



Highlights of [GAO-09-165](#), a report to the Chairman, Subcommittee on International Organizations, Human Rights, and Oversight, Committee on Foreign Affairs, House of Representatives

Why GAO Did This Study

The U.S. Agency for International Development's (USAID) Cuba Program provides assistance to support human rights and promote nonviolent democratic change in Cuba. From 1996 through 2008, the program awarded \$83 million in grants to nongovernmental organizations and universities. In 2006, GAO found weaknesses in program oversight that increased the risk of grantees' improperly using grant funds and failing to comply with U.S. laws. In 2008, misuse of grant funds at organizations with the program's two largest grants was detected. GAO was asked to examine (1) actions that USAID has taken since 2006, or plans to take, to improve its award and oversight of the Cuba Program's grants and (2) actions that USAID has taken in response to the recently detected misuses of grant funds. GAO analyzed USAID and grantee records, conducted limited reviews at five grantees, and interviewed agency and grantee officials.

What GAO Recommends

GAO recommends that USAID (1) ensure that the Cuba Program is staffed at the level needed to fully implement planned monitoring activities and (2) periodically assess the program's overall efforts to reduce grantee risks.

Commenting on a draft of this report, USAID said that it was working to ensure the Cuba Program has adequate staffing for strong program oversight and that it would take steps to periodically assess the program's overall efforts to address grantee risks.

To view the full product, including the scope and methodology, click on [GAO-09-165](#). For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov.

FOREIGN ASSISTANCE

Continued Efforts Needed to Improve USAID's Oversight of U.S. Democracy Assistance for Cuba

What GAO Found

Since 2006, USAID has taken a number of steps to address identified problems with the Cuba Program's awards of democracy assistance and improve oversight of the assistance. For example, USAID has competitively awarded all Cuba Program grants since 2006, compared with 5 percent of grants awarded in 1995-2006; has hired more staff for the program office since January 2008; and contracted in April 2008 for financial services—such as reviews of grantee internal controls and procurement systems—to enhance oversight of grantees. USAID also has worked to strengthen program oversight by, for instance, ensuring preaward and follow-up reviews, improving grantee internal controls and implementation plans, and providing guidance and monitoring about permitted types of assistance and cost sharing. However, USAID has not staffed the Cuba Program at the level the agency has determined is needed for appropriate oversight; as of October 2008, the program office had five staff, compared with the 11 recommended in two USAID assessments. Further, because many of USAID's actions to improve oversight were initiated recently, their impact on the risk of the program grantees misusing grant funds or failing to comply with U.S. laws and regulations is not yet evident. In June 2008, for example, USAID's new financial services contractor found unsupported purchases at the organization with the program's largest grant.

In response to the misuse of funds at organizations with the two largest Cuba Program grants, USAID suspended the two grantees in March and July 2008, respectively, pending the results of criminal investigations. To detect financial vulnerabilities at other grantees, USAID announced in mid-July 2008 that it would accelerate planned reviews of program grantees' procurement systems and initiate audits of their incurred cost, and it partially suspended two additional grantees pending the results of the procurement reviews. The program's other grants remained active pending the results of these reviews and audits. The procurement reviews—completed in August 2008 by the new financial services contractor—identified internal control, financial management, and procurement weaknesses at three grantees; USAID is working with the grantees to correct these weaknesses. The USAID Inspector General will oversee the incurred cost audits, which USAID expects to be completed by November 2008 under a separate contract with another firm.