



December 2017

# INTER-AMERICAN ORGANIZATIONS

## U.S. Agencies Support Oversight Mechanisms but Could Enhance Their Monitoring of U.S. Assistance Agreements

Accessible Version

# GAO Highlights

Highlights of [GAO-18-219](#), a report to congressional requesters

## Why GAO Did This Study

The United States is a member of the OAS, PAHO, IICA, and PAIGH, which promote democracy, health care, agricultural development, and scientific exchange.

GAO was asked to review U.S. assistance to these four organizations. In this report, GAO (1) assesses the extent to which the organizations' strategic goals align with those of U.S. agencies; (2) examines how the organizations oversee the use of their funds and the extent to which U.S. agencies have supported those efforts; (3) assesses the extent to which U.S. agencies included key monitoring provisions as part of assistance agreements; and (4) assesses the extent to which U.S. agencies had documentation of monitoring activities, including those called for by these provisions. GAO analyzed documents and interviewed officials from State, USAID, HHS, USDA, and the organizations. GAO also analyzed a nongeneralizable sample of 12 of the 60 assistance agreements that were awarded by State, USAID, HHS, and USDA to OAS, PAHO, and IICA and were active during calendar years 2014 through 2016. For each agency, GAO selected three agreements with the lowest, median, and highest dollar value.

## What GAO Recommends

GAO recommends that (1) USDA ensure inclusion of all monitoring provisions as part of agreements and (2) USAID and USDA ensure full documentation of monitoring activities. USDA and USAID concurred with GAO's recommendations.

View [GAO-18-219](#). For more information, contact Thomas Melito at (202) 512-9601 or [melitot@gao.gov](mailto:melitot@gao.gov)

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## What GAO Found

GAO found that strategic goals of the Organization of American States (OAS), the Pan American Health Organization (PAHO), the Inter-American Institute for Cooperation on Agriculture (IICA), and the Pan-American Institute of Geography and History (PAIGH) are predominantly aligned with the strategic goals of the Department of State (State), the U.S. Agency for International Development (USAID), the Department of Health and Human Services (HHS), and the U.S. Department of Agriculture (USDA). For example, IICA's strategic goals of a productive agricultural sector, enhancing agricultural development, and food security are aligned with USDA's foreign assistance goals. State, USAID, HHS, and USDA fund activities in the form of assistance agreements (e.g., grants and cooperative agreements) with OAS, PAHO, and IICA, which in 2016 totaled \$32 million. According to agency officials, the agencies employ mechanisms to ensure that these agreements align with U.S. strategic goals.

OAS, PAHO, IICA, and PAIGH have established mechanisms for overseeing their use of funds, such as external auditors, internal audit boards, and anti-fraud and ethics policies. State and USDA have directly supported these mechanisms. For example, State engaged in the selection process for OAS's Inspector General.

GAO's review of 12 selected assistance agreements found that USDA included no financial or performance monitoring provisions in one of its agreements and that State did not include two key monitoring provisions in one of its agreements, called for by applicable guidance. GAO found that the remaining 10 agreements it reviewed contained all key monitoring provisions and that State has since taken corrective action.

GAO found that U.S. agencies did not have full documentation of 18 of the 42 monitoring activities required by the 12 assistance agreements GAO reviewed (see table). For example, USDA did not have full documentation, such as for financial reports, of any of its 10 required monitoring activities and USDA officials did not explain their lack of documentation. USAID officials explained that their lack of full documentation was due, in part, to grant officers not always following their document management policies. State and HHS have since taken corrective action. If an agency does not have full documentation of monitoring activities, it may lack information needed to make appropriate budgetary and programmatic decisions.

**Extent to Which U.S. Agencies Had Documentation of Monitoring Activities for Selected Assistance Agreements with the Organization of American States, Pan American Health Organization, and Inter-American Institute for Cooperation on Agriculture**

	Not documented	Partially documented	Fully documented	Total
USDA	8	2	0	10
USAID	0	2	9	11
State	1	4	11	16
HHS	0	1	4	5
Total	9	9	24	42

Sources: GAO analysis of documentation from the U.S. Department of Agriculture (USDA), the U.S. Agency for International Development (USAID), the Department of State (State), and the Department of Health and Human Services (HHS). | GAO-18-219

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#### **Abbreviations**

HHS	Department of Health and Human Services
IICA	Inter-American Institute for Cooperation on Agriculture
IIA	Institute of Internal Auditors
OAS	Organization of American States
PAHO	Pan American Health Organization
PAIGH	Pan-American Institute of Geography and History
State	Department of State
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture

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December 29, 2017

The Honorable Paul Cook  
Chairman  
Subcommittee on the Western Hemisphere  
Committee on Foreign Affairs  
House of Representatives

The Honorable Jeff Duncan  
House of Representatives

The United States is a member of the Organization of American States (OAS), the Pan American Health Organization (PAHO), the Inter-American Institute for Cooperation on Agriculture (IICA), and the Pan-American Institute of Geography and History (PAIGH). OAS, PAHO, IICA, and PAIGH work to, among other things, promote democracy, security, health care, agricultural development, and scientific exchange. The United States engages with other countries in the region through its membership in these inter-American organizations to promote U.S. interests in the Western Hemisphere.

The Department of State (State) provides the United States' assessed contributions to these four organizations' regular budgets.<sup>1</sup> State, the U.S. Agency for International Development (USAID), the Department of Health and Human Services (HHS), and the U.S. Department of Agriculture (USDA) also provide project-specific voluntary contributions to the OAS, PAHO, and IICA through grants and cooperative agreements (referred to hereafter as assistance agreements or simply agreements).<sup>2</sup> For calendar year 2016, the United States' assessed contributions to these four organizations totaled over \$130 million, and voluntary contributions to the OAS, PAHO, and IICA totaled \$32 million. Together, the four

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<sup>1</sup>The United States and other member states finance most of the regular budgets for these organizations through assessed contributions, which are used primarily to fund operating expenses.

<sup>2</sup>We worked with the four U.S. agencies and officials from the OAS, PAHO, and IICA to establish a consistent definition of "voluntary contributions" as funds provided by governments to these organizations for implementing specific projects outside the contributors' respective countries. According to PAIGH officials, PAIGH funds its regular budget and technical assistance projects through its assessed contributions from member states.

organizations oversaw over \$358 million in total member-state contributions for calendar year 2016.

We were requested to review several issues related to U.S. support for these four inter-American organizations.<sup>3</sup> In this report, we (1) assess the extent to which the organizations' strategic goals align with those of U.S. agencies; (2) examine how the organizations oversee the use of their funds and the extent to which U.S. agencies have supported those efforts; (3) assess the extent to which U.S. agencies included key monitoring provisions as part of their assistance agreements; and (4) assess the extent to which U.S. agencies had documentation of monitoring activities, including those called for by these provisions.

To address our first objective, we compared the strategic goals articulated by the four organizations against the U.S. strategic goals for foreign assistance in the region. We also reviewed relevant U.S. agency documentation of efforts to ensure goal alignment. To address our second objective, we reviewed the organizations' internal control documentation and interviewed officials from State, USAID, HHS, and USDA and from the four organizations. To address the third and fourth objectives, we identified 60 active assistance agreements that these agencies awarded to OAS, PAHO, and IICA during calendar years 2014 through 2016 and selected a nongeneralizable sample of 12 agreements, three each from HHS, State, USAID, and USDA. We selected the three agreements from each agency based on the lowest, median, and highest dollar value. For the third objective, we then assessed whether the agencies' agreements included key monitoring provisions implementing<sup>4</sup> applicable agency guidance.<sup>5</sup> We identified key monitoring provisions for

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<sup>3</sup>Previously as also requested, we reported on U.S. contributions to the OAS, PAHO, IICA, and PAIGH for calendar years 2014 through 2016 as well as State's strategy for reform of the assessed quota structure of the OAS. GAO, *Inter-American Organizations: Efforts Ongoing for Quota Reform at the Organization of American States, but Reaching Agreement Will Be Difficult*, [GAO-17-572](#) (Washington, D.C.: June 6, 2017).

<sup>4</sup>The key provisions implement the agency guidance and regulations by assigning responsibilities to the agencies and recipients of the assistance agreements to carry out the required monitoring activities.

<sup>5</sup>These key monitoring provisions did not have to be identical to the language of the monitoring requirement in the agency guidance. However, the monitoring provision had to be related to that requirement. During the time period of our sample of assistance agreements, USDA did not have internal agency guidance applicable to the agreements but instead cited applicable federal regulations. USDA has since created such agency guidance.

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agencies to include as part of their agreements as provisions which ensure oversight over the use of funds, such as financial and progress reports. For the fourth objective, we assessed the extent to which the agencies had documentation of required monitoring activities. We examined documentation of activities called for by assistance agreements. We also interviewed officials from the four U.S. agencies. See appendix I for details on our scope and methodology.

We conducted this performance audit from July 2016 to December 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### Inter-American Organizations

The U.S. government engages with the governments of other countries in the Western Hemisphere through various inter-American organizations including the OAS, PAHO, IICA, and PAIGH. According to State, the OAS is the primary inter-American political forum through which the United States engages with other countries in the Western Hemisphere to promote democracy, human rights, security, and development. PAHO serves as the Regional Office for the Americas of the World Health Organization, the United Nations agency on health. IICA supports agricultural development and rural well-being through technical cooperation and the execution of agricultural projects throughout the hemisphere. PAIGH specializes in regional cartography, geography, history, and geophysics and has facilitated the settlement of regional border disputes. According to U.S. agency officials, the organizations' regional knowledge and technical expertise make them effective implementing partners for projects serving U.S. national interests and priorities throughout the hemisphere.

## U.S. Contributions to Inter-American Organizations

Member states collectively finance these organizations by providing assessed and voluntary contributions (see table 1).<sup>6</sup>

**Table 1: U.S. Assessed and Voluntary Contributions Provided to Four Inter-American Organizations for Calendar Year 2016, as Dollar Amounts and as Percentages of Totals for All Member States of Each Organization**

	<b>Assessed contributions dollars (percentage)</b>	<b>Voluntary contributions dollars (percentage)</b>
Organization of American States (OAS)	49 million (59.47)	17 million (61.78)
Pan American Health Organization (PAHO)	63.5 million (59.45)	13 million (57.60)
Inter-American Institute for Cooperation on Agriculture (IICA)	17.5 million (59.47)	2 million (2.23)
Pan-American Institute of Geography and History (PAIGH)	0.3 million (57.59)	None (0)
<b>Total</b>	<b>130.3 million</b>	<b>32 million</b>

Source: GAO analysis of information from OAS, PAHO, IICA, and PAIGH. | GAO-18-219

For each organization, its member states' assessed contributions are intended to finance the organization's regular budgets, which generally cover the organization's day-to-day operating expenses, such as facilities and salaries. Member states also finance certain OAS, PAHO, and IICA activities and projects through voluntary contributions. According to U.S. officials, the United States provides voluntary contributions to the OAS, PAHO, and IICA primarily through assistance agreements for specific projects from State, USAID, HHS, and USDA.

## Organizations' Oversight of Their Funds

The Institute of Internal Auditors (IIA) provides the framework for international organizations to oversee funds such as the assessed contributions provided by member states to OAS, PAHO, IICA, and PAIGH.<sup>7</sup> The institute's authoritative guidance, *International Standards for the Professional Practice of Internal Auditing*, includes mandatory performance standards that describe the nature of internal audit activities

<sup>6</sup>See [GAO-17-572](#).

<sup>7</sup>According to the IIA, it is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications.

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and provide criteria for evaluating these activities.<sup>8</sup> Organizations are required to subscribe to these IIA standards, according to PAIGH officials and OAS, PAHO, and IICA documents.

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## U.S. Agencies Oversee the Execution of Their Assistance Agreements

Assistance agreements are a critical tool the U.S. government uses to achieve important national objectives. As we have previously reported, effective oversight and internal control are important to provide reasonable assurance to federal managers and taxpayers that assistance agreements are awarded properly, recipients are eligible, and federal funds are used as intended and in accordance with applicable laws and regulations.<sup>9</sup> State, USAID, HHS, and USDA oversee funds provided to OAS, PAHO, and IICA through assistance agreements using monitoring activities such as financial and performance reports. Within each of these agencies, various bureaus and offices are responsible for awarding and managing assistance agreements to these inter-American organizations, including State's Office of Weapons Removal and Abatement in the Bureau of Political-Military Affairs, USAID's Office of U.S. Foreign Disaster Assistance, HHS's Centers for Disease Control and Prevention and its Food and Drug Administration, and USDA's Animal and Plant Health Inspection Service. The documentation of these monitoring activities as called for by federal standards for internal control enables the agencies to determine the effectiveness of the agreement activity.

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## The Strategic Goals of the Four Inter-American Organizations Are Predominantly Aligned with U.S. Agencies' Strategic Goals

We found that the strategic goals of the four inter-American organizations are predominantly aligned with the high-level strategic goals for the Western Hemisphere documented by State, USAID, HHS, and USDA. According to officials, the agencies all consider U.S. strategic goals when

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<sup>8</sup>The Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing*, October 2016.

<sup>9</sup>See GAO, *State Department: Implementation of Grants Policies Needs Better Oversight*, [GAO-14-635](#) (Washington, D.C.: July 21, 2014).

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deciding which projects to fund at OAS, PAHO, and IICA. State, USAID, HHS, and USDA have goals for foreign assistance to the Western Hemisphere, as shown in table 2. For example, four of the five goals in State and USAID's Joint Strategy correspond with goals at the OAS, IICA, and PAIGH. U.S. agencies, on an ongoing basis, evaluate each inter-American organization to ensure U.S. and organization goals are aligned.

**Table 2: U.S. Strategic Goals for Foreign Assistance in the Region Compared with the Goals of Four Inter-American Organizations**

<b>US Agency</b>	<b>U.S. strategic goals</b>
State/WHO and USAID/LAC	<ul style="list-style-type: none"> <li>• A secure and democratic future for all citizens in Latin America and the Caribbean</li> <li>• Social inclusion and essential social services for all peoples of the Americas</li> <li>• Expanded economic opportunity and prosperity for the hemisphere</li> <li>• A clean and secure energy future and the mitigation of and adaptation to the effects of climate change</li> <li>• A public opinion environment that is supportive of U.S. policy initiatives</li> </ul>
HHS	<ul style="list-style-type: none"> <li>• Protect and promote the health and well-being of Americans through global action</li> <li>• Improve global health and well-being by providing international leadership and technical expertise in science, policy, programs, and practice</li> <li>• Advance United States interests in international diplomacy, development, and security through global action</li> </ul>
USDA	<ul style="list-style-type: none"> <li>• Trade promotion</li> <li>• Trade policy</li> <li>• Trade capacity building and food security</li> </ul>
<b>Organization</b>	<b>Organization's strategic goals</b>
OAS	<ul style="list-style-type: none"> <li>• Democracy</li> <li>• Human rights</li> <li>• Integral development</li> <li>• Multidimensional security</li> </ul>
PAIGH	<ul style="list-style-type: none"> <li>• Adaptation to climate change</li> <li>• Territorial management</li> <li>• Management of natural hazards</li> <li>• Historic heritage</li> </ul>
IICA	<ul style="list-style-type: none"> <li>• Enhance agriculture's capacity to mitigate the effects of and adapt to climate change and make better use of natural resources</li> </ul>
PAHO	<ul style="list-style-type: none"> <li>• Promote health and well-being</li> <li>• Advocate a multisectoral approach aimed at addressing the social determinants of health</li> <li>• Foster collaboration with all the countries and territories toward the progressive realization of universal health coverage</li> </ul>

Organization	Organization's strategic goals
IICA	<ul style="list-style-type: none"> <li>• Make the agricultural sector more productive and competitive</li> <li>• Enhance agriculture's contribution to territorial development and to rural well-being</li> <li>• Enhance agriculture's contribution to food security contribution to food security</li> </ul>

Sources: GAO analysis of strategic documents from the Department of Health and Human Services (HHS), Department of State's (State) Bureau of Western Hemisphere Affairs (WHA), U.S. Agency for International Development's (USAID) Bureau for Latin American and the Caribbean (LAC), U.S. Department of Agriculture (USDA), Organization of American States (OAS), Pan American Health Organization (PAHO), Inter-American Institute for Cooperation on Agriculture (IICA), and Pan-American Institute of Geography and History (PAIGH). | GAO-18-219

Note: According to agency officials, these goals are subject to revision and will be updated in accordance with the policies of the current administration. State/WHA and USAID/LAC's joint strategy and USDA's strategic plan were to be in effect during fiscal years 2015-2018. HHS's strategy was to be in effect during fiscal years 2015-2019.

Officials from all four agencies provided examples of how they help to ensure alignment of U.S. strategic goals when funding projects at OAS, PAHO, and IICA.

- **State:** According to State officials, State created an Annual Performance and Budget Review process in 2014 specifically to review entities, such as the OAS, that receive voluntary contributions funded through the International Organization and Programs account. This process examines performance of State-funded activities relative to those activities from the previous year and the extent to which the activities advance U.S. priorities and objectives. State officials further noted that the Annual Performance and Budget Review helps inform State's decision-making on what to include in the following year's budget request. For example, during the 2016 review for the OAS Development Assistance Program, State reported the program's significant activities, funds expended, and achievements such as training government officials on successful small business policies in the United States.
- **USAID:** According to USAID officials, USAID's project design and approval policies and procedures ensure that all USAID-funded activities are linked to applicable U.S. and USAID strategies. USAID's agency guidance requires, at a minimum, that each project or activity must be formally approved in writing by the relevant Mission Director or Principal Officer for a given program. Officials stated that this approval memo and supporting documentation address a number of planning considerations, including how the proposed activity aligns with broader strategies. Furthermore, officials stated that USAID's lawyers review project approval documentation prior to final approval and verify that the activity complies with all applicable statutes, regulations, and policies.

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- **HHS:** According to HHS officials, HHS engages with PAHO on its Biennial Work Plans, which are operational planning instruments that PAHO uses to identify activities that it can implement within each of its member states. HHS officials noted that they use PAHO's Biennial Work Plan to strengthen U.S. approaches on issues of common concern and to advance U.S. priorities within the region. According to HHS officials, proposals for technical cooperation projects are required to correspond to one of the technical priorities in PAHO's strategic plan for 2014–2019 and to be aligned with the HHS global strategy and U.S. priorities.
  - **USDA:** USDA officials said that they compare the U.S. strategic goals with IICA's goals and objectives when they formulate project proposals with IICA to ensure that the projects are aligned with U.S. priorities for the region. Additionally, USDA officials told us that USDA helped shape and influence IICA's recent 10-year strategic plan, ensuring that IICA's strategic objectives were closely aligned with U.S. strategic goals.

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## OAS, PAHO, IICA, and PAIGH Have Established Oversight Mechanisms

OAS, PAHO, IICA, and PAIGH have established mechanisms for overseeing their use of assessed and voluntary contributions, such as external auditors and internal audit boards as required by IIA standards. State and USDA have directly supported these oversight mechanisms.

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### The Four Organizations Have Oversight Mechanisms as Required by the IIA

OAS, PAHO, IICA, and PAIGH have oversight mechanisms, as shown in table 3. The four organizations follow the internal control standards of the IIA, codified in the *International Standards for the Professional Practice of Internal Auditing*, according to PAIGH officials and OAS, PAHO, and IICA documents. All four organizations have internal and external auditors, as required by these standards. Furthermore, OAS, PAHO, and IICA have additional oversight mechanisms, such as anti-fraud policies and program evaluation processes.<sup>10</sup> The officials we interviewed from State, USAID,

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<sup>10</sup>See app. II for all oversight mechanisms at these four organizations.

HHS, and USDA expressed confidence in the four organizations' management of their assessed and voluntary contributions.

**Table 3: Oversight Mechanisms Established at OAS, PAHO, IICA, and PAIGH as of August 2017**

	Standards required by the Institute of Internal Auditors		Anti-fraud policy	Ethics policy	Internal auditor	Financial / program guidance	Program evaluation
	ENoternal auditor	Internal audit board/committee					
Organization of American States	Yes	Yes	NO	Yes	Yes	Yes	Yes
Pan American Health Organization	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Inter-American Institute for Cooperation on Agriculture	Yes	Yes	Yes	Yes	Yes	NO	NO
Pan-American Institute of Geography and History	Yes	Yes	NO	NO	NO	NO	NO

All four organizations document the status of their financial and internal control activities in audit reports posted on their public websites. For example, the OAS Office of the Inspector General's April 2017 Annual Report included an update on its five ongoing audits and investigations.<sup>11</sup> The report also outlined progress made against prior recommendations.

### U.S. Agencies Support Oversight Mechanisms at OAS, PAHO, and IICA

U.S. agency officials support budget and administrative subcommittees in three of the four organizations and promote the participation of U.S. experts on independent audit committees, as shown in table 4.<sup>12</sup> For example, according to officials, State plays a significant role in promoting policies on oversight and accountability at the four organizations through formal engagement in deliberations and decision-making of each organization's governing body and through informal engagement with other member states and the secretariat by recommending best practices

<sup>11</sup>See <http://www.oas.org/en/oig/activityreports.asp>.

<sup>12</sup>According to the President of the U.S. Section of PAIGH, U.S. agency officials do not directly participate in that organization's oversight mechanisms.

in governance, management, and oversight.<sup>13</sup> State and USDA are also directly involved in implementing some of the additional oversight mechanisms at the organizations. For example, a USDA official serves as a member of IICA's Audit Review Committee. Additionally, an IICA official told us the United States was involved in defining IICA's Convention and Rules of Procedure for its governing bodies, which established the requirement for internal and external auditing.

**Table 4: U.S. Support of Oversight Mechanisms at OAS, PAHO, and IICA as of August 2017**

OAS	PAHO	IICA
Member of Committee on Administrative and Budgetary Affairs	Member of Subcommittee on Program, Budget, and Administration	Member of Special Advisory Commission on Management Issues
Independent U.S. expert on the Board of External Auditors	Independent U.S. expert on the Audit Committee	Independent U.S. expert on Audit Review Committee
Engaged in selection process for Inspector General		Helped define Rules of Procedure requiring external audit
Supported strengthening and improving Department of Planning and Evaluation's progress reports		Initiated the creation of the Audit Review Committee
		Senior member of the Audit Review Committee
		Promoted policy reforms and initiatives for the anti-fraud and ethics polices
		Helped define Rules of Procedure of the General Directorate requiring internal audit

Sources: GAO analysis of information and interviews with officials from the Department of State (State) and the U.S. Department of Agriculture (USDA), Organization of American States (OAS), Pan American Health Organization (PAHO), and Inter-American Institute for Cooperation on Agriculture (IICA). | GAO-18-219

According to State officials, the United States led efforts to strengthen oversight at several of the organizations under review in recent years, such as advocating for the creation of an ethics officer position at PAHO, proposing language to strengthen the authority and independence of the OAS's Office of the Inspector General, and encouraging the creation of audit committees at both organizations. In addition, State has played a lead role in supporting the ongoing reform of the OAS administration, which includes improved oversight and accountability, according to officials from the OAS and the U.S. Mission to the OAS.

<sup>13</sup>According to agency officials, State works directly with OAS and PAHO to support their oversight efforts. According to HHS officials, HHS and State co-manage governance responsibilities related to PAHO. In general, State takes the lead in financial and administrative issues and HHS focuses on health policy matters. USDA works with IICA on oversight.

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## Two of Four U.S. Agencies Did Not Include All Key Monitoring Provisions in the Agreements We Reviewed

We reviewed 12 selected assistance agreements that the four U.S. agencies awarded to OAS, PAHO, and IICA that were active during calendar years 2014 through 2016, and found that two agencies did not consistently include all key monitoring provisions in their agreements. While HHS and USAID implemented applicable guidance by including all key monitoring provisions in their agreements,<sup>14</sup> USDA and State did not do so. USDA and State agency officials did not explain why USDA and State did not include these monitoring provisions in their agreements. However, State has since taken corrective action to ensure that they are included in future agreements, according to State officials.

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### Agency Guidance Calls for Agencies to Conduct Monitoring Activities; Internal Control Standards State That Agencies Should Document These Requirements with Provisions in the Agreements

Applicable agency guidance calls for agencies to conduct monitoring activities as part of their oversight of their agreements.<sup>15</sup> Each of the four agencies has established agency-specific guidance that outlines the monitoring activities for assistance agreements. In some cases, the agency-specific guidance may mandate additional monitoring activities beyond those called for in applicable federal regulations, such as risk assessments. For example, State's guidance calls for the creation of a monitoring plan. Federal standards for internal control require that agencies include in agreements all key provisions delineating the parties' responsibilities. For the 12 agreements we reviewed, the number of total key monitoring provisions per agreement varied—including within one

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<sup>14</sup>The key provisions implement the agency guidance and federal regulations by assigning responsibilities to the agencies and recipients of the assistance agreements to carry out the required monitoring activities.

<sup>15</sup>During the time period of our sample of assistance agreements, USDA did not have internal agency guidance applicable to the agreements but instead cited applicable federal regulations. USDA has since created such agency guidance.

agency—depending on when the agency issued and updated its guidance relative to when the agreements were approved.<sup>16</sup>

Federal standards for internal control call for agencies to document internal controls, transactions, and significant events.<sup>17</sup> Specifically, internal control standards state that agency management should include internal control activities (e.g., monitoring activities) in policies or directives for transactions such as assistance agreements.

### HHS and USAID Included All Key Monitoring Provisions in Their Assistance Agreements, but USDA and State Did Not

For the 12 assistance agreements we reviewed, USDA and State did not include provisions implementing 6 of the 55 total (11 percent) applicable monitoring activities required by applicable guidance to carry out required monitoring activities (see table 5). State took corrective action in 2015 by issuing a standard operating procedure.<sup>18</sup>

**Table 5: Extent to Which U.S. Agencies Included Key Monitoring Provisions for Selected Agreements with the Organization of American States, Pan American Health Organization, and Inter-American Institute for Cooperation on Agriculture**

	Not included	Partially included	Included	Total
USDA	4	1	8	13
State	2	0	19	21
USAID	0	0	6	6
HHS	0	0	15	15

<sup>16</sup>For purposes of this review, we reviewed all of the documentation provided to us by the agency to see if the key monitoring provisions were anywhere in the agreement file, even if they were not in the agreement itself. Also, we used the agency guidance that the agencies told us were applicable and which were in effect at the time the original agreements were issued.

<sup>17</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014), and *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999). Internal control is a process affected by an entity's management, oversight body, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.

<sup>18</sup>Department of State, Bureau of Political-Military Affairs, Office of Weapons Removal and Abatement: PM/WRA Standard Operating Procedures, WRA-RM-SOP-006, (January 2015).

<b>Total</b>	<b>6</b>	<b>1</b>	<b>48</b>	<b>55</b>
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Sources: GAO analysis of documentation from the U.S. Department of Agriculture (USDA), Department of State (State), Department of Health and Human Services (HHS), and the U.S. Agency for International Development (USAID). | GAO-18-219

Note: For purposes of this review, we reviewed all of the documentation provided to us by the agency to see if the key monitoring provisions were anywhere in the agreement file, even if they were not in the agreement itself. Also, we used the agency guidance that the agencies told us was applicable and that was in effect at the time the original agreements were approved.

- **USDA:** USDA did not include 4 of the 13 key monitoring provisions implementing the applicable guidance for the three USDA agreements we reviewed (see table 6).<sup>19</sup> Two of the agreements and supporting documentation each included all four key applicable monitoring provisions. However, Agreement 2 in the table did not include 4 of the 5 monitoring provisions in the agreement or work plan, which documents the monitoring provisions. The agreement partially included performance goals, because it included objectives for the agreement's activities, but did not include time frames to complete all of the activities. The USDA grant official did not explain why the work plan did not adhere to applicable federal regulations when it was drafted and approved.

**Table 6: Extent to Which USDA Included Key Monitoring Provisions for Selected Agreements with Inter-American Organizations**

	<b>Performance reports</b>	<b>Final performance report</b>	<b>Financial reports</b>	<b>Final financial report</b>	<b>Performance goals</b>
Agreement 1	Fully documented	Fully documented	Fully documented	Fully documented	n/a <sup>a</sup>
Agreement 2	Not documented	Not documented	Not documented	Not documented	Partially documented
Agreement 3	Fully documented	Fully documented	Fully documented	Fully documented	n/a <sup>a</sup>

Assessment legend: ● = Fully documented ○ = Partially documented ○ = Not documented n/a=not applicable

Source: GAO analysis of selected U.S. Department of Agriculture (USDA) documentation. | GAO-18-219

<sup>a</sup>This provision did not apply to Agreements 1 and 3 because this provision was added as a requirement after these two agreements were approved.

- **State:** State did not include 2 of the 21 key monitoring provisions implementing the applicable guidance for the three State agreements we reviewed (see table 7). Two of the agreements and supporting documentation we reviewed included the 7 monitoring provisions implementing the requirements in the applicable agency guidance. However, one agreement awarded in 2012 did not include 2 of the

<sup>19</sup>During the time period of our sample of assistance agreements, USDA did not have internal agency guidance applicable to the agreements, but instead cited federal regulations as the applicable guidance.

provisions: a risk assessment and a monitoring plan.<sup>20</sup> That office that awarded this agreement took corrective action in 2015 by issuing a standard operating procedure requiring that risk assessments and monitoring plans accompany its grants and cooperative agreements.

**Table 7: Extent to Which State Included Key Monitoring Provisions for Selected Agreements with Inter-American Organizations**

	Financial reports	Final financial report	Audit required	Performance report	Final performance report	Monitoring plan	Risk assessment
Agreement 1	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented	Partially documented	Partially documented
Agreement 2	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented
Agreement 3	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented

Assessment legend: Fully documented = Fully documented    ◐ = Partially documented    ○ = Not documented

Source: GAO analysis of selected Department of State (State) documentation. | GAO-18-219

- **USAID:** USAID included both key monitoring provisions implementing the applicable guidance for the three USAID agreements we reviewed (see table 8). USAID's Automated Directives System 308, Standard Provisions for Cost-Type Awards to Public International Organizations contains two key monitoring provisions for agreements. USAID incorporated the monitoring provisions nearly verbatim into the agreements we reviewed, using templates from this guidance for required terms and conditions.

**Table 8: Extent to Which USAID Included Key Monitoring Provisions for Selected Agreements with Inter-American Organizations**

	Audits and records	Adherence to organizations' rules
Agreement 1	Fully documented	Fully documented
Agreement 2	Fully documented	Fully documented
Agreement 3	Fully documented	Fully documented

Assessment legend: Fully documented = Fully documented    ◐ = Partially documented    ○ = Not documented

Source: GAO analysis of selected U.S. Agency for International Development (USAID) documentation. | GAO-18-219

<sup>20</sup>In 2014, we found that key documentation was frequently missing or incomplete from State's grant files, including risk assessments and monitoring plans. We recommended that State develop a process to help ensure that grants officials complete required documentation for all grants, such as include systematic inspections of grant files to promote accountability. See [GAO-14-635](#).

- **HHS:** HHS included the 15 monitoring provisions implementing the applicable guidance for the three HHS agreements we reviewed (see table 9).

**Table 9: Extent to Which HHS Included Key Monitoring Provisions for Selected Agreements with Inter-American Organizations**

	Financial reports	Final financial report	Performance reports	Final performance report	Audit required
Agreement 1	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented
Agreement 2	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented
Agreement 3	Fully documented	Fully documented	Fully documented	Fully documented	Fully documented

Assessment legend: Fully documented = Fully documented   ◐ = Partially documented   ◑ = Not documented   n/a=not applicable  
Source: GAO analysis of selected Department of Health and Human Services (HHS) documentation. | GAO-18-219

## None of the U.S. Agencies Had Full Documentation of Monitoring Activities Called for by All of Their Assistance Agreements That We Reviewed

None of the agencies provided us with full documentation to demonstrate their adherence to the required monitoring activities called for in all of their agreements that we reviewed, including the previously mentioned key monitoring provisions that we reviewed. State and HHS have taken corrective actions to address the gaps we found in documentation for the agreements we reviewed. Agency officials told us that they use these monitoring documents, such as financial and progress reports, to inform future budgetary and programmatic decisions. Therefore, they may lack information needed to make such decisions if they do not have access to complete monitoring documentation.

## Assistance Agreements Include Requirements for Monitoring Activities; Internal Control Standards Say Agencies Should Document These Activities

According to federal standards for internal control, each agency is to include key monitoring provisions as part of its agreements. In the individual assistance agreements, the agencies specify the requirements to fulfill these activities, such as requiring financial reports on a quarterly basis or including specific information in performance reports. Grants officers at times, if they deem it necessary or appropriate, include

additional monitoring provisions requiring activities beyond those required by the applicable guidance, such as site visits.

Federal standards for internal control call for agency management to design monitoring activities, such as financial and performance reporting, so that all transactions are completely and accurately recorded.<sup>21</sup> Recording these activities maintains their relevance and value to management in controlling operations and making decisions. Without access to complete monitoring documentation, the agencies risk weakening the effectiveness of these controls.

### U.S. Agencies Did Not Have Full Documentation of Monitoring Activities for Most of the Agreements We Reviewed

None of the four U.S. agencies had full documentation of all of the monitoring activities required by their agreements we reviewed (see table 10). The agencies did not have full documentation of monitoring activities for 9 of the 12 agreements we reviewed. For the 42 monitoring activities identified across all of the individual agreements, the four agencies did not have full documentation of 18 of the activities (43 percent). However, State took corrective action in May 2017 to address its gaps in documentation, and according to HHS officials, the Food and Drug Administration addressed its gap in documentation by implementing its agreement monitoring program in fiscal year 2018.

**Table 10: Extent to Which U.S. Agencies Had Documentation of Monitoring Activities for Selected Assistance Agreements with the Organization of American States, Pan American Health Organization, and Inter-American Institute for Cooperation on Agriculture**

	Not documented	Partially documented	Fully documented	Total
USDA	8	2	0	10
USAID	0	2	9	11
State	1	4	11	16
HHS	0	1	4	5
<b>Total</b>	<b>9</b>	<b>9</b>	<b>24</b>	<b>42</b>

Sources: GAO analysis of documentation from the U.S. Department of Agriculture (USDA), Department of State (State), U.S. Agency for International Development (USAID), and Department of Health and Human Services (HHS). | GAO-18-219

<sup>21</sup>See [GAO-14-704G](#).

## USDA

USDA did not have full documentation of any of the 10 monitoring activities we identified (see table 11). USDA demonstrated that it had partially documented 2 of the 10 monitoring activities (20 percent) by providing us with some, but not all, quarterly performance reports. For one of the agreements, USDA had no documentation of the monitoring activities for that agreement. For its other two agreements, USDA did not have full documentation of the required monitoring activities. USDA officials did not explain why they did not have full documentation. Without full documentation of the required monitoring activities, USDA may not have the information it needs to make appropriate budgetary and programmatic decisions.

**Table 11: Extent to Which USDA Had Documentation of Monitoring Activities for Selected Agreements with Inter-American Organizations**

	Performance reports	Final performance report	Financial reports	Final financial report
Agreement 1	Partially documented	Not documented	Not documented	Not documented
Agreement 2	Partially documented	n/a <sup>a</sup>	Not documented	n/a <sup>a</sup>
Agreement 3	Not documented	Not documented	Not documented	Not documented

Assessment legend: Fully documented = Fully documented Partially documented = Partially documented Not documented = Not documented  
n/a=not applicable

Source: GAO analysis of selected U.S. Department of Agriculture (USDA) documentation. | GAO-18-219

<sup>a</sup>These monitoring activities were not applicable because Agreement 2 is ongoing.

## USAID

USAID did not have full documentation of 2 of the 11 total monitoring activities (18 percent) we identified across the three agreements we reviewed (see table 12). USAID had partial documentation of those 2 monitoring activities. For example, USAID provided us with some, but not all, records such as financial reports required by the terms of the monitoring activities in the agreements.

**Table 12: Extent to Which USAID Had Documentation of Monitoring Activities for Selected Agreements with Inter-American Organizations**

	Financial reports	Progress reports	Final financial reports	Final progress reports	Monitoring and evaluation/work plans
Agreement 1	Partially documented	Fully documented	Fully documented	Fully documented	n/a <sup>c</sup>
Agreement 2	Fully documented	Fully documented	n/a <sup>a</sup>	n/a <sup>b</sup>	Fully documented

	Financial reports	Progress reports	Final financial reports	Final progress reports	Monitoring and evaluation/work plans
Agreement 3	Partially documented	Fully documented	n/a <sup>a</sup>	Fully documented	Fully documented

Source: GAO analysis of selected U.S. Agency for International Development (USAID) documentation. | GAO-18-219

<sup>a</sup>This requirement did not apply to Agreements 2 and 3 because Agreement 2 is still active and Agreement 3 did not include this requirement.

<sup>b</sup>This requirement did not apply to Agreement 2 because the agreement is still active.

<sup>c</sup>This requirement was not included in Agreement 1.

According to USAID officials, the agencies' lack of complete monitoring documentation was in part due to agency officials not following some of their agency's requirements for managing agreement documents, such as placing all documents in a shared document management system. For example, for one of the agreements we reviewed, USAID officials stated that they stored some agreement documentation electronically—such as modifications, correspondence with the agreement recipient, and quarterly financial reports—but primarily maintained paper files.

USAID officials told us they use the monitoring documents of these agreements, such as financial and progress reports, to inform future budgetary and programmatic decisions. For example, according to USAID officials, USAID uses monitoring documents to identify and address potential project delays or other “red flags.” For one of the agreements we reviewed, USAID officials stated these monitoring reports also assist them in determining whether to award additional funds and establish new indicators in subsequent agreements. Without full documentation of the required monitoring activities, USAID may not have the information it needs to make appropriate budgetary and programmatic decisions.

### State

State did not have full documentation for 5 of the 16 monitoring activities (31 percent) we identified across the three agreements we reviewed (see table 13). However, State had partial documentation of 4 of those 5 monitoring activities. For example, State had some, but not all, records such as standard reporting metrics, required by the terms of the monitoring activities in one of the agreements. State did not have documentation of one of the monitoring activities (site visits).

**Table 13: Extent to Which State Had Documentation of Monitoring Activities for Selected Agreements with Inter-American Organizations**

	Financial reports	Final financial report	Performance reports	Final performance report	Standard reporting metrics	Site visits	
Agreement 1	Fully documented	Fully documented	Fully documented	Fully documented	Partially documented	Not documented	
Agreement 2	Fully documented	n/a <sup>a</sup>	Fully documented	n/a <sup>a</sup>	Fully documented	Partially documented	Partially documented
Agreement 3	Fully documented	n/a <sup>a</sup>	Fully documented	n/a <sup>a</sup>	Fully documented	Partially documented	Fully documented

Source: GAO analysis of selected Department of State (State) documentation. | GAO-18-219

<sup>a</sup>This requirement did not apply to Agreements 2 and 3 because they were ongoing or the reporting deadline was after we conducted our analysis.

According to State officials, the agency's lack of complete monitoring documentation was in part due to agency officials not following some of the agency's requirements for managing agreement documents, such as placing all documents in a shared document management system. For example, according to State officials, for one of the agreements we reviewed, the grants officer mistakenly had saved site visit reports and similar documents to personal folders because the officer did not know how to use State's grant document storage system. As a result, neither the current grants officer nor other State officials could retrieve these documents.<sup>22</sup>

In May 2017, after awarding the agreements we reviewed, State took corrective action by issuing the Federal Assistance Directive to establish internal guidance, policies, and procedures for all domestic and overseas grant-making bureaus, offices, and posts within the department when administering federal financial assistance. The directive notes that State implemented a grant management system for domestic and overseas grants to resolve its "significant deficiency in the management of Federal financial assistance." In addition, the directive indicates that officials from State's Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division will evaluate compliance with risk assessment requirements and review documentation for selected

<sup>22</sup>In 2015, the State Office of Inspector General reported that one of the bureaus responsible for one of the agreements we reviewed lacked a records management policy, which resulted in staff retaining documents in multiple locations. See Department of State, Office of Inspector General, Inspection of the Bureau of Political-Military Affairs, ISP-I-15-27 (Arlington, Va.: June 2015).

agreements each fiscal year. One of the stated purposes of these reviews is to mitigate risk by strengthening management and oversight of awards, including grants. According to a State Office of Inspector General report, State should complete the full deployment of this system for overseas grants in fiscal year 2019.<sup>23</sup>

### HHS

HHS did not have full documentation of 1 of the 5 applicable monitoring activities (20 percent) we identified across the three agreements we reviewed (see table 14). HHS had partial documentation of the semiannual progress report activity for one of its agreements, required by the terms of its agreement. HHS officials did not explain why they did not have full documentation for this monitoring activity. HHS had full documentation of all applicable monitoring activities for the other two agreements we reviewed.<sup>24</sup>

**Table 14: Extent to Which HHS Had Documentation of Monitoring Activities for Selected Agreements with Inter-American Organizations**

	Financial reports	Final financial report	Performance reports	Final progress report
Agreement 1	n/a <sup>a</sup>	n/a <sup>b</sup>	Fully documented	n/a <sup>b</sup>
Agreement 2	Fully documented	n/a <sup>b</sup>	Fully documented	n/a <sup>b</sup>
Agreement 3	Fully documented	n/a <sup>b</sup>	Partially documented	n/a <sup>b</sup>

Source: GAO analysis of selected Department of Health and Human Services (HHS) documentation. | GAO-18-219

<sup>a</sup>This requirement did not apply to Agreement 1 because its financial report was not due until December 31, 2017.

<sup>b</sup>This requirement did not apply to Agreements 1, 2, and 3 because they were ongoing.

According to agency officials, the Food and Drug Administration, which administered one of the HHS agreements we reviewed, has taken corrective action to evaluate its agreement documentation and address deficiencies. According to HHS officials, the Food and Drug Administration developed a pilot program intended to provide an

<sup>23</sup>Department of State, Office of Inspector General, Management Assistance Report: Improved Oversight Needed to Standardize the Use of Risk Assessments and Monitoring Plans for Overseas Grants, ISP-17-33 (Arlington, Va.: July 2017).

<sup>24</sup>HHS awarded one of these agreements in 2016, and one of the four monitoring activities required, the annual performance report, was applicable at the time we conducted our analysis. Other monitoring requirements for this agreement, such as the annual financial report, were not due until the end of calendar year 2017 or the conclusion of the agreement activity.

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additional layer of oversight to ensure adherence to the terms of each agreement. Under the pilot, officials said, a grant monitoring specialist reviews the agreement documentation and monitoring reports to identify agreements that need additional assistance. According to HHS officials, the Food and Drug Administration implemented this program in fiscal year 2018 and will eventually include all Food and Drug Administration agreements.

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## Conclusions

U.S. assistance agreements for projects with inter-American organizations further U.S. strategic goals in the Western Hemisphere, but State, HHS, USAID, and USDA did not consistently include all key monitoring provisions as part of their assistance agreements or demonstrate that they had full documentation of monitoring activities for the agreements we reviewed. Of these four agencies, USAID and USDA have not taken corrective actions. Monitoring the implementation of U.S. assistance agreements and fully documenting the results of such monitoring are key management controls to help ensure that U.S. agreement recipients use federal funds appropriately and effectively. The agencies risk weakening the effectiveness of these controls by not including all key monitoring provisions called for by applicable agency guidance. Further, if the agencies do not have full documentation of the agreements' required monitoring activities, they may not be able to effectively manage federally funded projects that support U.S. strategic goals. In addition, agencies may not have all the information they need to make budgetary and programmatic decisions.

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## Recommendations for Executive Action

We are making a total of three recommendations: one to USAID and two to USDA.

The USAID Administrator should ensure that USAID officials have full documentation of required monitoring activities in agreements with inter-American organizations. (Recommendation 1)

The Secretary of Agriculture should ensure that USDA includes all key monitoring provisions specified by applicable guidance as part of agreements with inter-American organizations. (Recommendation 2)

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The Secretary of Agriculture should ensure that USDA officials have full documentation of required monitoring activities in agreements with inter-American organizations. (Recommendation 3)

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## Agency Comments

We provided a draft of this report for comment to State, USAID, HHS, and USDA. USDA concurred with our recommendations in an e-mail. In its written comments, reproduced in appendix IV, USAID stated that it has policies, procedures, and training in place for the officials who manage these agreements. In response to our recommendations, USAID stated that it will issue an agency notice to remind all such officials of these responsibilities, including the requirement to maintain complete files for each agreement.

State and HHS did not provide formal comments. They did provide technical comments, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, the Secretary of State, the Administrator of the U.S. Agency for International Development, the Secretary of Health and Human Services, and the Secretary of Agriculture. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have questions about this report, please contact me at (202) 512-9601, or [melitot@gao.gov](mailto:melitot@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.



Thomas Melito  
Director, International Affairs and Trade

## Appendix I: Objectives, Scope, and Methodology

Congressional requesters asked us to review several issues related to the Organization of American States (OAS), the Pan American Health Organization (PAHO), the Inter-American Institute for Cooperation on Agriculture (IICA), and the Pan-American Institute of Geography and History (PAIGH).<sup>1</sup> In this report, we (1) assess the extent to which the organizations' strategic goals align with those of U.S. agencies; (2) examine how the organizations oversee the use of their funds and the extent to which U.S. agencies have supported those efforts; (3) assess the extent to which U.S. agencies included key monitoring provisions as part of their assistance agreements; and (4) assess the extent to which U.S. agencies had documentation of monitoring activities, including those called for by these provisions.

To address the first objective, we gathered documentation and interviewed officials from the four U.S. agencies and the four organizations to determine the U.S. strategic goals for foreign assistance to the Western Hemisphere and the goals of the four organizations. According to Department of State (State) and U.S. Agency for International Development (USAID) officials, the strategic document that underpins their foreign assistance priorities for the region is *The Department of State's Bureau of Western Hemisphere Affairs' and USAID's Bureau for Latin American and Caribbean Affairs' Joint Regional Strategy*. Department of Health and Human Services (HHS) officials said that HHS's relevant strategic document is *The Global Strategy of the U.S. Department of Health and Human Services*. U.S. Department of Agriculture's (USDA) strategic goals for foreign assistance, according to officials, are outlined in the *United States Department of Agriculture Strategic Plan FY2015–2018*. The OAS outlined its strategic goals in the *Comprehensive Strategic Plan of the Organization*, adopted on October 31, 2016. PAHO's goals are laid out in *Strategic Plan of the Pan American Health Organization 2014–2019*. IICA's strategic document is

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<sup>1</sup>Previously, we reported on U.S. contributions to these organizations for calendar years 2014 through 2016 and State's efforts to work with the OAS to reform its formula for determining assessed contributions. See GAO, *Inter-American Organizations: Efforts Ongoing for Quota Reform at the Organization of American States, but Reaching Agreement Will Be Difficult*, [GAO-17-572](#) (Washington, D.C.: June 6, 2017).

the *IICA 2010–2020 Strategic Plan*, which took effect in October 2010. PAIGH's strategic document is the *Declaration and Guide for the Pan American Agenda 2010-2020*. We compared the strategic goals articulated by the four organizations against U.S. strategic goals to assess the extent to which the organizations' goals contribute to U.S. interests in the region. We then interviewed officials from the four agencies and reviewed relevant documentation on efforts they undertake to ensure that U.S.-funded activities align with U.S. strategic goals.

To address the second objective, we reviewed documentation of the organizations' internal control mechanisms and confirmed our findings with the organizations. We identified mechanisms to include policies, directives, rules, practices, and organizational structures that can have an oversight role in the use of the organizations' funds. We also interviewed officials from State, USAID, HHS, and USDA to discuss their support of these mechanisms.

To address the third objective, we identified 60 active assistance agreements that these agencies oversaw with OAS, PAHO, and IICA during calendar years 2014 through 2016 and selected a nongeneralizable sample of 12 agreements, three each from State, USAID, HHS, and USDA. To determine which agreements we would review for each agency, we selected the three agreements with the lowest, median, and highest dollar value. If any of an agency's agreements supported the same country or activity or were for one-time projects such as seminars, we selected the next appropriate agreement based on dollar value.

For these selected agreements, we then identified the applicable agency guidance for monitoring activities in the agreements, which we define as all documents related to each agreement provided to us by the agencies, such as monitoring reports. The number of key monitoring provisions varied—even within each agency—depending on when agency guidance was issued and updated relative to when the agreements were approved. USDA did not have applicable internal agency-specific guidance for monitoring of assistance agreements at the time it awarded the agreements we reviewed; thus, with USDA's input, we used the applicable sections of the Code of Federal Regulations, which together have five key monitoring provisions for agreements.<sup>2</sup> However, USDA

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<sup>2</sup>2 C.F.R. § 215 et seq. (2012); 2 C.F.R. § 200 et seq. (2014) (which superseded 2 C.F.R. § 215 et seq.).

approved two of the agreements in 2012 and the third agreement in 2016, and this third agreement was subject to an amended version of the Code of Federal Regulations, which added an additional provision for performance goals.<sup>3</sup> State's four applicable grants policy directives have seven key monitoring provisions for agreements that were applicable at the time the agreements we reviewed were approved. USAID's *Standard Provisions for Cost-Type Awards to Public International Organizations (PIOs): A Mandatory Reference to ADS Chapter 308*<sup>4</sup> has two key monitoring provisions for agreements: audits and records, and the organization's adherence to their rules.<sup>5</sup> HHS's grants policy has five key monitoring provisions for grant documentation.

We identified key monitoring provisions for agencies to include as part of agreements to ensure oversight of the use of funds, such as financial and progress reports. For the 12 agreements in our sample, we analyzed the assistance agreements from the four agencies, and then determined the extent to which the agencies' agreements included key monitoring provisions implementing monitoring activities called for by applicable agency guidance. We did not include subsequent amendments to these 12 agreements in our review of key monitoring provisions. We interviewed officials from State, USAID, HHS, and USDA (1) to confirm we were applying the appropriate federal or agency guidance and (2) to discuss instances in which the agreements did not include key monitoring provisions.

To address the fourth objective, we reviewed the 12 selected assistance agreements and guidance to identify specific required monitoring activities, such as financial and program reports, site visits, and other forms of oversight. The agreements specify the requirements for these activities such as requiring financial reports on a quarterly basis. For these 12 agreements, we reviewed all the documentation provided to us by the agencies, then determined the extent to which the agencies had full documentation of key monitoring activities as specified in the assistance agreements, including those called for by key monitoring provisions, as well as those called for by guidance when the monitoring

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<sup>3</sup>2 C.F.R. § 200 et seq. (2014).

<sup>4</sup>ADS Chapter 308 is USAID's Automated Directives System Chapter 308, Awards to Public International Organizations.

<sup>5</sup>U.S. Agency for International Development, *Standard Provisions for Cost-Type Awards to Public International Organizations, a Mandatory Reference for ADS Chapter 308*.

provisions were absent. We did not include subsequent amendments to these 12 agreements in our review of monitoring activities. We interviewed officials from State, USAID, HHS, and USDA to discuss instances in which the agency did not have full documentation of key monitoring activities. We also discussed how State, USAID, and HHS agency officials manage their agreement documentation and use the information in the agreements' required monitoring documentation.

We conducted this performance audit from July 2016 to December 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Financial Oversight Mechanisms of Four Inter-American Organizations

The Organization of American States (OAS), Pan American Health Organization (PAHO), the Inter-American Institute for Cooperation on Agriculture (IICA), and the Pan-American Institute on Geography and History (PAIGH) have established mechanisms for overseeing their use of funds. Tables 15–18 show the mechanisms (oversight policies and oversight committees and organizations) for each of these inter-American organizations, as confirmed by the organizations’ officials.

Table 15: Oversight Mechanisms of the Organization of American States

Oversight policies	Oversight committees and organizations
<ul style="list-style-type: none"><li>• <b>Financial Handbook for Specific Fund Projects:</b> guidance to OAS staff and donors regarding the financial management of specific fund projects</li><li>• <b>Program and project evaluation reports:</b> policy to evaluate the effectiveness of programs and projects executed by the OAS</li><li>• <b>Performance Contract Rules:</b> rules for processing and awarding performance contracts</li><li>• <b>General Standards to Govern the Operations of the General Secretariat of the OAS:</b> standards that outline the function and responsibilities of personnel and OAS policies</li><li>• <b>Code of Ethics for the General Secretariat of the OAS:</b> assists OAS staff and other service providers in understanding and complying with OAS’s ethical principles</li></ul>	<ul style="list-style-type: none"><li>• <b>External Auditor:</b> audits OAS’s financial statements</li><li>• <b>Board of External Auditors:</b> examines the accounts of the OAS’s Secretary General</li><li>• <b>Office of the Inspector General:</b> responsible for financial, administrative, and operational auditing</li><li>• <b>Department of Planning and Evaluation:</b> promotes policies and performs evaluations to determine the effectiveness of OAS programs and projects</li><li>• <b>Committee for Administrative and Budgetary Affairs:</b> negotiates the General Standards which contain the duties and responsibilities of the Board of External Auditors and the Office of the Inspector General</li></ul>

Source: GAO analysis of information from the Organization of American States (OAS). | GAO-18-219

**Table 16: Oversight Mechanisms of the Pan American Health Organization**

Oversight policies	Oversight committees and organizations
<ul style="list-style-type: none"> <li>• <b>Staff rules and regulations:</b> governs the conditions of service and PAHO personnel practices</li> <li>• <b>Financial rules:</b> governs the financial administration of PAHO</li> <li>• <b>Code of Ethical Principles and Conduct:</b> establishes PAHO's expectations and describes values and principles</li> <li>• <b>Internal control system:</b> designed to help PAHO officials manage risk to a reasonable level and identify and prioritize the risks to fulfilling PAHO's mandate and objectives</li> <li>• <b>Enterprise risk management policy:</b> promotes high-quality risk management activities</li> <li>• <b>Whistleblower protection:</b> policy to protect against retaliation for reporting wrongdoing or cooperating in an investigation or audit.</li> <li>• <b>Asset Accountability Policy:</b> holds PAHO personnel accountable for losses, thefts, and damage</li> <li>• <b>Investigation Protocol:</b> a guide for conducting workplace investigations</li> <li>• <b>Zero Tolerance for Fraud and Corruption:</b> overview of PAHO's position regarding fraud and corruption and how to prevent and combat fraud and corruption</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Subcommittee on Program, Budget, and Administration:</b> advisory body of the PAHO Executive Committee with responsibility for aspects of program, budget, and administration</li> <li>• <b>External Auditor:</b> audits PAHO's accounts and reports an opinion on the financial statements</li> <li>• <b>Audit Committee:</b> independent consultative function that provides advice on the operation of PAHO's financial controls and reporting structures, risk management processes, and other audit-related controls</li> <li>• <b>Ethics Office:</b> promotes a culture of ethics and integrity in PAHO by providing guidance, advice, and training</li> <li>• <b>Ethics Help Line:</b> for reporting possible fraud or corruption; allows reporters to remain anonymous if they wish</li> <li>• <b>Office of Internal Oversight and Evaluation Services:</b> provides internal auditing and evaluation services to PAHO</li> <li>• <b>Standing Committee on Asset Protection and Loss Prevention:</b> safeguards PAHO's assets and resources and develops strategies to mitigate the risk of fraud and/or corruption</li> </ul>

Source: GAO analysis of information from the Pan American Health Organization (PAHO). | GAO-18-219

Table 17: Oversight Mechanisms of the Inter-American Institute for Cooperation on Agriculture

Oversight policies	Oversight committees and organizations
<p><b>Code of Ethics:</b> supports IICA and its personnel in situations or conflicts that may affect our development or work performance.</p> <p><b>Anti-fraud Policy of the IICA:</b> establishes mechanisms designed to prevent, identify, and deal in an adequate, timely, and effective manner with acts or possible acts of fraud within IICA</p> <p><b>Results-Based Institutional Management Planning, Monitoring, Evaluation, Reporting and Accountability at IICA:</b> establishes a system to plan results, program resources, manage projects, and monitor and evaluate results</p> <p><b>Financial Rules:</b> defines the rules that should be applied in managing finances throughout IICA</p> <p><b>Policies and Procedures for Identifying, Negotiating, Approving, Executing, Closing Out and Reporting on the External Resources Mobilized by IICA:</b> establishes policies and procedures for externally funded activities</p> <p><b>Institutional Net Rate Policy:</b> ensures that external resources must cover IICA’s proportional indirect costs so that assessed contributions and other income are used to finance both direct and indirect costs of the governing body’s actions</p>	<p><b>Audit Review Committee:</b> reviews the work of the External Auditor and all other aspects of IICA’s external auditing system</p> <p><b>External Auditor:</b> expresses an opinion on IICA’s financial statements</p> <p><b>Internal Audit Unit:</b> ensures that the management of the different offices and financial, administrative, management, and technical units are consistent with the achievements, goals, and contributions established in the 2014–2018 medium-term plan, and that the current legal provisions, internal rules, and best practices are observed</p> <p><b>Special Advisory Commission on Management Issues:</b> promotes a regular exchange between the Director General and member states on administrative and financial initiatives</p> <p><b>Annual Accountability Seminar:</b> reports on the actions implemented during the preceding year and generates technical cooperation inputs for the next year</p>

Source: GAO analysis of information from the Inter-American Institute for Cooperation on Agriculture (IICA). | GAO-18-219

Table 18: Oversight Mechanisms of the Pan-American Institute on Geography and History

Oversight policies	Oversight committees and organizations
<ul style="list-style-type: none"><li><b>Commission work plans:</b> details the activities to be undertaken, the objectives to be obtained, and the cost of their execution of PAIGH's four commissions, one each in cartography, geography, history, and geophysics</li></ul>	<ul style="list-style-type: none"><li><b>External Auditor:</b> audits and gives an opinion about PAIGH's financial statements</li><li><b>Advisory Committee on Planning and Financial Evaluation:</b> studies the financial reports, the audit, and the budget</li><li><b>Authorities Board:</b> collaborates and prepares biennial plans of the commission's work, approves work programs, proposes creation of new committees and working groups, and presents reports to Directing Council on the works undertaken by the commissions</li></ul>

Source: GAO analysis of information from the Pan-American Institute on Geography and History (PAIGH). | GAO-18-219

# Appendix III: Key Monitoring Provisions Implementing Federal Regulations or Agency Guidance

To oversee the execution of their agreements, the Department of State (State), the U.S. Agency for International Development (USAID), the Department of Health and Human Services (HHS), and U.S. Department of Agriculture (USDA) are to conduct monitoring activities called for by applicable federal regulations or agency guidance and document these provisions in assistance agreements as called for by federal standards for internal control. We identified key monitoring provisions implementing the applicable agency guidance for State, USAID, HHS, and the applicable regulations for USDA, as shown in table 19. For both the agency guidance and the federal regulations, those listed are the ones that were in effect when the agreements in our sample were approved. Some of the agency guidance and regulations have since been amended or superseded.

Table 19: Applicable Federal Regulations or Agency Guidance Monitoring Requirements for Assistance Agreements

	Monitoring requirement	Applicable agency guidance
State Dept.	1. Financial reports	1. State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 42, p. 3 (Aug. 30, 2010).
	2. Final financial report	2. State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 41, Revision 1, pp. 2-3 (Sept. 19, 2011); State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 41, Revision 2, p. 4 (Jan. 2, 2013).
	3. Performance reports	3. State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 42, p. 3 (Aug. 30, 2010).
	4. Final performance report	4. State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 41, Revision 1, pp. 2-3 (Sept. 19, 2011); State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 41, Revision 2, p. 4 (Jan. 2, 2013).

**Appendix III: Key Monitoring Provisions  
Implementing Federal Regulations or Agency  
Guidance**

	<b>Monitoring requirement</b>	<b>Applicable agency guidance</b>
	5. Audits	5. State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 42, p. 5 (Aug. 30, 2010); State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 65, p. 3 (Dec. 2, 2013).
	6. Monitoring plan	6. State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 42, p. 2 (Aug. 30, 2010).
	7. Risk assessment	7. State, Bureau of Administration, Office of the Procurement Executive, Grants Policy Directive Number 43, p. 2 (June 21, 2010).
US AID	1. Audits and records	1. USAID, Standard Provisions for Cost-Type Awards to Public International Organizations: A Mandatory Reference for ADS 308, pp. 6-7 (April 19, 2011); USAID, Standard Provisions for Cost-Type Awards to Public International Organizations: A Mandatory Reference for ADS 308, pp. 7-8 (Oct. 1, 2014).
	2. Recipient adheres to their own rules	2. USAID, Standard Provisions for Cost-Type Awards to Public International Organizations: A Mandatory Reference for ADS 308, p. 10 (April 19, 2011). USAID, Standard Provisions for Cost-Type Awards to Public International Organizations: A Mandatory Reference for ADS 308, p. 9 (Oct. 1, 2014).
HHS	1. Financial reports	1. HHS, Office of the Assistant Secretary for Resources and Technology, Office of Grants, Grants Policy Statement, p. 135 (Jan. 1, 2007).
	2. Final financial report	2. HHS, Office of the Assistant Secretary for Resources and Technology, Office of Grants, Grants Policy Statement, pp. 142-143 (Jan. 1, 2007).
	3. Performance reports	3. HHS, Office of the Assistant Secretary for Resources and Technology, Office of Grants, Grants Policy Statement, p. 136 (Jan. 1, 2007).
	4. Final performance report	4. HHS, Office of the Assistant Secretary for Resources and Technology, Office of Grants, Grants Policy Statement, p. 143 (Jan. 1, 2007).
	5. Audit	5. HHS, Office of the Assistant Secretary for Resources and Technology, Office of Grants, Grants Policy Statement, pp. 138-140 (Jan. 1, 2007).
USDA	1. Financial reports	1. 2 C.F.R. § 215.52(a)(1)(I-IV); 2 C.F.R. § 200.327.
	2. Final financial report	2. 2 C.F.R. § 215.52(a)(1)(iii); 2 C.F.R. § 200.343(a).
	3. Performance reports	3. 2 C.F.R. § 215.51(b); 2 C.F.R. § 200.328(b)(1).
	4. Final performance reports	4. 2 C.F.R. § 215.51(b); 2 C.F.R. § 200.328(b)(1).
	5. Performance goals	5. 2 C.F.R. § 200.210(d).

Source: GAO analysis of assistance agreement guidance documents from the Department of Health and Human Services (HHS), Department of State (State), U.S. Agency for International Development (USAID), U.S. Department of Agriculture (USDA), and federal grant guidance in the Code of Federal Regulations (C.F.R.) identified as applicable by the agencies. | GAO-18-219

## Appendix IV: Comments from the U.S. Agency for International Development



Mr. Thomas Melito  
Director, International Affairs and Trade  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

DEC 06 2017

Re: INTER-AMERICAN ORGANIZATIONS: U.S. Agencies Support Oversight  
Mechanisms, but Could Enhance Their Monitoring of U.S. Assistance Agreements  
(GAO-18-219)

Dear Mr. Melito:

I am pleased to provide the United States Agency for International Development's (USAID) formal response to the U. S. Government Accountability Office (GAO) draft report entitled *"INTER-AMERICAN ORGANIZATIONS: U.S. Agencies Support Oversight Mechanisms, but Could Enhance Their Monitoring of U.S. Assistance Agreements"* (GAO-18-219).

This letter and the enclosed USAID comments are provided for incorporation as an appendix to the final report. Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff while conducting this GAO engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Angelique M. Crumbly".

Angelique M. Crumbly  
Acting Assistant Administrator  
Bureau for Management

Enclosure: a/s

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**USAID COMMENTS ON GAO DRAFT REPORT**  
**INTER-AMERICAN ORGANIZATIONS: U.S. Agencies Support Oversight Mechanisms,  
but Could Enhance Their Monitoring of U.S. Assistance Agreements (GAO-18-219)**

This report has one recommendation for USAID as shown on page 22 of the draft report:

**Recommendation:** The USAID Administrator should ensure that USAID officials have full documentation of required monitoring activities in agreements with inter-American Organizations.

**USAID Response:** USAID agrees with the recommendation and actively works to ensure that all monitoring and evaluation documentation for agreements with inter-American Organizations are properly maintained in official files. In order to achieve this, USAID has a number of policies, procedures and trainings in place for Agreement Officer's Representatives (AOR) who manage these agreements under the guidance of the Agreement Officer.

All official USAID policies and procedures are set out/found/articulated through the Agency Automated Directive System (ADS).

[ADS 201](#) includes details on USAID monitoring and evaluation policies, examples include:

- ADS 201.3.2.17 "USAID has a responsibility to monitor strategy implementation progress, performance, and operational context. Throughout implementation, Missions should ensure that performance monitoring, context monitoring, and evaluation efforts are adequate to facilitate strategic learning and adaptively manage implementation of the strategy and to ensure that the Mission is fulfilling its reporting requirements."
- ADS 201.3.2.18 Requires Missions to conduct and document annual portfolio reviews that include review of challenges and next steps in improving performance.

ADS 308 on PIO policies is undergoing revisions that will include designations of Agreement Officer Representatives (AORs) for cost-type, fixed amount and simplified awards.

Currently, [ADS 303 mandatory reference on Model Letters and Procedures for Designating the Agreement Officer's Representative \(AOR\) for Cooperative Agreements and Grants](#) describes the responsibilities of AORs and has a sample letter of instruction in Annex A (page 7). Under responsibilities, it includes instructions for monitoring, financial management, and record keeping:

Monitoring: You are responsible for monitoring the recipient's progress in achieving the objectives of the Program Description in the subject award and for verifying that the recipient's activities being funded by USAID under the referenced award conform to the

- 3 -

terms and conditions of that award. For example, U.S. organization recipients that expend \$750,000 or more in Federal funds during a fiscal year must obtain a single or program-specific audit conducted for that year in accordance with 2 CFR 200, Subpart F. Non-U.S. organization recipients that expend more than \$300,000 or more in Federal funds during a fiscal year must also obtain an annual audit in accordance with ADS 591, Financial Audits of USAID Contractors, Recipients, and Host Government, section 591.3.2.1.

Financial Management: Reviewing and documenting the review (for example, signing and dating a copy of the financial report) of financial status reports for U.S. organizations with letters of credit and periodic advance payments to monitor financial progress. Contact the recipient for further explanation if questions arise regarding the appropriateness of expenditures, and contact the AO if not satisfied with the recipient's explanation.

Record Keeping: The AOR designation letter states that AORs are responsible for "establishing and maintaining adequate AOR files. These files are your primary tools for carrying out your duties and responsibilities as the AOR for this cooperative agreement and must include all correspondence with the recipient and document all actions you take as AOR. These files will also help successor AORs to understand your actions as AOR and the reasons behind such actions, as well as to have adequate files for audit purposes. You must ensure that the files contain the following:

- A copy of this AOR designation letter;
- A copy of the cooperative agreement and all of its amendments;
- A copy of all correspondence between the AOR and the recipient;
- The names of technical and administrative personnel assisting the AOR;
- A copy of records of AOR approvals, invoices, and other financial documents, initialed to demonstrate AOR review, as well as other administrative paperwork and correspondence;
- The basis for the AOR's accrual estimates, see ADS 631, Accruals and ADS 631sab, Accrual Documentation;
- A copy of financial documentation to support their activities in the financial management area such as the SF-425 (ADS 630, Payables Management);
- Budget pipeline analysis documentation; and
- Documentation of any other action taken by the AOR in accordance with this delegation of authority. Until the Agency has an approved electronic filing system, original signature documents and any other documents in the AOR files that are part of the official award file must be maintained in hard copy. You must not use text messages for any official communications with the recipient."

In addition to these policies, AOR's are required to be certified before assuming their duties. Certification is achieved following a two-week training course which includes training on the

- 4 -

requirements for maintaining the official file. AORs also receive instructions through an AOR designation letter when they assume responsibility for a particular grant or agreement. USAID will issue an Agency Notice to remind all AORs of these responsibilities, including the requirement to maintain complete AOR files for each agreement.

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## Appendix V: GAO Contact and Staff Acknowledgments

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### GAO Contact

Thomas Melito, (202) 512-9601, [melitot@gao.gov](mailto:melitot@gao.gov)

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### Staff Acknowledgments

In addition to the contact named above, Pierre Toureille (Assistant Director), Julia Jebo Grant (Analyst-in-Charge), Leslie Stubbs, and Paul Sturm, Alana Miller, and Shirley Min made key contributions to this report. In addition, David Dayton, Martin de Alteriis, Neil Doherty, Jeff Isaacs, and Alex Welsh provided technical assistance.

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## Appendix VI: Accessible Data

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### Agency Comment Letter

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Text of Appendix IV: Comments from the U.S. Agency for International Development

Page 1

Mr. Thomas Melito

Director, International Affairs and Trade

U.S. Government Accountability Office

441 G Street, NW Washington, DC 20548

DECO 6 2017

Re: INTER-AMERICAN ORGANIZATIONS: U.S. Agencies Support Oversight Mechanisms, but Could Enhance Their Monitoring of U.S. Assistance Agreements (GAO-18-219)

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Sincerely

Angelique Crumbley

Acting Assistant Administrator

Bureau for Management

Enclosure: a/s

Page 2

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**Recommendation:**

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**USAID Response:**

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Page 4

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