Office of Inspector General
United States Department of State

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Audit of the Department of State's Monitoring of Anti-Corruption Programs and Activities in Central and Eastern Europe

GLOBAL EMERGENCIES AND EMERGING RISKS

HIGHLIGHTS
Office of Inspector General
United States Department of State

AUD-GEER-25-18

What OIG Audited

From FY 2018 through FY 2023, the Department of State (Department) administered approximately $51 million in implementing vehicles,[*] international agreements, and sanctions to support anti-corruption efforts in Hungary, Moldova, Poland, and Ukraine.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department implemented and monitored anti-corruption assistance programs and activities in Central and Eastern European countries in accordance with federal and Department requirements. To perform the audit, OIG reviewed 38 implementing vehicles and 79 activities, valued at approximately $48 million. OIG also reviewed 3 sanctions administered by the Department.

What OIG Recommends

OIG made five recommendations to improve internal controls related to developing, monitoring, and evaluating anti-corruption strategies and activities. Based on responses to a draft of this report, OIG considers three recommendations unresolved, one recommendation resolved, pending further action, and one recommendation closed. A synopsis of the Department's comments and OIG's reply follow each recommendation in the Audit Results section of this report. The Department's responses to a draft of this report are reprinted in their entirety in Appendices D through F. A summary of the Department's technical comments and OIG's replies are presented in Appendix G.

*For the purposes of this report, OIG uses the term "implementing vehicles" to include a variety of federal financial assistance award instruments, including grants, cooperative agreements, and voluntary contributions.

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What OIG Found

OIG found weaknesses in the Department's tracking, monitoring and evaluation, and strategic planning of anti-corruption activities in Central and Eastern Europe. Despite the strategic priority placed on anti-corruption efforts, the Department had not taken steps to fully integrate its anti-corruption efforts.

Specifically, OIG determined that the Department did not have internal controls in place to systematically track and capture the entirety of anti-corruption programs and activities in Central and Eastern Europe and provide reliable and timely financial information on them. OIG also found that Department bureaus and overseas posts did not consistently monitor and evaluate anti-corruption implementing vehicles. In addition, OIG found that key bureaus' guidance and resources for project design did not conform with the Department's established best practices. Moreover, the Department lacked its own department-wide anti-corruption strategy, and its implementation plan met few requirements.

Without the ability to systematically and accurately track anti-corruption activities and federal financial assistance award instruments, including grants, cooperative agreements, and voluntary contributions, the Department was not in a position to effectively review and report on the progress of its anti-corruption efforts. Additionally, without effective monitoring and evaluation, the Department cannot have reasonable assurance that its implementing vehicles are administered in accordance with Department requirements and are achieving intended results. Finally, the Department would benefit from a Department-wide strategy that provides a common definition for corruption, clarifies anti-corruption roles and responsibilities, and frames the entirety of the Department's anti-corruption efforts.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) implemented and monitored anti-corruption assistance programs and activities in Central and Eastern European countries in accordance with federal and Department requirements.

BACKGROUND

According to the most recent Department and U.S. Agency for International Development (USAID) Europe and Eurasia joint regional strategy, corruption in Europe and Eurasia poses one of the greatest challenges to democracy in the region, leaves countries vulnerable to those seeking to foment discord and violate civil and human rights, and presents risks for U.S. government efforts and programs.[1] According to multiple sources, corruption risks remain significant in Central and Eastern Europe. International corruption has been a U.S. foreign policy concern around the world and intersects with a variety of previously declared U.S. interests abroad, including promoting democracy and human rights, deterring transnational crime and terrorism, and advancing economic development. In 2021, the administration established corruption as a core U.S. national security interest; subsequently, the Department took steps to coordinate its efforts and better address corruption as a matter of national security.

Corruption in Selected Central and Eastern European Countries

The Department has often referred to Transparency International's [2] work when discussing anti-corruption. Transparency International's 2022 Corruption Perceptions Index (CPI) ranked Ukraine in the bottom third of countries for corruption; comparably, Moldova was ranked in the bottom half. According to the same report, Hungary has experienced backsliding in recent years and was ranked the worst performer among European Union member countries. Additionally, Poland's CPI score increased to a high of 63 in 2015 but has since generally decreased, reaching a low of 55 in 2022 with some fluctuations in between.[3]

Transparency International also reported that years of inaction against corruption in Central and Eastern Europe has undermined democratic processes, restricted civic space, and weakened public institutions—fueling violence, conflict, and instability.[4] Similarly, in 2023,

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[1] Department of State Bureau of European and Eurasian Affairs and USAID Bureau of Europe and Eurasia, *Joint Regional Strategy for Europe and Eurasia*, November 2022, pages 18 and 19.

[2] Transparency International is a nonprofit organization focused on stopping corruption and promoting transparency and accountability. Transparency International's annual Corruption Perceptions Index ranks countries and territories by their perceived levels of public sector corruption. Transparency International, "Our Charter," https://www.transparency.org/en/the-organisation/our-charter.

[3] Transparency International, *2022 Corruption Perceptions Index in Eastern Europe & Central Asia Reflects How Corruption Fuels Violent Conflict* (January 31, 2023). See "Appendix A: Purpose, Scope, and Methodology" of this report for additional details.

[4] Ibid.

Freedom House [5] reported that ". . . democratic governance suffered an overall decline in the region stretching from Central Europe to Central Asia." The Department has supported longstanding anti-corruption efforts in the region as countries seek to attain European Union and North Atlantic Treaty Organization membership. For example, in Ukraine, the Department supported judicial, prosecutorial, and law enforcement reforms and programming and was instrumental in the establishment of several national anti-corruption institutions. Similarly, in Moldova, the Department supported activities to reform judicial and anti-corruption institutions.

Anti-Corruption Established as a Core U.S. National Security Interest

On June 3, 2021, the administration established corruption as a core U.S. national security interest,[6] releasing National Security Study Memorandum (NSSM)-1, *"Memorandum on Establishing the Fight Against Corruption as a Core United States National Security Interest,"* which states that:

> Corruption threatens United States national security, economic equity, global anti-poverty and development efforts, and democracy itself. But by effectively preventing and countering corruption and demonstrating the advantages of transparent and accountable governance, [the United States] can secure a critical advantage for . . . democracies.[7]

United States Strategy on Countering Corruption

In December 2021, the administration issued the *United States Strategy on Countering Corruption*, which built on a federal interagency review to identify existing anti-corruption efforts and address gaps.[8] The strategy set out a comprehensive approach for the United States to work, domestically and internationally, with government and nongovernment partners, to prevent, limit, and respond to corruption and related crimes. The *United States Strategy on Countering Corruption* identified five lines of related U.S. government effort:

- Modernize, coordinate, and resource efforts to fight corruption.
- Curb illicit finance.
- Hold corrupt actors accountable.
- Preserve and strengthen the multilateral anti-corruption architecture.

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[5] Freedom House, "Nations in Transit 2023: War Deepens a Regional Divide," page 1, https://freedomhouse.org/sites/default/files/2023-05/NIT_2023_Digital.pdf. Freedom House is a nonpartisan 501(c)(3) organization whose mission is to expand and defend freedom globally. The U.S. government has relied on Freedom House's information to inform it plans.

[6] See "Appendix C: Strategies, Regulations, and Guidance" for additional details on federal government strategies and regulations.

[7] White House, NSSM-1, "Memorandum on Establishing the Fight Against Corruption as a Core United States National Security Interest" (June 3, 2021), section 1.

[8] White House, *United States Strategy on Countering Corruption: Pursuant to the National Security Study Memorandum on Establishing the Fight against Corruption as a Core United States National Security Interest*, December 2021, page 4.

- Improve diplomatic engagement and leverage foreign assistance to advance policy goals.[9]

National Security Strategy

The issue of corruption was further emphasized as a federal priority in the October 2022 National Security Strategy (NSS), which describes corruption as a "fundamental threat to the rule of law."[10] The NSS underscores the importance of anti-corruption efforts, stating that the United States would treat "the fight against corruption as the core national security interest it is."[11] Furthermore, the NSS committed the United States to elevating and expanding diplomatic engagement and foreign assistance in this area, "including by enhancing partner governments' [capacities] to fight corruption in cooperation with U.S. law enforcement authorities and bolstering the prevention and oversight capacities of willing governments."[12]

Department Anti-Corruption Efforts

Since 2021, the Department took steps to coordinate its efforts to better address corruption as a matter of national security. For example, the Department:

- Established the Office of the Coordinator on Global Anti-Corruption (CGAC) to build international anti-corruption capacity and expand multilateral anti-corruption cooperation.[13]
- Developed and took steps to implement the *U.S. Strategy on Countering Corruption Implementation Plan*.[14]
- Developed anti-corruption action plans for selected countries.
- Participated in an interagency anti-corruption task force.

According to Department officials, the Department was also:

- Providing annual congressional updates on U.S. government efforts to fight corruption.[15]
- Providing Congress a classified list of countries in which governments are making limited or no effort to comply with minimum standards set forth in 22 United States Code

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[9] Ibid., page 5.

[10] White House, *National Security Strategy*, October 2022, page 36.

[11] Ibid., page 18.

[12] Ibid., page 36.

[13] In March 2025, the Bureau of International Narcotics and Law Enforcement Affairs (INL) dissolved CGAC and transferred its responsibilities to INL's Office of Global Programs and Policy.

[14] Department, *U.S. Strategy on Countering Corruption Implementation Plan*, September 2023.

[15] 22 United States Code (U.S.C.) § 10502(c). This provision requires that the Secretary of State provide an annual update in a classified setting to the appropriate congressional committees on the United States government's efforts to fight against corruption. This update should include an overview of the key obstacles to combating corruption and present near term and long-term strategies.

- (U.S.C.) § 10503. and are not achieving meaningful progress toward combating corruption.[16]
- Designating an anti-corruption point of contact at U.S. diplomatic posts in countries that are not achieving meaningful progress toward combatting corruption.[17]

CGAC, the Department's office that was responsible for elevating and integrating its anti-corruption efforts, was administratively located within the Bureau of International Narcotics and Law Enforcement Affairs (INL) front office.[18] Fighting corruption has been fundamental to INL's work, and offices within INL have developed and implemented foreign policy objectives related to combating corruption. INL has had responsibility for developing and implementing global programs to combat corruption, managing corruption-related visa actions, and managing the production and publication of the biannual International Anti-Corruption and Good Governance Act report.[19]

Many other Department bureaus and offices have been involved in planning, coordinating, directing, or implementing anti-corruption programs and activities in addition to their primary roles and responsibilities:

- At the Department level, the Office of Foreign Assistance has tracked the progress of assistance efforts designed to promote a range of U.S. national security and development objectives, including anti-corruption, enabling the Department to report on foreign assistance funding attributed by bureaus and posts to each issue.
- At Department posts abroad, Public Affairs sections have sought to further missions' anti-corruption strategies and goals through awards and activities like anti-corruption messaging, media development, and empowerment.
- The Bureau of Democracy, Human Rights, and Labor's (DRL) Office of Multilateral and Global Affairs has developed, appraised, and implemented U.S. foreign affairs policies, positions, and processes to further U.S. government goals and objectives related to anti-corruption.
- The Bureau of European and Eurasian Affairs, Office of the Coordinator of U.S. Assistance for Europe and Eurasia (EUR/ACE)—which, directs region-wide strategic planning, program policy development, budget planning, performance monitoring, and

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[16] 22 U.S.C. § 10502(b). This provision requires that the Secretary of State provide appropriate congressional committees a classified list of countries that (a) have governments making limited or no efforts to comply with minimum standards and (b) are not achieving meaningful progress on combating corruption. The provision requires that the list include a brief description of each country's lack of progress.

[17] 22 U.S.C. § 10505(a). This provision requires that the Secretary of State annually designate an anti-corruption point of contact at the U.S. diplomatic post to each country identified pursuant to 22 U.S.C. § 10502(b) or which the Secretary of State otherwise determines needs such a point of contact.

[18] For additional information on issues related to CGAC's roles and responsibilities, see OIG, *Management Assistance Report: Actions Needed to Meet Requirements for Establishing the Office of the Coordinator on Global Anti-Corruption* (AUD-GEER-24-19, June 2024) in which OIG reviewed CGAC's placement, roles, and reporting responsibilities. In March 2025, INL dissolved CGAC and transferred its responsibilities to INL's Office of Global Programs and Policy.

[19] 1 FAM 532.3, "Office of Global Programs and Policy (INL/GPP)."

reporting and evaluation of foreign assistance to Europe and Eurasia—has conducted briefings with CGAC, facilitated bureau anti-corruption training workshops, and coordinated foreign assistance anti-corruption programming.

- The Bureau of Economic and Business Affairs (EB) has deployed economic tools, including sanctions, to deny financing to corrupt officials.

To achieve Department anti-corruption goals and objectives, the Department has provided funds to implementing partners to execute anti-corruption projects through various implementing vehicles [20] and letters of agreement with international organizations (IO-LOA). The Bureau of Administration, Office of the Procurement Executive (OPE) leads and directs management of Department-wide acquisition and federal assistance policies that govern these implementing vehicles and IO-LOAs.[21] In addition, the Department, in coordination with the U.S. Department of the Treasury and the U.S. Department of Commerce, has implemented sanctions as economic tools to counter corruption.

AUDIT RESULTS

OIG found that, although the 2022 NSS [22] identified anti-corruption as a core national security interest and the Secretary of State designated a Coordinator on Global Anti-Corruption,[23] the Department had not taken steps to fully integrate its anti-corruption efforts. OIG determined that the Department did not have internal controls in place to systematically track and capture the entirety of anti-corruption programs and activities in Central and Eastern Europe or provide reliable and timely financial information. OIG also determined that Department bureaus and overseas posts did not consistently monitor and evaluate anti-corruption implementing vehicles in Central and Eastern Europe. Additionally, OIG found that DRL and INL guidance and resources for project design did not conform with Department best practices. Moreover, Department anti-corruption guidance met few strategic plan requirements and OIG determined that the Department did not have an agency-wide anti-corruption strategy.

Without the ability to systematically and accurately track activities and implementing vehicles related to anti-corruption, the Department was not in a position to effectively review and report on the progress of its anti-corruption efforts in Central and Eastern Europe or elsewhere. Additionally, without effective monitoring and evaluation, the Department cannot have reasonable assurance that implementing vehicles are administered in accordance with requirements and cannot ensure that implementing vehicles achieve intended results. Furthermore, the Department would benefit from an agency-wide strategy that defines

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[20] For the purposes of this report, OIG uses the term "implementing vehicles" to include a variety of federal financial assistance award instruments, including grants, cooperative agreements, and voluntary contributions. For a complete list of the implementing vehicles included in this audit, see Appendix A, Tables A.2 and A.3.

[21] See "Appendix B: Department Roles and Responsibilities" of this report for additional details.

[22] White House, *National Security Strategy*, page 18 (October 2022).

[23] Secretary of State Press Statement, "Elevating Anti-Corruption Leadership and Promoting Accountability for Corrupt Actors," December 9, 2021, https://2021-2025.state.gov/elevating-anti-corruption-leadership-and-promoting-accountability-for-corrupt-actors/.

corruption, clarifies anti-corruption roles and responsibilities, and frames the entirety of the Department's anti-corruption efforts.

Finding A: The Department's Accounting of Anti-Corruption Programs and Activities in Central and Eastern Europe Was Incomplete and Inaccurate

According to the Foreign Affairs Manual (FAM), internal controls provide "reasonable assurance that the objectives of the Department will be achieved. Management controls are a means of managing risk associated with Federal programs and operations. The Department is required to incorporate management controls in all of its programs and functions."[24] The FAM also states that executive agencies must maintain controls that provide

> (1) Complete disclosure of the financial results of the agency's activities; (2) Reliable and timely financial information the agency needs for management purposes . . . (4) Reliable accounting results that will be the basis for preparing and supporting the budget requests of the agency; . . . and providing financial information that the President requires.[25]

OIG determined that the Department did not have internal controls in place to systematically track and capture the entirety of anti-corruption programs and activities or provide reliable and timely financial information. Initially, when OIG requested data on all anti-corruption programs and activities, DRL, INL, and Under Secretary for Public Diplomacy and Public Affairs officials [26] stated that they had to manually review program and activity descriptions to identify implementing vehicles, agreements, and activities related to anti-corruption efforts, which took more than 3 months to complete. Department officials ultimately identified a total of 218 implementing vehicles, agreements, and activities related to anti-corruption, valued at $51.2 million, that were active from FY 2018 through FY 2023. Figure 1 demonstrates the geographic allocation of the implementing vehicles, agreements, and activities identified.

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[24] 4 FAM 041(a), "General Statement."
[25] 4 FAM 041(b).
[26] See "Data Reliability" section in Appendix A of this report for additional details on bureaus that contributed anti-corruption data.

Figure 1: Department-Funded Implementing Vehicles, Agreements, and Activities Related to Anti-Corruption in Central and Eastern Europe[*]

Ukraine
$22,396,725

Moldova
$15,745,620

Global
$6,695,529

Central and Eastern Europe
$6,589,498

Hungary
$65,098

$51M Total Value
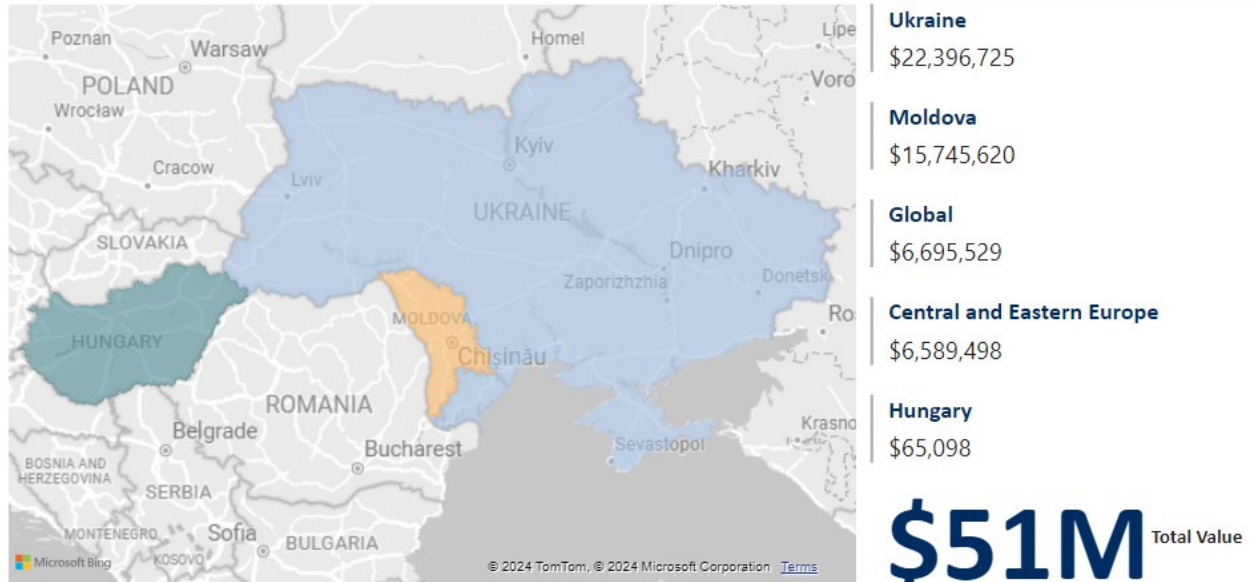
[*] The map depicts individual countries in which Department-funded awardees implemented country-specific anti-corruption programs and activities. The Department has also provided funding for regional projects in Central and Eastern Europe, as well as global projects implemented in the region and others around the world. Regional and global anti-corruption activity funding at the time of our fieldwork is listed to the right of the map.

Source: OIG-generated from information provided by DRL, INL, and the Under Secretary for Public Diplomacy and Public Affairs.

Table 1 lists total funding amounts by Department bureau or office for individual countries, regional programs, and global programs implemented in Central and Eastern Europe as identified by the Department.

Table 1: FY 2018–FY 2023 Department-Funded Implementing Vehicles, Agreements, and Activities Related to Anti-Corruption in Central and Eastern Europe

Place of Performance	INL	DRL	Under Secretary of Public Diplomacy and Public Affairs	Total
Ukraine	$16,445,945	$5,847,554	$103,225	**$22,396,725**
Moldova	13,833,263	1,727,357	185,000	**15,745,620**
Global	1,500,000	5,195,529	-	**6,695,529**
Regional	3,972,219	2,617,279	-	**6,589,498**
Hungary	44,626	-	20,472	**65,098**
Total	**$35,796,054**	**$15,387,719**	**$308,697**	**$51,492,470**

Source: OIG-generated from information provided by DRL, INL, and the Under Secretary for Public Diplomacy and Public Affairs.

During fieldwork, OIG determined that the accounting of anti-corruption programs and activities was incomplete and inaccurate.[27] Specifically, OIG determined that 27 of 218 (12 percent) implementing vehicles and agreements identified did not have a nexus to anti-corruption efforts as indicated. In addition, U.S. Embassy Chisinau, Moldova, personnel identified a regional anti-corruption program implemented via an INL interagency agreement valued at $2.33 million that was not included in the previously provided documentation of implementing vehicles, agreements, and activities.

In June 2024, the Office of Foreign Assistance provided additional Department-wide anti-corruption data from its Standardized Program Structure and Definitions (SPSD) system.[28] The SPSD data reflected the Department's anti-corruption efforts at a high level and were not broken down to reflect the anti-corruption efforts in a given country.[29] Therefore, these data could not be used to verify the Department's previously provided information.

Department officials stated that anti-corruption was a key issue in the Department's foreign assistance framework, and although anti-corruption is not coded, it is captured as a key issue and secondary issue in the SPSD system. However, Department officials also stated that the system relies on manual data entry, which may explain why these data do not match those previously provided to OIG. Office of Foreign Assistance officials stated that SPSD reporting accuracy will improve when each overseas mission establishes an anti-corruption point of contact.[30] Furthermore, although the SPSD is intended to provide consistent categorization and definitions across the Department, this system only includes foreign assistance data and does not account for other efforts such as sanctions and public diplomacy activities that may have an anti-corruption focus.

Although the Department identified anti-corruption as a key issue, the Department did not consider anti-corruption an agency-wide "program" with a unique program identifier in its tracking systems.[31] As a result, the Department was unable to provide a complete and accurate accounting of anti-corruption activities. Without the ability to systematically and accurately track activities and implementing vehicles related to anti-corruption, the Department cannot effectively review and report on the progress of anti-corruption efforts. To address this weakness, OIG offers the following recommendation.

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[27] See "Appendix A: Purpose, Scope, and Methodology" of this report for additional details.

[28] SPSD is the Office of Foreign Assistance's "dictionary," providing a common set of definitions and a consistent way to categorize and account for Department and USAID managed foreign assistance. This common language allows the Department to establish indicators for measuring performance, and to develop a comprehensive body of knowledge regarding program effectiveness. SPSD is an interagency tool that provides a common vocabulary, and the capability to respond quickly and transparently to stakeholders. Department, Resources and Reports, https://www.state.gov/resources-and-reports-office-of-foreign-assistance/.

[29] The data provided in June 2024 contained direct allocations (SPSD data) and indirect attributions (key issue data) for anti-corruption, by bureau and region for FY 2018-FY 2023. Specific funding for Hungary, Moldova, Poland and Ukraine during this period could not be determined based on the information provided.

[30] The Department planned to identify anti-corruption points of contact at overseas missions by December 2024.

[31] Department tracking systems used to provide anti-corruption related data for this report were the Global Financial Management System, the Regional Financial Management System, and the SPSD system.

Recommendation 1: OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs and the Office of Foreign Assistance, develop and implement a unique identifier for anti-corruption programs and activities and issue instructions to ensure consistent use by all Department of State bureaus and overseas posts. These instructions should include quality checks on data elements that are at increased risk of being reported incorrectly.

Management Response: In response to a draft of this report, the Office of Foreign Assistance noted that OIG conducted this audit prior to the April 22, 2025, release of the Secretary of State's plan to reorganize the Department.[32] The Office of Foreign Assistance stated that, given the administration's strategic realignment under the foreign assistance review,[33] the Department is considering whether there will be sufficient ongoing programming to warrant the recommended systems changes. The Office of Foreign Assistance suggested that OIG revise the recommendation included in a draft of this report to direct the recommendation to the Bureau of the Comptroller and Global Financial Services, which could serve as the overall coordinator for the actions described.

OIG Reply: OIG acknowledges that a draft of this report was issued prior to the Secretary of State's announcement to reorganize the Department and realign certain USAID functions to the Department,[34] and these activities will likely impact the Department's anti-corruption efforts. As such, OIG modified the recommendation to identify the Bureau of the Comptroller and Global Financial Services as the action office, as requested.

Because the recommendation has been redirected to the Bureau of the Comptroller and Global Financial Services, OIG considers the recommendation unresolved and will pursue resolution of the recommendation with the Bureau of the Comptroller and Global Financial Services during the audit compliance process. This recommendation will be considered

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[32] On April 22, 2025, the Secretary of State announced a "comprehensive reorganization plan that will bring the Department into the 21st Century." The Deputy Secretary of State for Management and Resources was assigned responsibility for leading the implementation of the reorganization, which according to the Secretary, was designed to consolidate Department reporting lines, drive efficiencies in operations, strengthen the workforce, and produce better outcomes for Americans domestically and abroad. Department, Secretary of State Marco Rubio Press Statement, "Building an America First State Department," April 22, 2025, and Department, "State Department Reorganization Fact Sheet," April 22, 2025.

[33] On January 20, 2025, the White House announced a 90-day pause in U.S. foreign assistance and directed responsible department and agency heads to review U.S. foreign assistance programs for assessment of programmatic efficiencies and consistency with U.S. foreign policy. Responsible Department and agency heads, in consultation with the Office of Management and Budget Director, were required to determine whether to continue, modify, or cease each foreign assistance program based on the review recommendations, with Secretary of State concurrence. Executive Order 14169, Reevaluating and Realigning United States Foreign Aid, January 20, 2025.

[34] On March 28, 2025, the Department notified Congress of its intent to realign certain USAID functions to the Department by July 1, 2025, and discontinue remaining USAID functions that do not align with administration priorities. Department Congressional Notification Transmittal Letter, March 28, 2025.

resolved when the Bureau of the Comptroller and Global Financial Services, in coordination with INL and the Office of Foreign Assistance, provides a plan of action for addressing the recommendation or provides an acceptable alternative that fulfills the intent of the recommendation.

Finding B: Department Officials Did Not Consistently Monitor and Evaluate Anti-Corruption Programs and Activities in Central and Eastern Europe

Department bureau and overseas post officials did not consistently monitor and evaluate anti-corruption implementing vehicles in Central and Eastern Europe. Specifically, OIG found that DRL and INL officials did not always document annual monitoring plan reviews, risk assessments, or final Grants Officer Representative (GOR)[35] implementing vehicle evaluations in accordance with the Federal Assistance Directive (FAD). The Department's anti-corruption monitoring and evaluation efforts were inconsistent because DRL and INL Grants Officers and GORs did not consistently use the State Assistance Management System (SAMS)[36] to document monitoring and evaluation activities and assessments in official implementing vehicle files. Without effective monitoring and evaluation, the Department lacks reasonable assurance that implementing vehicles are administered in accordance with requirements or ensure that they are achieving intended results.

Despite inconsistent monitoring and evaluation efforts, OIG found that, for the countries sampled, officials gathered information to inform the Department's anti-corruption response to Russia's February 2022 invasion of Ukraine. Specifically, Department officials amended three ongoing anti-corruption implementing vehicles and adapted several others to changing priorities and on-the-ground conditions.

However, OIG found that DRL and INL guidance and resources for project design did not conform with Department best practices outlined in the Program Design and Performance Management Toolkit (PD/PM Toolkit).[37] Specifically, OIG found that DRL guidance for developing project objectives and DRL and INL guidance for developing performance indicators did not conform with the Department's PD/PM Toolkit guidance. Although both bureaus provided detailed guidance for project design, monitoring, and evaluation, they could improve project development efforts for anti-corruption implementing vehicles by using existing Department guidance.

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[35] The FAD states that OPE, Office of Acquisitions Policy, Federal Assistance Division certifies GORs, who are designated in writing by Grants Officers to oversee certain aspects of specific assistance agreements. The GOR has managerial responsibilities for the programmatic aspects of the award. See FAD (October 2017 and later revisions), Chapter 1, "General," Section D.3, "Grants Officer Representatives," page 14.

[36] According to the FAD, SAMS is the Department's federal financial assistance management system, designed to unify the Department's federal assistance processes and provide greater transparency, accountability, and reporting capabilities to assistance-awarding bureaus and posts. It serves as the end-to-end electronic grants management system. See FAD (October 2017 and later revisions), Chapter 1, Section E "State Assistance Management System (SAMS)," page 17.

[37] PD/PM Toolkit (2020).

Inconsistent and Incomplete Documentation of Monitoring and Evaluation Efforts

> **Implementing Vehicles and International Agreements**
>
> A **grant** is used when the principal purpose is, "the transfer of money, property, services, or anything of value to the recipient in order to accomplish a public purpose of support or stimulation authorized by Federal statute." No substantial involvement is anticipated between the agency and recipient.
>
> A **cooperative agreement** is similarly used when the principal purpose is to accomplish a public purpose of support or stimulation authorized by federal statute; however, cooperative agreements require "substantial involvement" from the federal government agency that must be reasonable and programmatically necessary.
>
> A **voluntary contribution** is "discretionary financial assistance provided pursuant to a contribution authority." It provides funds to organizations such as foreign public entities to directly support activities or sustain the general budget and operations of the organization.
>
> **Letters of agreement with international organizations** create obligations that are binding under international law between the U.S. government and a foreign government or a multilateral organization. Specific authorities are required for negotiation and conclusion.
>
> **Source**: Department, FAD (October 2022).

OIG examined a sample of 38 implementing vehicles [38] and 79 activities related to anti-corruption, valued at approximately $48 million, to determine whether the Department complied with applicable risk assessment, monitoring and evaluation, and final assessment requirements. OIG's sample included 11 INL IO-LOAs, which do not require annual monitoring and evaluation updates.[39] Similarly, OIG's sample included one voluntary contribution, which does not require OPE worksheets for risk assessments and monitoring plans.[40] Therefore, OIG excluded these assistance instruments from its assessment in this area. Details on the breakdown of OIG's sample are provided in Appendix A. Descriptions of the different assistance instruments included in OIG's sample are provided in the text box to the left.

The Code of Federal Regulations (C.F.R.) requires agencies to "have in place a framework for evaluating the risks posed by applicants before they receive Federal awards,"[41] and the FAM provides Department guidance for program and project management, monitoring, and evaluation.[42] The Department's PD/PM Toolkit [43] also provides guidance, examples, and

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[38] See Appendix A, Table A.2: "Sample of Implementing vehicles, Agreements, Activities, and Sanctions Selected for 100-Percent Review" for additional details.

[39] The FAD states that Department grant policies do not apply to IO-LOAs. FAD (October 2017 and later revisions), Chapter 3, "Federal Award Requirements," Section K.4, "Letters of Agreement Under C-175," page 119.

[40] FAD (October 2017 and later revisions), Chapter 2, Section K "Conduct a Risk Assessment," page 57.

[41] In 2020, the CFR added this requirement, which can be found at 2 C.F.R. § 200.206(b)(1). It was updated in 2021 and 2024 but still maintains this requirement.

[42] 18 FAM 300, "Strategic Direction and Management."

[43] The guidance for 18 FAM 300, the Department's PD/PM Toolkit, and the TeamWork@State intranet site provide guidelines, examples, and templates for these program and project design efforts. During the scope of this audit, this information was located at 18 FAM 301.4-2(c), "Program/Project Design." It has since undergone revisions and can now be found at 18 FAM 301.4-2(f).

templates in these areas. The Department's FAD reiterates and expands on C.F.R. and FAM guidance, stating that:

> Monitoring of all Department assistance awards is mandatory. The goal of monitoring is to determine whether the recipient's programmatic performance and financial management are adequate, whether the intended activities, goals, and objectives are being accomplished, and whether the recipient is in compliance with [federal requirements], Department policy, and the award terms and conditions. Monitoring should be conducted in accordance with the monitoring plan developed during the pre-award phase.[44]

According to DRL guidance, monitoring and evaluation plans should align with a project's logic model and proposal narrative and describe how progress toward outputs, outcomes, and objectives will be measured. Monitoring and evaluation plans, which are developed during the project design phase, ". . . provide DRL with an understanding of how the applicant intends to measure progress toward the project's stated objectives, as well as the details of each indicator."[45] The narrative should provide detailed information explaining who will be responsible for monitoring, evaluating, and reporting on project objectives and activities and how they will do so. DRL guidance also states that these components are to "document an applicant's systematic approach to monitoring, reporting, and evaluating a project's progress toward its objectives over time, as well as how they plan to learn from the data that is collected and analyzed."[46]

For its part, INL guidance describes a monitoring plan as "an agreement between stakeholders about how, when, and by whom the intervention's results will be measured, and how measurement will inform decisions."[47] INL's monitoring and evaluation plans require a logic model, risk matrix, indicator tracking table, indicator reference sheets, data verification, data quality, and data review and analysis elements.

Risk assessments are also required to be developed in the pre-award phase. All bureaus, offices, and overseas posts are required to conduct a risk assessment on all awards. This includes completing OPE risk assessment and monitoring plan templates [48] and uploading them to the official award file in SAMS. According to the FAD, the following three categories of risk must be assessed:

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[44] FAD (October 2022), Chapter 4, "Post Federal Award Requirements," Section D, "Monitoring and Reporting," page 127. Although this language is specific to the 2022 FAD, this requirement is found in all FADs spanning the scope of this audit.

[45] DRL, "Guide to Monitoring and Evaluation (October 2016)," page 12.

[46] Ibid.

[47] INL, "Monitoring Guidance and Associated Annexes (January 2021)," Guidance for Developing a Monitoring Plan, page 1.

[48] See "Appendix D: Bureau of Administration Risk Assessment and Monitoring Plan Templates" of this report for additional details. OPE templates vary in complexity depending on the monetary value of the award.

- Organizational: the capability and integrity of the applicant to implement the award.
- Programmatic: the degree to which the program activities are sensitive or difficult to achieve and how heavily the program relies on subawards.
- Country/Region: the environment where the award activities will be performed.[49]

In addition, the FAD requires annual risk assessment reviews for awards with a period of performance longer than 12 months. Annual risk assessment reviews must be documented in SAMS, and monitoring plans should be modified if needed to reflect any changes to risk levels.[50] Regarding monitoring plans, the FAD states that for awards with a period of performance longer than 1 year, at a minimum, the Federal Assistance Team must complete an annual review of the monitoring plan to ensure any new risks or changes in scope, schedule, or costs are accounted for, documented, and monitored.[51] The FAD states that the official federal award file should be documented in SAMS to indicate if no revisions are needed.[52] Department Grants Officers [53] and GORs [54] are responsible for uploading evidence of monitoring and evaluation to official federal award files in SAMS.[55] At the conclusion of an award's period of performance, GORs are responsible for reviewing the recipient's final progress and financial reports and completing "a final written assessment of the program and the recipient's performance for inclusion in the official award file."[56]

OIG found that DRL and INL did not consistently document monitoring and evaluation efforts related to anti-corruption implementing vehicles in Central and Eastern Europe as required by federal and Department guidance. Specifically, 77 percent of the implementing vehicle files that OIG reviewed did not document annual risk assessment reviews nor annual monitoring and evaluation plan reviews as required. Table 2 depicts the results of OIG's review for compliance with federal and Department monitoring and evaluation documentation requirements for selected implementing vehicles in OIG's samples.

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[49] FAD (October 2017 and later revisions), Chapter 2, "Pre-Federal Award Requirements," Section K, "Conduct a Risk Assessment," page 58.

[50] Ibid., page 60.

[51] Ibid., Section O, "Develop a Monitoring Plan," pages 77–78.

[52] Ibid., Chapter 4, "Post Federal Award Requirements," Section D.6, "Annual Review," page 132.

[53] The FAD states that a Grants Officer is responsible for specific actions on an award, such as obligating funds, issuing amendments, and providing prior approvals. OPE, Office of Acquisitions Policy, Federal Assistance Division warrants Grants Officers with specific limitations on amounts and locations after undergoing required training. See FAD (October 2017 and later revisions), Chapter 1, Section D.2, "Grants Officers and Other Signature Authorities," pages 5–7.

[54] FAD (October 2017 and later revisions), Chapter 4, "Post Federal Award Requirements," Section D, "Monitoring and Reporting," pages 126–132.

[55] According to the FAD, SAMS replaced all legacy federal assistance systems and processes in 2015 (the FAD only discusses the date for domestic awards), and all domestically issued federal awards, including assessed contributions, voluntary contributions, letter grants, Fulbright commissions, letters of agreement under Department Circular No. 175 authority, and awards issued by overseas posts, must be managed in SAMS. See FAD (October 2022), Chapter 1, "General," Sections E.1, "SAMS for Domestic Issued Awards," and E.2, "SAMS for Overseas Issued Awards," Pages 17–18.

[56] FAD (October 2017 and later revisions), Chapter 2, "Pre-Federal Award Requirements," Section P, "Grants Officer Designates Grants Officer Representative (GOR)," page 79.

Table 2: Compliance With Federal and Department Guidelines

Award	Implementing Vehicle[*]	Annual Risk Assessment Review Documented	Annual Monitoring and Evaluation Plan Review Documented	Status of Award
DRL				
1	Cooperative Agreement	X	X	Active
2	Grant	X	X	Active
3	Grant	X	X	Completed
4	Grant	X	X	Completed
5	Grant	X	X	Active
6	Grant	X	X	Completed
7	Grant	✓	✓	Active
8	Grant	X	X	Active
9	Grant	X	X	Active
INL				
1	Cooperative Agreement	X	X	Active
2	Cooperative Agreement	✓	✓	Active
3	Grant	✓	✓	Completed
4	Grant	✓	✓	Completed
5	Grant	X	X	Completed
6	Grant	X	X	Active
7	Grant	X	X	Completed
8	Grant	X	X	Active
9	Grant	X	X	Completed
10	Grant	X	X	Active
11	Grant	X	X	Active
12	Grant	X	X	Completed
13	Grant	X	X	Completed
14	Grant	X	X	Active
15	Grant	X	X	Completed
16	Grant	✓	✓	Active
17	Grant	✓	✓	Active

[*] OIG samples included DRL-issued implementing vehicles, INL centrally managed implementing vehicles and international agreements, and INL implementing vehicles and international agreements issued for bilateral programs in Moldova and Ukraine. See "Appendix A: Purpose, Source, and Methodology" of this report for additional details.

Source: OIG-generated from data provided by the Department and data obtained from the State Assistance Management System.

OIG reviewed the award files of three completed [57] DRL implementing vehicles included in Table 2 and found that none included a final written assessment of the program and the recipient's performance. Additionally, OIG reviewed the eight completed INL implementing vehicle files and found that 3 of 8 (37.5 percent) files did not document a final written assessment of the program and the recipient's performance as required by the FAD.[58] Therefore, OIG was unable to determine whether DRL and INL personnel assessed anti-corruption implementing vehicles' progress toward achieving intended results. Additionally, OIG found that both DRL and INL Grants Officers and GORs failed to include monitoring and evaluation evidence in the official federal award files in SAMS. After OIG noted DRL noncompliance in this area, DRL officials explained that the bureau maintains some of this documentation—including annual evaluations—in an internal performance management system and uploads a coversheet to SAMS identifying the required document's location.

This finding is consistent with past OIG work. Previously, OIG's *Audit of the Department of State Management and Monitoring of Federal Assistance Awards to For-Profit Organizations* [59] found that Grants Officers and GORs did not always manage and monitor selected awards in accordance with requirements. In that audit, OIG determined that a primary reason for the deficiencies identified was that the Department had not required the use of a key oversight function within SAMS to manage post-award activities. OIG recommended that the Bureau of Administration require bureaus to designate an official to review the SAMS Post Award Activities function reports to verify that Grants Officers and GORs were complying with oversight requirements. OIG considers this recommendation closed based on the Bureau of Administration's issuance of the requirement in its revised Federal Assistance Directive in 2024. However, the previous recommendation did not require evidence demonstrating that all bureaus have designated an official to review SAMS post-award activities, or documentation showing that the review process is verifying that Grants Officers and GORs are complying with oversight requirements. Without effective and consistent monitoring and evaluation, the Department will not have reasonable assurance that anti-corruption implementing vehicles are administered in accordance with requirements, nor will it be able to affirm that anti-corruption implementing vehicles are achieving expected goals and objectives.

> **Recommendation 2:** OIG recommends that the Bureau of Administration confirm that all bureaus have designated an official to review the MyGrants [60] Post Award Activities function

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[57] See Table 2, Column titled "Assistance Completed or Active" for completed and active awards.

[58] FAD (October 2017 and later revisions), Chapter 2, "Pre-Federal Award Requirements," Section P, "Grants Officer Designates Grants Officer Representative (GOR)."

[59] OIG, *Audit of the Department of State Management and Monitoring of Federal Assistance Awards for For-Profit Organizations* (AUD-CGI-22-26, May 2022).

[60] According to the May 2024 FAD, MyGrants is the Department's new federal financial assistance management system for domestic bureaus and overseas posts, with deployment completing in FY 2025. MyGrants is the system of record and is required to be used when executing and managing all grants, cooperative agreements, assessed contributions, voluntary contributions, letter grants, Fulbright commissions, and letters of agreement under C-175 authority. FAD, Version 8.0, Chapter 1, "General," Section E, "State Assistance Management System (SAMS) and MyGrants," page 28.

reports and that Grants Officers and Grants Officer Representatives are complying with oversight requirements.

Management Response: The Bureau of Administration concurred with the recommendation, stating that it "will confirm all bureaus have a designated official to perform quarterly reviews of the MyGrants [Post Award Activities] function, verifying Grants Officers and Grants Officer Representatives are complying with oversight requirements. A compiled list of bureau designated officials is anticipated by the end of July 2025."

OIG Reply: Based on the Bureau of Administration's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the Bureau of Administration has confirmed that all bureaus have designated an official to review MyGrants Post Award Activities function reports and that Grants Officers and Grants Officer Representatives are complying with oversight requirements.

Anti-Corruption Activities and the Impact of Russia's War on Ukraine

As previously noted, Russia's February 2022 invasion of Ukraine presented a challenge to Department anti-corruption programming in Central and Eastern Europe. Despite inconsistent monitoring and evaluation and incomplete documentation of such efforts, OIG found that Department officials gathered related information to inform the Department's anti-corruption response to Russia's 2022 invasion of Ukraine for the countries OIG sampled to determine whether changes were needed. Implementer personnel in Ukraine whom OIG interviewed stated that, in the immediate aftermath of Russia's invasion, operations necessarily ceased because some staff left the country and some were subjected to Russian occupation.

In response, Department officials made limited revisions to adapt to the changing environment. The Department modified the terms of only 3 of 38 (8 percent) anti-corruption implementing vehicles and agreements included in OIG's samples.[61] Specifically, in two instances, DRL and INL amended regional grants to extend the periods of performance. In the third case, INL increased the required reporting frequency for a Ukraine-based cooperative agreement. According to Department officials, the Department was able to continue operations with limited modifications because INL has a multi-layered monitoring approach in which either an INL director or another individual at overseas posts worldwide oversees INL efforts. Locally employed staff continue these programs, and program officers in Washington, DC, receive quarterly reports from implementing partners, which allow program officers to review programs and maintain contact with implementing partner teams. INL officials stated that although the security situation had been challenging, operations resumed almost immediately upon implementers' return to Kyiv, Ukraine, after Russia's February 2022 invasion.

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[61] See "Appendix A: Purpose, Source, and Methodology" of this report for additional details.

The Department also made other more modest adjustments to some existing anti-corruption related implementing vehicles that addressed new and ongoing challenges. For example, an existing grant that supports environmental anti-corruption efforts added a focus on documenting environmental crimes committed in the context of the war. The Department also issued new awards in response to the February 2022 invasion. In May 2022, for example, the Department issued a cooperative agreement designed to document, investigate, and prosecute cases of alleged war crimes and crimes against humanity committed in Ukraine.

At the bureau level, INL increased Ukraine-focused headquarters staff, and INL's Ukraine Program Officer coordinates daily with INL's Kyiv-based counterpart regarding programs and policies. Implementer personnel with whom OIG spoke complimented the Department's frequent communication, coordination, and expertise with country-specific subject matter and implementing vehicles. Specifically, Ukrainian anti-corruption officials stated that INL staff provided a tailored, helpful approach to the organization's needs and mentored staff.

Bureaus Did Not Implement Department Guidance and Best Practices

The FAM [62] provides Department guidance for project design, monitoring, and evaluation. In addition, the Department's PD/PM Toolkit provides guidance, examples, and templates for these areas. The PD/PM Toolkit is designed to be used by "managers of programs, projects, and processes"[63] and advises that program objectives should ideally be specific, measurable, achievable, relevant, and time-bound (SMART)[64] and that, if possible, program indicators should be objective, practical, useful, direct, attributable, timely, and adequate.[65] The toolkit includes a program indicator tool and reference sheet for program teams.[66]

However, OIG found that DRL and INL did not implement the PD/PM Toolkit, nor did the bureaus fully adopt established best practices when designing anti-corruption implementing vehicle objectives or performance indicators. Specifically, DRL provided implementing partners with several tools and resources for monitoring and evaluation, including guides for program monitoring and evaluation, sample templates for logic models, monitoring and evaluation plans, performance indicators, and video trainings for these resources. DRL officials stated that the bureau's 2016 "Guide to Program Monitoring and Evaluation"[67] is the most current version of the guide available to implementers, and although the guidance is detailed and provides templates, the guide defines project objectives as "[a] concrete target under the general goal. Objectives are achieved when all outcomes, within that objective, have been achieved."[68]

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[62] 18 FAM 301.4, "Department of State Program and Project Design, Monitoring, and Evaluation."
[63] PD/PM Toolkit, "Toolkit Structure and Navigation," page iii.
[64] Ibid., Section 3, "Design a Program," Step 3.2, "Develop Program Goals and Objectives," pages 26–27.
[65] Ibid., Section 4, "Manage Performance," Step 4.2.2, "Developing Indicators and Indicator Reference Sheets," page 46.
[66] Ibid., pages 49–50.
[67] DRL, "Guide to Monitoring and Evaluation (October 2016)."
[68] Ibid., page 6.

Furthermore, the guide suggests that performance indicators be SMART, rather than applying the more detailed project indicator guidance outlined by the PD/PM Toolkit.[69]

According to INL officials, INL issued guidance for monitoring, evaluation, and design in 2014,[70] 2019,[71] 2021,[72] and 2022.[73] The guidance evolved from a broad standard operating policy for years 2014–2019 to detailed design and monitoring guidance and job aids in 2021 and 2022. For example, in 2021, INL's monitoring guide annex included an indicator reference sheet, monitoring plan and indicator tracking table, and a data quality assessment template from the Department's PD/PM Toolkit; however, the guidance for performance indicator creation is a checklist adapted from USAID's Learning Lab "Selecting Performance Indicators." The checklist states that performance indicators should be specific, valid, useful, timely, measurable, and disaggregated.[74] Although this guidance meets five of seven Department-advised criteria, it does not fully conform with Department-wide guidance for developing performance indicators.

INL Office of Knowledge Management officials stated that the office provides guidance to those conducting monitoring and evaluation and was involved in offering a new platform for staff to input performance monitoring information. In addition, INL officials stated that the Office of Knowledge Management was creating a three-part interactive training video for staff. Embassy Kyiv INL officials stated that there was still a need for additional data to improve INL's monitoring and evaluation efforts. Similarly, a DRL-funded program implementer stated that issues such as journalism are difficult to monitor and evaluate because of challenges associated with quantifying a news story's effect. Additionally, an INL-funded program implementer noted that their organization uses imperfect tools and the Department's required indicators to fine-tune its monitoring. The implementer explained that, sometimes, data are anecdotal and non-measurable. Implementer personnel told OIG that, often, indicators lack causal linkages or are difficult to predict, requiring project amendments to address the issues. They also stated that, at times, indicators are too ambitious for the project's timeframe or are "oddly written."

OIG determined that INL could use the Department's PD/PM Toolkit SMART assessment [75] to further develop and implement anti-corruption activity goals and objectives. For example, the objectives of one INL-issued grant were:

- Civil society and citizens have the enhanced capacity to proactively detect, monitor, document, and report on reforms in the justice sector in the Republic of Moldova, including the phenomenon of "selective justice."

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[69] PD/PM Toolkit, Section 4, "Management Performance," Step 4.2.2, "Developing Indicators and Indicator Reference Sheets," pages 46–47.

[70] INL, "INL Standard Operating Policy/Procedures on Monitoring and Evaluation of Programs (April 4, 2014)."

[71] INL Bureau Policy Notice "Program Design Standards (October 8, 2019);" INL Design Standards: An Effectiveness Checklist (October 8, 2019); INL Design Standards Detailed Checklist (October 8, 2019).

[72] INL Bureau Policy Notice "INL Monitoring Guidance (January 2021);" INL Monitoring Guidance and Associated Annexes (January 2021).

[73] INL Bureau Policy Notice "INL 2022 Design and Monitoring Priorities (February 11, 2022);" INL Design Job Aid (2022); INL Indicator Job Aid (2022).

[74] INL Monitoring Guidance and Associated Annexes (January 2021).

[75] PD/PM Toolkit, Chapter 3, "Design a Program," Step 3.2, "Develop Program Goals and Objectives," pages 26–28.

- A collaborative relationship between the Republic of Moldova's civil society and the government is fostered to identify and adopt specific solutions to critical gaps in the implementation of justice sector reforms.

The objectives appear relevant to the grant's goal: bolstering a robust and independent civil society participation mechanism to promote needed judiciary reforms in Moldova by improving civil society, journalists, and law students' ability to collaboratively and proactively monitor, document, and report on justice sector reforms and advocate for the fundamental rights and institutional protections underpinning the rule of law. However, the objectives lack additional SMART elements, i.e., being specific, measurable, achievable, and time bound.

Without well-designed and documented goals, objectives, and performance indicators, DRL and INL are unable to measure progress against program and project objectives. Furthermore, objectives and performance indicators that are poorly designed inhibit the Department's ability to collect relevant and useful data to inform anti-corruption implementing vehicles. Therefore, OIG offers the following recommendations.

Recommendation 3: OIG recommends that the Bureau of Democracy, Human Rights, and Labor implement the Department of State Managing for Results framework and Program Design and Performance Management Toolkit guidance for developing project goals, objectives, and performance indicators.

Management Response: DRL stated that it "provides detailed [monitoring and evaluation] guidance that aligns with the PD/PM toolkit's indicator guidance." In addition, DRL officials stated that "the bureau's current guidance and templates fulfill the toolkit's best practices and expand on them by tailoring them to DRL-specific needs." Furthermore, DRL officials noted that "most of the toolkit's best practices are in direct agreement with DRL guidelines and best practices."[76]

OIG Reply: Based on DRL's response to the recommendation, OIG considers the recommendation unresolved and will pursue resolution of the recommendation with DRL during the audit compliance process. Although OIG acknowledges that DRL has developed implementing partners guidance, this audit found that DRL did not implement the PD/PM Toolkit, nor did it fully adopt established best practices when designing anti-corruption implementing vehicle objectives or performance indicators. This recommendation will be considered resolved when DRL provides a plan of action for addressing the recommendation or provides an acceptable alternative that fulfills the intent of the recommendation.

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[76] On May 19, 2025, DRL responded to a draft of this report, confirming that DRL leadership had cleared the response. However, DRL did not provide a formal response to the report. As a result, OIG is not including the response in its entirety as an appendix because it was not signed, dated, or provided on Department letterhead. As part of its response, DRL provided technical comments regarding the audit. See Appendix G for a synopsis of DRL's most significant technical comments and OIG's replies.

Recommendation 4: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs implement the Department of State Managing for Results framework and Program Design and Performance Management Toolkit guidance for developing project goals, objectives, and performance indicators.

Management Response: INL concurred with the recommendation, stating that its design and monitoring package was updated in April 2024, after the end of audit fieldwork. INL added that these updates comply with PD/PM Toolkit guidance on developing project goals, objectives, and performance indicators.

OIG Reply: OIG analyzed the supporting documentation provided by INL, including INL's updated design and monitoring requirements and an INL-generated comparison between its requirements and the PD/PM Toolkit. OIG verified that INL's updated design and monitoring package meets the intent of the recommendation. Based on INL's concurrence with the recommendation and OIG's analysis of the supporting documentation, OIG considers this recommendation closed and no additional action is required.

Finding C: The Department Did Not Have a Comprehensive Strategy for Countering Corruption

According to the FAM, "[r]obust, coordinated strategic planning processes are essential to make informed decisions; develop innovative ways to cope with tight budgets; prioritize resources; ensure alignment with key policies; and improve the way [the Department does] business."[77] Although the administration established corruption as a U.S. national security priority in June 2021, OIG found that the Department had not established a comprehensive strategy for countering corruption.

In September 2023, the Department's Office of the Coordinator on Global Anti-Corruption (CGAC) issued the *U.S. Strategy on Countering Corruption Implementation Plan* (Implementation Plan).[78] The Department used the Implementation Plan in place of a Department-wide anti-corruption strategy, and the plan states that "[p]ursuant to the [*United States Strategy on Countering Corruption*] strategy, this implementation plan articulates activities the U.S. Department of State is undertaking to integrate and elevate the fight against corruption across all aspects of our global engagement."[79] CGAC officials stated that they were using the Implementation Plan and did not plan to develop a Department-wide anti-corruption strategy. Because the Department's intent for the Implementation Plan was to serve in place of a Department-wide anti-corruption strategy, OIG reviewed the plan in accordance with FAM-prescribed requirements.

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[77] 18 FAM 301.2-1(a), "Purpose."

[78] Department, *U.S. Strategy on Countering Corruption Implementation Plan*, September 2023.

[79] Department, "Implementing the U.S. Strategy on Countering Corruption," September 6, 2023, https://2021-2025.state.gov/implementing-the-u-s-strategy-on-countering-corruption//.

OIG found that the Implementation Plan included only some FAM-outlined strategic plan elements. According to the FAM, strategies outside the Department's core bureau and mission strategies [80] must "include a hierarchy of goals and subordinate objectives with clear desired results and associated performance measures."[81] Upon review, OIG determined that although the Implementation Plan included desired results and a hierarchy of goals and subordinate objectives, it did not include milestones and performance indicators [82] and, as a result, did not meet FAM requirements in this area.

OIG also found that although the Implementation Plan catalogues ongoing and planned Department activities from 2023 through 2025 associated with the *United States Strategy on Countering Corruption* five-pillar framework,[83] the Implementation Plan meets only 3 of 9 (33 percent) key elements identified in the FAM. Table 2 outlines OIG's assessment of the Department's Implementation Plan against 18 FAM 301.2-4(B) key elements and standards.

Table 2: Assessment of FAM-Required Elements Included in the Department's Implementation Plan

Element	Description	Implementation Plan
Interagency Coordination		
Agencies' Roles and Responsibilities	The strategy must include a clear description of the lead and contributing bureaus'/agencies' roles and responsibilities.	✖
Interagency Coordination Mechanisms	The strategy must describe how the strategy was coordinated within the Department and with other departments and agencies.	✖
Strategic Integration		
Integration with relevant national, regional, and sectoral strategies	Example: A strategy focused on a sub-region should be linked to the appropriate Joint Regional Strategy and any applicable Functional Bureau Strategy Goals and Objectives as well as the NSS and/or Joint Strategic Plan.	✖
Expectations for lower level-strategies	What are the expectations for lower-level strategies such as country strategies or for operational/tactical plans (i.e., office or component level) that support those strategies.	✖

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[80] According to the FAM, the Department's core strategic planning process includes: the Department and USAID Joint Strategic Plan, which outlines overarching goals and objectives and guides bureau and mission planning; the Joint Regional and Functional Bureau Strategies, which guide priority setting and resource allocation at the regional and functional bureau level; and Integrated Country Strategies, which guide whole-of-government priorities within a given country with input from all members of a mission's country team. 18 FAM 301.2-1(b) and (c), "Purpose."

[81] 18 FAM 301.2-4(B)(a), "Key Elements and Standards for Other Department Strategy (ODS) Documents."

[82] 18 FAM 301.2-4(B)(b)(1)(c) requires strategies to include, or reference, milestones and/or performance indicators.

[83] The Department's *U.S. Strategy on Countering Corruption Implementation Plan* does not specify whether the plan covers government fiscal years or calendar years 2023–2025.

Element	Description	Implementation Plan
Assessment of Progress Toward Strategic Goals		
Desired Results	What is the end state the strategy is expected to achieve.	✔
Activities to achieve results	Planned steps and activities to achieve results.	✔
Hierarchy of goals and subordinate objectives	Logical framework that links a strategy's goals, objectives, and/or subordinate activities.	✔
Milestones and performance indicators	Strategies must include or reference illustrative milestones and/or performance indicators, which may be derived from existing performance management plans already developed by bureaus.	✘
Monitoring and evaluation plans	Strategies must include a plan to assess progress towards achieving goals and objectives. This component may be part of the actual strategy or referenced and incorporated as a series of follow-on documents that are regularly reviewed.	✘

Source: OIG-generated based on a review of the *Department's U.S. Strategy on Countering Corruption Implementation Plan*. Table element and description contents are found in 18 FAM 301.2-4(B), "Key Elements and Standards for Other Department Strategy (ODS) Documents."

OIG determined that the Implementation Plan did not constitute a Department-wide strategy to guide activities among bureaus, independent offices, and overseas posts. For example, the Implementation Plan does not include agency roles and responsibilities, interagency coordination mechanisms, integration with relevant strategies, expectations for lower level strategies, milestones and performance indicators, or monitoring and evaluation plans. This is because the Implementation Plan is based on a federal strategy rather than a Department-wide strategy and, as a result, does not clearly identify Department organizational roles and responsibilities in accordance with the FAM.[84] CGAC officials stated that they chose to develop the Implementation Plan rather than a Department-wide anti-corruption strategy because there had been a paradigm shift from focusing on a single plan to multiple country-specific plans. According to those officials, CGAC's goal was to develop 40–50 country-specific action plans focusing on areas with strong anti-corruption programs and needs. Consequently, the Department lacked a clear understanding of either CGAC's or other bureaus' roles and responsibilities regarding anti-corruption efforts.[85]

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[84] 18 FAM 301.2-4(B)(b)(1)(a) and (c), "Key Elements and Standards for Other Department Strategy (ODS) Documents."

[85] For information on additional issues related to CGAC's roles and responsibilities, see OIG, *Management Assistance Report: Actions Needed to Meet Requirements for Establishing the Office of the Coordinator on Global Anti-Corruption* (AUD-GEER-24-19, June 2024) in which OIG reviewed CGAC's placement, roles, and reporting responsibilities. The Department concurred with the report's three recommendations. Specifically, OIG recommended that the Department assess CGAC's organizational placement in accordance with the Government Accountability Office's Standards for Internal Control in the Federal Government, and that CGAC develop and submit a Foreign Affairs Manual entry that establishes the office's organizational structure in accordance with the report's two other recommendations and formally codifies CGAC's roles, responsibilities, and reporting lines in its

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Additionally, the Implementation Plan does not provide a Department-wide definition for "corruption." Department officials stated that they use either the *United States Strategy on Countering Corruption*[86] definition or the UN *Convention Against Corruption*[87] definition. While these documents outline efforts for countering corruption, neither provides a clear definition of corruption.[88] Without a Department-wide definition to provide a common understanding of what constitutes corruption, INL risks receiving incomplete and inconsistent data on Department anti-corruption efforts.[89]

The Department Would Benefit From a Department-Wide Anti-Corruption Strategy

A Department-wide anti-corruption strategy would assist the Department in capturing the totality of its efforts. For example, OIG reviewed the Department's actions related to sanctions and found that the Bureau of Economic and Business Affairs (EB), in coordination with the U.S. Department of the Treasury, issued three Global-Magnitsky Act sanctions[90] for actions related to corruption from FY 2018 through FY 2023. However, these sanctions are not captured in anti-corruption program reporting by the Office of Foreign Assistance because current reporting systems strictly focus on foreign assistance activities. Other Department anti-corruption efforts not currently reported include Under Secretary for Public Diplomacy and Public Affairs Public Diplomacy Implementation Plans for overseas posts in Hungary, Moldova, and Ukraine, which contain objectives, activities, and initiatives related to countering corruption totaled at least $508,000.[91]

OIG concluded that defining corruption from a Department standpoint and addressing strategic gaps between the *United States Strategy on Countering Corruption*[92] and the Department's anti-corruption efforts through a Department-wide anti-corruption strategy would enable INL

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efforts to achieve national anti-corruption goals and objectives. In March 2025, INL dissolved CGAC and transferred its responsibilities to INL's Office of Global Programs and Policy.

[86] White House, *United States Strategy on Countering Corruption: Pursuant to the National Security Study Memorandum on Establishing the Fight against Corruption as a Core United States National Security Interest*, December 2021.

[87] United Nations, *United Nations Convention Against Corruption*, 2004.

[88] The *United States Strategy on Countering Corruption* provides illustrative examples of types of corruption including grand corruption, administrative corruption, kleptocracy, state capture and strategic corruption. The document's appendix includes associated lines of effort to counter corruption. Similarly, the UN *Convention Against Corruption* includes standards, methods, and rules to strengthen legal and regulatory frameworks to fight corruption.

[89] See "Finding A: The Department's Universe of Anti-Corruption Programs and Activities in Central and Eastern Europe Was Incomplete and Inaccurate" of this report for additional details.

[90] The Global Magnitsky Human Rights Accountability Act, 22 U.S.C. § 10102(a), allows the imposition of sanctions with respect to foreign persons responsible for gross violations of internationally recognized human rights, among other acts. The DRL Assistant Secretary, in consultation with the Assistant Secretary for Consular Affairs and other Department bureaus, as appropriate, is authorized to submit to the Secretary of State, for review and consideration, the names of foreign persons who may meet the criteria for sanctions actions. 22 U.S.C. § 10102(i).

[91] See "Finding A: The Department's Universe of Anti-Corruption Programs and Activities in Central and Eastern Europe Was Incomplete and Inaccurate" of this report for additional details.

[92] White House, *United States Strategy on Countering Corruption: Pursuant to the National Security Study Memorandum on Establishing the Fight against Corruption as a Core United States National Security Interest*, December 2021.

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to better achieve its mission of elevating and integrating anti-corruption efforts across the Department.[93] Specifically, a Department-wide strategy could help establish roles and responsibilities, as well as coordinate and sustain multiyear efforts among multiple bureaus and 40 overseas posts affected by the Implementation Plan's activities. Furthermore, a Department-wide anti-corruption strategy could enable the Department to more completely and accurately capture and report on the Department's progress toward achieving anti-corruption goals and objectives and relate those efforts to higher level goals and objectives such as those that were outlined in the *United States Strategy on Countering Corruption* [94] and the 2022 NSS.[95] Without a Department-wide anti-corruption strategy to provide clarity and frame the entirety of the Department's anti-corruption efforts, there is a gap in the overarching guidance, which limits the Department's ability to ensure alignment with key policies or to ensure that anti-corruption programs and activities achieve intended outcomes. Therefore, OIG offers the following recommendation.

> **Recommendation 5:** OIG recommends that the Deputy Secretary of State for Management and Resources, or another Department of State (Department) official with appropriate authority, designate an office, bureau, or individual with necessary knowledge, expertise, and resources the responsibility for developing a Department-wide anti-corruption strategy in accordance with 18 FAM 301.2-4(B). The strategy should clearly establish anti-corruption roles and responsibilities across the Department, define corruption, and frame the Department's efforts in the context of the *United States Strategy on Countering Corruption* goals and objectives.

> **Management Response**: INL stated that CGAC was dissolved. Although INL will continue to manage International Narcotics and Law Enforcement-funded anti-corruption programs, it does not have a mandate to establish anti-corruption roles and responsibilities across the Department or frame the Department's efforts in the context of the *United States Strategy on Countering Corruption*. Based on the administration's priorities, INL stated that it will update internal strategic guidance to frame INL's role, priorities, and lines of effort in combatting corruption.

> **OIG Reply**: OIG confirmed that CGAC was dissolved on March 4, 2025,[96] and that certain CGAC functions will be transitioned to INL's Office of Global Programs and Policy and that other CGAC activities will be discontinued. Based on INL's response to a draft of this report, OIG updated the recommendation in accordance with ongoing Department reorganization efforts and authorities for Department anti-corruption efforts. The revised recommendation is directed to the Deputy Secretary of State for Management and Resources, or another

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[93] Department, Anti-Corruption and Transparency, https://www.state.gov/policy-issues/anti-corruption-and-transparency/.
[94] White House, *United States Strategy on Countering Corruption: Pursuant to the National Security Study Memorandum on Establishing the Fight against Corruption as a Core United States National Security Interest*, December 2021.
[95] White House, *National Security Strategy*, October 2022.
[96] Department, Information Memorandum for INL Senior Bureau Official, "Transitioning Coordinator on Global Anti-Corruption (CGAC) Team Functions and Personnel," March 21, 2025.

Department official with appropriate authority, because senior Department leadership input is required to reassign CGAC roles and responsibilities related to intra- and interagency coordination efforts, including developing a Department-wide anti-corruption strategy.[97]

On the basis of INL's response to the recommendation, OIG considers the recommendation unresolved and will pursue resolution of the recommendation during the audit compliance process. This recommendation will be considered resolved when the Deputy Secretary of State for Management and Resources, or another Department official with appropriate authority, provides a plan of action for addressing the recommendation or provides an acceptable alternative that fulfills the intent of the recommendation.

OTHER MATTERS

Weaknesses in the Administration of Letters of Agreement With International Organizations

OIG's sample of 38 anti-corruption related implementing vehicles and agreements included 11 INL-issued letters of agreement with international organizations (IO-LOAs).[98] IO-LOAs are binding international agreements subject to Circular 175 (C-175) procedures,[99] which allow INL and other Department bureaus to negotiate, conclude, report, publish, and register U.S. treaties and international agreements. OIG reviewed Department guidance and determined that the guidance did not adequately address IO-LOA implementation and document retention and that there was no clear repository for IO-LOA files.

INL subsequently took action to respond to related issues identified in OIG's January 2023 *Inspection of the Bureau of International Narcotics and Law Enforcement Affairs*.[100] In particular, INL's SharePoint site and its Agreement Officer Handbook were updated to include guidance for IO-LOA creation, amendments, extensions, and document retention and maintenance. According to Office of the Legal Adviser officials, INL continues to work closely with the Office of the Legal Adviser to ensure IO-LOA packages comply with C-175 requirements and to review new IO-LOA guidance; therefore, OIG is not offering any further recommendations related to IO-LOAs at this time.

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[97] According to 1 FAM 032(a), "Deputy Secretary of State for Management and Resources (D-MR)," the Deputy Secretary of State for Management and Resources assists the Secretary of State in the formulation and conduct of all management and resources policy and activities.

[98] See "Appendix A: Purpose, Scope, and Methodology" of this report for additional details.

[99] 1 FAM 246.16(b), "Treaty Affairs (L/T)."

[100] OIG, *Inspection of the Bureau of International Narcotics and Law Enforcement Affairs* (ISP-I-23-08, January 2023).

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs and the Office of Foreign Assistance, develop and implement a unique identifier for anti-corruption programs and activities and issue instructions to ensure consistent use by all Department of State bureaus and overseas posts. These instructions should include quality checks on data elements that are at increased risk of being reported incorrectly.

Recommendation 2: OIG recommends that the Bureau of Administration confirm that all bureaus have designated an official to review the MyGrants Post Award Activities function reports and that Grants Officers and Grants Officer Representatives are complying with oversight requirements.

Recommendation 3: OIG recommends that the Bureau of Democracy, Human Rights, and Labor implement the Department of State Managing for Results framework and Program Design and Performance Management Toolkit guidance for developing project goals, objectives, and performance indicators.

Recommendation 4: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs implement the Department of State Managing for Results framework and Program Design and Performance Management Toolkit guidance for developing project goals, objectives, and performance indicators.

Recommendation 5: OIG recommends that the Deputy Secretary of State for Management and Resources, or another Department of State (Department) official with appropriate authority, designate an office, bureau, or individual with necessary knowledge, expertise, and resources the responsibility for developing a Department-wide anti-corruption strategy in accordance with 18 FAM 301.2-4(B). The strategy should clearly establish anti-corruption roles and responsibilities across the Department, define corruption, and frame the Department's efforts in the context of the *United States Strategy on Countering Corruption* goals and objectives.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) implemented and monitored anti-corruption assistance programs and activities in Central and Eastern European countries in accordance with federal and Department requirements.

OIG conducted this audit from April 2023 to April 2025 in the Washington, DC, metropolitan area and at overseas posts in Hungary, Moldova, Poland, and Ukraine. The scope of this audit included Department anti-corruption programs and activities in Hungary, Moldova, Poland, and Ukraine that were active from FY 2018 through FY 2023. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective. This report relates, in part, to Overseas Contingency Operation-Operation Atlantic Resolve and was completed in accordance with OIG's oversight responsibilities described in section 419 of the Inspector General Act of 1978, as amended.[1,2]

To determine the extent to which the Department developed goals and objectives for anti-corruption programs and activities to align with applicable post, bureau, Department, and federal strategic anti-corruption goals and objectives, OIG reviewed federal and Department anti-corruption strategies, regulations, and guidance, as well as selected anti-corruption program documentation. In addition, OIG interviewed Department and host-country officials, as well as implementers in Hungary, Moldova, Poland, and Ukraine.

To determine the extent to which the Department modified anti-corruption programs and activities in response to Russia's February 2022 invasion of Ukraine, OIG reviewed applicable federal and Department regulations and guidance for modifying assistance programs and activities. OIG also reviewed selected implementing vehicle award files and interviewed Department and host-country officials, as well as implementers in Hungary, Moldova, Poland, and Ukraine.

To determine the extent to which Department personnel monitored and evaluated anti-corruption programs and activities to ensure they achieved intended results, OIG reviewed applicable federal and Department monitoring and evaluation regulations and guidance. OIG

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[1] 5 United States Code (U.S.C.) § 419, "Special provisions concerning overseas contingency operations."
[2] According to the May 2024 Overseas Contingency Operations quarterly report, "Operation Atlantic Resolve began as a U.S. European Command effort to provide rotational deployments of combat credible forces to Europe in the wake of Russia's 2014 invasion of Crimea. Since Russia's full-scale invasion of Ukraine in February 2022, Operation Atlantic Resolves' mission has evolved in line with U.S. policy objectives." Special Inspector General Report to the United States Congress, "Operation Atlantic Resolve Including U.S. Government Activities Related to Ukraine, January 1, 2024-March 31, 2024" (May 2024). This audit focused on the Department's oversight of anti-corruption assistance programs and activities in Central and Eastern European countries, including Ukraine, and whether the Department adhered to federal and Department requirements.

also reviewed selected implementing vehicle award files and interviewed Department and host-country officials, as well as implementers in Hungary, Moldova, Poland, and Ukraine.

Data Reliability

OIG used information provided by the Under Secretary for Public Diplomacy and Public Affairs, the Bureau of European and Eurasian Affairs (EUR), the Bureau of Democracy, Human Rights and Labor (DRL), the Bureau of Economics and Business Affairs (EB), and the Bureau of International Narcotics and Law Enforcement Affairs (INL) as part of its audit evidence. OIG designed procedures to provide reasonable assurance over the reliability of the information provided, including comparing information contained in INL and DRL internal reporting with implementing vehicle documents housed in the Department's Integrated Logistics Management System and the State Assistance Management System (SAMS),[3] reviewing sanctions information documented in the Department's Global Magnitsky Human Rights Accountability Act Reports,[4] and reviewing public diplomacy and public affairs activities listed in the Department's Public Diplomacy Implementation Plans. Overall, OIG determined that, to answer the audit objective, the information was sufficient and appropriate to identify and review two samples of Department anti-corruption programs and activities.

Subsequently, in June 2024, the Office of Foreign Assistance provided additional Department-wide anti-corruption data from its Standardized Program Structure and Definitions (SPSD) system.[5] The SPSD data, which do not include information on sanctions and public diplomacy activities, reflected the Department's anti-corruption efforts at a high level and were not broken down to reflect the anti-corruption efforts in a given country.[6] Therefore, these data could not be used to verify the information previously provided by the Department.

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[3] According to the Department's Federal Assistance Directive, the State Assistance Management System "is part of the Integrated Logistics Management System (ILMS) suite of tools and is the Department's Federal financial assistance management system. SAMS was built to unify the Department's Federal assistance processes and provide greater transparency, accountability and reporting capabilities to assistance-awarding bureaus and posts. SAMS is the end-to-end electronic grants management system that resolved the Department's significant deficiency in the management of Federal financial assistance." Department, Federal Assistance Directive (October 2022), Chapter 1, Section E, "State Assistance Management System (SAMS)," page 17.

[4] The Global Magnitsky Human Rights Accountability Act, 22 U.S.C. § 10102(a), allows the imposition of sanctions with respect to foreign persons responsible for gross violations of internationally recognized human rights, among other acts. The DRL Assistant Secretary, in consultation with the Assistant Secretary for Consular Affairs and other Department bureaus, as appropriate, is authorized to submit to the Secretary of State, for review and consideration, the names of foreign persons who may meet the criteria for sanctions actions. 22 U.S.C. § 10102(i).

[5] SPSD is the Office of Foreign Assistance's "dictionary," providing a common set of definitions and a consistent way to categorize and account for State Department and USAID managed foreign assistance. This common language allows the Department to establish indicators for measuring performance, and to develop a comprehensive body of knowledge regarding program effectiveness. SPSD is an interagency tool that provides a common vocabulary, and the capability to respond quickly and transparently to stakeholders. Department, Resources and Reports, https://www.state.gov/resources-and-reports-office-of-foreign-assistance/.

[6] The data provided in June 2024 contained direct allocations (SPSD data) and indirect attributions (key issue data) for anti-corruption, by bureau and region for FY 2018—FY 2023. Specific funding for Hungary, Moldova, Poland and Ukraine during this period could not be determined based on the information provided.

Although OIG relied on Department-provided information, OIG determined that the universe of anti-corruption implementing vehicles and agreements was incomplete and inaccurate. As reported in Finding A of this report, OIG determined that the Department was unable to identify systemically and accurately a complete universe of anti-corruption programs and activities because the Department had not established and did not track anti-corruption efforts with a unique identifier even though anti-corruption had been identified as a core national security concern.[7]

Work Related to Internal Control

During the audit, OIG considered several factors, including the subject matter of the project, to determine whether internal control was significant to the audit objective. Based on these considerations, OIG determined that internal control was significant for this audit. OIG then considered the components of internal control, and the underlying principles included in the *Standards for Internal Control in the Federal Government* [8] to identify internal controls that were significant to the audit objective.

For this audit, OIG concluded that two of five internal control components from the *Standards for Internal Control in the Federal Government*—Control Activities and Monitoring—were significant to the audit objective. The control activities component includes the actions that management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system. The monitoring component relates to activities that management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. OIG also concluded that three principles related to the relevant internal control components were significant to the audit objective, as described in Table A.1.

Table A.1: Internal Control Components and Principles Identified as Significant

Components	Principles
Control Activities	Management should design control activities to achieve objectives and respond to risks. Management should implement control activities through policies.
Monitoring	Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Source: OIG-generated from an analysis of internal control components and principles from the Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

OIG then reviewed criteria, interviewed Department officials, and reviewed anti-corruption program and activity documents to obtain an understanding of the internal controls related to

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[7] See "Finding A: The Department's Accounting of Anti-Corruption Programs and Activities in Central and Eastern Europe Was Incomplete and Inaccurate" of this report for additional details.
[8] Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

the components and principles identified as significant for this audit. OIG primarily assessed the design, implementation, and operating effectiveness of key internal controls. Specifically, OIG:

- Tested the implementation of control activities regarding award changes. OIG interviewed Department officials to determine whether award modifications or changes were due to the war in Ukraine. OIG then verified by reviewing the award files for changes, as well as formal amendments to reflect those changes. OIG noted that the Department filed formal amendments for all awards with changes that were due to the war in Ukraine.
- Tested the Department's award monitoring activities by reviewing selected implementing vehicle award files for completed risk assessment plans and monitoring and evaluation plans. OIG noted inconsistencies in the completion of these plans.[9]
- Determined that the Department updated its monitoring activities for recent IO-LOAs, and therefore no recommendation was made for the IO-LOAs included in OIG's samples.[10]

Internal control deficiencies identified during the audit that are significant within the context of the audit objective are presented in the Audit Results section of this report.

Sampling Methodology

OIG selected the target countries—Ukraine and three of its border countries: Hungary, Moldova, and Poland—from a universe of 21 former Soviet Republics and Warsaw Pact member countries based on isolated risk factors, including unique challenges facing the region in the wake Russia's February 2022 invasion of Ukraine, historic corruption, annual Transparency International Corruption Perceptions Index (CPI) scores, and the Department's history of regional anti-corruption programming.

From February 2022 through April 2023, Congress appropriated a total of $113.4 billion in supplemental funding to Ukraine and countries impacted by the ongoing war; the Department and the U.S. Agency for International Development (USAID) received a total of $46.8 billion (41 percent) with $13.5 million allocated to OIG for oversight of these funds. Department anti-corruption efforts in Central and Eastern Europe have been associated with notable programming. For example, in Ukraine, the Department supported judicial, prosecutorial, and law enforcement reforms and programming that were instrumental in the establishment of several national anti-corruption institutions. Similarly, in Moldova, the Department supported activities to reform judicial and anti-corruption institutions. Although progress was made, the Department and Transparency International identified corruption in the selected countries as an ongoing challenge. Transparency International's annual CPI ranks 180 countries and territories around the world by their perceived levels of public sector corruption with scores ranging from 0 (very corrupt) to 100 (very clean). OIG reviewed historic CPI scores and rankings and found that Ukraine is ranked in the bottom third and Hungary has experienced backsliding

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[9] See "Finding B: Department Officials Did Not Consistently Monitor and Evaluate Anti-Corruption Programs and Activities in Central and Eastern Europe" of this report for additional details.

[10] See the "Other Matters" section of this report for additional details.

in recent years and is ranked the worst performer among European Union member countries.[11] Additionally, Poland's CPI score increased to a high of 63 in 2015 but has since generally decreased, reaching a low of 55 in 2022. Figure A.1 depicts CPI score trends from 2012 through 2022 for Hungary, Moldova, Poland, and Ukraine.

Figure A.1: Transparency International CPI Score Changes, 2012–2022
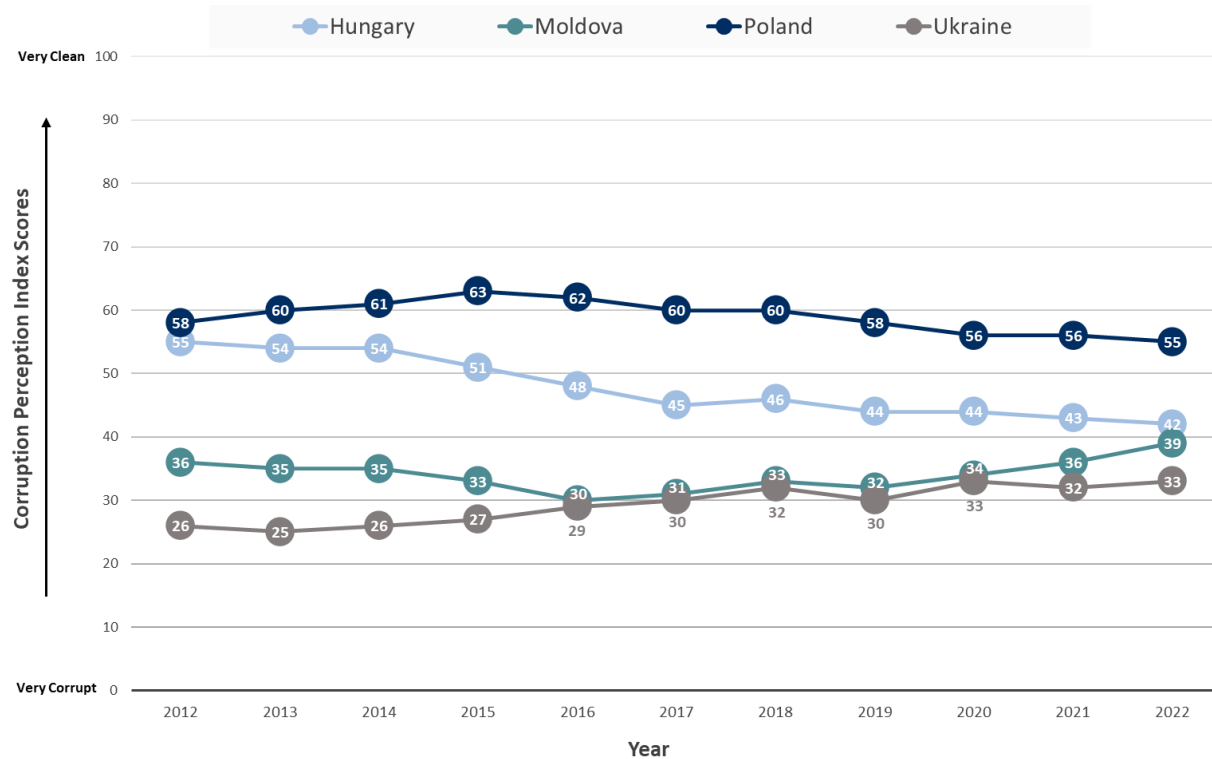
Source: OIG-generated from Transparency International's 2022 CPI data.

OIG identified two samples for this audit. The first is a 100-percent review of the following:

- 26 implementing vehicles and international agreements, valued at $34.1 million that were active in Hungary, Moldova, Poland, and Ukraine from FY 2018 through FY 2023.
- 3 EB-issued corruption-related Global-Magnitsky Act [12] sanctions with no associated dollar value.
- 79 EUR and public diplomacy activities, valued at $508,697.

Table A.2 shows the selected instruments, agreements, activities, and sanctions comprised by the first sample.

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[11] Transparency International, *2022 Corruption Perceptions Index* (January 31, 2023).
[12] The Global Magnitsky Human Rights Accountability Act, 22 U.S.C. § 10102(a).

Table A.2: Sample of Implementing Vehicles, Agreements, Activities, and Sanctions Selected for 100-Percent Review

Award	Award Description	Assistance Type	Value
DRL			
1	Global Anti-Corruption Consortium	Grant	$5,195,529
2	Strengthen independent media	Grant	1,728,390
3	Procurement Reforms	Cooperative Agreement	1,727,357
4	Digital security and investigations	Grant	1,676,542
5	Strengthen civil society organizations and investigative journalists	Grant [a]	1,629,625
6	Combatting COVID-19 corruption	Grant	987,654
7	Government Transparency	Grant	977,961
8	Environmental Protection and Activism	Grant	740,000
9	Improved healthcare and education	Grant	724,661
INL			
1	Judicial training and anti-corruption capacity building	Grant	$4,461,283
2	Judicial and Anti-Corruption Training Program	Grant	2,083,438
3	Supporting criminal justice sector institutions	Grant	1,963,011
4	Support judicial independence	Cooperative Agreement	1,500,000
5	Bolster civil society participation for judicial reforms	Grant	1,304,509
6	Establish a family justice center	Grant	1,298,751
7	Law faculty training and development	Grant	1,200,000
8	Politically exposed individual database development	Grant	1,138,781
9	Capacity building for inclusive and accountable governance	IO-LOA [b]	600,000
10	Civil society oversight for child exploitation and sexual abuse	Grant	557,988
11	Corruption prosecution training for civil society organizations and journalists	Grant	550,000
12	Justice sector reform	IO-LOA	525,000
13	Addressing regional corruption related recommendations	IO-LOA	400,000
14	Legal training and capacity building	Grant	400,000

Award	Award Description	Assistance Type	Value
15	Civil society support	Grant	264,750
16	Institutional capacity building	IO-LOA	250,000
17	Supporting regional Anti-Corruption Networks	IO-LOA	200,000
EUR and Public Diplomacy Programs			
	EUR and Public Diplomacy Activities	Overseas Programs and Activities	$508,697
EB			
	Corruption-related Global-Magnitsky Act sanctions	Sanctions	$-
Total			**$34,593,927**

[a] DRL extended this grant's period of performance because of Russia's February 2022 invasion of Ukraine.
[b] Letter of agreement with an international organization.

Source: OIG-generated based on data provided by the Department and data obtained from SAMS.

The second sample is nonstatistical and includes 12 INL implementing vehicles and international agreements implemented in Ukraine from FY 2018 through FY 2023 valued at $13.7 million. Table A.3 shows the instruments, agreements, activities, and sanctions that were selected for the second sample.

Table A.3: Nonstatistical Sample of INL Implementing Vehicles and Agreements Implemented in Ukraine

Award	Award Description	Assistance Type	Value
1	Anti-Corruption and justice reform	IO-LOA	$4,158,651
2	Supporting local justice efforts	Cooperative Agreement [*]	2,550,000
3	Justice sector reform	IO-LOA	2,425,000
4	Justice sector reform	IO-LOA	1,559,833
5	Justice sector reform	IO-LOA	988,866
6	Supporting anti-corruption institution development	Voluntary Contribution	939,970
7	Justice sector reform	IO-LOA	586,102
8	Supporting anti-corruption institutions	IO-LOA	126,168
9	Legal trainings	Grant	99,966
10	Legal trainings	Grant	99,852
11	Crypto trainings for anti-corruption institution staff	Grant	99,848
12	Crypto trainings for anti-corruption institution staff	Grant	99,571
Total			**$13,733,827**

[*] Due to Russia's February 2022 invasion of Ukraine, INL increased the required reporting frequency for this cooperative agreement.

Source: OIG-generated based on data provided by the Department and data obtained from the State Assistance Management System.

In total, OIG reviewed 38 Department implementing vehicles and international agreements, 79 activities, and 3 sanctions implemented from FY 2018 through FY 2023, valued at approximately $48 million. OIG reviewed them to identify Department and implementer officials for interviews and to gain an understanding of Department anti-corruption efforts. Additionally, OIG used the 38 Department implementing vehicles to test bureau conformity with Department best practices for objective and performance indicator design and to test the Department's monitoring and evaluation documentation in SAMS. The results of OIG's testing are presented in the Audit Results section of this report.

Prior Office of Inspector General Reports

***Management Assistance Report: Actions Needed To Meet Requirements for Establishing the Office of the Coordinator on Global Anti-Corruption* (AUD-GEER-24-19, June 2024)**
OIG identified issues affecting Office of the Coordinator on Global Anti-Corruption (CGAC) organizational placement, roles, responsibilities, and reporting lines and issued this Management Assistance Report to communicate the need for INL and CGAC officials to comply with Department requirements to establish CGAC using processes outlined in the Foreign Affairs Manual (FAM) and to codify CGAC in the FAM. OIG issued three recommendations. Two of these were considered resolved, and one was considered implemented and closed, at report issuance. In March 2025, INL dissolved CGAC and transferred its responsibilities to INL's Office of Global Programs and Policy.

***Audit of the Bureau of International Security and Nonproliferation Administration of Assistance to Ukraine* (AUD-GEER-24-14, March 2024)**
OIG reported that in administering its Ukraine assistance programs, the Bureau of International Security and Nonproliferation Administration (ISN) generally complied with applicable requirements by performing required vetting and other due diligence, assessing and accepting risks, and using alternative methods for monitoring its assistance when in-person monitoring was not feasible. However, OIG noted ways in which ISN's administration of its assistance to Ukraine in two of these areas—risk assessment and monitoring—could be improved. OIG issued four recommendations. Three of these were considered implemented and closed, and one was considered resolved, at report issuance.

***Inspection of the Bureau of International Narcotics and Law Enforcement Affairs* (ISP-I-23-08, January 2023)**
OIG reported that management control deficiencies hindered INL's ability to effectively plan, manage, and evaluate the results of its projects, programs, and operations. Additionally, OIG reported that foreign assistance programs lacked oversight documentation, program evaluation, and a bureau-level policy for risk management. OIG issued 28 recommendations, 17 of which were considered implemented and closed and 11 of which were considered resolved, at report issuance.

***Information Brief: Oversight Observations to Inform the Department of State Ukraine Response* (OIG-23-01, December 2022)**

OIG prepared this report to share observations and lessons learned from past oversight work that could be applied to Ukraine response programs and operations. OIG identified seven issue areas for the Department to consider as it executes programs and operations in support of response efforts following Russia's February 2022 invasion of Ukraine. The issue areas were managing in the face of uncertainty, directing geographically dispersed operations, meeting pressing workforce requirements, operating in a restrictive environment, delivering efficient coordination, driving program performance, and applying award management and oversight principles. Discussion of the issues was informed by OIG observations during visits to Poland and the Ukraine border in July and September 2022. The report presents challenges related to the Department's Ukraine response and discusses how similar challenges have manifested in previous settings. Additionally, OIG discusses practices that can prevent or mitigate challenges and address the identified issue areas.

***Audit of the Department of State Management and Monitoring of Federal Assistance Awards to For-Profit Organizations* (AUD-CGI-22-26, May 2022)**

OIG reported that Grants Officers and Grants Officer Representatives did not always manage and monitor selected awards in accordance with requirements. OIG determined that a primary reason for the deficiencies identified was that the Department had not required the use of a key oversight function within the Department's SAMS to manage post-award activities. OIG issued 11 recommendations. Eight of these were considered implemented and closed, and three were considered resolved, at report issuance.

***Audit of the Department of State Implementation of Policies Intended To Counter Violent Extremism* (AUD-MERO-19-27, June 2019)**

OIG reported that the Department developed goals, objectives, and guidance for its strategy for countering violent extremism (CVE) and highlighted them in several documents. However, OIG could not affirm that CVE grants and cooperative agreements awarded were achieving desired results because the Bureau of Counterterrorism had not ensured that the strategic plans and Department bureaus' activities, including the activities of officials implementing public diplomacy programs and awards, aligned with the Department's CVE goals, objectives and spend plan. The lack of alignment hindered the Department's ability to measure the results of CVE awards, identify best practices that could be replicated, or abandon ineffective efforts that did not advance CVE goals and objectives. OIG also found that the reporting of funds used to support CVE goals and objectives needed improvement. OIG issued nine recommendations, all of which were considered implemented and closed at report issuance.

***OIG's Office of Overseas Contingency Operations Oversight, Quarterly Special Inspector General Reports for Operation Atlantic Resolve* [13]**

OIG's Office of Overseas Contingency Operations (OCO) Oversight "collaborates with the Department of Defense (DoD) and USAID [OIGs] and coordinates OCO oversight planning and

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[13] To access current and prior OIG Office of Contingency Operations Oversight quarterly reports for Operation Atlantic Resolve, visit the OIG website at https://www.stateoig.gov/node/44099.

execution within the [Department's] OIG to fulfill the joint Lead Inspector General for Overseas Contingency Operations responsibilities of these three OIGs under section 419 of the [Inspector General] Act (5 U.S. Code. §419). [OIG's OCO] works with the DoD OIG and USAID OIG to produce an annual joint strategic oversight plan for each OCO and a quarterly report on each OCO that includes a summary of the collective oversight of all OIGs for the whole-of-government effort in support of each OCO."[14] According to the May 2024 OCO quarterly report, Operation Atlantic Resolve "began as a U.S. European Command … effort to provide rotational deployments of combat credible forces to Europe in the wake of Russia's 2014 invasion of Crimea. Since Russia's full-scale invasion of Ukraine in February 2022, [Operation Atlantic Resolve's] mission has evolved in line with U.S. policy objectives."[15] Additionally, "the ongoing war with Russia has created new opportunities for corruption . . . , the U.S. government continued to provide technical assistance and training to Ukrainian investigators and prosecutors. Their respective agencies hired more staff and brought more prosecutions during the quarter."[16]

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[14] OIG, Office of Overseas Contingency Operations Oversight, https://www.stateoig.gov/node/44099.
[15] Special Inspector General Report to the United States Congress, Operation Atlantic Resolve Including U.S. Government Activities Related to Ukraine, January 1, 2024-March 31, 2024, page 24 (May 2024).
[16] Ibid., page 4.

APPENDIX B: DEPARTMENT OF STATE ROLES AND RESPONSIBILITIES

The information in this appendix describes the Department entities that have anti-corruption roles and responsibilities.

Bureau of European and Eurasian Affairs

The Department of State (Department) Bureau of European and Eurasian Affairs (EUR) develops and implements U.S. foreign policy in Europe and Eurasia and promotes U.S. interests in the region on topics such as international security; the North Atlantic Treaty Organization; coordination with the European Union and other regional organizations; and support for democracy, human rights, civil society, economic prosperity, and anti-corruption. EUR's Office of the Coordinator of U.S. Assistance for Europe and Eurasia directs region-wide strategic planning, program policy development, program budget planning, performance monitoring, and reporting and evaluation of U.S. government assistance to 17 states of the former Soviet Union and Eastern Europe.[1] Department officials stated that EUR facilitated anti-corruption training workshops and coordinated foreign assistance—including anti-corruption activities—in Europe and Eurasia.

Bureau of Democracy, Human Rights, and Labor

The Department's Bureau of Democracy, Human Rights, and Labor (DRL) supports U.S. national security by providing technical assistance to empower civil society, human rights defenders, and independent journalists around the world to hold governments accountable.

DRL's Office of Multilateral and Global Affairs develops, appraises, and implements U.S. foreign affairs policies, positions, and processes to further U.S. government goals and objectives related to anti-corruption and other issues.[2] Specifically, DRL's 2022 Functional Bureau Strategy states:

> The promotion of democracy, human rights, and fundamental freedoms strengthens U.S. national security because countries where political dissent is possible, corrupt, or abusive officials are held accountable, and democratic institutions, the rule of law, gender equality, and the rights of marginalized groups are respected are more peaceful, secure, and prosperous and more able and willing to partner with the United States to address shared challenges.[3]

Bureau of Economic and Business Affairs

The Department's Bureau of Economic and Business Affairs (EB) seeks to promote a strong U.S. economy by removing barriers for American companies doing business in global markets,

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[1] 1 Foreign Affairs Manual (FAM) 143.1(7), "Office of the Coordinator of U.S. Assistance for Europe and Eurasia (EUR/ACE)," and Department, Office of the Coordinator of U.S. Assistance to Europe and Eurasia, https://www.state.gov/bureau-of-european-and-eurasian-affairs/office-of-the-coordinator-of-u-s-assistance-to-europe-and-eurasia/.

[2] 1 FAM 519.4(6), "Office of Multilateral and Global Affairs (DRL/MLGA)."

[3] Department, DRL Functional Bureau Strategy, page 1 (January 2022).

attracting foreign investors to create U.S.-based jobs, and deploying economic tools to deny financing to terrorists, human rights abusers, and corrupt officials.[4]

The bureau's Division for Counter Threat Finance and Sanctions is responsible for developing and implementing sanctions [5] to counter threats to national security posed by specific activities, terrorist groups, and countries. Division personnel also advise the Secretary of State on economic sanctions strategies to achieve U.S. foreign policy objectives and work with other agencies to enact such strategies. Moreover, the division builds international support to implement economic sanctions, provides sanctions-related foreign policy guidance to the Department of the Treasury and the Department of Commerce, and engages with Congress on legislation that advances foreign policy goals in these areas.[6]

Bureau of International Narcotics and Law Enforcement Affairs

Fighting corruption has been fundamental to the Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) work. INL offices develop and implement foreign policy objectives related to corruption, seeking both to bolster countries that are making progress containing corruption and to support those in endemically corrupt countries that are working to improve. INL's anti-corruption work has been formed around four priorities, rooted in government guidance and direction:

- Strengthening regimes to prevent corruption and bringing corrupt actors to justice.
- Driving the international policy agenda.
- Recognizing reform and holding bad actors accountable.
- Leveraging coordination and learning to combat corruption.[7]

INL is the entity responsible for developing and implementing global programs to combat corruption, including managing corruption-related visa actions.[8] As such, INL has developed the "U.S. Department of State Bureau of International Narcotics and Law Enforcement Affairs Anti-Corruption Issue Based Strategic Guidance,"[9] as well as Country, Regional, and Transnational

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[4] 1 FAM 420, "Bureau of Economic and Business Affairs," and Department, Bureau of Economic and Business Affairs, https://www.state.gov/bureaus-offices/under-secretary-for-economic-growth-energy-and-the-environment/bureau-of-economic-and-business-affairs/.

[5] The Global Magnitsky Human Rights Accountability Act, 22 U.S.C. § 10102(a), allows the imposition of sanctions with respect to foreign persons responsible for gross violations of internationally recognized human rights, among other acts. The DRL Assistant Secretary, in consultation with the Assistant Secretary for Consular Affairs and other Department bureaus, as appropriate, is authorized to submit to the Secretary of State, for review and consideration, the names of foreign persons who may meet the criteria for sanctions actions. 22 U.S.C. § 10102(i).

[6] 1 FAM 423, "Deputy Assistant Secretary for Counter Threat Finance and Sanctions (EB/TFS)," and Department, Division for Counter Threat Finance Sanctions, https://www.state.gov/bureaus-offices/under-secretary-for-economic-growth-energy-and-the-environment/bureau-of-economic-and-business-affairs/division-for-counter-threat-finance-and-sanctions/.

[7] Department, "U.S. Department of State Bureau of International Narcotics and Law Enforcement Affairs Anti-Corruption Strategic Guidance 2022-2026," page 2 (August 11, 2022).

[8] 1 FAM 532.3, "Office of Global Programs and Policy (INL/GPP)."

[9] Department, "U.S. Department of State Bureau of International Narcotics and Law Enforcement Affairs Anti-Corruption Issue Based Strategic Guidance 2022-2026" (August 11, 2022).

Program Frameworks and Annual Program Concept Notes,[10] which establish INL's anti-corruption lines of effort and intended outcomes.

Office of the Coordinator on Global Anti-Corruption

In December 2021, the Department established CGAC [11] to build international anti-corruption capacity and expand multilateral anti-corruption cooperation. Designed as the focal point for all Department efforts to prevent and combat corruption, CGAC:

- Led senior engagement on anti-corruption issues within the U.S. government, including leading Department-wide implementation efforts for the *United States Strategy on Countering Corruption*.[12]
- Assisted overseas posts in developing anti-corruption strategies.
- Consolidated indicators and data provided from overseas posts for anti-corruption reporting requirements.
- Reviewed Department anti-corruption progress with the National Security Council.

In addition, CGAC worked with U.S. interagency partners and key stakeholders in foreign governments, international organizations, and nongovernmental organizations from civil society and the private sector to prevent and combat corruption. According to the Department's website, CGAC integrated and elevated the anti-corruption fight across all aspects of the Department.[13] Organizationally, CGAC was considered an extension of INL's front office but also had direct reporting responsibilities to senior Department leaders. OIG published a Management Assistance Report in June 2024 related to CGAC's establishment.[14] In March 2025, INL dissolved CGAC and transferred its responsibilities to INL's Office of Global Programs and Policy.

Other Department Contributors

Other bureaus and offices involved with planning, coordinating, directing, or implementing anti-corruption programs and activities include the Under Secretary for Public Diplomacy and

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[10] Department, "INL Anti-Corruption Strategic Framework" (2023).

[11] Secretary of State Press Statement, "Elevating Anti-Corruption Leadership and Promoting Accountability for Corrupt Actors," December 9, 2021, https://2021-2025.state.gov/elevating-anti-corruption-leadership-and-promoting-accountability-for-corrupt-actors//.

[12] White House, *United States Strategy on Countering Corruption: Pursuant to the National Security Study Memorandum on Establishing the Fight against Corruption as a Core United States National Security Interest*, December 2021.

[13] Office of the Coordinator on Global Anti-Corruption, https://www.state.gov/bureaus-offices/under-secretary-for-civilian-security-democracy-and-human-rights/bureau-of-international-narcotics-and-law-enforcement-affairs/office-of-the-coordinator-on-global-anti-corruption/.

[14] OIG, *Management Assistance Report: Actions Needed To Meet Requirements for Establishing the Office of the Coordinator on Global Anti-Corruption* (AUD-GEER-24-19, June 2024). OIG reviewed CGAC's placement, roles, and reporting responsibilities. The Department concurred with the report's three recommendations. Specifically, OIG recommended that the Department assess CGAC's organizational placement in accordance with the Government Accountability Office's Standards for Internal Control in the Federal Government. In March 2025, INL dissolved CGAC and transferred its responsibilities to INL's Office of Global Programs and Policy.

Public Affairs, the Bureau of Administration, the Bureau of Budget and Planning (BP), the Office of Foreign Assistance, and the Office of the Legal Adviser.

The Under Secretary for Public Diplomacy and Public Affairs serves as the lead policy maker for the Department's overall public outreach and press strategies. The Under Secretary for Public Diplomacy and Public Affairs also coordinates closely with bureaus, other agencies, the private sector, and international partners to ensure the Department's public diplomacy and public affairs activities are consistent, forward looking, supportive of U.S. foreign policy, and grounded in research.[15] At Department posts abroad, public affairs sections have furthered the missions' anti-corruption strategies and goals through various awards and activities such as anti-corruption messaging, media development, and empowerment.

The Bureau of Administration provides uniform handling of administrative support programs and responsibilities to the Department and U.S. embassies and consulates. These include procurement, official records, and publishing Foreign Affairs Manual (FAM) Volumes 5 (Information Management) and 14 (Logistics Management). The Bureau of Administration's Office of the Procurement Executive (OPE) provides management direction and leadership of Department-wide acquisition and federal assistance policies, as well as a full range of acquisitions and federal assistance management services.[16] OPE publishes the Department's Federal Assistance Directive (FAD), which provides guidance for Department-issued federal financial assistance.[17] To help implementing partners achieve anti-corruption goals and objectives, the Department provides funds through implementing vehicles (e.g., grants, cooperative agreements, and voluntary contributions)[18] and letters of agreement with international organizations (IO-LOA).[19]

BP prepares the Department's budget requests, manages the Department's operational resource requirements, and ensures that operational planning and performance management are synchronized with the Department's resource requirements. BP also coordinates with the Office of Foreign Assistance to develop policies, plans, and programs to achieve foreign policy goals.[20]

The Office of Foreign Assistance leads U.S. foreign assistance coordination [21] and is responsible for tracking a range of key issues of importance to the administration and congressional

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[15] 1 FAM 046.1, "Responsibilities;" and Department, Bureaus and Offices, https://www.state.gov/bureaus-and-offices-list/#r.

[16] 1 FAM 210, "Bureau of Administration (A)."

[17] Department, FAD (October 2022), Chapter 1, "General," page 1.

[18] Other Department implementing vehicles that were not included in the audit's samples include awards to individuals and purchase orders.

[19] Department, "Bureau of International Narcotics and Law Enforcement Affairs, INL Definitional Guide to Anti-Corruption Programming," page 1.

[20] 1 FAM 620, "Bureau of Budget and Planning (BP)."

[21] 1 FAM 033.1(b), "Responsibilities;" and Department, Office of Foreign Assistance, https://www.state.gov/bureaus-offices/secretary-of-state/office-of-foreign-assistance/.

stakeholders, enabling the Department to report on foreign assistance funding attributed by bureaus and posts to each key issue.[22]

The Office of the Legal Adviser "[a]dvises and represents the Bureaus and missions of the Department; the Secretary and senior leadership; and, through the Secretary, the Executive Branch on all legal and legal policy issues arising in connection with U.S. foreign policy and the work of the Department,"[23] among other responsibilities. Within the Office of the Legal Adviser, Treaty Affairs "oversees the Circular 175 (C-175) procedure, through which approval is sought for the negotiation, conclusion, and termination of international agreements,"[24] which INL utilizes to implement some of its anti-corruption activities.

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[22] Department, "Bureau of International Narcotics and Law Enforcement Affairs, INL Definitional Guide to Anti-Corruption Programming," page 1.

[23] 1 FAM 241.1(1), "Responsibilities."

[24] 1 FAM 246.16(b), "Treaty Affairs (L/T)." Department Circular No. 175 (December 13, 1955), outlines Department policies and procedures for negotiating and concluding treaties and other international agreements. The procedure has been codified in 11 FAM 720, "Negotiation and Conclusion."

# APPENDIX C: STRATEGIES, REGULATIONS, AND GUIDANCE

According to the Foreign Affairs Manual (FAM), the Department of State (Department) is committed to using strategic planning to achieve the most effective U.S. foreign policy outcomes and provide greater accountability to its primary stakeholders and the American people. Robust, coordinated strategic planning processes are essential to make informed decisions, develop innovative ways to cope with tight budgets, prioritize resources, ensure alignment with key policies, and improve the way the Department does business. Strategic planning also creates a framework for monitoring progress and measuring results, shaping resource decisions, and ensuring accountability.[1]

The Department's strategic planning takes place at several levels. At the Department level, the Department and U.S. Agency for International Development (USAID) Joint Strategic Plan (JSP) outlines overarching goals and objectives, and guides bureau and mission planning. Joint Regional and Functional Bureau Strategies guide priority setting and resource allocation at the regional and functional bureau level. Country-specific strategies, known as Integrated Country Strategies (ICS), guide whole-of-government priorities within a given country with input from all members of a mission's country team. According to the FAM, the objectives from these strategies are used for a range of purposes, including to develop Congressional Budget Justifications, Annual Performance Plans and Reports, and Foreign Assistance Operational Plans; to ensure alignment with other relevant strategies; to link bureau and mission objectives to U.S. foreign policy priorities; and to inform internal Bureau and Mission Resource Requests.[2] Figure C.1 illustrates the interdependence of anti-corruption related strategies at the various levels of strategic planning.

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[1] 18 FAM 301.2-1(a), "Purpose."
[2] 18 FAM 301.2-1(b).

Figure C.1: Strategic Guidance Informing Department Anti-Corruption Efforts
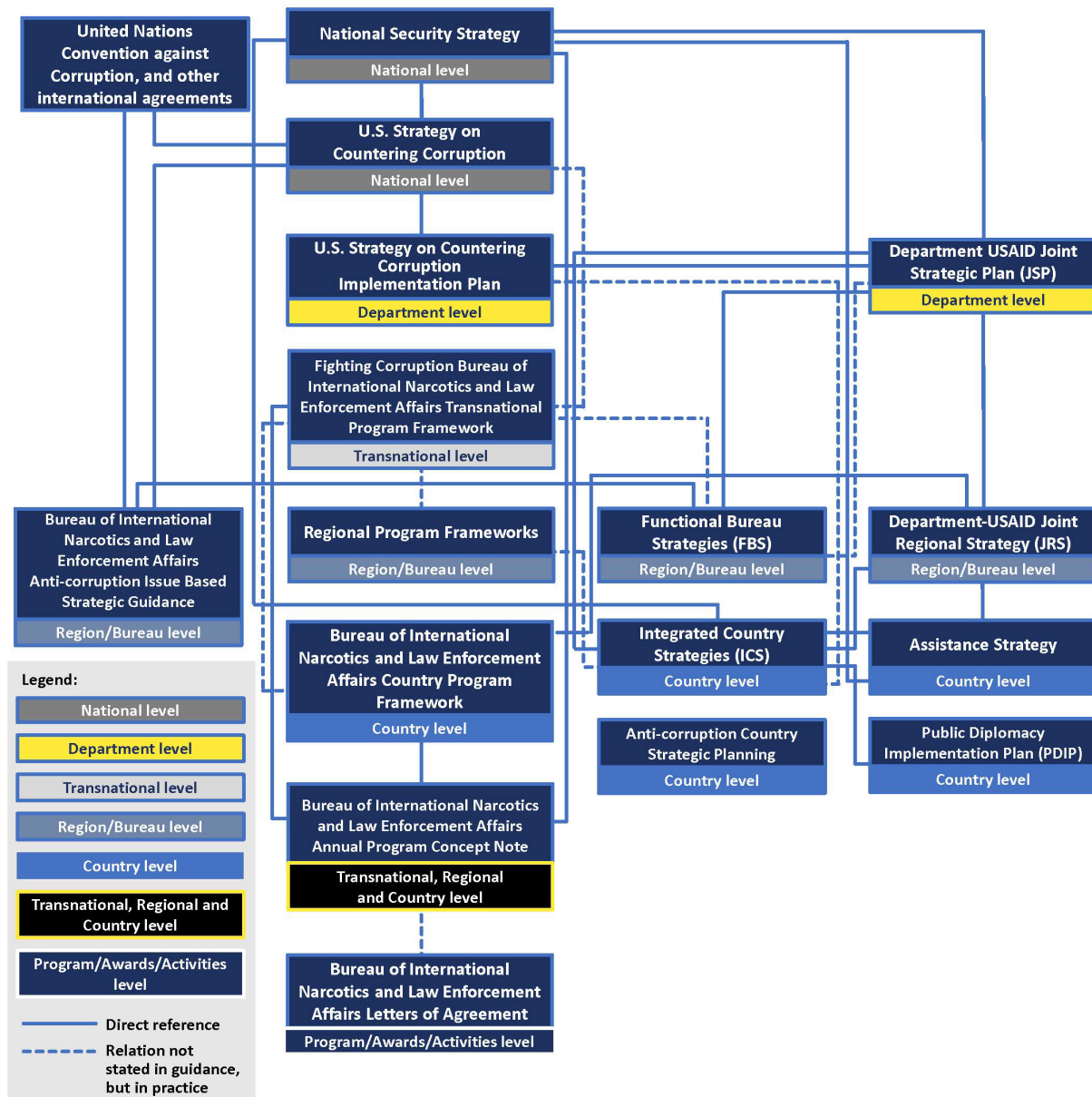
Source: OIG-generated from 18 FAM 301.2 and Department planning guidance and anti-corruption related strategies issued from FY 2018 through FY 2023.

Federal Government Strategies and Regulations

United States Strategy on Countering Corruption

The first *United States Strategy on Countering Corruption* [3] builds on the findings of an interagency review of existing U.S. government anti-corruption efforts to identify and seek to

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[3] White House, *United States Strategy on Countering Corruption: Pursuant to the National Security Study Memorandum on Establishing the Fight against Corruption as a Core United States National Security Interest*, December 2021.

rectify persistent gaps in the fight against corruption. The strategy establishes a comprehensive approach for how the United States will work domestically and internationally to prevent, limit, and respond to corruption and related crimes. The *United States Strategy on Countering Corruption* places special emphasis on the transnational dimensions of the challenges posed by corruption, including recognizing the ways in which corrupt actors have used the U.S. financial system and other rule-of-law based systems to launder their ill-gotten gains.

National Security Strategy

The October 2022 National Security Strategy (NSS) established corruption as a core national security interest, stating that "the United States will elevate and expand the scale of diplomatic engagement and foreign assistance, including by enhancing partner governments' [capacities] to fight corruption in cooperation with U.S. law enforcement authorities and bolstering the prevention and oversight capabilities of willing governments."[4]

Department Strategies

The Department's core strategic planning processes take place at the agency, bureau, and country levels and culminates with the creation of the following core strategy documents:

- Department and USAID JSP.
- Department and USAID Joint Regional Strategy (JRS).
- Functional Bureau Strategy (FBS).
- ICS.

The Department's strategic planning and core documents are intended to ensure alignment with key polices and create frameworks for monitoring progress and measuring results.[5]

Department and USAID Joint Strategic Plan

The Department and USAID JSP establishes both organizations' vision and direction and presents plans for implementing U.S. foreign policy and development assistance. The JSP is a 4-year strategic plan that outlines overarching Department and USAID goals and objectives and guides bureau and overseas mission planning.[6]

Joint Regional and Functional Bureau Strategies

Joint regional and functional bureau strategic planning articulates priorities within the Department and outlines specific tradeoffs necessary to bring resources into alignment with Department and USAID goals and objectives. JRSs are 4-year strategic plans for each region that set joint Department and USAID priorities and guide key partner, bureau, and overseas mission-level planning.[7] Department regional bureaus are required to jointly develop JRSs with relevant

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[4] White House, *National Security Strategy*, October 2022, page 36.
[5] 18 FAM 301.2-1(a), (b), "Purpose."
[6] 18 FAM 301.2-2, "Definitions."
[7] Ibid.

USAID regional bureaus, in coordination with intra- and inter-agency partners.[8] FBSs are 4-year strategic plans that set priorities for each Department functional bureau and guide key partner bureau and mission-level planning.[9] FBSs inform budget decisions, advise ICSs, and shape performance reviews.[10]

Integrated Country Strategies

ICSs are 4-year strategic plans that articulate whole-of-government priorities in a given country and incorporate higher level planning priorities.[11] Chiefs of Mission [12] lead ICS development, identifying a common set of mission goals and objectives through a coordinated and collaborative planning effort among Department and other U.S. government agencies with programming in the country.[13] Higher level planning documents and strategies that inform ICSs include the NSS, JSP, JRS, and FBSs.[14]

U.S. Department of State U.S. Strategy on Countering Corruption Implementation Plan

The *U.S. Strategy on Countering Corruption Implementation Plan* (Implementation Plan)[15] identifies ongoing and planned anti-corruption activities from 2023 through 2025.[16] Department anti-corruption activities are organized in accordance with relevant *United States Strategy on Countering Corruption* goals and objectives. The Department's Implementation Plan complements other agencies' implementation efforts, such as USAID's 2022 *Anti-Corruption Policy.*[17]

Department Guidance

Foreign Affairs Manual and Foreign Affairs Handbook

The FAM and associated Foreign Affairs Handbooks are a single, comprehensive, and authoritative source for the Department's organization structures, policies, and procedures that

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[8] 18 FAM 301.2-4(c), "Strategic Planning Process Requirements and Hierarchy."

[9] 18 FAM 301.2-2, "Definitions."

[10] Department, "Functional Bureau Strategies," https://2021-2025.state.gov/office-of-foreign-assistance/functional-bureau-strategies.

[11] 18 FAM 301.2-2, "Definitions."

[12] According to 2 FAM 324.1, "Chief of Mission," the chief of the diplomatic mission takes precedence over all officers and representatives or other executive departments and agencies.

[13] Department, "Integrated Country Strategies," https://2021-2025.state.gov/integrated-country-strategies/

[14] Department, "Integrated Country Strategies," https://www.state.gov/integrated-country-strategies/.

[15] Department, U.S. Strategy on Countering Corruption Implementation Plan, September 6, 2023, https://www.state.gov/wp-content/uploads/2023/10/U.S.-Strategy-on-Countering-Corruption-Implementation-Plan-Updated-09.21.2023.pdf.

[16] The Department's *U.S. Strategy on Countering Corruption Implementation Plan* does not specify whether the plan covers government fiscal years or calendar years 2023–2025.

[17] USAID's *Anti-Corruption Policy, ". . .* establishes anti-corruption as an Agency priority, to be confronted head-on." The policy defines corruption as "a system in which the powerful subvert the public good in service of their own personal, economic, and political interests and that of their allies and family members. And, consistent with the [*United States Strategy on Countering Corruption*], this Policy solidifies USAID's focus on transnational corruption, grand corruption, and kleptocracy." USAID, *Anti-Corruption Policy*, page 4 (December 2022).

govern the operations of the State Department, the Foreign Service and, when applicable, other federal agencies. The FAM (generally policy) and the Foreign Affairs Handbooks (generally procedures) together convey codified information to Department staff and contractors so they can carry out their responsibilities in accordance with statutory, executive, and Department mandates.[18]

Federal Assistance Directive

The Federal Assistance Directive (FAD) reiterates and expands on the Code of Federal Regulations (C.F.R.)[19] and FAM guidance and "establishes internal guidance, policies, and procedures for all domestic and overseas grant-making bureaus, offices, and posts within the Department . . . administering Federal financial assistance."[20] FAD policies and procedures apply to all Department-issued federal financial assistance regardless of funding source.[21]

Program Design and Performance Management Toolkit

The Program Design and Performance Management Toolkit (PD/PM Toolkit) provides guidance, examples, and templates to help bureaus, offices, and posts design their activities in a way that effectively advances broader strategic goals, utilizes monitoring and evaluation, and enables learning that can inform future decisions. Furthermore, "it can be used as a manual for creating and executing a new program, or can be employed mid-program to determine if the effort is on track."[22]

Integrated Country Strategy and Functional Bureau Strategy Guidance

The Bureau of Budget and Planning and the Office of Foreign Assistance jointly oversee the Department's Managing for Results portfolio, which includes the Department's ICS and FBS strategy development and implementation guidance.[23] ICS and FBS guidance provides overviews of mission- and bureau-level strategic planning, document formats, management objectives, strategy implementation, and review methodologies.

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[18] Department, Foreign Affairs Manual, https://fam.state.gov/.

[19] The Code of Federal Regulations contains "general and permanent rules published in the Federal Register by the departments and agencies of the Federal Government," and contains Office of Management and Budget guidance to federal agencies on government-wide policies and procedures for the award and administration of grants and agreements. See National Archives, "Reader Aids: Insight into the eCFR," https://www.ecfr.gov/reader-aids/using-ecfr/getting-started, and 2 C.F.R. § 1.100.

[20] Department, FAD (October 2017 and later revisions), Chapter 1, "General," page 1.

[21] Ibid., page 2.

[22] Department, PD/PM Toolkit, "Toolkit Purpose and Use," page i.

[23] Department, "Integrated Country Strategy Guidance and Instructions (October 20, 2021)," page 3.

APPENDIX D: BUREAU OF ADMINISTRATION RESPONSE

United States Department of State

Washington, D.C. 20520

May 21, 2025

MEMORANDUM

TO: OIG/AUD – Norman Brown

FROM: A/GA – Sharon James   Sarah B Drabkin Digitally signed by Sarah B Drabkin
Date: 2025.05.21 10:17:20 -04'00'

SUBJECT: A/GA Management Response to Draft Report - Audit of the
           Department of State's Monitoring of Anti-Corruption Programs and
           Activities in Central and Eastern Europe

Thank you for the opportunity to provide a response to the subject report. The
point of contact for this report is the A/GA Front Office (A-GA-
FrontOffice@state.gov).

Recommendation 2: OIG recommends that the Bureau of Administration confirm
that all bureaus have designated an official to review the State Assistance
Management System Post Award Activities function reports and Grants Officers
and Grants Officer Representatives are complying with oversight requirements.

Management Response to Draft Report (05/21/25): Under Federal Assistance
Directive (FAD) v. 8.0, issued May 2024, all bureaus are required to have an
official to review the State Assistance Management System Post Award Activities
functions reports. Therefore, the Bureau of Administration, Global Acquisition,
Acquisition Policy Directorate (A/GA/APD) concurs with this recommendation and
will confirm all bureaus have a designated official to perform quarterly reviews of
the MyGrants PAA function, verifying Grants Officers and Grants Officer
Representatives are complying with oversight requirements. A compiled list of
bureau designated officials is anticipated by the end of July 2025.

APPENDIX E: BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS RESPONSE

United States Department of State

Washington, D.C.   20520

April 29, 2025

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITS NORMAN P. BROWN

FROM: INL – F. Cartwright Weiland, SBO
SUBJECT: Audit of The Department of State's Monitoring of Anti-Corruption Programs and Activities in Central and Eastern Europe (AUD-23-020)

The Bureau of International Narcotics and Law Enforcement Affairs (INL) is providing an official response to the two open recommendations INL is listed as action office for in the aforementioned report.

Recommendation 4: The Bureau of International Narcotics and Law Enforcement Affairs implement the Department of State Managing for Results framework and Program Design and Performance Management (PDPM) Toolkit guidance for developing project goals, objectives, and performance indicators.

Response: The Department concurs with the recommendation. INL's Design and Monitoring package was updated after the scope of this audit ended (see attached). INL believes we are compliant with the PDPM Toolkit's guidance on developing project goals, objectives, and performance indicators (see attached). This document explains the PDPM Toolkit guidance and how INL Design and Monitoring guidance implements the Toolkit.

Recommendation 5: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs revise the U.S. Strategy for Countering Corruption Implementation Plan or develop a Department of State (Department)-wide anti-corruption strategy in accordance with 18 FAM 301.2-4(B) to clearly establish anti-corruption roles and responsibilities

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across the Department, define corruption, and frame the Department's efforts in the context of the United States Strategy on Countering Corruption goals and objectives.

Response: The Office of the Coordinator on Global Anti-Corruption has been dissolved (see attached). INL will continue managing INCLE funded anti-corruption programs. INL does not have a mandate to establish anti-corruption roles and responsibilities across the Department or frame the Department's efforts in the context of the U.S. Strategy on Countering Corruption. Based on the Administration's priorities, INL will work on updating internal strategic guidance to frame INL's role, priorities, and lines of effort in combating corruption.

Attachments
- (U) Draft Report – OIG Audit of Department Anti-Corruption Activities
- Rec 4 – INL Supplement to PDPM Toolkit
- Rec 4 – 2024 INL Design and Monitoring Requirements
- Rec 5 – CGAC Dissolution Memo

Approved: INL/FO – Cart Weiland, SBO [FCW]
I confirm the drafter received guidance on this paper's intent, objectives, topics, scope, and structure. ☒ **Yes** ☐ **No**

Drafted: INL/EX/MCO: Carlos Arroyo, (b) (6) ███████

Cleared:

Bureau	Name	Clearance Status
INL/FO	LZiman	(ok)
INL/EX	MJones, Acting	(ok)
INL/EX	DStrom, Acting	(ok)
INL/EX/MCO	LReidenbach	(ok)
INL/KM	APinkston	(ok)
INL/GPP	RLeventhal	(ok)
INL/SCO	LSchanz	(ok)

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

APPENDIX F: OFFICE OF FOREIGN ASSISTANCE RESPONSE

United States Department of State

Washington, D.C. 20520

May 15, 2025

TO: Office of the Inspector General (OIG)
Norman P. Brown, Assistant Inspector General

FROM: Jeremy Lewin, Acting Director, F

SUBJECT: Response to OIG Draft Report: Audit of State's Monitoring of Anti-Corruption Programs and Activities in Central and Eastern Europe

F appreciates the opportunity to respond to OIG's draft report regarding the Audit of the Department of State's Monitoring of Anti-Corruption Programs and Activities in Central and Eastern Europe.

Recommendation 1: OIG recommends that the Office of Foreign Assistance, in coordination with the Bureau of Budget and Planning and the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement a unique identifier for anti-corruption programs and activities and issue instructions to ensure consistent use by all Department of State bureaus and overseas posts. These instructions should include quality checks on data elements that are at increased risk of being reported incorrectly.

Response: The Department does not concur with this recommendation. State understands that the OIG conducted this audit from April 2023 to April 2025, prior to the release of the Secretary's plan to reorganize the Department. Given the Administration's strategic realignment under the Foreign Assistance Review, State is considering whether there will be sufficient ongoing programming to warrant the recommended systems changes. With the concurrence of the Comptroller and Global Financial Services (CGFS), we recommend that CGFS be assigned the overall coordinating role, working with relevant offices, as they would be responsible for implementing necessary changes to financial systems should the recommendation stand.

1

Approved: Jeremy Lewin, Interim Acting Director, F

Drafted: Anne Pham, F OIG & GAO Liaison (b) (6)

Cleared:

F/FO: Abraham Dashtara (ok)

F/RG: Kyle Peterson (ok)

F/RG: Tiffany Chan (ok)

F/RA: Lauren Pulford (ok)

F/RA: Rose Lindgren (ok) - As acting for Becky

F/P: Mariam Afrasiabi (ok)

CGFS/FO: Damon Blacklock (ok)

CGFS/COS: John Coyle (ok)

BP: Doug Pitkin (ok)

BP: Ramya Punnoose (ok)

L/M: Ken Thomas (ok)

2

APPENDIX G: SUMMARY OF BUREAU OF DEMOCRACY, HUMAN RIGHTS, AND LABOR RESPONSE AND OFFICE OF INSPECTOR GENERAL REPLIES

On May 19, 2025, the Bureau of Democracy, Human Rights, and Labor (DRL) provided a response to a draft of this report. Although DRL officials confirmed that the response had been cleared by DRL leadership, OIG is not including the response in its entirety as an appendix because the document was not signed, dated, or provided on Department letterhead. As part of its response, DRL provided technical comments regarding the audit findings that did not relate directly to the recommendations. A synopsis of DRL's most significant technical comments and Office of Inspector General (OIG) replies to each are presented below.

Technical Comments Related to Finding B

DRL stated that it documents monitoring and evaluation reporting using a Performance Indicator Tracking Table provided by implementing partners. According to DRL, these tables are reviewed with partners in the first quarter of a project, finalized, and uploaded to the award file as a reporting tool for the grant's monitoring and evaluation approach, along with additional monitoring and evaluation documentation. The table is then submitted as a post award action in MyGrants on a quarterly basis, providing consistent indicator reporting that is uploaded into DRL's database and then reported into annual reporting.

Additionally, DRL stated that, with respect to formal reporting documents, it would be helpful if OIG identified the degree of inconsistency in reporting that it found, given the variances in grant start and end dates, as well as the evolution in reporting guidelines. According to DRL officials, OIG's statements and chart (see Audit Results, Table 2) present a binary depiction in which these programs either fully meet or fail to meet the documentation requirements. DRL stated that a more nuanced picture of the degree to which these programs did or did not meet the requirements would provide a more complete understanding of the scope and scale of the finding and enable bureaus to prioritize and develop actionable responses to the findings.

OIG Reply

OIG revised report language in the Audit Results section to specify that 77 percent of the implementing vehicle files that OIG reviewed did not document annual risk assessment reviews nor annual monitoring and evaluation plan reviews as required. OIG's testing results are binary—either the required documents are present in the files, or they are not present. As stated in the Audit Results section of this report, OIG's review of monitoring and evaluation documentation included annual monitoring plan reviews, risk assessments, and final Grants Officer Representatives' implementing vehicle evaluations. In addition, OIG reviewed documentation included in the official federal award file maintained in the State Assistance Management System. The documents identified by DRL were not included in the State Assistance Management System or provided by DRL during OIG's audit testing.

ABBREVIATIONS

BP	Bureau of Budget and Planning
C.F.R.	Code of Federal Regulations
C-175	Circular 175
CGAC	Office of the Coordinator on Global Anti-Corruption
CPI	Corruption Perceptions Index
CVE	countering violent extremism
DRL	Bureau of Democracy, Human Rights, and Labor
EB	Bureau of Economic and Business Affairs
EUR	Bureau of European and Eurasian Affairs
FAD	Federal Assistance Directive
FAM	Foreign Affairs Manual
GOR	Grants Officer Representative
INL	Bureau of International Narcotics and Law Enforcement Affairs
IO-LOA	letters of agreement with international organizations
JRS	Joint Regional Strategy
JSP	Joint Strategic Plan
NSS	National Security Strategy
NSSM	National Security Study Memorandum
OCO	Office of Overseas Contingency Operations
OIG	Office of Inspector General
OPE	Office of the Procurement Executive
PD/PM Toolkit	Program Design and Performance Management Toolkit
SAMS	State Assistance Management System
SMART	specific, measurable, achievable, relevant, and time-bound
SPSD	Standardized Program Structure and Definitions
U.S.C.	United States Code
USAID	U.S. Agency for International Development

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