

Highlights of GAO-14-635, a report to the Chairman, Subcommittee on Financial and Contracting Oversight, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Grants are key tools that State uses to conduct foreign assistance. In fiscal year 2012, State obligated over \$1.6 billion worldwide for around 14,000 grants to individuals and organizations for a variety of purposes, such as fostering cultural exchange and facilitating refugee resettlement. However, recent GAO and Inspectors General reports have identified challenges with State's management of these funds. This report examines (1) the policies and guidance that State has established to administer and oversee grants, and (2) the extent to which the implementation of those policies and guidance provides reasonable assurance that funds are being used as intended. GAO analyzed State's policies and guidance, and interviewed cognizant grants officials at 14 bureaus headquartered in Washington, D.C., and three overseas missions (Afghanistan, Cambodia, and Turkey). GAO also conducted file reviews for a sample of 61 grants totaling approximately \$172 million. Selection criteria included total dollar value of grants in a country, geographic diversity, and balance among bureaus.

What GAO Recommends

GAO recommends that the Secretary of State develop processes for ensuring that (1) bureaus and missions conduct appropriate risk assessments and (2) grants officials complete required documentation. GAO also recommends that the Secretary of State (3) follow up systematically on recommendations from State's internal reviews of its grants management. State concurred with GAO's recommendations.

View GAO-14-635. For more information, contact David Gootnick at (202) 512-3149 or GootnickD@gao.gov.

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STATE DEPARTMENT

Implementation of Grants Policies Needs Better Oversight

What GAO Found

The Department of State (State) has established policies and guidance that provide a supportive environment for managing grants and cooperative agreements (grants). In addition, State provides its grants officials mandatory training on these policies and guidance, and routinely identifies and shares best practices. State's policies are based on federal regulations, reflect internal control standards, and cover topics such as risk assessment and monitoring procedures. State's policies also delineate specific internal control activities that grants officials are required to both implement and document in the grant files as a way of promoting accountability (see fig.).

Key Internal Control Activities Required through a Grant's Life Cycle



Source: GAO analysis of Department of State data. | GAO-14-635

GAO found that inconsistent implementation of policies and guidance weakens State's assurance that grant funds are used as intended.

- Inadequate risk analysis.** In most of the files GAO reviewed, grants officials did not fully identify, assess, and mitigate risks, as required. For example, officials conducted a risk identification process for 45 of the 61 grants that GAO reviewed. While grants officials identified risk in 28 of those 45 grants, they mitigated risks in only 11.
- Poor documentation.** Grants officials generally did not adhere to State policies and procedures relating to documenting internal control activities. For example, 32 of the 61 files reviewed did not contain the required monitoring plan. Considerable turnover among grants officials makes documenting internal control activities particularly important. State's periodic management reviews of selected bureaus' and overseas missions' grant operations have also found that key documentation was frequently missing or incomplete and made recommendations to address the problem. However, State has not consistently followed up to ensure the implementation of these recommendations, as internal control standards require.

State does not have processes for ensuring compliance with risk analysis and documentation requirements. Without the proper implementation of its internal control policies for grants management, State cannot be certain that its oversight is adequate or that it is using its limited oversight resources effectively.