

Highlights of [GAO-13-285](#), a report to the Chairman, Committee on Foreign Relations, U.S. Senate

## Why GAO Did This Study

Since 1996, Congress has appropriated \$205 million to USAID and State to support democracy assistance for Cuba. Because of Cuban government restrictions, conditions in Cuba pose security risks to the implementing partners—primarily NGOs—and subpartners that provide U.S. assistance.

For this report, GAO (1) identified current assistance, implementing partners, subpartners, and beneficiaries; (2) reviewed USAID's and State's efforts to implement the program in accordance with U.S. laws and regulations and to address program risks; and (3) examined USAID's and State's monitoring of the use of program funds. This report is a publicly releasable version of a Sensitive But Unclassified Report that GAO issued in December 2012.

To address these objectives, GAO analyzed program activities and funding, relevant laws and regulations, and practices for monitoring the use of funds. GAO also conducted performance and financial reviews of a nongeneralizable sample of six implementing partners—representing about 60 percent of USAID and State funding for awards and contracts active in fiscal year 2011—and 11 subpartners.

## What GAO Recommends

GAO is recommending that State take steps to improve its financial monitoring of implementing partners and provide clear guidance for approving subpartners. State concurred with GAO's recommendations and cited steps they are taking to address them.

View [GAO-13-285](#). For more information, contact David Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

## CUBA DEMOCRACY ASSISTANCE

### USAID's Program Is Improved, but State Could Better Monitor Its Implementing Partners

## What GAO Found

The U.S. Agency for International Development (USAID) and Department of State (State) provide democracy assistance for Cuba aimed at developing civil society and promoting freedom of information. Typical program beneficiaries include Cuban community leaders, independent journalists, women, youths, and marginalized groups. USAID receives the majority of funding allocated for this assistance, although State has received 32 percent of funding since 2004. In recent years, both USAID and State have provided more funding for program implementation to for-profit and nongovernmental organizations (NGO) with a worldwide or regional focus than to universities and to NGOs that focus only on Cuba. All types of implementing partners, but worldwide or regional organizations in particular, used subpartners to implement program activities under 21 of the 29 awards and contracts that GAO reviewed.

USAID and State legal officials view the Cuba democracy program's authorizing legislation as allowing the agencies discretion in determining the types of activities that can be funded with program assistance. Agency officials added that the agencies ensure that program activities directly relate to democracy promotion as broadly illustrated in related program legislation. The officials stated that organizations are expected to work with agency program officers to determine what activities are permitted or appropriate. In addition, they said that program partners and subpartners are expected to spend U.S. government funds consistent with U.S. laws, and that requirements in primary award agreements generally flow down to any subpartners.

USAID has improved its performance and financial monitoring of implementing partners' use of program funds by implementing new policies and hiring contractors to improve monitoring and evaluation and to conduct financial internal controls reviews, but GAO found gaps in State's financial monitoring. While GAO found some gaps in implementing partners' performance planning and reporting, both agencies are taking steps to improve performance monitoring. For financial monitoring, USAID performs financial internal controls reviews of its implementing partners with the assistance of an external auditor. Since 2008, USAID has used a risk-based approach to determine the coverage and frequency of the 30 reviews the auditor has conducted, which have identified weaknesses in implementing partners' financial management, procurement, and internal controls. However, because of resource constraints, State did not perform financial internal controls reviews for more than two-thirds of its implementing partners during fiscal years 2010 through 2012. State procured an external financial auditor in September 2012 that plans to review more than half of State's implementing partners, and has taken steps toward implementing a risk-based approach for scheduling these reviews. Federal regulations generally require agencies to approve the use of subpartners. GAO found that USAID issued specific guidance in 2011 to its implementing partners on requirements for subpartner approval. While State told GAO it has similar requirements, State's requirements are not clearly specified in its written guidance. As a result, State was not provided with the information it would have needed to approve at least 91 subawards and subcontracts that were obligated under eight awards.