for establishing the contract terms and conditions, administering the contract, executing contract modifications, and authorizing a COR to act, to a limited extent, on behalf of the contracting officer. After contract award, the CORs within the four bureaus that have task orders with ANI are responsible for overseeing the

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<sup>7</sup> 14 FAH-2 H-141 “Responsibilities of the Contracting Officer.”

<sup>8</sup> FAR 1.602-2(d) “Responsibilities,” FAR 2.101 “Definitions,” and 14 FAH-2 H-143 “Designating a Contracting Officer’s Representative (COR).”

<sup>9</sup> 14 FAH-2 H-141 “Responsibilities of the Contracting Officer.”

<sup>10</sup> 14-FAH-2 Exhibit H-143.2(2) “Sample Designation Memorandum for Contract Officer’s Representative.”

<sup>11</sup> According to the Department’s Federal Assistance Policy Directive, grants officers commit the Government to foreign assistance and designate grants officer representatives who are responsible for the programmatic and technical aspect of foreign assistance awards.

contract, monitoring the contractor's progress, reviewing and approving invoices, accepting work on behalf of the U.S. Government, and maintaining contract files. OIG found the contracting officers and CORs did not, in some cases, directly communicate with each other regarding contract funding issues and did not adequately perform all their contract oversight responsibilities. These conditions increase the Department's vulnerability to a work stoppage or potential issues relating to appropriations law. Specifically, OIG found the following:

- CORs approved invoices without adequate review of supporting documentation, resulting in \$3,053,893 in unsupported costs paid to ANI.
- Some contract line item numbers (CLINs) reached their funding limit prior to the end of the period of performance on the task order, resulting in ANI continuing to work while delaying invoicing for labor and other direct costs incurred.
- Contract files maintained by the Department did not always contain adequate documentation.

### ***CORs Did Not Adequately Review Supporting Documentation Prior to Approving Invoices***

The FAH states that CORs are responsible for reviewing invoices and approving them after adequately verifying the costs against supporting documentation. They must also maintain files that include copies of invoices and other administrative paperwork and correspondence.<sup>12</sup> The Foreign Affairs Manual (FAM) states that prepayment examination and approval of vouchers is required for effective control and explains that prepayment examination consists of checking for proper, legal, and correct payment and for proper supporting documentation.<sup>13</sup> Additionally, as time and material task orders, the contract with ANI included by reference FAR 52.232-7, which states that "The Contractor shall substantiate vouchers ... by evidence of actual payment and by individual daily job timekeeping records."<sup>14</sup>

OIG reviewed a statistical sample of 75 invoices, totaling \$3,985,740, from a universe of 133 invoices, totaling \$5,475,899, submitted by ANI from contract award in September 2011 through July 2016.

OIG found that the CORs had approved 51 invoices without retaining documentation that supported the costs. Specifically, OIG found that the CORs could not provide supporting documentation for invoiced amounts of \$3,053,893—or 77 percent of the total amount billed in the sampled invoices—paid to ANI. Of the \$3,053,893 that OIG questions, \$2,320,988 was paid for labor costs that did not include time sheets and \$732,905 was paid for items such as telecommunications expenses, travel, and office equipment without documentation for the incurred expenses. Table 2 shows the invoices with unsupported costs and the associated bureau responsible.

<sup>12</sup> 14 FAH-2 H-142 "Responsibilities of the Contracting Officer's Representative."

<sup>13</sup> 4 FAM 425 "Voucher Prepayment Examination."

<sup>14</sup> FAR 52.232-7 "Payments under Time-and-Materials and Labor-Hour Contracts."

Table 2: Invoices With Unsupported Costs

Bureau	Invoices Reviewed	Invoiced Amount	Invoices With Unsupported Costs	Unsupported Costs		
				Labor	Other Direct	Total
NEA	39	\$2,843,502	37 (95%)	\$2,028,946	\$666,105	<b>\$2,695,051 (95%)</b>
INL	9	\$232,059	1 (11%)	\$0	\$57	<b>\$57 (0%)</b>
DRL	15	\$584,867	12 (80%)	\$252,010	\$66,743	<b>\$318,752 (55%)</b>
PRM	12	\$325,312	1 (8%)	\$40,033	\$0	<b>\$40,033 (12%)</b>
<b>Totals</b>	<b>75</b>	<b>\$3,985,740</b>	<b>51 (68%)</b>	<b>\$2,320,988</b>	<b>\$732,905</b>	<b>\$3,053,893 (77%)</b>

Source: OIG analysis of invoices and supporting documentation provided by NEA, INL, DRL, and PRM.

For each invoice in its sample, OIG requested from the CORs the invoices and supporting documentation used to review and approve them. OIG then reviewed each line item and any supporting documentation the CORs provided. For labor costs, OIG reviewed all time sheets to ensure the quantities invoiced were supported and the hourly rates matched the rates in the contract. For other costs, OIG assessed whether the costs were allowed by the contract and whether the supporting documentation that ANI provided was sufficient and appropriately reviewed by the CORs.

The problems that OIG identified in this audit have been the subject of earlier reports. In particular, in March 2014, OIG issued a management alert to call attention to contract file management deficiencies.<sup>15</sup> In that management alert, OIG concluded that “the Department should take additional action to correct its inadequate enforcement of the FAR’s provisions, and its own procedures, that govern the maintenance of contract files.” The Department concurred with the recommendation that the Bureau of Administration, Office of the Procurement Executive (A/OPE) develop and implement a process to randomly sample and verify the completeness of contract files, including contract files that CORs and other supporting personnel maintain. OIG also notes that, in June 2015, A/OPE updated Procurement Information Bulletin 2014-10. The updated bulletin states that “Contracting Officers are ... responsible for determining that CORs exercising delegated authority are maintaining records adequate to support contract administration.” Although the current invoice review shows some improvement consistent with this guidance, the Department’s maintenance of contract files continues to have shortcomings. For example, the COR for the NEA task order was able to provide supporting documentation for invoices in the OIG sample that he had approved since the time he was designated the COR in February 2016. This COR could not, however, provide the supporting documentation for 2011 through 2015 invoices in the OIG sample because that information was in email files that belonged to a previous COR who was no longer with the Department.

**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management determine whether the \$3,053,893 OIG questioned in unsupported costs (as identified in Table 2) under the indefinite-delivery,

<sup>15</sup> MA-A-0002 Management Alert (Contract File Management Deficiencies), March 20, 2014.

indefinite-quantity contract SAQMMA11D0119 are adequately supported and recover, as appropriate, all costs determined to be unsupported and unallowable.

**AQM Management Response:** AQM agreed with the recommendation, stating that it will seek to determine whether the questioned costs in OIG's sample<sup>16</sup> are supported or recoverable in coordination with NEA.

**PRM Management Response:** PRM explained that although it had initially rejected an invoice because of "technical concerns with how charges were being applied to CLINs," it did not request that ANI resubmit supporting documentation because "it felt the documentation [with the initial invoice] was adequate."

**DRL Management Response:** DRL stated that it will work with AQM to determine "whether the \$318,752 OIG questioned in unsupported costs under DRL's task order . . . are adequately supported."

**INL Management Response:** INL provided explanations of the support for questioned costs as well as additional documentation.

**OIG Reply:** On the basis of AQM's concurrence with the recommendation, OIG considers this recommendation resolved, pending further action. In addition, OIG modified the report on the basis of additional documentation provided by PRM and INL for invoices OIG initially questioned as unsupported. This recommendation will be closed when OIG receives and accepts documentation demonstrating that AQM has reviewed all remaining questioned invoices and determines whether they are allowable and recovers costs determined to be unallowable.

**Recommendation 2:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management review the remaining invoiced costs associated with all task orders awarded under the indefinite delivery, indefinite quantity contract SAQMMA11D0119 that were not included in OIG's sample to determine whether all costs were supported and allowable and recover, as appropriate, all costs determined to be unsupported and unallowable.

**AQM Management Response:** AQM agreed with the recommendation and stated it will coordinate with NEA to conduct the review.

**DRL Management Response:** DRL stated that it will assist AQM, as needed, in the review of the DRL invoices not included in this audit.

**OIG Reply:** On the basis of AQM's response, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts

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<sup>16</sup> The total amount of questioned costs in OIG's sample was revised from \$3,064,419 to \$3,053,893 on the basis of responses to the draft report. The number of invoices with questioned costs decreased from 53 to 51.

documentation demonstrating that AQM has (1) reviewed all invoices not included in OIG's sample submitted by ANI on task orders awarded on behalf of NEA, INL, DRL, and PRM; (2) determined that all costs associated with the invoices are supported and allowed; and (3) recovers costs determined to be unsupported and unallowable.

### ***Department Did Not Adequately Monitor Funding Under Certain Contract Line Items***

When reviewing the invoices and supporting documentation, OIG found that the Department did not adequately monitor funds available under the CLINs. Specifically, ANI continued to perform work and delayed invoicing for several months of labor and other direct costs because the funding limit had been reached on some of the CLINs. This occurred with 14 invoices submitted on the NEA, DRL, and PRM task orders in OIG's sample. The delayed invoicing totaled \$150,184, which was subsequently submitted for payment and paid after contract funds were realigned. In all instances, the supporting documentation submitted with invoices confirmed that ANI delayed invoicing for labor hours worked or for other direct costs incurred.

The ANI contract includes, by reference, the "Limitation of Funds" clause.<sup>17</sup> This clause requires the contractor to notify the contracting officer in writing and identify the date on which it expects expended funds to approximate 75 percent of the total amount obligated. The FAM also states that no officer or employee of the United States shall authorize or make an expenditure in excess of the amount available or accept any voluntary service, unless specifically authorized by law.<sup>18</sup> Additionally, the balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated.<sup>19</sup> The FAH also emphasizes that a team approach and cooperation between the contracting officer and the COR are "essential to anticipate upcoming requirements, allow sufficient lead times, consider various methods of what is needed, and otherwise increase the efficiency of the acquisition process."<sup>20</sup>

On invoices submitted for PRM's task order, OIG identified 401.8 hours worked on one labor CLIN and 126 hours worked on another labor CLIN for which ANI delayed invoicing for up to 5 months before the contracting officer executed a contract modification to realign funds from a CLIN that had excess funds to the CLINs that had reached their ceilings. Although the total amount of obligations on the PRM task order was sufficient, ANI notified the PRM COR that funds on some labor CLINs were insufficient prior to delaying invoicing for labor costs incurred. ANI noted the delays on the invoices and also notified the PRM COR in a March 2015 email that a realignment of funds was needed. However, the Limitation of Funds clause requires that the contractor notify the contracting officer, not the COR, in writing. The COR should have instructed ANI to notify the contracting officer in writing of the need for realignment. The COR, in keeping with COR contract oversight responsibilities, should also have notified the

<sup>17</sup> DOSAR 652.232-72 "Limitation of Funds."

<sup>18</sup> 4 FAM 082.2-1 "Prohibitions of the Anti-Deficiency Act."

<sup>19</sup> 31 U.S.C. Sec. 1502.

<sup>20</sup> 14 FAH-2 H-146 "The Team Approach."

contracting officer. Instead, the COR worked with the bureau comptroller and executive office to obtain agreement on the realignment, which should have led to the executive office submitting a request to A/LM/AQM for a contract modification. Although the COR and comptroller's office agreed to the realignment of funds in April 2015, the request for the modification was not submitted to A/LM/AQM until September 2015, at which time A/LM/AQM executed that request and realigned funds.

In another example, on invoices submitted for NEA's task order, OIG identified 2,444 hours during July, August, and September of 2013 that ANI personnel worked but ANI did not include on its invoices. These hours were included on ANI's Invoice Labor Detail Report<sup>21</sup> submitted with each invoice, but ANI noted on the invoices that the hours were not being included in the invoiced amount. The contracting officer modified NEA's task order more than a year later in December 2014. ANI then submitted a supplemental invoice identifying a September 28, 2013, billing period for the 2,444 hours worked but not previously invoiced. Similarly, in 2014, ANI delayed invoicing for 617 hours during 5 months from May to September 2014. After the contracting officer executed a contract modification to realign funds on April 23, 2015, ANI submitted an invoice for these labor costs in May 2015.

By failing to modify the task orders promptly to realign funds and adequately fund the CLINs, the Department risked Antideficiency Act violations if the contract did not have sufficient funds that could be realigned to cover ANI's accrued costs.<sup>22</sup> The Department would also be susceptible to unfunded commitments and requests for equitable adjustments from the contractor that could lead to the Department paying more than initially planned for monitoring support. Moreover, this conduct created a risk that the contractor would simply stop work on the contract, which would have harmed the bureaus' oversight of foreign assistance programs.

OIG discussed the funding issues with the contracting officers, as well as senior officials in the bureaus, namely the PRM comptroller, and the NEA Grants Branch division chief. The PRM comptroller told OIG that he believes the delay occurred because of staff and COR changes during the time that ANI delayed invoicing. The PRM contracting officer told OIG that she executes realignment modifications within 5 days of receiving the purchase requisition, and OIG confirmed that the modification was executed within 3 days of the requisition date. The NEA Grants Branch division chief told OIG that the delay in executing the contract modifications to realign funds in 2013 and 2014 had no specific cause. He noted that it has been his experience that contracting officers focus less on realigning funds in contracts that have funds remaining and more on contracts that are at risk of having inadequate total funding.

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<sup>21</sup> Labor Detail Reports, submitted with invoices, provide a summary of charges per CLIN. For time and materials contracts, actual time sheets are required to support labor charges.

<sup>22</sup> The Antideficiency Act prohibits Federal employees from "involving the [G]overnment in any obligation to pay money before funds have been appropriated for that purpose, unless authorized by law" (31 U.S.C. 1341(a)(1)(B)). OIG is not suggesting that Antideficiency Act violations occurred in this instance; OIG did not review evidence relating to this issue, as such work was beyond the scope of the audit.

### *The Department Did Not Adequately Maintain and Review Contract Files*

The FAH states that the COR's responsibilities include "reviewing the contractor's vouchers or invoices and approving them after adequately verifying the costs against supporting documentation," reconciling contract payments against allocated funds, and maintaining contract files.<sup>23</sup> According to the sample COR delegation letter, contract files should include at a minimum delegation letters, copies of the contract and all modifications, correspondence between the COR and the contractor, and invoices.<sup>24</sup> The files are intended to be the primary tool to help CORs carry out their duties and responsibilities. They are also intended to provide continuity in contract oversight when a COR leaves the position—and another is assigned—and to provide adequate documentation for audit purposes. On this point, Department Procurement Information Bulletin 2014-10 specifically states that contracting officers are responsible for establishing and maintaining contract files for their programs and are required to "maintain a listing within the contract file of successor [c]ontracting [o]fficers and changes in key personnel...."<sup>25</sup> The Bulletin also states that contracting officers are "responsible for determining that CORs exercising delegated authority are maintaining records adequate to support contract administration." The Bulletin requires that "[c]ontracting officers and CORs transferring files must certify that files being transferred are accurate and complete."

OIG found that the CORs and contracting officers did not adequately maintain the contract files for the task orders awarded to ANI. As previously stated, the CORs could not provide supporting documentation used to approve invoices. This documentation should have been included in the contract file, as required by the FAH. In addition, OIG could not obtain COR delegation letters for all past and present CORs delegated for the ANI task orders. OIG requested from the designated point of contact within Bureau of Acquisitions/Office of Logistics Management copies of all COR designation letters for the four ANI task orders. Upon reaching out to the contracting officers, the point of contact could provide only 7 letters<sup>26</sup> for past and current CORs, although OIG identified 10 past and current CORs. OIG believes that had the files been adequately maintained, copies of the COR delegation letters would have been readily available.

The contracting officers and the CORs told OIG that the contracting officers did not review contract files to ensure they were being maintained properly. OIG also learned that turnover had been frequent among both contracting officers and CORs on the task orders. With the exception of the INL task order, each task order has had at least two contracting officers and CORs. The task order awarded for DRL has had four changes in CORs, including two during the time OIG conducted this audit. This turnover increases the importance of proper contract file maintenance.

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<sup>23</sup> 14 FAH-2 H-142 "Responsibilities of the Contracting Officer's Representative."

<sup>24</sup> 14 FAH-2 Example 143.2(2) "Sample Designation Memorandum for Contracting Officer's Representatives."

<sup>25</sup> Procurement Information Bulletin 2014-10 "Contract Files and COR File Checklist."

<sup>26</sup> In its response to a draft of this report, PRM provided an additional COR letter. Accordingly, OIG adjusted this number. See Appendix D for PRM's comments to a draft of this report.

Again, OIG has previously brought related issues to the Department's attention. In a March 2014 management alert on contract file management deficiencies,<sup>27</sup> OIG recommended that A/OPE develop and implement a process to randomly sample and verify the completeness of contract files, including those that CORs and other supporting personnel maintain. The Department concurred with the recommendation and in June 2015 updated Procurement Information Bulletin 2014-10 to emphasize that contracting officers and CORs transferring files must certify that those files are accurate and complete; the update also provided that the current contracting officer or COR is responsible for the condition of the files unless prior deficiencies have been noted. As of September 2016, OIG considered this recommendation closed. Because OIG had previously made this recommendation, the Department subsequently updated Procurement Information Bulletin 2014-10, and the findings in this report pre-date the recommendation's closure, OIG is not making additional recommendations regarding contract file management in this report. However, OIG strongly encourages the Bureau of Administration to ensure that contract files are maintained in accordance with Procurement Information Bulletin 2014-10 and COR designation letters.

## **Finding B: ANI Is Providing Monitoring Support in Accordance With Contract Requirements**

OIG found the Department was satisfied with ANI's monitoring support and that ANI had fulfilled contract requirements. However, OIG also found that the monitoring contract could be improved by including objective and measurable criteria for performance, which would help the Department better assess contractor performance.

### ***ANI Provides Satisfactory Monitoring Support That Meets Contract Requirements***

According to the task orders' statements of work, ANI is required to submit a report of its monitoring activities to the bureaus that requested the activity. ANI and the bureaus conduct conference calls to discuss the foreign assistance programs and activities to be monitored as well as the expected timeframes for completion. In addition to monitoring activities, in some instances, the GOR requests that ANI conduct an outcome assessment. In this case, the contractor interviews recipients, beneficiaries, and stakeholders and submits a report to the GOR that the bureau can use to assess the likelihood of longer term impact and sustainability from the project the foreign assistance award funded. Both monitoring reports and outcome assessments are considered contract deliverables that are used by the GOR's to assess and evaluate the performance of the foreign assistance programs.

To determine ANI's performance in providing monitoring support in Iraq, OIG interviewed CORs and GORs working with ANI. They stated that ANI's monitoring support has been satisfactory and that the information ANI provided has been useful and helpful. For example, the NEA COR stated that ANI employees—specifically, field monitors—“take their jobs seriously, adhere to timelines, and provide sound observations and verification.” He said that the field monitors provide photographs and training agendas as well as interviews with beneficiaries and partners implementing foreign assistance programs. The GOR from DRL stated that, “without this

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<sup>27</sup> MA-A-0002 Management Alert (Contract File Management Deficiencies), March 20, 2014.

contract, we would struggle to know how our programs are doing” because ANI monitors provide useful information regarding DRL’s risk and outcome assessments. OIG learned in a meeting with PRM staff that they were able “to assess and evaluate the effectiveness of the programs and the quality of monitoring was good.” INL staff stated that they found the “information provided by ANI was useful and helpful.”

Additionally, in a February 2017 meeting at Embassy Baghdad with embassy leadership, both Public Affairs and Refugee and Internally Displaced Persons Affairs senior management told OIG that “without the monitoring program there would be little oversight of foreign assistance because of the challenges embassy staff have in getting out to monitor” because of security concerns. At this meeting, senior United States Agency for International Development officials stated that they would be issuing a contract for monitoring services in Iraq given the success of the current monitoring program.

To further confirm ANI’s performance, OIG reviewed a random selection of 50 monitoring reports and outcome assessments that ANI prepared and submitted—25 reports to NEA, 3 to INL, 12 to DRL, and 10 to PRM. The contract with ANI requires that all contract deliverables satisfy the following criteria:

- **Accuracy:** Work products shall be accurate in presentation, technical content, and adherence to accepted elements of style. Documents should be 99 percent free of grammar and spelling errors.
- **Clarity:** Work products shall be clear and concise. All diagrams and graphics shall be easy to understand and be relevant to the supporting narrative.
- **Format:** Work products shall be submitted in hard copy (where applicable) and in media mutually agreed upon prior to submission. All text and diagrammatic files shall be editable by the U.S. Government.
- **Timeliness:** Work products shall be submitted on or before the due date specified.

OIG relied on bureau personnel’s assessment for accuracy as to technical content given their familiarity with the nature of the foreign assistance programs. OIG’s review for accuracy focused on the presentation aspects of the accuracy criteria, and OIG assessed clarity and format. OIG confirmed in its review that the monitoring reports include photographs and interviews. OIG generally found that the deliverables meet the criteria contained in the contract. See Table 3 for results by bureau and by requirement.

**Table 3: Degree to Which ANI Met Requirements for Reporting Monitoring Activities in Sample of 50 Reports**

Requirements*	Number of Reports That Met Requirement (Percentage of Total)				
	NEA	INL	DRL	PRM	Total
Accuracy	25 (100%)	3 (100%)	12 (100%)	10 (100%)	50 (100%)
Clarity	20 (80%)	2 (67%)	8 (67%)	10 (100%)	40 (80%)
Format	25 (100%)	3 (100%)	12 (100%)	10 (100%)	50 (100%)
Timeliness*	N/A	N/A	N/A	N/A	

\*OIG was unable to objectively assess timeliness of report submissions because the contract contained no criteria by which to measure this factor. However, OIG discussed timeliness with CORs and GORs; they did not express concerns with this issue.

**Source:** Generated by OIG based on analysis of monitoring reports and outcome assessments provided by NEA, INL, DRL, and PRM.

### ***Contract Criteria Could Be More Objective***

When assessing whether the ANI monitoring reports meet contract requirements, OIG determined that the criteria in the contract are subjective in nature. For example, the criterion for timeliness states that the “work products shall be submitted on or before the due date specified in the statement of work or submitted in accordance with a later scheduled date determined [by the bureau].” However, OIG reviewed the statements of work for each task order and found no timeframes were included. Although flexibility is sometimes required for contracts in contingency environments such as Iraq, an objective criterion such as “within 30 calendar days” is measurable. Using such objective, measurable criteria would allow the Department to better assess the contractor’s performance.

**Recommendation 3:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisition Management, in conjunction with the regional or functional bureaus funding contract SAQMMA11D0119, establish controls to ensure that objective and measurable criteria are included in all future contracts for monitoring support in Iraq and other contingency environments.

**AQM Management Response:** AQM agreed with the recommendation stating that it will ensure that, “when practicable depending on the specific contract task, clear, measurable criteria for control (such as timeliness) are implemented in future contracts for monitoring support in Iraq and other contingency environments.”

**OIG Reply:** On the basis of AQM’s agreement and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that AQM has established and implemented controls to ensure that objective and measurable criteria are included to the extent possible in future contracts for monitoring support in Iraq and other contingency environments.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management determine whether the \$3,053,893 OIG questioned in unsupported costs (as identified in Table 2) under the indefinite-delivery, indefinite-quantity contract SAQMMA11D0119 are adequately supported and recover, as appropriate, all costs determined to be unsupported and unallowable.

**Recommendation 2:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management review the remaining invoiced costs associated with all task orders awarded under the indefinite delivery, indefinite quantity contract SAQMMA11D0119 that were not included in OIG's sample to determine whether all costs were supported and allowable and recover, as appropriate, all costs determined to be unsupported and unallowable.

**Recommendation 3:** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisition Management, in conjunction with the regional or functional bureaus funding contract SAQMMA11D0119, establish controls to ensure that objective and measurable criteria are included in all future contracts for monitoring support in Iraq and other contingency environments.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG) conducted this audit of the Department of State's (Department) contract with All Native, Inc. (ANI) to monitor foreign assistance programs in Iraq to determine (1) the extent to which the Department is managing and overseeing the contract in accordance with Federal and Department regulations and guidelines and (2) whether the contractor, ANI, is providing monitoring support in accordance with contract terms and conditions.

To determine the extent to which the Department is managing and overseeing the contract in accordance with Federal and Department regulations and guidelines, OIG discussed invoice review and approval processes with contracting officer's representatives (CORs) and reviewed a sample of invoices to see if costs were allowable and adequately supported. OIG identified a universe of 133 invoices, totaling \$5,475,899, submitted by ANI from contract award in September 2011 through July 2016 and reviewed a sample of 75 invoices. See Detailed Sampling Methodology below for more information about the sample selection methodology. For each invoice, OIG looked for documentation supporting both labor and other direct costs. For labor costs, OIG compared the hourly rates on the invoices with the rates in the contract and reviewed all time sheets to ensure that quantities invoiced were supported. For other direct costs, OIG reviewed invoices and supporting documentation to ensure that the costs were allowed by the contract and that sufficient supporting documentation was provided by ANI and reviewed by the CORs. In its review of invoices, OIG limited the audit scope to the period from contract award in September 2011 through July 2016.

To determine whether ANI provided monitoring support in accordance with contract terms and conditions, OIG met with contracting officers, CORs, grants officer representatives, and bureau officials to obtain their views on ANI's performance. Further, OIG met with ANI's management team and, separately, with ANI monitors to discuss ANI activities and their interactions with Department staff. OIG also reviewed a selection of 50 monitoring reports and outcome assessments prepared and submitted by ANI to the Bureaus of Near Eastern Affairs; Population, Refugees, and Migration; International Narcotics and Law Enforcement Affairs; and Democracy, Human Rights, and Labor. In reviewing the reports, OIG assessed whether these contract deliverables met requirements for accuracy, clarity, and format. Although OIG relied on bureau personnel's assessment for determination of accuracy as to technical content given the complexities of the foreign assistance awards, OIG reviewed the reports to see if ANI met the presentation aspects of the accuracy criteria. OIG also reviewed the reports for clarity and format and identified in its review that the monitoring reports included photographs and interviews.

OIG conducted fieldwork from August 2016 to December 2016 in Arlington, VA, and at U.S. Embassy Baghdad. 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 objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

## Prior Reports

OIG reviewed prior OIG audit reports that identified weaknesses in monitoring foreign assistance and those that identified questioned costs.

### *Reports That Identified Weaknesses in Program Monitoring*

In March 2014, OIG alerted senior Department management to significant vulnerabilities in the management of contract file documentation that could expose the Department to substantial financial losses. OIG summarized repeated examples of poor contract file administration and has designated contract management as one of the Department's major management challenges for the past several years. OIG provided three recommendations intended to eliminate or mitigate those vulnerabilities.<sup>1</sup>

In March 2015, OIG reported that, contrary to Department guidance, neither the grants officer nor the grants officer representative with responsibility for humanitarian assistance in response to the Syrian crisis had completed monitoring plans for assessing the awards' progress. To improve the administration and monitoring of assistance instruments, OIG made four recommendations that require the grants officers and grants officer representatives to develop monitoring plans for all their assistance instruments and to follow all administrative procedures outlined in Department guidance.<sup>2</sup>

In June 2015, OIG reported instances in which grants officer representatives did not execute their oversight responsibilities or comply with grant monitoring requirements. In some cases, grants officer representatives had not created monitoring plans or verified program performance or financial data reported by grantees.<sup>3</sup>

In September 2015, OIG reported that the bureaus responsible for management and oversight of non-lethal assistance provided in response to the Syrian crisis did not provide sufficient monitoring of any of the four award recipients in the audit sample. OIG made 10 Recommendations to the responsible bureaus to improve the management and oversight of the awards and to review the costs questioned in that report to determine whether they were allowable.<sup>4</sup>

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<sup>1</sup> Management Alert - Contract File Management Deficiencies, (MA-A-0002).

<sup>2</sup> Audit of Department of State Humanitarian Assistance in Response to the Syrian Crisis (AUD-MERO-15-22).

<sup>3</sup> Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives (AUD-CG-15-33).

<sup>4</sup> Audit of Department of State Management and Oversight of Non-Lethal Assistance Provided for the Syrian Crisis (AUD-MERO-15-39).

### *Reports Identifying Questioned Costs*

OIG issued four audit reports between May 2015 and March 2016 that questioned costs on approved invoices for services provided in Iraq. As shown in Table A.1, OIG questioned \$25.7 million in costs.

**Table A.1: OIG Audits That Identified Questioned Costs on Invoices for Services in Iraq, 5/2015–3/2016**

<b>Report Title</b>	<b>Report Date</b>	<b>Questioned Costs (Millions)</b>
<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 8 — Security Services at U.S. Consulate Erbil (AUD-MERO-16-30)</i>	3/2016	\$10.8
<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 — Baghdad Embassy Security Force (AUD-MERO-16-28)</i>	2/2016	\$7.2
<i>Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract Iraq (AUD-MERO-15-35)</i>	7/2015	\$0.9
<i>Audit of the U.S. Mission Iraq Medical Services (AUD-MERO-15-25)</i>	5/2015	\$6.8
<b>Total</b>		<b>\$25.7</b>

**Source:** OIG generated on the basis of findings from previous audit reports.

In its March 2016 report, OIG questioned \$10.8 million in approved invoice costs. This audit was the fourth in a series of audits performed by OIG at the request of the Bureau of Diplomatic Security. OIG previously reported on three other task orders under this contract: Task Order 5 for Baghdad Embassy movement security services, Task Order 10 for Kabul Embassy security services, and Task Order 3 for Baghdad static security. In those audits, OIG found that contracting officers and their representatives did not thoroughly review supporting documentation when approving invoices, did not ensure that contractors maintained records, and did not adequately monitor the contractor's performance. OIG made a series of Recommendations to review costs and recoup any costs found to be unallowable or unsupported.<sup>5</sup>

In the February 2016 report, OIG reported that it had reviewed invoices with costs, totaling \$466 million, and questioned nearly \$7.2 million paid on 193 of those invoices. The questioned costs included \$6.5 million that OIG considered unsupported and \$652,060 that OIG considered unallowable. The COR approved those invoices, in part, because he relied on the desk officers' review of invoices and supporting documentation, although those officers only reviewed 10 percent to 20 percent of the supporting documentation because of time

<sup>5</sup> Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 8 – Security Services at U.S. Consulate Erbil (AUD-MERO-16-30).

constraints. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve invoice review.<sup>6</sup>

In the July 2015 report, OIG questioned \$932,644 in costs associated with 9 of 14 invoices. OIG reviewed 14 invoices totaling approximately \$49.7 million, out of the \$541.5 million in invoices submitted as of October 31, 2013. The COR and others failed to identify the questioned costs because the contractor, DynCorp International, was not required to provide documentation supporting its invoices' charges unless the Bureau of International Narcotics and Law Enforcement Affairs, Office of Aviation requested it and because the invoice review processes, methodologies, and staffing were insufficient. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve invoice review.<sup>7</sup>

OIG questioned, in May 2015, \$6,788,027, including \$15,146 in possibly unallowable expenses. OIG reviewed the contractor's 12 largest invoices, which totaled approximately \$25 million, or 17 percent of the \$154 million in invoices submitted and approved from September 2011 through December 2013. These questioned costs occurred, in part, because early in the contract, the Department did not have the appropriate support system in place to adequately manage and monitor, including review of invoices, the CHS Middle East LLC contract. In addition, the COR's initial invoice reviews focused on labor rates, with cursory reviews of other invoice items. Further, CHS Middle East LLC did not always provide sufficient documentation to support its invoices. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve invoice review.<sup>8</sup>

## Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to management and oversight of the contract with ANI to monitor foreign assistance awards in Iraq. Specifically, OIG reviewed invoice documentation to ensure that CORs reviewed invoices and supporting documentation in the invoice approval process. OIG summarized internal control deficiencies and weaknesses found in the invoice review process in the Audit Results section of this report.

## Use of Computer-Processed Data

Computer-processed data were used in determining the universe of invoices that ANI submitted for the four task orders under the contract. This universe was obtained electronically from the Department's Global Financial Management System. To verify the completeness of this obtained universe, OIG requested a list of all invoices submitted under the applicable task orders from each bureau. OIG compared the lists and was unable to

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<sup>6</sup> Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 – Baghdad Embassy Security Force (AUD-MERO-16-28).

<sup>7</sup> Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq (AUD-MERO-15-35).

<sup>8</sup> Audit of the U.S. Mission Iraq Medical Services (AUD-MERO-15-25).

determine any material differences. From this analysis, OIG concluded that the obtained universe was complete.

### **Detailed Sampling Methodology**

OIG selected a non-statistical random sample of monitoring reports and outcome assessments to test ANI's compliance with the acceptance criteria contained in the task orders. OIG focused on whether the reports met contract requirements for accuracy, clarity, and format.

For the invoice review, OIG identified a universe of 133 invoices, totaling \$5,475,899, submitted by ANI from September 2011 through July 2016. OIG reviewed a statistical sample of 75 invoices, totaling \$3,985,740. The sample was selected using a partially dollar-weighted sampling design; this design allows for both a projection to the dollar total and the number of invoices in the universe. The dollar unit used to weight the sample was the invoice amount for each line item. A sample size of 113 was chosen to ensure precision of plus or minus 10 percent given a 95 percent confidence level. Because of the sampling design, some invoices were selected more than once. The duplicate selections were removed, resulting in a sample of 75 unique invoices.<sup>9</sup>

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<sup>9</sup> The sample was pulled with replacements to reduce bias when estimating the sample error rate.

## APPENDIX B: INVOICES SUBMITTED UNDER SAQMMA11D0119

Table B.1: Invoices Reviewed by OIG for Unsupported Costs

Item Number	Bureau	Invoice Date	Invoice Number	Invoiced Amount	Unsupported Labor Costs	Unsupported Other Direct Costs
1	NEA	2/16/2012	6239	\$118,954.88	\$33,103.88	\$85,851.00
2	NEA	4/10/2012	6475	\$59,929.51	\$48,883.95	\$11,045.56
3	NEA	5/29/2012	6603	\$91,099.02	\$47,110.76	\$43,988.26
4	NEA	6/7/2012	6652	\$67,256.71	\$48,206.91	\$19,049.80
5	NEA	7/13/2012	6837	\$23,474.32	\$23,382.32	\$92.00
6	NEA	8/16/2012	7037	\$50,255.34	\$37,248.46	\$13,006.88
7	NEA	8/16/2012	7038	\$82,135.19	\$54,501.16	\$27,634.03
8	NEA	11/14/2012	7342	\$78,298.81	\$61,280.73	\$17,018.18
9	NEA	12/19/2012	7430	\$74,923.30	\$59,146.09	\$15,777.21
10	NEA	1/16/2013	7479	\$86,346.36	\$53,617.61	\$32,728.75
11	NEA	8/22/2013	300301A	\$166,231.56	\$50,972.29	\$115,259.27
12	NEA	11/8/2013	300302	\$76,252.70	\$61,502.64	\$14,750.06
13	NEA	4/1/2014	300303R	\$81,266.22	\$69,222.65	\$12,043.57
14	NEA	4/28/2014	300305	\$67,164.47	\$56,401.13	\$10,763.34
15	NEA	6/20/2014	300307	\$68,076.36	\$55,757.80	\$12,318.56
16	NEA	7/1/2014	300308	\$49,885.13	\$39,443.49	\$10,441.64
17	NEA	7/2/2014	300309	\$44,009.38	\$30,206.60	\$13,802.78
18	NEA	12/22/2014	300309S	\$73,518.14	\$55,625.55	\$0.00
19	NEA	8/13/2014	300310	\$233,197.35	\$170,341.95	\$62,855.40
20	NEA	10/20/2014	300311	\$346,852.90	\$253,025.68	\$61,273.22
21	NEA	11/3/2014	300312	\$45,106.64	\$37,412.52	\$7,694.12
22	NEA	11/20/2014	300313	\$57,661.62	\$54,872.84	\$2,788.78
23	NEA	12/22/2014	300314	\$59,735.94	\$58,229.12	\$1,506.82
24	NEA	12/23/2014	300315	\$70,927.98	\$66,722.11	\$4,205.87
25	NEA	5/1/2015	300315S	\$53,956.65	\$53,956.65	\$0.00
26	NEA	12/22/2014	300316	\$147,609.62	\$124,538.84	\$23,070.78
27	NEA	2/25/2015	300317	\$75,847.73	\$65,022.57	\$10,825.16
28	NEA	2/17/2015	300318	\$60,863.55	\$59,945.22	\$918.33
29	NEA	3/30/2015	300319	\$33,260.14	\$26,733.14	\$6,527.00
30	NEA	4/10/2015	300320	\$26,743.54	\$25,729.25	\$1,014.29
31	NEA	5/14/2015	300321	\$38,572.43	\$26,016.32	\$12,556.11
32	NEA	6/16/2015	300322R	\$31,251.09	\$24,462.96	\$6,788.13
33	NEA	9/2/2015	300324	\$22,099.88	\$21,361.10	\$738.78
34	NEA	10/14/2015	300326	\$22,993.23	\$19,752.05	\$3,241.18
35	NEA	11/11/2015	300327	\$24,875.40	\$23,786.97	\$1,088.43
36	NEA	12/10/2015	300329	\$31,848.80	\$31,422.24	\$426.56
37	NEA	1/14/2016	300330	\$34,398.79	\$0.00	\$3,015.18
38	NEA	2/11/2016	300332	\$37,395.71	\$0.00	\$0.00
39	NEA	6/13/2016	300337	\$29,225.85	\$0.00	\$0.00
<b>NEA Totals</b>				<b>\$2,843,502.24</b>	<b>\$2,028,945.55</b>	<b>\$666,105.03</b>

## UNCLASSIFIED

Item Number	Bureau	Invoice Date	Invoice Number	Invoiced Amount	Unsupported Labor Costs	Unsupported Other Direct Costs
40	INL	6/23/2014	301901	\$25,836.95	\$0.00	\$0.00
41	INL	7/15/2014	301902	\$18,850.52	\$0.00	\$0.00
42	INL	9/15/2014	301904	\$16,583.76	\$0.00	\$57.40
43	INL	10/15/2014	301905	\$52,754.33	\$0.00	\$0.00
44	INL	11/17/2014	301905S	\$17,353.50	\$0.00	\$0.00
45	INL	3/13/2015	301910	\$25,551.84	\$0.00	\$0.00
46	INL	5/15/2015	301912	\$27,851.30	\$0.00	\$0.00
47	INL	6/10/2015	301913	\$25,581.24	\$0.00	\$0.00
48	INL	10/12/2015	301917	\$21,696.01	\$0.00	\$0.00
<b>INL Totals</b>				<b>\$232,059.45</b>	<b>\$0.00</b>	<b>\$57.40</b>
49	DRL	8/20/2014	302002A	\$39,309.17	\$33,988.90	\$5,320.27
50	DRL	11/17/2014	302005S	\$39,542.63	\$0.00	\$168.00
51	DRL	12/17/2014	302006	\$68,662.84	\$0.00	\$15,510.13
52	DRL	6/10/2015	302012	\$42,309.04	\$0.00	\$0.00
53	DRL	8/18/2015	302013R	\$19,661.58	\$14,895.93	\$4,765.65
54	DRL	8/12/2015	302014	\$15,527.90	\$0.00	\$0.00
55	DRL	9/10/2015	302015	\$26,531.61	\$24,149.10	\$2,382.51
56	DRL	11/19/2015	302016S	\$39,836.84	\$0.00	\$5,289.76
57	DRL	11/19/2015	302017	\$48,744.02	\$0.00	\$2,190.88
58	DRL	1/14/2016	302019	\$34,649.66	\$0.00	\$0.00
59	DRL	2/11/2015	302020	\$46,576.68	\$36,249.30	\$10,327.38
60	DRL	3/10/2016	302023	\$45,168.37	\$32,855.57	\$12,312.80
61	DRL	4/12/2016	302024	\$43,822.06	\$40,373.02	\$3,449.06
62	DRL	5/12/2016	302025	\$43,318.12	\$39,252.71	\$4,065.41
63	DRL	7/13/2016	302028	\$31,206.05	\$30,245.40	\$960.65
<b>DRL Totals</b>				<b>\$584,866.57</b>	<b>\$252,009.93</b>	<b>\$66,742.50</b>
64	PRM	12/12/2014	*304602	\$0.00	\$0.00	\$0.00
65	PRM	3/4/2015	304602R	\$23,213.30	\$0.00	\$0.00
66	PRM	3/4/2015	304603R	\$21,506.87	\$0.00	\$0.00
67	PRM	3/13/2015	304605	\$21,909.54	\$0.00	\$0.00
68	PRM	9/10/2015	304611	\$16,061.09	\$0.00	\$0.00
69	PRM	10/12/2015	304612	\$65,110.29	\$40,032.97	\$0.00
70	PRM	12/10/2015	304614	\$24,839.25	\$0.00	\$0.00
71	PRM	1/14/2016	304615	\$23,906.13	\$0.00	\$0.00
72	PRM	3/10/2016	304618	\$39,688.53	\$0.00	\$0.00
73	PRM	4/12/2016	304619	\$32,844.82	\$0.00	\$0.00
74	PRM	5/12/2016	304620	\$31,056.60	\$0.00	\$0.00
75	PRM	7/13/2016	304623	\$25,175.50	\$0.00	\$0.00
<b>PRM Totals</b>				<b>\$325,311.92</b>	<b>\$40,032.97</b>	<b>\$0.00</b>
<b>Totals</b>				<b>\$3,985,740.18</b>	<b>\$2,320,988.45</b>	<b>\$732,904.93</b>

\* Invoice not approved by PRM; contractor resubmitted as 304602R

Source: Generated by OIG based on invoices and supporting documentation provided by NEA, INL, DRL and PRM.

Table B.2: Invoices Not Reviewed by OIG

Item Number	Bureau	Invoice Date	Invoice Number	Invoiced Amount
1	NEA	2/16/2012	6238	\$20,590.34
2	NEA	6/29/2012	6752	\$58,895.80
3	NEA	10/5/2012	7183	\$89,904.61
4	NEA	11/2/2012	7291	\$56,679.56
5	NEA	12/19/2012	7431	\$6,215.87
6	NEA	12/8/2015	148367	\$2,227.00
7	NEA	4/1/2014	300304	\$77,471.44
8	NEA	6/3/2014	300306A	\$69,762.45
9	NEA	7/20/2015	300323	\$29,913.86
10	NEA	10/15/2015	300325	\$14,480.74
11	NEA	12/3/2015	300328	\$3,012.00
12	NEA	1/15/2016	300331	\$1,107.44
13	NEA	3/2/2016	300333	\$2,706.49
14	NEA	3/10/2016	300334	\$40,284.64
15	NEA	4/12/2016	300335	\$27,441.94
16	NEA	5/12/2016	300336	\$27,833.20
17	NEA	7/13/2016	300338	\$37,608.37
<b>NEA Totals</b>				<b>\$566,135.75</b>
18	INL	8/14/2014	301903	\$8,447.74
19	INL	11/19/2014	301906	\$27,400.36
20	INL	12/12/2014	301907	\$39,982.68
21	INL	1/21/2015	301908	\$37,165.25
22	INL	2/11/2015	301909	\$18,650.18
23	INL	4/10/2015	301911	\$29,998.22
24	INL	7/20/2015	301914	\$32,170.39
25	INL	8/12/2015	301915	\$18,345.08
26	INL	9/10/2015	301916	\$24,580.83
27	INL	12/2/2015	301918	\$2,920.92
<b>INL Totals</b>				<b>\$239,661.65</b>
28	DRL	6/23/2014	302001	\$77,194.48
29	DRL	8/14/2014	302003	\$6,972.90
30	DRL	10/15/2014	302005	\$53,651.58
31	DRL	1/6/2015	302006A	\$68,662.84
32	DRL	1/21/2015	302007	\$29,284.27
33	DRL	2/11/2015	302008	\$27,484.73
34	DRL	3/13/2015	302009	\$29,447.32
35	DRL	4/10/2015	302010	\$0.00
36	DRL	4/29/2015	302010R	\$19,800.83
37	DRL	5/15/2015	302011	\$19,328.09
38	DRL	8/19/2015	302012R	\$42,309.04
39	DRL	7/20/2015	302013	\$0.00
40	DRL	10/12/2015	302016	\$49,065.79
41	DRL	12/10/2015	302018	\$37,667.89

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42	DRL	2/15/2016	302021	\$2,789.00
43	DRL	3/2/2016	302022	\$2,706.49
44	DRL	6/13/2016	302026	\$0.00
45	DRL	7/14/2016	302026R	\$41,932.20
<b>DRL Totals</b>				<b>\$508,297.45</b>
46	PRM	11/12/2014	304601	\$4,840.56
47	PRM	1/21/2015	304603	\$0.00
48	PRM	2/11/2015	304604	\$0.00
49	PRM	3/4/2015	304604R	\$19,696.44
50	PRM	4/10/2015	304606	\$27,265.11
51	PRM	5/15/2015	304607	\$25,085.81
52	PRM	6/10/2015	304608	\$23,864.14
53	PRM	7/20/2015	304609	\$26,783.15
54	PRM	8/12/2015	304610	\$15,785.40
55	PRM	11/10/2015	304613	\$33,120.05
56	PRM	2/11/2016	304616	\$39,871.22
57	PRM	3/2/2016	304617	\$2,706.49
58	PRM	6/13/2016	304621	\$26,117.26
<b>PRM Totals</b>				<b>\$245,135.63</b>
<b>Total</b>				<b>\$1,559,230.48</b>

Source: Generated by OIG based on data in Global Financial Management System.

## APPENDIX C: BUREAU OF ADMINISTRATION (A) RESPONSE

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United States Department of State

Washington, D.C. 20520

May 08, 2017

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### MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/LM – Jennifer A. McIntyre 

SUBJECT: Draft Report on *Audit of Department of State's Contract to Monitor Foreign Assistance Programs in Iraq*

Below is the Office of Logistics Management's response to the subject draft report. The point of contact for this response is Matthew Colantonio who may be reached at 703-875-5848.

**Recommendation 1.** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (AQM) determine whether the \$3,064,419 OIG questioned in unsupported costs (as identified in Table 2) under the indefinite delivery, indefinite quantity contract SAQMMA11D0119 are adequately supported and recover, as appropriate, all costs determined to be unsupported and unallowable.

**Management Response to Draft Report:** AQM agrees with Recommendation 1 and will seek to determine whether the \$3,064,419 in questioned costs are supported or recoverable in coordination with NEA.

**Recommendation 2.** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management review the remaining invoiced costs associated with all task orders awarded under the indefinite delivery, indefinite quantity contract SAQMMA11D0119 that were not included in OIG's sample to determine whether all costs were supported and allowable and recover, as appropriate, all costs determined to be unsupported and unallowable.

**Management Response to Draft Report:** AQM agrees with Recommendation 2 and will coordinate with NEA to conduct the review.

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**Recommendation 3.** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisition Management, in conjunction with the regional or functional bureaus funding contract SAQMMA11D0119, establish controls to ensure that objective and measurable criteria are included in all future contracts for monitoring support in Iraq and other contingency environments.

**Management Response to Draft Report:** AQM agrees with recommendation number 3 and will ensure that, when practicable depending on the specific contract task, clear, measurable criteria for controls (such as timeliness) are implemented in future contracts for monitoring support in Iraq and other contingency environments.

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## APPENDIX D: BUREAU OF POPULATION, REFUGEES, AND MIGRATION (PRM) RESPONSE

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United States Department of State  
*Bureau of Population, Refugees, and Migration*  
*Washington, D.C. 20520*

April 28, 2017

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MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: PRM/C – Eric Hembree *EHL*

SUBJECT: Audit of Audit of Department of State's Contract to Monitor Foreign Assistance Programs in Iraq

This memorandum provides the management responses to the draft report for the subject audit. If you have any questions or would like to discuss this further, please contact me at (202) 453-9239 or Jennifer Kandler at (202) 453-9232.

Attachment: As stated.

**Draft Report:**

PRM has reviewed the report and has the following technical edits to a paragraph on page 11:

Instead, the COR worked with the bureau comptroller and ~~budget executive~~ office to obtain agreement on the realignment, which should have led to the ~~budget executive~~ office submitting a request to A/LM/AQM for a contract modification. Although the COR and ~~bureau finance comptroller's~~ office agreed to the realignment of funds in April 2015, the request for the modification was not submitted to A/LM/AQM until September 2015, at which time A/LM/AQM executed the modification that realigned funds.

With regard to the finding that COR files were not adequately maintained, PRM feels that it adequately maintains its COR files. We have attached here the two COR letters for the PRM task orders, as the report had highlighted lack of COR letters as a sign of deficient COR files. PRM contract files include the delegation letters, copies of the contract and all modifications, correspondence between the COR and the contractor, and invoices.

**Recommendation 1.** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management determine whether the \$3,064,419 OIG questioned in unsupported costs (as identified in Table 2) under the indefinite delivery, indefinite quantity contract SAQMMA11D0119 are adequately supported and recover, as appropriate, all costs determined to be unsupported and unallowable.

**Management Response to Draft Report:** Regarding invoice 304603R, PRM had initially rejected 304603 due to technical concerns with how charges were being applied to CLINs and required that they correct the invoice. PRM did not request that ANI resubmit the supporting documentation that was provided in 304603, as it felt the documentation was adequate. Thus, 304603R only reflects the technical corrections to the CLINs, with the supporting documentation from 304603 used by PRM to verify the charges. OIG did not request additional information from PRM in relation to this invoice, which PRM feels it could have explained to OIG's satisfaction.

Attachments and tabs are available upon request, consistent with applicable law.

## APPENDIX E: BUREAU OF DEMOCRACY, HUMAN RIGHTS, AND LABOR (DRL) RESPONSE

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United States Department of State

*Assistant Secretary for Democracy,  
Human Rights, and Labor*

*Washington, D.C. 20520-7827*

May 2, 2017

Dear Mr. Brown:

DRL appreciates the Office of the Inspector General's (OIG) thorough review of the Department's All Native, Inc. (ANI) contract (SAQMMA11D0119) and values the report's recommendations to improve oversight over the contract and the services it offers.

We will work with our colleagues in the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (AQM) to determine whether the \$318,752 OIG questioned in unsupported costs under DRL's task order of the contract are adequately supported, and will also assist AQM, as needed, in the review of the remaining DRL invoices not included in the audit.

DRL welcomes the opportunity to work with AQM to ensure objective and measurable criteria are included in any future contracts for such services in Iraq and other similar environments.

Sincerely,  
  
Virginia Bennett, Acting

Norman P. Brown,  
Assistant Inspector General for Audits,  
Office of the Inspector General, Office of Audits,  
U.S. Department of State,  
Arlington, Virginia.

## APPENDIX F: BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT (INL) RESPONSE

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United States Department of State

Washington, D.C. 20520

MAY -9 2017

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**MEMORANDUM FOR OIG/AUD ASST. INSPECTOR GENERAL  
NORMAN P. BROWN**

**FROM:** INL – Mary Pat Hayes-Crow, Executive Director 

**SUBJECT:** INL Comments on the OIG Draft Report Audit of Department of State's Contract to Monitor Foreign Assistance Programs in Iraq (April, 2017)

The Bureau of International Narcotics and Law Enforcement Affairs (INL) appreciates the opportunity to comment on the subject draft OIG audit report and offers additional information and clarification for your consideration as detailed below. Out of the nine invoices sampled for INL, two invoices resulted in questioned costs as identified in the OIG draft report:

- Item 42 - \$57.40 – Danger pay (unsupported direct costs)
- Item 43 - \$3,453.23 – Travel for Team Lead \$1974.80 + Office Supplies for Internet and phone recharge \$1,478.43 (unsupported direct costs)

INL requests OIG's reconsideration based on the following explanation of the support for each invoice.

**For Item 42:** Invoice number 301904 – August 2014

The Detailed Labor Report for Invoice 301904 for August 2014 (Tab 1) lists all charges by CLIN for the month of August 2014. The time sheets for the first and second half of August cover the post differential and danger pay in question (Tab 2). Please note that post differential and danger pay are established percentages based on employee location that the Corporation's Accounting Department calculates. They are not recorded by the employee.

**For Item 43:** Invoice number 301905 – September 2014

References to CLIN 008 Travel/ODC. The expenses for invoice number 301905, shows travel for a June trip to Jordan on Pages 34 through 39 (Tab 3). Page 33 shows the division of travel costs split between three bureaus with the cost for INL

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shown as billing code 3019. Documentation for September travel expenses are presented on pages 41 through 53.

CLIN 011 - Iraq Office supplies, equipment was also deemed unsupported in the draft report. This CLIN identifies expenses for internet and telephone recharges for the Iraq office for both the August and September charges. These expenses are shown in invoice 301905 on pages 1-33. The charges are split where necessary for one of the monitoring assistants (Tab 4).

Attachments:

Tab 1 - Detailed Labor Report for Invoice 301904

Tab 2 - August Timesheets

Tab 3 - Detailed Labor Report for Invoice 301905

Tab 4 - Receipts for Monitoring Assistants

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Attachments and tabs are available upon request, consistent with applicable law.

## ABBREVIATIONS

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A	Bureau of Administration
ANI	All Native, Inc.
CLIN	contract line item number
COR	contracting officer's representative
FAH	Foreign Affairs Handbook
FAR	Federal Acquisition Regulation
GOR	grants officer representative
INL	Bureau of International Narcotics and Law Enforcement Affairs
LM	Office of Logistics Management
NEA	Bureau of Near Eastern Affairs
OPE	Office of the Procurement Executive
PRM	Bureau of Population, Refugees, and Migration

## OIG AUDIT TEAM MEMBERS

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James Pollard, Director  
Middle East Region Operations  
Office of Audits

Amy Lowenstein, Audit Manager  
Middle East Region Operations  
Office of Audits

Philip White, Program and Management Analyst  
Middle East Region Operations  
Office of Audits

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