



Office of Inspector General
United States Department of State

AUD-GEER-24-14

Office of Audits

March 2024

**(U) Audit of the Bureau of International
Security and Nonproliferation
Administration of Assistance to Ukraine**

GLOBAL EMERGENCIES AND EMERGING RISKS



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-GEER-24-14

(U) What OIG Audited

(U) From February through December 2022, the Bureau of International Security and Nonproliferation (ISN) administered more than \$82 million in grants, cooperative agreements, contracts, and interagency agreements to support Ukraine and neighboring countries affected by Russia's invasion. Among other things, the funding has been obligated for border security; advisory services; and critical equipment and training across the chemical, biological, radiological, nuclear, and explosive spectrum.

(U) The Office of Inspector General (OIG) conducted this audit to determine whether ISN administered its assistance programs and efforts in Ukraine in accordance with federal law and Department of State (Department) requirements. To perform the audit, OIG judgmentally selected for detailed review 15 implementing vehicles administered by ISN to aid Ukraine. The selected implementing vehicles were associated with a total of \$64 million in obligations during the period.

(U) What OIG Recommends

(U) OIG made four recommendations to ISN to improve risk assessments and monitoring of its assistance to Ukraine. Based on management's response to a draft of this report (see Appendix C), OIG considers all four recommendations resolved, pending further action. A synopsis of management's comments on the recommendations offered and OIG's replies follow each recommendation in the Audit Results section of this report.

(U) March 2024

(U) OFFICE OF AUDITS

GLOBAL EMERGENCIES AND EMERGING RISKS

(U) Audit of the Bureau of International Security and Nonproliferation Administration of Assistance to Ukraine

(U) What OIG Found

(U) In administering its Ukrainian assistance programs, 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 where 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.

(U) First, ISN based the risk assessments for its Ukraine activities on some subjective considerations and conditions that have since changed. To the extent ISN continues to provide support for Ukraine—including the provision of sensitive technologies—ISN should reassess risks to safeguard against over reliance on subjective considerations and to account for changes to the risk environment. Provided this updated assessment, ISN would be in a better position to apply appropriate mitigation measures in response to identified risks.

(U) Second, given non-permissive conditions and staffing limitations at Embassy Kyiv, ISN employed alternative methods for monitoring its assistance in Ukraine. For instance, ISN required end users to certify receipt of equipment and report on its use and status but were unable to travel to visit end users in-person to verify the accuracy of information reported by recipients. In line with identified risk mitigation plans for grants and cooperative agreements, ISN should explore other options for providing in-person monitoring.

(U) OIG also observed that ISN relied on the review of award recipients' progress reports to support its program monitoring efforts; however, those reports lacked comparisons of accomplishments to program objectives. ISN could improve monitoring efforts by requiring and enforcing terms and conditions for performance reports that include comparative information to facilitate an assessment of progress against program objectives.

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(U) OBJECTIVE

(U) The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of International Security and Nonproliferation (ISN) administered its assistance programs and efforts in Ukraine in accordance with federal law and Department of State (Department) requirements.

(U) BACKGROUND

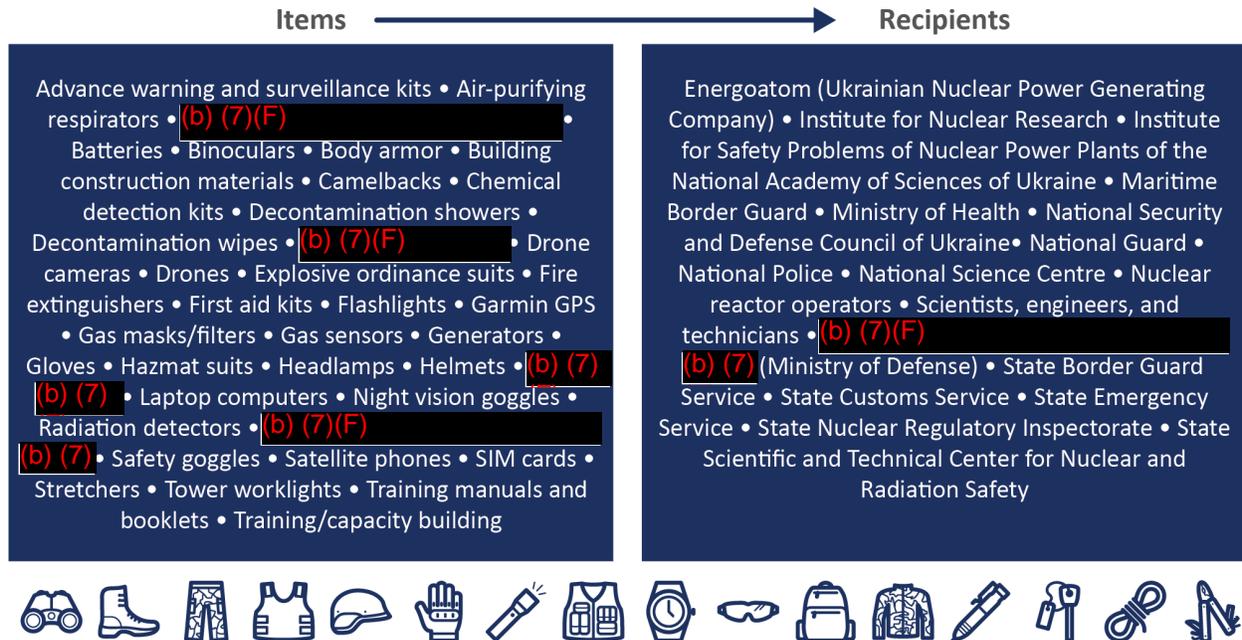
(U) Russia's war of aggression against Ukraine is the largest armed conflict in Europe since World War II and has had deep and wide-ranging consequences. The scale and scope of the U.S. government's response has been sizable. In four supplemental appropriations in March, May, September, and December 2022, Congress provided more than \$113 billion in funding for Ukraine response efforts across 14 federal departments and agencies.¹ Of this amount, the Department and the U.S. Agency for International Development received approximately \$46.3 billion to respond to Russia's full-scale invasion of Ukraine.

(U) ISN's Role in Ukraine

(SBU) According to the Department, the role of ISN is to prevent "the spread of weapons of mass destruction, delivery systems, and advanced conventional weapons capabilities" and "rolling back such proliferation where it has already taken root." ISN obligated more than \$82 million from February through December 2022 to support Ukraine and nearby regional partners affected by the conflict. Those efforts include capacity-building and provision of equipment and supplies. ISN also purchased personal protective equipment, decontamination supplies, communication equipment, night vision optics, small unmanned aerial systems, and medical supplies, among other items, to support various Ukrainian government entities. Beneficiaries included the National Police, the National Guard, State Emergency Services, State Border Guard Services (including the Maritime Border Guard), (b) (7)(F) the Ministry of Health, and the Ministry of Defense (b) (7)(F). Figure 1 shows the types of support that ISN has provided to various Ukrainian entities.

¹ (U) See Consolidated Appropriations Act, 2022, Public Law 117-103, Division N – Ukraine Supplemental Appropriations Act, 2022; Additional Ukraine Supplemental Appropriations Act 2022, Public Law 117-128; Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023, Public Law 117-180, Division B – Ukraine Supplemental Appropriations Act, 2023; Consolidated Appropriations Act, 2023, Public Law 117-328, Division M – Additional Ukraine Supplemental Appropriations Act, 2023.

(SBU) Figure 1: Types of ISN-Funded Support to Various Ukrainian Recipients



(U) Source: OIG-generated from information provided by ISN on its support of Ukraine.

(U) Three ISN program offices have obligated funds to assist Ukraine:²

- (U) The **Office of the Nonproliferation and Disarmament Fund** is responsible for addressing unanticipated nonproliferation opportunities and priorities around the world.
- (U) The **Office of Cooperative Threat Reduction** is responsible for managing the Global Threat Reduction Program, which assists countries in securing biological, chemical, and nuclear materials, technology, and expertise.
- (U) The **Office of Export Control Cooperation** is responsible for overseeing the Export Control and Related Border Security Program, a program that seeks to ensure that strategic trade control systems meet international standards.

(U) These ISN program offices use a variety of implementing vehicles to support Ukraine, including grants, cooperative agreements, contracts, and interagency agreements.

² (U) ISN’s Office of Mass Weapons of Destruction Terrorism did not obligate funds to assist Ukraine during the scope of OIG’s review. As such, OIG has not included information about that office in this report.

(U) Requirements on the Administration of Grants, Cooperative Agreements, Contracts, and Interagency Agreements

(U) A **grant** is used when the principal purpose is the transfer of money, property, or services to accomplish a public purpose of support or stimulation authorized by federal statute; it is used when it is anticipated that there will not be substantial involvement between the agency and the recipient during performance.

(U) A **cooperative agreement** is used to accomplish a public purpose of support or stimulation authorized by federal statute when it is anticipated that there will be substantial involvement between the agency and the recipient during performance.

(U) A **contract** is used for acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the federal government.

(U) An **interagency agreement** is a written agreement between two federal agencies that specifies the goods to be furnished or tasks to be accomplished by one agency in support of the other.

(U) Guidance on the administration of these implementing vehicles includes the Department’s Foreign Affairs Manual (FAM) and associated Foreign Affairs Handbook (FAH), the Federal Assistance Directive (FAD), Procurement Information Bulletins, and the Federal Acquisition Regulation (FAR). Table 1 describes the guidance and the implementing vehicles to which they apply.

(U) Table 1: Guidance on Administering and Monitoring Grants, Cooperative Agreements, Contracts, and Interagency Agreements

(U) Guidance Document	(U) Description	(U) Applicability
FAM	Policy manual that articulates official guidance on matters relating to the Department’s management and personnel.	Grants, Cooperative Agreements, Contracts, Interagency Agreements
FAH	Procedure manuals that articulate official guidance on matters relating to the Department’s management and personnel.	Grants, Cooperative Agreements, Contracts, Interagency Agreements
FAD	Directive that provides guidance, policies, and procedures for domestic and overseas bureaus, offices, and posts providing federal assistance.	Grants, Cooperative Agreements
Procurement Information Bulletin Number 2014-05, “Non-Acquisition Interagency Agreements”*	The Department’s Bureau of Administration, Office of the Procurement Executive, issues bulletins to announce procurement guidance. Bulletin 2014-05	Interagency Agreements

(U) Guidance Document	(U) Description	(U) Applicability
FAR	provides guidance on monitoring assistance provided through interagency agreements. Policies and procedures governing the acquisition of goods and services by all executive agencies.	Contracts

* (U) Procurement Information Bulletin Number 2014-05, “Non-Acquisition Interagency Agreements,” was replaced with the “Interagency Agreement Guide” in December 2022. Because the interagency agreements that OIG reviewed for this audit were entered into prior to the issuance of the new guidance, OIG used the prior guidance as the basis of its analysis.

(U) Source: OIG generated based on analysis of the implementing vehicles and the Department and federal guidance governing their administration and monitoring

(U) Execution and Oversight

(U) The guidance applicable to implementing vehicles has requirements regarding their execution and oversight. For example, grants are required to be signed by a warranted Grants Officer, who may appoint a Grants Officer Representative (GOR) to assist in oversight of the award.³ Similar requirements apply to the other implementing vehicles. Program officers also assist in overseeing the execution of the awards.

(U) Each ISN program office manages its own assistance portfolio and has its own designated oversight officials. For grants and cooperative agreements, ISN employs grants officers, GORs, and program officers who administer and monitor the federal assistance awards. For contracts, ISN employs Contracting Officers and Contracting Officer’s Representatives to administer and monitor contracts. For interagency agreements, ISN employs agreement officer’s representatives or program managers to monitor the interagency agreements. These oversight officials work from Washington, DC, regardless of where assistance is implemented.

(U) What OIG Reviewed

(U) To answer the audit objective, OIG judgmentally selected 15 implementing vehicles for detailed review: 2 grants, 3 cooperative agreements, 2 contract task orders, 7 interagency agreements, and 1 fund cite⁴ administered by ISN from February through December 2022 to support Ukraine.

(U) OIG reviewed 15 implementing vehicles

- (U) 2 grants
- (U) 3 cooperative agreements
- (U) 2 contract task orders
- (U) 7 interagency agreements
- (U) 1 fund cite

(U) To arrive at this sample of 15, OIG identified 68 implementing vehicles, totaling more than \$82 million, that ISN used to execute its programs and efforts from February through December 2022. From this universe, OIG selected all implementing vehicles with a value of more than \$900,000, which OIG judgmentally determined was an appropriate threshold to capture the

³ (U) 10 FAH-1 H-032, “Federal Assistance Awards” and 4 FAM 061.2 “Grants Officer Representative.”

⁴ (U) A fund cite is used when one Department bureau—ISN in this case—purchases goods from another Department bureau (i.e., an intra-agency transaction).

breadth of ISN’s activities (i.e., all of the different types of implementing vehicles used by all of the ISN program offices). The resulting sample of 15 implementing vehicles was associated with \$64 million in obligations, or about 78 percent of the \$82 million that ISN obligated to Ukraine-related activities during the identified timeframe. Table A.2 in Appendix A provides detailed information on the sample of selected implementing vehicles that OIG analyzed in this audit.

(U) OIG tested the selected sample for compliance with federal law and Department requirements in three overarching aspects of ISN’s Ukraine assistance administration:

1.  (U) Vetting and Due Diligence
2.  (U) Risk Assessment and Mitigation
3.  (U) Monitoring

(U) AUDIT RESULTS

(U) Finding A: ISN Administered Its Ukrainian Assistance in Accordance With Requirements but Can Make Improvements in Two Key Areas

(U) ISN conducted vetting and other due diligence, performed risk assessments and accepted risks, and used alternative methods for monitoring to compensate for restrictions on its on-site presence. OIG noted instances in which ISN’s administration of Ukrainian assistance in two of these areas—risk assessments and monitoring—could be improved. For example, ISN determined that risks of providing assistance were low to medium based on considerations such as its relationship with the recipients, the experience of the recipients, the types of assistance being provided, and the security environment in Ukraine. Although ISN accepted those risks, OIG found that some of the risk considerations were objective in nature, while others were subjective. Given the likelihood that more supplies and equipment—including some sensitive technologies—will continue to be provided to Ukraine, ISN should reassess its risk considerations to safeguard against any over reliance on subjective objectives or changes to the risk environment given the evolution of the conflict and apply mitigation measures appropriate for each of the identified risks.

(U) In monitoring its assistance, ISN required end users to certify receipt and report on the use and status of the equipment. OIG noted that at the time of the audit, Embassy Kyiv was operating under an ordered departure and was subject to staffing restrictions. To compensate for these restrictions ISN employed alternative methods for monitoring such as reviewing

photographic evidence of use and holding telephonic and virtual meetings with the end users to obtain assurance that the assistance was being used as intended. However, the inability to travel to visit end users in-person affects ISN's ability to verify the accuracy of the information reported by recipients. ISN should take steps to leverage increases to embassy staffing levels, access to third-party contractors, or other available mechanisms to plan for additional in-person monitoring. Finally, OIG observed that ISN relied on the review of award recipients' progress reports to support its program monitoring efforts; however, those reports lacked comparisons of accomplishments to program objectives. ISN could improve these monitoring efforts by requiring recipients to provide comparative information and enforcing requirements that federal assistance award recipients submit performance reports that include comparative information to determine progress against program objectives.



(U) ISN Conducted Required Vetting and Other Due Diligence

(U) Federal law and Department policies require that government officials conduct due diligence on potential recipients before giving aid or entering into agreements or contracts for the provision of assistance. Due diligence includes vetting (e.g., for gross violations of human rights and for prior suspensions or debarments) and reviewing past performance, prior audits, and proposed costs to complete required tasks. OIG reviewed ISN's compliance with vetting and due diligence requirements applicable to selected (1) grants and cooperative agreements, (2) contracts, and (3) interagency agreements and found that it generally complied.

(U) ISN Conducted Vetting and Other Due Diligence of Recipients of Grants and Cooperative Agreements

(U) OIG reviewed two grants and three cooperative agreements totaling almost \$13.5 million to determine the extent to which ISN officials conducted vetting and other due diligence per the Department's requirements. Through these five awards, ISN supported Ukraine's security forces, scientists, engineers, government officials, and others by providing trainings, supplies and equipment, and educational fellowships (e.g., financial support for scientists to continue their research). Table 2 describes the grants and cooperative agreements that OIG reviewed.

~~(SBU)~~ Table 2: ISN Grants and Cooperative Agreements Reviewed

(SBU) (U) Recipient	(U) Vehicle Type	(SBU) Purpose/Description	(U) Value
Science and Technology Center in Ukraine	Grant	To support virtual fellowships and workshops for Ukrainian technical experts.	\$994,000
Science and Technology Center in Ukraine	Grant	To support engagements with Ukraine on the strategic development of its nuclear energy infrastructure in accordance with standards of nuclear safety, security, and nonproliferation.	\$900,000
Bancroft Global Development	Cooperative Agreement	To provide training, unexploded ordnances clearance and demining, and other nonproliferation-related activities such as site survey and assessment, (b) (7)(F)	\$6,350,000
Civilian Research and Development Foundation (CDRF) Global	Cooperative Agreement	To procure chemical, biological, radiological, and nuclear response equipment and material for Ukraine.	\$4,185,575
Culmen International LLC	Cooperative Agreement	Provision of consultative services and logistical support to identify, secure, ship, transport, store, and install chemical, biological, radiological, and nuclear response equipment to assist Ukraine.	\$1,028,031

(U) Source: Generated by OIG based on its review of award documents provided by ISN.

(U) The FAD states that oversight officials must conduct due diligence or “reasonable and prudent review of all relevant facts to ensure success during the performance of the award” prior to finalizing a federal award.⁵ One due diligence step is ensuring that certain recipients and beneficiaries of assistance are vetted for gross violations of human rights. This requirement is codified in Section 620M of the Foreign Assistance Act of 1961, as amended, which states, “In General.—No assistance shall be furnished under [the Foreign Assistance Act] or the Arms Export Control Act to any unit of the security forces of a foreign country if the Secretary of State has credible information that such unit has committed a gross violation of human rights.”⁶ The provision is also referred to as the “Leahy Law” or the “Leahy Amendment.”

~~(SBU)~~ Of the five federal assistance awards that OIG reviewed, three required vetting per the Leahy Law because the participants and recipients are members of Ukraine’s security forces. Specifically, the cooperative agreement to Bancroft Global Development was designed to support units of Ukraine’s Ministry of Defense ~~(b) (7)(F)~~, and the two cooperative agreements with the CDRF Global and Culmen International LLC support ~~(b) (7)(F)~~. The recipients or participants of the remaining two grants (to the Science and

⁵ (U) FAD, October 2022, page 59. The awards OIG reviewed were issued prior to the issuance of the October 2022 FAD. However, the earlier version, from October 2021, cites the same requirements. For this reason, OIG has chosen to use the latest October 2022 FAD as the basis of its analysis.

⁶ (U) Foreign Assistance Act of 1961 (Public Law 87-195), as amended, codified at 22 U.S. Code § 2378d(a).

Technology Center of Ukraine) are not security forces; rather, they are Ukrainian scientists, engineers, and subject matter experts from civilian government agencies such as the State Nuclear Regulatory Inspectorate of Ukraine. In reviewing information obtained from the International Vetting and Security Tracking system—a web-based system used by the Department to manage the Leahy vetting process and record final decisions⁷—OIG found that these security forces were vetted and given authorization by the Department’s Bureau of Democracy, Human Rights, and Labor to receive funding, training, or other assistance.⁸

(U) In addition to Leahy vetting, other due diligence steps include verification in the System for Award Management (SAM.gov) that the potential recipient of the federal award has not been suspended or debarred from receiving federal funds; verification in the Federal Awardee Performance and Integrity Information System (FAPIS) that the potential recipient’s performance does not contain instances of misconduct (for awards over \$250,000); and reviews of audits conducted of the organization.⁹ OIG found that ISN conducted the SAM.gov and FAPIS checks for all five awards. With respect to reviews of prior audits, OIG also found documentation showing that ISN reviewed prior audits of the recipients, except those related to the Science and Technology Center in Ukraine.¹⁰

(U) ISN Conducted Vetting and Other Due Diligence of Contracts

~~(SBU)~~ OIG reviewed two Culmen contract task orders with a combined value of \$33.9 million to determine the extent to which ISN officials vetted and conducted other due diligence prior to issuing the contracts. ISN’s Office of Nonproliferation and Disarmament Fund issues, manages, and oversees the two task orders issued to Culmen International LLC for the purpose of providing technical support and equipment to several of Ukraine’s security forces and first responders, ~~(b) (7)(F)~~ State Emergency Services, National Guard, National Police, and the State Border Guard Service. The task orders were issued under an “indefinite delivery, indefinite quantity” contract.¹¹

(U) Due diligence outlined in the FAR includes requirements for ensuring that contractors are selected in a fair and transparent manner. Specifically, FAR 6.101(a), “Policy,” states that

⁷ (U) The International Vetting and Security Tracking system, which is also used by the Department of Defense, is the primary workflow management tool and official system of record for Leahy vetting. In the system, records on individuals and units contain the name, identification number, date of birth, place of birth, sex, unit type, unit name, unit description, unit alias, commander name, rank and final decision, and other information.

⁸ (U) 1 FAM 516.5(3) states that the Bureau of Democracy, Human Rights, and Labor is responsible for overseeing the implementation of the Leahy Law.

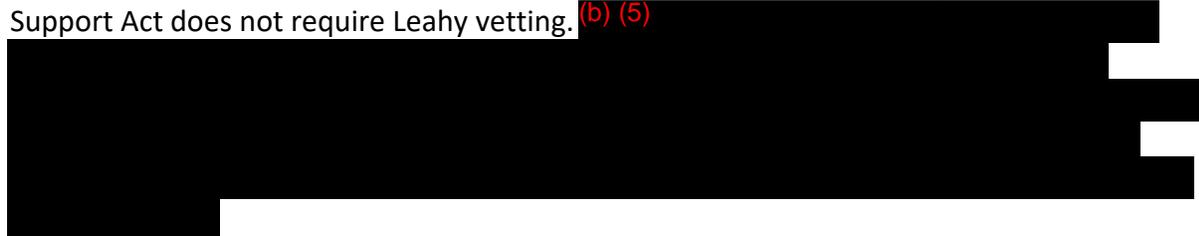
⁹ (U) FAD, October 2022, page 50-56.

¹⁰ (U) According to SAM.gov, the Science and Technology Center in Ukraine is a foreign public entity; pursuant to the FAD, audit reviews are not required for foreign public entities. FAD, October 2022, at page 56.

¹¹ (U) Indefinite delivery, indefinite quantity contracts provide for an indefinite quantity of services for a fixed time. These contracts are most often used for service contracts and architect-engineering services. Awards are usually for base years and option years. The government places delivery orders (for supplies) or task orders (for services) against a basic contract for individual requirements. Minimum and maximum quantity limits are specified in the basic contract as either number of units (for supplies) or as dollar values (for services).

contracting officers “shall promote and provide for full and open competition in soliciting offers and awarding Government contracts.”¹² OIG reviewed documentation related to the underlying indefinite delivery, indefinite quantity contract such as the solicitation for proposals, the technical evaluation review of Culmen’s proposal (in which ISN deliberated on the company’s management approach, technical approach, sample contract task orders, and past performance), and the proposed costs. In its deliberation, ISN determined that Culmen’s proposed costs were fair and reasonable due, in part, to the company’s estimates being lower than the government’s independent estimates of the projected costs. Based on the documentation review, OIG concluded that ISN conducted a full and open competition for the base indefinite delivery, indefinite quantity contract in accordance with the FAR.

(SBU) With respect to Leahy vetting, ISN officials told OIG that, because its Office of the Nonproliferation and Disarmament Fund issued these contracts, security forces were not required to be vetted for gross violations of human rights. This is because the Nonproliferation and Disarmament Fund is a contingency fund authorized by the FREEDOM Support Act¹³ and not the Foreign Assistance Act or the Arms Export Control Act. According to ISN, the FREEDOM Support Act does not require Leahy vetting. (b) (5)



(U) Even though ISN is not required to vet the security forces receiving assistance under the FREEDOM Support Act, OIG found that the some of the security forces receiving assistance under the Culmen contract task orders were vetted. This occurred because, in addition to receiving assistance from the Nonproliferation and Disarmament Fund, the State Border Guard Services also receives assistance under the Export Control and Related Border Security Program managed by ISN’s Office of Export Control Cooperation.¹⁴ Funds that support this office must adhere to the requirements of the Foreign Assistance Act, including the Leahy law vetting requirement for gross violations of human rights. OIG confirmed that the security forces in its

¹² (U) FAR 6.102, “Use of competitive procedures,” lists several competitive procedures including sealed bids and competitive proposals. Further, 14 FAH-2 H-222, “Full and Open Competition,” states that “full and open competition” means that all responsible sources are permitted to submit sealed bids or competitive proposals on the procurement. It is the preferred form of contracting and includes contracting by sealed bids, negotiation, and other procedures (reference Federal Acquisition Regulation (FAR), 48 CFR 2.1).”

¹³ (U) The Nonproliferation and Disarmament Fund is authorized by Section 504 of the Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992, or the FREEDOM Support Act, Public Law 102-511, which was signed into law to help the then 12 newly independent states of the former Soviet Union.

¹⁴ (U) The Export Control and Related Border Security Assistance program is the U.S. government’s initiative to help other countries improve their export control systems. Managed by ISN, the Export Control and Related Border Security Assistance program is designed to help prevent proliferation of weapons of mass destruction, their missile delivery systems, conventional weapons, and related items by assisting foreign governments to establish and implement effective export control systems that meet international standards.

sample had been vetted by reviewing documentation ISN provided, which ISN obtained from the International Vetting and Security Tracking system.

(U) Vetting and Due Diligence of Recipients Provided Assistance Through Interagency Agreements Was Conducted

(U) OIG reviewed seven interagency agreements and one fund cite totaling approximately \$15.8 million that ISN entered with the Department of Justice, the Department of Energy, and the Department's own Bureau of Medical Services to determine the extent to which ISN officials conducted vetting and other due diligence prior to providing funds.

- (U) ISN provides funding to the International Criminal Investigative Training Assistance Program (ICITAP), a program in which the Department of Justice works with foreign governments to develop professional and transparent law enforcement institutions.¹⁵ From February to December 2022, ISN had five interagency agreements with ICITAP valued at almost \$12.3 million to support the U.S. Government's Export Control and Related Border Security Program. Under the interagency agreements, ICITAP is providing equipment, expertise, and training to enhance the capabilities of the State Border Guard Service of Ukraine (including the Maritime Border Guard) and the State Customs Service of Ukraine.
- ~~(S)~~(U) ISN provides funding to Argonne National Laboratory, a Department of Energy multidisciplinary science and engineering research center. In Ukraine, Argonne National Laboratory is retaining technical experts to participate in a nuclear hydrogen energy demonstration project. (b) (7)(F)
[REDACTED]
- ~~(S)~~(U) ISN purchased \$2.4 million worth of medical efforts (b) (7)(F)
[REDACTED] from the Department's Bureau of Medical Services and Medical Store to support various Ukraine entities.

(U) The Department's Procurement Information Bulletin No. 2014-05, "Non-Acquisition Interagency Agreements," does not outline vetting requirements prior to entering into agreements with another federal agency for the provision of goods and services. However, if the recipients are security forces, such as Ukraine's State Border Guard Service, Leahy vetting is required. As stated previously, OIG reviewed documentation showing that Leahy vetting was conducted on members and units of Ukraine's State Border Guard Service. ISN officials stated that they also work together with the ICITAP to vet the members and units.

¹⁵ (U) ICITAP is managed by the Department of Justice with funding provided by the Department and Department of Defense. ICITAP program implementation methods include on-the-ground, pre-program assessments; program planning, management, and review; curriculum development; classroom training, seminars, and workshops; internships; equipment donations; donor coordination; and on-the-job training and mentoring provided by embedded long-term advisors.

(U) The Bulletin also does not articulate the requirements for conducting other due diligence prior to providing funds through interagency agreements. According to an official from the Bureau of Administration, Office of the Procurement Executive, this is because an interagency agreement is between two federal agencies, and conducting a due diligence investigation of another agency is not applicable. Nevertheless, ISN officials told OIG that they regularly review ICITAP's past performance as part of its continued engagement with the program. Likewise, ISN officials also stated that they regularly review Argonne National Laboratory's performance as part of its continued engagement.



(U) ISN Assessed and Accepted Risks of Assisting Ukraine, but Its Process Could Be Improved and Assessment Updated

(U) OIG found that ISN generally complied with requirements to assess and accept the risks associated with providing assistance in support of Ukraine. OIG also found, however, that ISN based the risk assessments for its Ukraine activities on some subjective considerations and conditions that have since changed. Accordingly, ISN's risk mitigation plans may not fully account for current circumstances.

(U) The Department requires its personnel to "identify, evaluate, and mitigate any substantial risks to their objectives or to the enterprise in which they are engaged, including the risks of inaction."¹⁶ OIG found that ISN assessed the risks of aiding Ukraine and documented its rationale as the Department required. In its assessments, ISN determined that the risks were acceptable based on considerations, including its relationship with the recipients, the experience of the recipients, the types of assistance being provided, and the security environment in Ukraine. However, OIG also identified areas in which ISN could improve its risk assessment processes, especially given the likelihood that more supplies and equipment—including some sensitive technologies—will be provided to Ukraine.

(U) ISN Determined That Risks of Giving Aid Through Grants and Cooperative Agreements Were Low to Medium

(U) The FAD requires that the awarding bureau, office, or post complete risk assessments to identify potential risks and assess their significance when deciding whether to award grants and cooperative agreements. For those awards with a period of performance longer than 12 months, the FAD further states that the risk assessment must be reviewed annually. The FAD identifies three categories of risks that must be assessed: organizational, programmatic, and country risks.¹⁷

¹⁶ (U) 2 FAM 031a, "Department Risk Management Policy."

¹⁷ (U) FAD, October 2022, pages 60-63.

- (U) **Organizational risk** is “[t]he capability and integrity of the applicant to implement the award.” Examples include the applicant’s financial stability and financial management systems, internal management systems and controls, history of performance, including conformance to the terms and conditions of previous federal assistance awards, and reports and findings from audits.
- (U) **Programmatic risk** is “the degree to which the program activities are sensitive or difficult to achieve,” including “whether potential events may have a strategic impact on the Department’s ability to achieve its goals, or an impact on the reputation and public perception of the Department.”
- (U) **Country risk** is “the environment where the award activities will be performed” should be considered.

(U) Source: FAD, October 2022.

(U) To assess risks, the Grants Officers and GORs use the Bureau of Administration, Office of the Procurement Executive, Federal Assistance Division, risk assessment worksheet to document their assessments. This worksheet lists several considerations under each risk category and requires the Grants Officers or GORs to enter a numeric score of 1, 2, or 3 for each consideration. Considerations include, but are not limited to:

1. (U) The size of the organization.
2. (U) The amount of funding being received.
3. (U) The complexity of the program.
4. (U) The known level of financial corruption

(U) To score the risk considerations, the worksheet asks the program office to insert a number from 1 to 3, for example, a “1” if the organization employs more than 13 full-time employees (large organization), a “2” if the organization employs between 7 to 12 full-time employees (medium organization), or a “3” if the organization employs between 1 to 6 full-

time employees (small organization). Similarly, the worksheet asks the program office to insert a “1” if it considers the program to be “low complexity,” “2” if it considers the program to be “moderate complexity,” or “3” if it considers the program to be “high complexity.”

(U) OIG reviewed ISN’s risk assessments for the five grants and cooperative agreements in its sample and found that although organizational, programmatic, and country risks existed, ISN considered them to be low to medium, leading to the overall scores of low to medium.¹⁸ As shown in Table 3, the single exception in the sample was the assessment of country risk with respect to the grant provided to the Science and Technology Center of Ukraine. For this \$994,000 grant, ISN assessed the country risk as high when it was awarded because, unlike the other awards, this grant was being implemented in Georgia, Kazakhstan, Turkey, and Ukraine. According to the Bureau of Administration, Office of the Procurement Executive, programs executed in multiple countries “usually require more staff, more activities in diverse settings, more funding going to multiple allocations, more points of lack of control or failure,” which ultimately “increases the risk of the overall program.”

¹⁸ (U) ISN conducted the risk assessments for the five awards between April 2022 and January 2023. At that time, these awards had not been active for a year. Thus, the second annual assessments had not been due.

(U) Table 3: ISN’s Assessed Risk of Select Grants and Cooperative Agreements

(U) Award	(U) Organizational	(U) Programmatic	(U) Country	(U) Overall
Science and Technology Center in Ukraine (SISNCT22GR0075)	Low	Medium	High	Medium
Science and Technology Center in Ukraine (SISNDF22GR0003)	Low	Low	Medium	Low
Bancroft Global Development (SAQMIP22CA0341)	Low	Medium	Medium	Medium
Civilian Research and Development Foundation Global (SISNCT22CA0029)	Low	Low	Medium	Low
Culmen International LLC (SISNCT22CA0030)	Low	Low	Medium	Low

(U) Source: Generated by OIG from its review of risk assessment worksheets developed by ISN as required by the Department’s Office of the Procurement Executive.

(U) Risk Assessments Include Objective and Subjective Considerations

(U) The FAD states that when the overall risk of an award is determined to be high, the bureau, office, or post should mitigate the risk with additional oversight activities such as more frequent monitoring.¹⁹ As previously described in the examples from the risk assessment worksheet, some of the risk considerations listed are objective in nature (e.g., the size of the organization and the number of countries in which the program is being implemented), but some are subjective in nature (e.g., the complexity of the program and the stability of the political environment). However, once the numeric scores for each consideration are entered into the worksheet, they are averaged together and weighted to obtain an overall score. The overall score is converted to a rating of low, medium, or high.

(U) ISN’s Relationship With Recipients and Beneficiaries Informed Its Risk Tolerance

(U) The ISN program offices retain subject matter experts and, according to officials from the Bureau of Administration, Office of the Procurement Executive, program offices rely on these experts’ professional judgment when determining scores for the risks considered. An example of how subjective information was used when considering the risks of aiding Ukraine was what ISN officials described to OIG as the “long-standing” relationships ISN has with many of the recipients and beneficiaries. ISN officials stated that the bureau “has engaged with the State Border Guard as a regular partner over its 20-year history of implementing the Export Control and Related Border Security Assistance program.” Furthermore, in providing the equipment, ISN officials told OIG that they discussed risks related to combat loss, which they assessed to be acceptable. The officials explained that “because much of the equipment [ISN] provided is perishable and requires replacement and replenishment over time,” even if lost in combat, the impact is not great. In one written risk assessment—assessing the risks of providing funding to

¹⁹ (U) FAD, October 2022, pages 63–64.

an organization that will train and assist Ukrainians on unexploded ordnances clearance and demining—ISN officials wrote that because “the majority of this work will take place in Ukraine, the risks associated with this activity are understood and accepted,” but ISN provided no documentation to support this assertion. Because such assessments were subjective and not supported by additional documentation, OIG was unable to compare the conclusions ISN reached with independent data.

(U) The relationships ISN officials have built with some of the recipients have also informed its consideration of objective risk considerations. For example, ISN officials also told OIG that they review and assess risk associated with the equipment provided to Ukrainian entities by conducting due diligence investigations on the end users. OIG reviewed documentation showing that in 2022, ISN officials discussed the potential for duplication (of support other U.S. government or international entities may be providing), the appropriateness of the requested equipment and training to meet the end users’ mission, and the appropriateness of the Ukrainian entity to receive such equipment.

(U) Evolution of the Conflict Warrants Reassessment of Risk

(U) ISN’s identification and acceptance of risks as they presented themselves in 2022 does not account for ways in which the war has evolved and resulting changes in conditions. For instance, the volume of assistance ISN is providing to Ukraine has increased significantly, and there continues to be a possibility that ISN will be asked to provide even more assistance to Ukraine in the future. Whereas in FY 2021, ISN provided Ukrainian end-users with equipment and supplies valued at \$447,714, in FY 2022, ISN provided equipment and supplies totaling almost \$28.3 million—a nearly 60-fold increase.²⁰ Moreover, as previously shown in Figure 1, some of the equipment and supplies provided by ISN are sensitive technologies (e.g., drones and night vision goggles) that require not only end-use monitoring per U.S. law and guidelines²¹ but also export licenses issued by the U.S. Department of Commerce, where, as a condition of the release of the export, the U.S. Department of Commerce stipulates specific conditions for usage.

(U) ISN’s risk assessment in FY 2022, which did not explicitly account for these changes, assessed the risks as low to medium and thus did not require that additional oversight activities be undertaken; rather, ISN outlined general mitigation strategies and monitoring plans for low- and medium-risk awards. For example, OIG found that ISN officials identified actions such as completing Leahy vetting, maintaining constant communication with the award recipients, reviewing award recipients’ financial and narrative reports, making site visits, and monitoring transactions, if necessary, among other measures. Given that the volume and nature of ISN support being provided to Ukraine has changed in material ways, it would be prudent for ISN to reassess risk to ensure mitigation plans are appropriately designed to target those specific risks.

²⁰ (U) From October 2022 to June 2023, ISN provided Ukrainian end-users with equipment valued at approximately \$5.5 million.

²¹ (U) See section “(U) ISN Used Alternative Methods of Monitoring in Ukraine” in Finding A of this report for additional details on end-use monitoring.

The reassessment should endeavor to use as much objective criteria as possible to inform the overall risk assessment, and ISN should ensure mitigation plans are appropriately developed to target those specific risks. As such, OIG is offering the following recommendation.

Recommendation 1: (U) OIG recommends that the Bureau of International Security and Nonproliferation (1) reassess risks associated with the provision of assistance to Ukraine and (2) for any new risks, or changes to existing risks, identified, develop mitigating strategies to address those specific risks.

(U) Management Response: ISN concurred with the recommendation, stating that it has continually re-assessed risks involved with awards associated with the provision of assistance to Ukraine and implemented applicable mitigation measures as outlined in its ISN grants management standard operating procedures. ISN also stated it is in regular contact with Embassy Kyiv and implementing partners on the ground and utilizes all source information to reevaluate the operational environment and to identify appropriate mitigation measures as circumstances evolve.

(U) OIG Reply: On the basis of ISN's stated concurrence with the recommendation and actions planned, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that ISN has reassessed the risks associated with the provision of assistance to Ukraine and has identified and developed mitigating strategies to address any new risks or changes to existing risks.

(U) The Department Designated Ukraine as "Critical" for Contractor Performance

(SBU) On October 11, 2022, the Critical Environment Branch²² within the Bureau of Administration designated Ukraine as a "critical" for contracting.²³ Because of this designation, the FAM requires that the Critical Environment Branch lead the effort in developing a risk assessment.²⁴ In accordance with 14 FAM 244-2(b), the Critical Environment Branch, in conjunction with the Bureau of Diplomatic Security and the Bureau of European and Eurasian Affairs, subsequently assessed risks associated with the safety of contractor personnel; the ability of the U.S. government to control costs, avoid organizational or personal conflicts of interest, and minimize waste, fraud, and abuse; the managerial control of the Department over operations; and other considerations. (b) (5)

²² (U) 14 FAM 240, "Contingency Operations and Critical Environment Contracting," references the Critical Environment Contracting Analytics Staff, but the office is now called the Critical Environment Branch.

²³ (U) 14 FAM 241, "Policy and Objectives," states that, "at the discretion of the Undersecretary for Management (M), [the FAM policy] may be applied to other overseas locations that are not [Department of Defense]-designated contingency operations. For the purpose of this policy, these other overseas locations are referred to as "critical environments."

²⁴ (U) 14 FAM 244.4-1, "Planning." The FAM states that the Critical Environment Branch is "responsible for leading Department-wide coordination to develop risk assessments and risk mitigation plans for contractor support in countries designated as critical environments."

(b) (5)

The Critical Environment Branch submitted its risk assessment to the Under Secretary of State for Management for approval, and he approved it on December 20, 2022.

(U) In reviewing the risk assessment, the Under Secretary of State for Management, in accordance with the FAM, determined that the Critical Environment Branch must “coordinate and develop risk-mitigation plans for contracts with operations in the country” and that the plans include considerations such as:

- (U) Specific actions to mitigate or reduce risk, including the development of alternative capabilities to reduce reliance on contractor performance of critical functions.
- (U) Measurable milestones for the implementation of planned risk mitigation or risk-reduction measures.
- (U) A process for monitoring, measuring, and documenting progress in mitigating or reducing risk.
- (U) A continuing process for identifying and addressing new and changed risks arising during the operation, including the periodic reassessment of risks and the development of appropriate risk-mitigation or reduction plans for any new or changed high-risk areas identified.²⁵

(U) To implement the FAM requirement, the Bureau of Administration, Office of the Procurement Executive, developed standard operating procedures. Under a section titled, “Risk Mitigation Planning Process,” the Bureau wrote that “risk mitigation plans apply to U.S. citizen and third country national contract employees who will deploy in-country for more than 45 cumulative days in a calendar year.” ISN officials told OIG that because Culmen did not have these categories of employees in Ukraine in 2022 or 2023, it has not yet been required to develop risk mitigation plans for the two contract task orders OIG reviewed.²⁶ If conditions change, and Culmen deploys non-local employees in Ukraine, ISN will be required to develop a risk-mitigation plan for this contract.

(U) ISN Used Alternative Methods of Monitoring in Ukraine

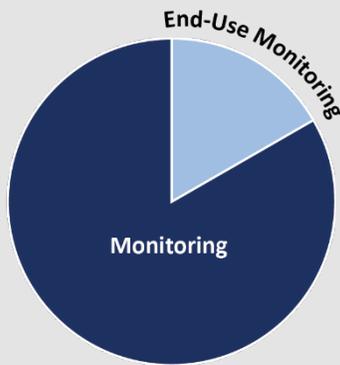


(U) OIG found that ISN employed alternative methods for monitoring its assistance in Ukraine. For instance, ISN required end users to certify receipt of equipment and report on its use and status, but it did not travel to visit end users in-person to verify the accuracy of information reported by recipients. In line with identified risk mitigation plans for grants and cooperative agreements, ISN should explore other options for providing in-person monitoring.

²⁵ (U) 14 FAM 244.4-3a(1)b, “Critical Environment Risk-Mitigation Plans.”

²⁶ (U) Under the contract task orders, Culmen employees prepare the supplies and equipment in a warehouse in Sterling, VA for shipment to Poland. Once the shipments reach Poland, Culmen employees unload and further process the supplies and equipment for delivery into Ukraine. Culmen then subcontracts with Ukrainian drivers to deliver the supplies and equipment to the end-users inside Ukraine. (Figure 3 describes that process.)

(U) Figure 2: Monitoring Versus End-Use Monitoring



Monitoring is an ongoing system of gathering information and tracking performance to assess progress against established goals and objectives.

End-Use Monitoring is the monitoring of the use of defense articles or services (such as drones, night vision goggles, and thermal sensors) provided to foreign recipients.

(U) Source: OIG-generated from definitions of monitoring included in the Foreign Affairs Manual and end-use monitoring in 22 U.S. Code § 2785.

(U) The Department requires that its program offices monitor the assistance they provide to recipients. The FAM defines monitoring as an ongoing system of gathering information and tracking performance to assess progress against established goals and objectives.²⁷ For assistance in the form of defense articles or defense services (such as drones, night vision goggles, personal protective

equipment, and thermal sensors), U.S. law requires the establishment of a unique program for monitoring their use.²⁸ OIG’s *Review of Department of State End-Use Monitoring in Ukraine* (ISP-I-23-17, November 2023) discusses the Department’s end-use monitoring programs, including ISN’s oversight of defense articles and services it provided to Ukraine. In that report, OIG noted that the amount of ISN’s provided equipment that required end-use monitoring per the law totaled \$5.4 million (of the \$82 million that ISN provided from February 2022 to December 2022). In contrast to that report, this report discusses ISN’s monitoring activities required by FAM guidance on award monitoring rather than “end-use monitoring.” Figure 2 shows the relationship between monitoring and end-use monitoring.

(U) Inability To Travel Limited ISN’s In-Person Monitoring in Ukraine

(SBU) ISN officials told OIG that they had not been able to travel into Ukraine to monitor their projects and programs as they did prior to Russia’s full-scale invasion in February 2022. In several reports, OIG detailed the significant challenges Department officials described—including security restrictions on in-country travel and the limited number of staff at Embassy Kyiv—in monitoring the assistance provided to Ukraine.²⁹ For example, before the full-scale invasion, ISN could transport supplies and equipment directly to the recipients in Ukraine and make site visits to verify delivery and use. Now, supplies and equipment procured under ISN’s contract task orders with Culmen (b) (7)(F), (b) (5)

Supplies and equipment procured under the interagency agreements with ICITAP (b) (7)(F), (b) (5)

²⁷ (U) 18 FAM 301.4-1(B), “Definitions.”

²⁸ (U) 22 U.S. Code § 2785, “End-use monitoring of defense articles and defense services.”

²⁹ (U) OIG, *Review of Ukraine Foreign Assistance Coordination and Oversight* (ISP-I-23-18, July 2023); OIG, *Review of Department of State End-Use Monitoring in Ukraine*, (ISP-I-23-17, November 2023).

(b) (7)(F), (b) (5)

the delivery process (b) (7)(F), (b) (5)
contractors (b) (7)(F), (b) (5)

Together, the additional step in

the use of additional

and ISN's inability to freely travel to Ukraine adds risks to effective oversight.

(SBU) Figure 3 shows the current transit paths of ISN-provided supplies and equipment into Ukraine. (b) (7)(F), (b) (5)

(SBU) Figure 3: Transit of ISN-Provided Equipment and Supplies Delivered to Ukraine in 2022

(b) (7)(F), (b) (5)

(SBU) Source: Map: OIG-generated based on information obtained in its review of property transfer letters. Photographs: Taken by OIG during its February 28, 2023, visit to a Sterling, VA, warehouse (left) that Culmen International LLC uses to prepare shipments and its March 29, 2023, (b) (7)(F), (b) (5)

(SBU) To obtain more assurance of delivery and proper use of the equipment and supplies being conveyed, ISN officials require that the recipients sign and agree to terms outlined in Property Transfer Letters or Property Transfer Agreements. For example, for the shipment processed through the airport in Warsaw, Poland, that OIG observed on March 29, 2023, ISN officials included a Property Transfer Letter signed by a program manager from ISN's Office of Nonproliferation and Disarmament attesting that 100 personal protective kits³⁰ valued at \$373,999 were being sent to Kyiv and delivered to (b) (7)(F) Ukraine. In

³⁰ (SBU) The kits included a backpack, face mask, hazmat suit, protective gloves, mask carrier, face mask filter, M9 tape, mole pouch, face mask cartridges, (b) (7)(F) decontamination hand mittens, over boots, (b) (7)(F) Narcan nasal spray, chemical detection paper, bromide, utility scissors, (b) (7)(F), and individual first aid supplies.

that letter, ISN stipulated that in accepting the supplies and equipment, (b) (7)(F) agreed to only use them to respond (b) (7)(F) needs and to catalog and maintain them in good working condition. ISN also prohibited the (b) (7)(F) from loaning, re-exporting, reselling, or transferring the equipment to a third party. In the letter, ISN further stipulated that it reserved the right to examine the equipment to ensure that the property was being used appropriately. When (b) (7)(F) received the shipment (b) (7)(F) a representative from (b) (7)(F) counter-signed, acknowledging the receipt of the shipment and the conditions set forth in the letter. (b) (7)(F) then emailed the letter to ISN for its records.

(SBU) OIG reviewed another property transfer agreement, dated April 19, 2022, in which ISN conveyed to the State Border Guard Service equipment and supplies, valued at almost \$1.38 million, (b) (7)(F)

In the agreement, ISN required the State Border Guard Service to use the equipment and supplies to “interdict illicit trafficking in controlled items,” pay all in-country transportation costs, ensure that the property remained in good condition, and provide reasonable access to the equipment to perform repairs by the U.S. government if required. The agreement also outlined ISN’s authority to “periodically visit the Recipient’s facilities for the duration of the agreement period to verify the Recipient’s compliance with the terms and conditions of [the agreement].” A State Border Guard Service representative countersigned the agreement.

(SBU) Once the (b) (7)(F) State Border Guard Service, and other recipients sign for and receive the equipment and supplies, ISN officials monitor their use in several ways. For example, ISN officials told OIG that they:

- (U) Asked the end users to report on the status of the equipment. For example, the State Border Guard Service of Ukraine provided detailed reports on equipment it received, including equipment currently in use on the front lines.
- (U) Held telephonic and virtual meetings with the end users.
- (U) Attended trainings.³¹
- (U) Reviewed photographic evidence of equipment receipt and usage.

³¹ (U) ISN officials attend trainings to ensure that the training objectives are met. ISN officials stated that at these trainings, they also get the opportunity to speak with the participants and seek feedback on the effectiveness of ISN’s assistance, challenges they face, and suggestions for future trainings. ISN officials also attend trainings to see if the equipment provided was received and was being used. For example, ISN offered training to the Ukraine border guards on the use of a drone that ISN had provided. The Ukrainians brought the drone that was sent to them to the training site. OIG observed one classroom-based training in Warsaw, Poland, on March 29, 2023, but could not observe the training on the drone because of logistical issues. However, OIG spoke with the ISN-contracted trainers who stated that, based on the questions from the border guards, they felt confident that the drone would be properly used.

(U) In addition, ISN reported that it was establishing a contract, using a third party, for end-use monitoring. However, these plans did not include support for other forms of monitoring, and as of June 2023, the contract had not been developed.³²

(U) ISN Should Evaluate Effectiveness of Alternative Monitoring Methods and Plan for Increased Assistance Monitoring

(U) Despite outlining the terms and conditions of use in the property transfer letters and agreements and implementing alternative methods for monitoring compliance with those terms and conditions, ISN officials cannot ensure compliance until they have tested the effectiveness of these alternative methods for monitoring or increased in-person monitoring. OIG cited both the untested alternative monitoring methods and the reduced staffing footprint at U.S. Embassy Kyiv, Ukraine, as challenges to ISN's ability to carry out end-use monitoring in its *Review of Department of State End-Use Monitoring in Ukraine*. In that report, OIG recommended that ISN evaluate the effectiveness of those alternative end-use monitoring procedures. Because of that, OIG is not repeating the recommendation in this report. However, OIG encourages ISN to apply any lessons learned through implementing the recommendation to its overall monitoring approach in Ukraine, not singularly end-use monitoring activities. As previously mentioned in this report, circumstances have changed that affect the risks to ISN assistance and OIG recommended (see Recommendation 1 of this report) that ISN ensure that mitigation plans are appropriately developed to target specific risks. As such, the monitoring approach for updated mitigation plans must also reflect appropriate, effective techniques to enable ISN to assess progress against established goals and objectives for its programs, as required by the FAM.³³

(U) During this audit, ISN had one local employee working at Embassy Kyiv and two local employees working from Embassy Bucharest to assist its programming. The two local employees at Embassy Bucharest who were evacuated from the embassy following Russia's invasion had not returned as of June 2023. In July 2023 and January 2024, the Department increased the number of direct-hire staff at Embassy Kyiv, which could enable additional resources to be available for in-person monitoring activities, including ISN's requirements. ISN should look for ways to leverage the increased number of direct-hire staff for monitoring its ongoing assistance programs and activities. As previously noted, in FY 2022 ISN identified conducting site visits, which it was not able to conduct, as a risk mitigation activity. Alternatively, other bureaus have engaged with third-parties (e.g., through written agreements) to conduct in-person monitoring and end-use monitoring in Ukraine. To strengthen ISN monitoring, OIG is making the following recommendation:

³² (U) Separate from ISN's efforts, in June 2023, the Department's Bureau of European and Eurasian Affairs issued a contract to Tetra Tech/MSI for the purpose of monitoring foreign assistance provided to Ukraine. The contract provides Monitoring, Evaluation and Audit Services for Ukraine Reporting (MEASURE) that support the oversight responsibilities of the Department's Office of the U.S. Assistance Coordinator for Europe, Eurasia, and Central Asia. Tetra Tech is required to collect, analyze, and report monitoring data to U.S. government implementers of Ukraine assistance as well as Congress, Office of Management and Budget, and others.

³³ (U) 18 FAM 301.4, "Department of State Program and Project Design, Monitoring, and Evaluation."

Recommendation 2: (U) OIG recommends that the Bureau of International Security and Nonproliferation (ISN) develop a plan to conduct in-person monitoring of its Ukraine assistance programs and activities. This plan should include various options available to ISN such as use of direct-hire staff, locally employed staff, contracted staff, or other third-parties to conduct in-person monitoring.

(U) Management Response: ISN concurred with the recommendation, stating that the recommendation is already being implemented. Specifically, since the end of this audit, Embassy Kyiv has supported in-person site visits within Ukraine and ISN has developed a coordinated schedule of ISN staff to perform in-person site visits and coordination visits on behalf of all ISN offices. ISN further stated that it has updated its standard operating procedure for end-use monitoring in Ukraine and subsequently utilized it when conducting in-person checks in Ukraine.

(U) OIG Reply: On the basis of ISN's stated concurrence with the recommendation and actions taken, OIG considers the recommendation resolved, pending further action. Although ISN indicated that the recommendation has been implemented, it did not provide OIG supporting documentation or related evidence of its in-person site visits. This recommendation will be closed when OIG receives documentation demonstrating that ISN has developed a plan to conduct in-person monitoring of its Ukraine assistance programs and activities. This plan should include various options available to ISN such as use of direct-hire staff, locally employed staff, contracted staff, or other third-parties to conduct in-person monitoring.

(U) ISN Did Not Require Recipients to Adhere to All Reporting Requirements

(U) Department guidance requires monitoring to ensure that programmatic and financial management performance requirements have been adhered to and that the intended activities, goals, and objectives are being accomplished.³⁴ To comply with Department requirements, ISN included requirements for regular reporting from the recipients in the terms and conditions of the assistance implementing vehicles. ISN also included requirements for its oversight officials to ensure "interface and review of Quarterly Progress Reports and Financial Reports" and "review implementing partner or beneficiary reporting" in its standard operating procedures. OIG found that ISN obtained and reviewed the reports as the Department guidance and the standard operating procedures require. ISN provided OIG documentation demonstrating its review efforts, including emails, "feedback" reports, and signed financial reports.

(U) Although ISN obtained and reviewed the recipients' progress and financial reports, OIG also found that those reports did not always contain the level of detail outlined in the implementing

³⁴ (U) See FAD, October 2022, page 127; 14 FAH-2 H-520, "Monitoring Contractor Performance;" and Procurement Information Bulletin Number 2014-05, "Non-Acquisition Interagency Agreements."

vehicles or the FAH.³⁵ For example, regarding the grants and cooperative agreements that OIG reviewed, the recipients did not provide “a comparison of actual accomplishments to the objectives of the federal award, including information relating fiscal data and accomplishments to performance goals and objectives,” nor did they address how “costs are tied to accomplishments” as required by the terms and conditions.

(U) Regarding the two contract task orders in its sample, OIG found that ISN did not require Culmen to include an assessment of progress, challenges, or plans to address problems encountered, as the FAH suggests as areas for reporting.³⁶ In its progress reports, Culmen International LLC wrote about its “continued consultation advising on additional procurement and transportation options to get equipment packed and out to Ukrainian end users,” and “continued adaptation to conditions on the ground and refined administrative processes with freight forwarder to comply with Polish Customs requirements.” These statements suggest that challenges existed. Yet, ISN did not solicit or obtain from Culmen fuller written assessments of the challenges encountered.

(U) ISN officials told OIG that they were aware of challenges and other issues with the execution of these grants, cooperative agreements, and contract task orders because they are in regular communication with the recipients and contractors. ISN’s Contracting Officers, Contracting Officer’s Representatives, Grants Officers, GORs, and program managers all told OIG that the progress reports are “a culmination” of weeks and months of communication and are just one of the many tools they use to monitor the implementing vehicles (as described previously in this report). They stated that they therefore do not need the progress reports to be more robust. The ISN officials further told OIG that they do not want to place undue burden on the recipients and contractors to provide exhaustive narrative when ISN already knows the information.

(U) Although ISN may be getting the information officials say they feel it needs to appropriately oversee the assistance to Ukraine, the progress reports are a way to preserve institutional knowledge. Moreover, because ISN itself required robust reporting when it provided the funds, ISN should also ensure that recipients adhere to those requirements. Finally, without documented progress, as detailed in the award terms and conditions, it will be difficult for ISN to measure progress against its program and project objectives. Therefore, OIG is offering the following recommendations.

Recommendation 3: (U) OIG recommends that the Bureau of International Security and Nonproliferation include requirements to report on progress, challenges encountered,

³⁵ (U) The exception were the IAAs. OIG found that the progress reports for these agreements included discussions organized by project objective, component, and activity. In addition, the reports included discussions of challenges and proposed corrective actions plans.

³⁶ (U) 14 FAH-2 H-522.1, “Progress or Status Reports,” states that “[c]ontracts may require the submission of progress or status reports to assist the [Contracting Officer’s Representative] in gauging progress. Technical progress and problems encountered, upcoming challenges and plans to address these challenges, staffing progress, licenses obtained, materials acquired, and progress of subcontractors are all potential topics.”

and other pertinent details, as suggested by 14 FAH-2 H-522.1, "Progress or Status Report," in contract task order terms and conditions for its assistance to Ukraine.

(U) Management Response: ISN concurred with the recommendation, stating that it is in the process of implementing it in all future Task Order requests and Blanket Purchase Agreement calls. Additionally, ISN stated that it has requested implementers include the recommended information in progress reports.

(U) OIG Reply: On the basis of ISN's stated concurrence with the recommendation and actions planned, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that ISN has developed the requirement to report on progress, challenges encountered, and other pertinent details, as suggested by 14 FAH-2 H-522.1, "Progress or Status Report," in contract task order terms and conditions for its assistance to Ukraine.

Recommendation 4: (U) OIG recommends that the Bureau of International Security and Nonproliferation update its standard operating procedures to ensure that progress reports submitted by recipients include information required by the terms and conditions of the awards for assistance to Ukraine.

(U) Management Response: ISN concurred with the recommendation, stating that it is in the process of implementing this recommendation with upcoming awards. Specifically, ISN indicated it has updated its standard terms and conditions and provided guidance to ensure that this requirement is explicitly included. ISN further stated that ISN Grant Officer Representatives will review submitted reports to ensure that this requirement is addressed and incorporate applicable lessons learned.

(U) OIG Reply: On the basis of ISN's stated concurrence with the recommendation and actions planned, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the standard operating procedures have been updated with explicit guidance to ensure that progress reports submitted by recipients include information required by the terms and conditions of the awards for assistance to Ukraine.

(U) RECOMMENDATIONS

Recommendation 1: (U) OIG recommends the Bureau of International Security and Nonproliferation (1) reassess risks associated with the provision of assistance to Ukraine, and (2) for any new risks, or changes to existing risks, identified, develop mitigating strategies to address those specific risks.

Recommendation 2: (U) OIG recommends that the Bureau of International Security and Nonproliferation (ISN) develop a plan to conduct in-person monitoring of its Ukraine assistance programs and activities. This plan should include various options available to ISN such as use of direct-hire staff, locally employed staff, contracted staff, or other third-parties, to conduct in-person monitoring.

Recommendation 3: (U) OIG recommends that the Bureau of International Security and Nonproliferation include requirements to report on progress, challenges encountered, and other pertinent details, as suggested by 14 FAH-2 H-522.1, "Progress or Status Report," in contract ask order terms and conditions for its assistance to Ukraine.

Recommendation 4: (U) OIG recommends that the Bureau of International Security and Nonproliferation update its standard operating procedures to ensure that progress reports submitted by recipients include information required by the terms and conditions of the awards for assistance to Ukraine.

(U) APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

(U) The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of International Security and Nonproliferation (ISN) administered its assistance programs and efforts in Ukraine in accordance with federal law and Department of State (Department) requirements.

(U) OIG conducted this audit from January to June 2023 in the Washington, DC, metropolitan area with field work in Warsaw and Hrubieszow, Poland. OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those 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.

(U) To answer the audit objective, OIG judgmentally selected 15 implementing vehicles (e.g., grants, cooperative agreements, interagency agreements, and contracts) administered by ISN between February and December 2022 to support Ukraine. OIG interviewed and reviewed information obtained from ISN officials and, where applicable, corroborated it with information obtained from the Department's Integrated Logistics Management System and State Assistance Management System. OIG also reviewed applicable regulations, policies, procedures, and guidance promulgated in the Consolidated Appropriations Act, 2022, Public Law 117-103, Division N – Ukraine Supplemental Appropriations Act 2022; the Additional Ukraine Supplemental Appropriations Act, 2022, Public Law 117-128; the Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023, Public Law 117-180, Division B – Ukraine Supplemental Appropriations Act, 2023; the Consolidated Appropriations Act, 2023, Public Law 117-328, Division M – Additional Ukraine Supplemental Appropriations Act, 2023; the Foreign Affairs Manual; the Foreign Affairs Handbook; internal Bureau of International Security and Nonproliferation standard operating procedures; internal Bureau of Administration, Office of the Procurement Executive bulletins; and the terms and conditions of the 15 implementing vehicles.

(U) Data Reliability

(U) OIG used computer-processed data to support findings and conclusions presented in this report. Specifically, OIG used computer-processed data provided by ISN to identify the universe of awards associated with ISN's assistance programs and efforts in Ukraine from February to December 2022. To confirm the accuracy of the data, OIG compared data provided by ISN to the Department's Integrated Logistics Management System and State Assistance Management System. OIG determined that the data were sufficiently reliable for the purpose of meeting the objective of this audit.

(U) Work Related to Internal Control

(U) OIG considered several factors, including the audit's subject matter, to determine whether internal control was significant to the audit objective. Based on its consideration, 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* to identify internal controls that were significant to the audit objective.¹

(U) For this audit, OIG concluded that three of the five internal control components from the *Standards for Internal Control in the Federal Government*—Risk Assessment, Control Activities, and Monitoring—were significant to the audit objective. The Risk Assessment component assesses the risks facing the entity as it seeks to achieve its objectives. The Control Activities component includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system. The Monitoring component relates to activities 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 seven principles related to the selected components were significant to the audit objective as described in Table A.1.

(U) Table A.1: Significant Internal Control Components and Underlying Principles

(U) Components	(U) Principles
Risk Assessment	<ul style="list-style-type: none">• Principle 6 – Management should define objectives clearly to enable the identification of risks and define risk tolerances.• Principle 7 – Management should identify, analyze, and respond to risks related to achieving the defined objectives.• Principle 8 – Management should consider the potential for fraud when identifying, analyzing, and responding to risks.• Principle 9 – Management should identify, analyze, and respond to significant changes that could impact the internal control system.
Control Activities	<ul style="list-style-type: none">• Principle 10 – Management should design control activities to achieve objectives and respond to risks.• Principle 12 – Management should implement control activities through policies.
Monitoring	<ul style="list-style-type: none">• Principle 16 – Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

(U) 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).

(U) OIG interviewed Department officials, performed process walkthroughs, and reviewed documents and policies to obtain an understanding of internal controls related to the components and principals identified as significant for this audit. OIG also assessed the design and implementation of key internal controls. Specifically, OIG did the following:

¹ (U) U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

- (U) Reviewed information in the System for Award Management and the Federal Awardee Performance and Integrity Information System to test and determine whether ISN officials conducted due diligence.
- (U) Reviewed documentation to test and determine whether ISN officials performed vetting of recipients for gross human rights violations.
- (U) Reviewed documentation to test and determine whether ISN completed risk assessment worksheets and risk mitigation plans.
- (U) Reviewed documentation to test and determine whether ISN officials reviewed all required performance progress reports and financial reports submitted by the award recipients.

(U) 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.

(U) Sampling Methodology

(U) OIG’s sampling objective was to select high-value ISN programs and efforts implemented in Ukraine from February to December 2022 for detailed analysis. OIG identified 68 implementing vehicles that ISN used to execute its programs and efforts during that timeframe. From this universe, OIG selected implementing vehicles with a value of more than \$900,000, judgmentally determining that the threshold was appropriate to capture ISN’s breadth of activities. The resulting sample of 15 implementing vehicles consisted of 7 interagency agreements, 3 cooperative agreements, 2 grants, 2 contract task orders, and 1 fund cite. The value of the 15 implementing vehicles totaled \$64 million, or about 78 percent of the \$82 million that ISN obligated Ukraine from February to December 2022 for the purpose of assisting Ukraine. Table A.2 provides information on the sample of selected implementing vehicles that OIG analyzed.

~~(SBU)~~ **Table A.2: OIG Sample of ISN’s Assistance to Ukraine, as of December 2022**

	(U) Vehicle Type	(U) Recipient	(SBU) Purpose/Description	(U) Amount
1	Contract 19AQMM21D0088 – Task Order: 19AQMM22F1051	Culmen International LLC	Provision of technical support and equipment to the government of Ukraine.	\$26,207,473
2	Contract 19AQMM21D0088 – Task Order: 19AQMM22F3671	Culmen International LLC	Provision of technical support and equipment to mitigate threats against nuclear facilities in Ukraine.	\$7,700,000

	(U) Vehicle Type	(U) Recipient	(SBU) Purpose/Description	(U) Amount
3	Cooperative Agreement SAQMIP22CA0341	Bancroft Global Development	To provide training, unexploded ordnances clearance and demining, and other nonproliferation-related activities such as site survey and assessment, (b) (7)(F)	\$6,350,000
4	Interagency Agreement DOJCRMDIV01-21UP001-000	Department of Justice/International Criminal Investigative Training Assistance Program	To support and enhance the operational capabilities of Ukraine's State Border Guard Service to secure the border and territorial integrity through the provision of equipment and training/advisory support.	\$5,500,000
5	Cooperative Agreement SISNCT22CA0029	Civilian Research and Development Foundation Global	To procure chemical, biological, radiological, and nuclear response equipment and material for Ukraine.	\$4,185,575
6	Interagency Agreement S-IAA-2021- ISN/NDF-01	Department of Justice/International Criminal Investigative Training Assistance Program	To rebuild Ukraine's maritime control capabilities by supporting the Maritime Border Guard (a part of the State Border Guard Service).	\$2,600,000
7	Interagency Agreement 1931CM19Y0005 220003	Department of Energy/Argonne National Laboratory	To provide technical and capacity-building to Ukraine as it participates in an ISN-funded nuclear hydrogen energy demonstration project.	\$2,000,000
8	Interagency Agreement DOJCRMDIV01-20GL0002-000	Department of Justice/International Criminal Investigative Training Assistance Program	To provide equipment, expertise, and training to Ukraine's State Border Guard Service and State Customs Service.	\$1,741,071
9	Interagency Agreement DOJCRMDIV01-20UP001-000	Department of Justice/International Criminal Investigative Training Assistance Program	To rebuild Ukraine's maritime control capabilities by supporting the Maritime Border Guard (a part of the State Border Guard Service), including the construction of a Technical Support Center in the Odessa region.	\$1,517,962
10	Interagency Agreement 1932H522Y0008	Department of State/Bureau of Medical Services	To procure (b) (7)(F)	\$1,500,000

(U) Vehicle Type	(U) Recipient	(SBU) Purpose/Description	(U) Amount
11 Cooperative Agreement SISNCT22CA0030	Culmen International LLC	Provision of consultative services and logistical support to identify, secure, ship, transport, store, and install chemical, biological, radiological, and nuclear response equipment to assist Ukraine.	\$1,028,031
12 Grant SISNCT22GR0075	Science and Technology Center of Ukraine	To support virtual fellowships and workshops for Ukrainian technical experts.	\$994,000
13 Interagency Agreement DOJCRMDIV01-19UP002-000	Department of Justice/International Criminal Investigative Training Assistance Program	To strengthen Ukraine's State Border Guard Services capacity to detect or deter illegal entries along the eastern land borders.	\$910,707
14 Fund Cite	Department of State Medical Store	To procure (b) (7) (F) from the Department.	\$910,000
15 Grant SISNDF22GR0003	Science and Technology Center of Ukraine	To support engagements with Ukraine on the strategic development of its nuclear energy infrastructure in accordance with standards of nuclear safety, security, and nonproliferation.	\$900,000
(U) Total			\$64,044,819

(U) Source: Generated by OIG based on its analysis of data provided by ISN in December 2022 and from data contained in the Department's Integrated Logistics Management System.

(U) Prior Office of Inspector General Reports

(U) Review of Department of State End-Use Monitoring in Ukraine (ISP-I-24-02, November 2023)

(U) OIG reported that Embassy Kyiv had resumed limited in-person "primary" end-use monitoring activities in Ukraine, but the Department bureaus responsible for such monitoring also depended on secondary procedures, including relying on the Ukrainian government. According to Department officials, the Ukrainian government was forthcoming in providing detailed information related to the recipients of donated equipment, the location of such equipment, and details of battlefield losses as necessary. At the time of the review, the Department bureaus had not identified any instances of misuse of equipment subject to end-use monitoring. OIG further reported that although bureaus were developing or implementing pilots for new secondary end-use monitoring procedures, none had designed formal evaluations for these pilots. Lastly, OIG noted several challenges to conducting end-use monitoring, such as security restrictions and ad hoc processes for reporting battlefield losses. OIG made six recommendations to address the deficiencies identified.

(U) Review of Ukraine Foreign Assistance Coordination and Oversight (ISP-I-23-18, July 2023)

(U) OIG reported that U.S. Embassy Kyiv, Ukraine, had not updated its Integrated Country Strategy but that the Department was drafting a Ukraine assistance strategy for 2023-2025 at the time of its review. OIG also reported that Embassy Kyiv and the Bureau of European and Eurasian Affairs carried out their coordination responsibilities in accordance with statutory requirements and Department standards. However, Department bureaus reported significant challenges in conducting monitoring and evaluation because of security restrictions and the limited number of staff at the embassy. Responding to the monitoring challenges, many program managers employed remote monitoring methods and developed other methods to verify that goods and services were used as intended, including one bureau that introduced an innovative smartphone application to securely document the delivery of equipment. OIG made one recommendation.

(U) APPENDIX B: RISK ASSESSMENT AND MONITORING PLAN TEMPLATE

Risk Assessment and Monitoring Plan

\$25,000+ Award

Recipient Name:

Unique Entity Identifier:

Risk assessment completed by:

Date assessment completed:

Risk Assessment

Organizational Risk	Weight 40%
Question	Answer
<p>Competition: (1) Full competition (2) Limited competition (3) Sole source</p>	
<p>Type of Recipient: (1) U.S. Recipient (2) Foreign Recipient</p>	
<p>New Recipient: The recipient is a first-time recipient that may not be familiar with Department program operation, fiscal management, oversight and reporting practices. (1) No (2) Unknown (3) Yes</p>	
<p>New Organization or Change in Ownership: The recipient's date of startup or ownership change was three years or less from today. (1) No (2) Unknown (3) Yes</p>	
<p>Program History: (1) Recipient has met program objectives specified in past awards. (2) Recipient partially met program objectives in prior awards OR is a new recipient. (3) Recipient failed to meet program objectives in at least one prior award (3).</p>	
<p>Reporting History: (1) Program and financial reports were submitted in a timely and accurate manner. (2) Routine reports were frequently late and contain some errors OR is a new recipient. (3) Routine reports reflected significant discrepancies or omissions.</p>	
<p>Financial History: (1) No significant audit findings OR recipient is not required to file an audit. (2) Minor audit findings with pending corrective action. (3) Significant audit findings and/or audit findings not resolved in a timely manner or applicant did not file required audit.</p>	

<p>Staff Size: (1) Large (13 or more full time employees) (2) Medium (7-12 full time employees) (3) Small (1-6 Full time employees)</p>	
<p>Key Staff Qualifications: (1) All key staff have one or more years' experience. (2) At least half of the key staff have one or more years' experience. (3) Key staff have little or no experience.</p>	
<p>Multi-site Program: The recipient is responsible for managing resources at multiple operational sites. (1) No (2) Unknown (3) Yes</p>	
<p>Use of Subrecipients: (1) Zero subrecipients (2) One to two subrecipients (3) Three or more sub-recipients</p>	
<p>Complexity of Budget: (1) The budget is relatively simple in terms of the number of budget categories and line items included. (2) Budget is moderately complex in terms of budget categories and line items included. (3) Budget is very complex in terms of budget categories and line items included.</p>	
<p>SAM.gov: The recipient has an active registration in SAM.gov (1) Yes (2) No</p>	
Organizational Total	Low

Please elaborate on any of the above considerations or provide any additional information you wish to highlight that is not captured above regarding the risk assessment of this recipient. For awards over \$250,000 describe any derogatory information in the Responsibility/Qualification section of SAM.gov (formerly viewed in CPARS/TAPIIS) and how this affects the risk assessment:

*Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.

Programmatic Risk	Weight 40%
Question	Answer
<p>New Program: The program is being implemented for the first time. (1) No (3) Yes</p>	
<p>Complexity of Program: (1) Low complexity (2) Moderate complexity (3) High complexity</p>	
<p>Organizational Experience: (1) Organization has been providing similar activities listed in the award for more than two years. (2) Organization has been providing similar activities listed in the award for one to two years (3) Organization has provided similar activities for less than one year.</p>	
<p>Potential for Implementation Problems: (1) Little to no potential for implementation issues. (2) Some potential for implementation issue. (3) High potential for significant implementation issues.</p>	

Topic or theme of the program : (1) Project is not sensitive or potentially controversial. (2) Project is moderately visible, sensitive or controversial. (3) Project is highly visible, sensitive or potentially controversial.	
Amount of Funding: (1) \$99,999 or less (2) \$100,000 - \$499,999 (3) \$500,000 or more	
Programmatic Total	Low

Please elaborate on any of the above considerations or provide any additional information you wish to highlight that is not captured above regarding the risk assessment of this recipient:

*Press (ALT) - (ENTER) on your keyboard to insert a line space when typing.

Country/Region Specific Risk	Weight 20%
Question	Answer
Political Environment: (1) Relatively stable. The recipient is able to operate with relative ease, and our ability to monitor activities is not hindered. (2) Somewhat unstable. The country is in a state of relative political instability that could affect recipient performance. (3) Very unstable. The country is in a state of crisis or upheaval and the recipient is expected to face great difficulty in implementation, and our ability to monitor grant activities is severely limited or impossible.	
Number of Countries Where the Project is Implemented: (1) Single country program. (2) Program implemented in two countries. (3) Program implemented in three or more countries.	
Program Location: Program activities occur in a country or area that has a significant known level of financial corruption. (1) No (3) Yes	
Travel: The Department has issued a Travel Warning for the country or area where the project is implemented. (1) No (3) Yes	
Inflationary or Exchange Rate Risk: The likelihood of either inflation or exchange rate fluctuations harming project implementation. (1) Low (2) Medium (3) High	
Criminal Activities/Terrorism: There are concerns that either recipients, participants, or beneficiaries could be involved in criminal activities such as arms trafficking, terrorism, drug trafficking, or other criminal conduct or that funds could be diverted for these purposes? (1) No (3) Yes	
Country Specific Total	Low

Please elaborate on any of the above considerations or provide any additional information you wish to highlight that is not captured above regarding the risk assessment of this recipient:

*Press (ALT) - (ENTER) on your keyboard to insert a line space when typing.

Risk Assessment Summary	Score
--------------------------------	--------------

Organizational Total	0.00
Programmatic Total	0.00
Country Specific Total	0.00
Overall Risk	Low

Monitoring Plan

Based on the risk level identified above, please list the proposed monitoring activities below. Documentation that monitoring activities have taken place must be filed in the official award file.

Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.

Pre-Award Site Visit (if applicable):

Communication (type and frequency):

Event Monitoring (key events, dates):

Reporting required from recipient, if applicable (type and frequency):

Site Visit(s) (program and/or financial):

Please provide any additional information you wish to highlight that is not captured above regarding the monitoring of this recipient, including other offices that may play a role in monitoring the recipient. For high risk awards, specify any additional award conditions that will be added to the agreement.

**Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.*

Risk Assessment and Monitoring Plan

\$5,000 - \$24,999 Award

Recipient Name:

Unique Entity Identifier:

Risk assessment completed by:

Date assessment completed:

Risk Assessment

Question	Answer
1) Does the applicant have an active registration in SAM gov? (N/A/ for Individual)	
1) Has the applicant previously received an award from the Department of State?	
3) Is the applicant a well-known entity and/or have a positive reputation?	
4) Does the organization have previous experience conducting similar programs?	
5) What is the degree of sensitivity of the topic/theme for the program?	
6) What is the overall degree of risk for the region and/or country (political stability, level of development, corruption, terrorist-financing, inflationary etc.)?	
7) What is the potential for negative impact on the Mission/Bureau if the program is unsuccessful?	
8) What is the complexity of the program (# of participants/sites)?	
Overall Risk	Low

Please elaborate on any of the above considerations or provide any additional information you wish to highlight that is not captured above regarding the risk assessment of this recipient:

*Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.

Monitoring Plan

Based on the risk level identified above, please list the proposed monitoring activities below. Documentation that monitoring activities have taken place must be filed in the official award file.

Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.

Pre-Award Site Visit (if applicable):

Communication (type and frequency):

Event Monitoring (key events, dates):

Reporting required from recipient, if applicable (type and frequency):

Site Visit(s) (program and/or financial):

Please provide any additional information you wish to highlight that is not captured above regarding the monitoring of this recipient:

**Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.*

Risk Assessment and Monitoring Plan

S0 - S4,999 Award

Recipient Name:

Unique Entity Identifier:

Risk assessment completed by:

Date assessment completed:

Risk Assessment

Question	Answer
1) Has the applicant previously received an award from the Department of State?	
2) Is the applicant a well-known entity and/or have a positive reputation?	
3) What is the degree of sensitivity of the topic/theme for the program?	
4) What is the overall degree of risk for the region and/or country (political stability, level of development, corruption, terrorist-financing, inflationary etc.)?	
Overall Risk	Low

Please elaborate on any of the above considerations or provide any additional information you wish to highlight that is not captured above regarding the risk assessment of this recipient:

**Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.*

Monitoring Plan

Based on the risk level identified above, please list the proposed monitoring activities below. Documentation that monitoring activities have taken place must be filed in the official award file.

Press (ALT) + (ENTER) on your keyboard to insert a line space when typing.

Communication (type and frequency):

Event Monitoring (key events, dates):

Reporting required from recipient, if applicable (type and frequency):

Please provide any additional information you wish to highlight that is not captured above regarding the monitoring of this recipient:

(U) APPENDIX C: MANAGEMENT RESPONSES



United States Department of State

Washington, DC 20520

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March 8, 2024

Info Memo for Norman Brown (OIG/AUD)

FROM: ISN – C.S. Eliot Kang 

SUBJECT: (U) Response to OIG Draft Audit of the Bureau of International Security and Nonproliferation (ISN) Administration of Assistance to Ukraine

(U) ISN appreciates the OIG's careful review of ISN's assistance to Ukraine. Due to changes in the security operating environment since the conclusion of this audit and updated guidance from our Embassy, ISN is pleased to have already implemented some of the recommendations.

(U) ISN believes that portions of the draft report are sensitive and should not be released to the public as written. Tab 1, attached, details suggestions for rephrasing the language in question so as to avoid the need for redaction.

(U) ISN also has suggested edits for OIG; please see those in Tab 2.

(U) ISN has the following responses to OIG's four recommendations:

(U) Recommendation 1: OIG recommends that ISN (1) reassess risks associated with the provision of assistance to Ukraine, and (2) for any new risks, or changes to existing risks, identified, develop mitigating strategies to address those specific risks.

(U) ISN Response: ISN concurs with the recommendation and has continually re-assessed risks involved with awards associated with the provision of assistance to Ukraine and implemented applicable mitigation measures as appropriate.

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(U) Specifically, ISN grants management standard operating procedures require a review and update of the Risk Assessment and Monitoring Plan (RAMP) on an ongoing basis, including prior to extending any grants past the initial period of performance or doing so on an annual basis, and will ensure that risk assessments undergo a regularized review going forward. To inform these risk assessments, ISN is in regular contact with the U.S. Embassy and implementing partners on the ground and utilizes all-source information to reevaluate the operational environment and identify appropriate mitigation measures as circumstances evolve.

(U) Recommendation 2: OIG recommends that ISN develop a plan to conduct in-person monitoring of its Ukraine assistance programs and activities. This plan should include various options available to ISN such as use of direct-hire staff, locally employed staff, contracted staff, or other third-parties, to conduct in-person monitoring.

(U) ISN Response: ISN concurs with the recommendation and is already robustly implementing it.

(U) During the timeframe of this audit ISN was not permitted to perform in-person site visits within Ukraine. Since the audit, Embassy Kyiv has supported in-person site visits within Ukraine. ISN has consequently developed a coordinated schedule of ISN staff to Ukraine to perform in-person site visits and perform coordination visits on behalf of all ISN offices. As a result, on multiple occasions in the last year ISN staff have conducted in-person monitoring and oversight of ISN assistance.

(U) In furtherance of this objective, ISN has also updated its standard operating procedure (SOP) for end-use monitoring (EUM) in Ukraine and subsequently has utilized it when conducting in-person checks in Ukraine. ISN will continue to incorporate lessons learned into this EUM SOP, in support of this recommendation.

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(U) Recommendation 3: OIG recommends that ISN include requirements to report on progress, challenges encountered, and other pertinent details, as suggested by 14 FAH-2 H-522.1, "Progress or Status Report," in contract task order terms and conditions for its assistance to Ukraine.

(U) ISN Response: ISN concurs with the recommendation and is in the process of implementing this recommendation in all future Task Order requests and Blanket Purchase Agreement Calls. Additionally, ISN has requested implementers include this information in progress reports.

(U) Recommendation 4: OIG recommends that ISN update its standard operating procedures to ensure that progress reports submitted by recipients include information required by the terms and conditions of the awards for assistance to Ukraine.

(U) ISN Response: ISN concurs with the recommendation and is in the process of implementing this recommendation with upcoming awards.

(U) ISN has updated its standard terms and conditions, and provided guidance to its awards to ensure this requirement is explicitly included. In addition, ISN Grant Officer Representatives will review submitted reports to ensure that this requirement is addressed, and incorporate applicable lessons learned.

Attachments

Tab 1 – Request to Rephrase Sensitive Information in Draft Report

Tab 2 – ISN Suggested Edits to Draft Report

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Approved: ISN – C.S. Eliot Kang [CSEK]

Drafted: ISN/CTR – Meghan Reidy, home/cell/Teams: (b) (6)

Cleared:

Bureau	Name	Clearance Status
ISN/FO	AGanzer	OK
ISN/FO	JKhersonsky, ADAS	OK
ISN/CTR	Ryan Taugher	OK
ISN/ECC	Julia Khersonsky	OK
ISN/NDF	Matthew Brechwald	OK
ISN/WMDT	Constantinos Nicolaidis	OK

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(U) ABBREVIATIONS

FAD	Federal Assistance Directive
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAPIS	Federal Awardee Performance and Integrity Information System
FAR	Federal Acquisition Regulation
GOR	Grants Officer Representative
IAA	interagency agreement
ICITAP	International Criminal Investigative Training Assistance Program
ISN	Bureau of International Security and Nonproliferation
OIG	Office of Inspector General

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