



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

**UNCLASSIFIED**

TO: SCA – Nisha D. Biswal  
A/OPE – Corey M. Rindner

September 18, 2014

FROM: OIG/AUD – Norman P. Brown

SUBJECT: Management Assistance Report—Termination of Construction Grants to Omran Holding Group (AUD-CG-14-37)

The Office of Audits for the U.S. Department of State (Department) Office of Inspector General (OIG) is currently conducting an audit of the Department's selection, positioning, training, and oversight responsibilities of grants officer representatives (GORs). The objective of this audit is to determine the extent to which the Department's GORs are selected, positioned, and trained to successfully perform their assigned grant administration and oversight responsibilities. During the audit, OIG analyzed internal Department policies and procedures, interviewed officials within multiple bureaus and posts, and reviewed a sample of 21 grants to determine compliance with Federal and Department regulations. Based on preliminary results of the audited sample, OIG identified areas of concern related to two construction grants being executed in Afghanistan by Omran Holding Group (OHG) that require immediate attention. These areas of concern include misuse of Government funds, significant noncompliance with Federal regulations, and inaccurate financial reporting. Additionally, OHG failed to comply with the terms of one grant agreement by beginning construction without required design approval, and also began construction of the building in the wrong location. We therefore recommended, among other actions, that the Bureau of South and Central Asian Affairs (SCA) immediately terminate grant agreements S-AF200-13-CA-012 and S-AF200-13-CA-014 with OHG, and that the Bureau of Administration's Office of the Procurement Executive (A/OPE) develop Department guidance regarding the use of Federal assistance funds for overseas construction.

In response to the draft report, SCA concurred with Recommendations 1-4 (see Appendix A) and A/OPE concurred with Recommendation 5 (see Appendix B). Based on these responses, OIG considers all five recommendations resolved, pending further action. Management's responses and OIG's replies to those responses are included after each recommendation.

**Background**

OHG, a commercial organization, was awarded two Department construction grants to build Media Operations Centers (MOCs) at two Afghan universities<sup>1</sup> on September 23, 2013. The

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<sup>1</sup> Grant S-AF200-13-CA-012 was awarded to OHG to construct an MOC at Balkh University for \$3,782,980, and Grant S-AF200-13-CA-014 was awarded to OHG to construct an MOC at Nangarhar University for \$3,482,348. Because OHG often did not track expenditures separately for these two awards, all numeric references within this report refer to the combined total of the two grants.

grant awards totaled \$7,265,328, and the periods of performance for both grants were October 1, 2013, through December 31, 2014. As of July 2014, OHG had requested and received \$2,172,454 (30 percent of total grant funding), which had been divided between OHG and two subcontractors: Capitalize Omran<sup>2</sup>—a company based in Washington, DC, responsible for managing the overall project—and TriVision Studios, the firm responsible for outfitting the MOCs with broadcasting equipment. According to the grant officer, in July 2014, OHG submitted amendments for each grant, requesting a total of \$750,000 in additional funds.

The grants required that the recipient develop building designs for the MOCs and that these designs be approved by the Department prior to the commencement of construction. However, OHG “jumped” the construction schedule and began to construct the Balkh University MOC in December 2013, without prior approval from the Department.<sup>3</sup> As a result, certain aspects of the newly constructed structure were not in accordance with the Department’s requirements for the building design. Additionally, OHG began the Balkh University MOC construction in the wrong location, based on the direction of a local Afghan government official who did not have the authority to direct the grantee, resulting in the need to demolish the new structure. Due to these issues, the construction related to both grants was suspended in January 2014 and has not yet resumed.<sup>4</sup>

### **OIG Findings Related to Omran Holding Group and Its Use of Grant Funds**

As of the date of this report, OHG had not provided a complete listing of grant expenditures in accordance with the grant’s audit clause,<sup>5</sup> sufficient answers to numerous OIG inquiries regarding the use of funds, or an accurate reconciliation of its accounting records. OIG identified \$502,890 in unallowable and unsupported costs, including a loan to an employee and costs incurred prior to the period of performance. OIG also found that OHG had more than \$1.2 million in funds on hand, which was in excess of its current needs. Finally, OHG misrepresented its financial position on quarterly reports submitted to the Department. Because OHG could not account for Federal funds or accurately report expenditures to the Department or OIG, we recommended that both grants be terminated immediately.

#### *Lack of Supporting Documentation*

On April 24, 2014, OIG notified OHG that it had been selected for an audit and made an initial request for grant documentation, which included a detailed list of expenditures related to each grant. On June 25, 2014, after a total of nine requests, OHG provided partial documentation of grant expenditures; however, the information was incomplete. As of August 2014, more than

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<sup>2</sup> Capitalize Omran is a wholly-owned subsidiary of Capitalize LLC, and its only source of revenue was the two subject grants. OHG also lists Capitalize Omran as a subsidiary on its Web site; therefore, OIG is unclear on the true nature of the relationship between the companies.

<sup>3</sup> The agreements for each grant state, “The GOR or GO has the right to halt construction and no construction activities other than those explicitly approved under the agreement may be performed.”

<sup>4</sup> Once it was discovered that the structure was in the wrong location and built with the wrong design, the GOR halted activities, with the intent of resuming once OHG and the Department agreed on the demolition and reconstruction of the building.

<sup>5</sup> The clause states, “The recipient agrees that the U.S. Government or any of its duly authorized representatives shall... have access to and the right to examine any directly pertinent books, documents, papers and records of the recipient involving transactions related to this award.”

3 months after OIG made its first request for information, OHG had not provided a complete listing of grant expenditures or sufficient answers to numerous OIG inquiries regarding the use of funds.

### *Unallowable and Unsupported Costs*

OHG agreed to execute the grants in accordance with OMB Circular A-110,<sup>6</sup> and the awards also incorporated<sup>7</sup> the cost standards in FAR Part 31, *Contract Cost Principles and Procedures*. However, after a preliminary review and analysis of the documentation that was provided, OIG was unable to conduct a detailed reconciliation of OHG's or its subsidiary's accounting records, and we identified numerous instances of noncompliance with Federal regulations. For example, OIG selected various expenditures from OHG and Capitalize Omran and found unallowable costs expensed to the grant for loans to employees, pre-award costs, indirect costs, construction materials, and monitoring and evaluation. As a result, OIG determined that OHG charged unallowable expenses to the grant totaling \$502,890.

FAR Part 31.201-2 states that a cost is allowable only when the cost complies with all of the following requirements: reasonableness, allocability, generally accepted accounting principles, the terms of the contract, and any limitations set forth by FAR Part 31. OIG found the following instances of unallowable costs within OHG's expenditures for the two grants:

- OHG utilized grant funds to provide a \$15,000 unsecured loan to an employee, to be repaid with 3.25 percent interest. There was no justification provided or grant officer approval for this loan. As this cost is not reasonable, allocable, or within the terms of the agreement, OIG determined it to be an unallowable cost.
- OIG found that a 12 percent overhead rate was being applied to certain direct construction costs associated with the grants, totaling at least \$31,423. OIG questioned OHG personnel because indirect cost rates were not included in the approved budgets for the awards, and the grant terms and conditions did not address a negotiated indirect cost rate agreement (NICRA).<sup>8</sup> OHG personnel stated that there was not an indirect cost rate or overhead rate in the budget, but they added these costs into their direct costs as they saw fit. This is not in accordance with FAR regulations<sup>9</sup> for determining indirect costs rates; therefore, OIG found these to be unallowable costs.

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<sup>6</sup> *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, September 30, 1999.

<sup>7</sup> 22 CFR 145.27, *Allowable Costs*, states that "the allowability of costs incurred by commercial organizations ... is determined in accordance with the provisions of the FAR at 48 CFR part 31."

<sup>8</sup> Grants Policy Directive 41, *Close-Out of Federal Assistance Awards*, dated January 2, 2013, states, "Organizations (usually U.S.-based organizations, although this can also apply to large non-U.S. (foreign) organizations) whose funding is derived from federal assistance have the option of establishing indirect cost rate agreements to capture 'overhead' or other administrative indirect costs. These rates are negotiated between the organization and the 'cognizant' federal agency. Commonly, the 'cognizant' federal agency is the agency that provides the largest dollar volume of federal assistance funds to the organization. The resulting NICRA is binding on the entire U.S. government."

<sup>9</sup> FAR 31.203 states that "after direct costs have been determined and charged directly to the contract...indirect costs are those remaining to be allocated," and further provides guidance on how to calculate indirect cost rates. OHG applied overhead rates prior to charging direct costs and without providing a reasonable basis for rate calculation.

- OHG charged \$22,166 of salary and monitoring and evaluation expenses during September 2013, which was prior to the period of performance. OHG later stated that these expenses were not charged to the grant; however, we were not able to verify this statement because the invoices submitted did not reconcile with accounting records. Under 22 CFR 145.28, “where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period.” Therefore, OIG found the costs to be unallowable.
- OHG charged \$114,000 in “monitoring and evaluation” expenses<sup>10</sup> from October 2013 through May 2014, of which OHG could not provide adequate support or explanation. Specifically, OHG first provided internal “invoices,” which did not provide details on the work performed. Upon further inquiry, OHG provided a spreadsheet and supporting documents, which did not equate to the invoices previously provided. Upon further analysis of the spreadsheet and supporting documents, OIG found numerous inconsistencies between expensed items and supporting documentation that was previously provided. For example, it appeared that OHG double-counted salary expense and accounting fees as both direct project costs and monitoring and evaluation costs. Because we could not reconcile the spreadsheet, supporting documents, and other accounting records, OIG determined that the monitoring and evaluation expense was unreasonable, unallocable, and not in accordance with generally accepted accounting principles. Therefore, OIG found the costs to be unallowable.
- OHG provided an excel spreadsheet totaling \$320,301, which appeared to be a manual inventory list, as a portion of the grant expenses. OIG could not determine whether these materials were approved by the Department, as required, or if they had previously been charged to other Government-funded projects,<sup>11</sup> or even if they were needed to build the MOCs. Therefore, OIG determined that the total amount of expensed materials of \$320,301 was unallowable because it was not allocable and not kept in accordance with generally accepted accounting principles.

OIG believes that these examples are indicative of OHG’s inability to properly account for grant funds in accordance with Federal and Department requirements, and they provide sufficient evidence for terminating both grants immediately.

### *Unspent Funds*

OHG reported that it had approximately \$1,203,426 of grant funds that had not yet been spent as of July 2014. OIG finds this to be inappropriate. The grant agreements state that “each payment must be the amount of expenditures actually incurred during the requested period.” Despite this requirement, OHG repeatedly requested and received advance payments for the grants by representing to the GOR that OHG “needed additional cash flow support.” Under 22 CFR 145.22, “cash advances to a recipient organization shall be limited to the minimum amounts

<sup>10</sup> The approved grant budgets included \$108,200 in “Project Inspection Fees,” which included fees for an independent inspector and quarterly inspection visits by the management team.

<sup>11</sup> Along with the inventory list, OHG also voluntarily provided 18 receipts for 7 items on the list. Upon review of the provided receipts, OIG found that 12 of 18 were dated prior to the grants’ periods of performance, many of which were dated more than 10 months before the project began.

needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project.” OHG did not have actual, immediate cash requirements since over half of the received funds remained in the bank and had not yet been spent by OHG. Clearly, OHG’s requests for cash advances were not for OHG’s “immediate cash requirements.”

#### *Inaccurate Reporting of Financial Position*

OIG also found that OHG was incorrectly reporting its financial position to the Department on quarterly Federal financial reports (SF-425).<sup>12</sup> For example, OIG identified a number of inconsistencies on the report dated April 30, 2014. Specifically, OHG reported no “Cash on Hand” as of March 31, 2014; however, financial records indicated that there were unused funds in OHG bank accounts. Additionally, OHG reported no “Indirect Expense” as of March 31, 2014; however, OIG found that OHG had charged at least \$31,423 in indirect expenses to the grant.

#### **OIG Finding of Inadequate Department Oversight of Construction Grants**

OIG also noted concerns related to the Department’s oversight of construction grants, in general. Specifically, the Department had no policies or procedures for awarding or overseeing construction grants, which resulted in ineffective construction grant agreements. For example, the OHG grant agreements lacked details that are normally included in construction contracts, and the terms and conditions were created by the GOR without documented input or approval from Department legal representatives or construction specialists. Further, the Department had not adequately devoted resources to the oversight of these grants.

During our review, we determined that the U.S. Agency for International Development (USAID) mandates that contracts must be used when the award is solely for construction. Specifically, USAID issued Policy ADS 303.3.30, “Limitation on Construction under Assistance,” dated August 16, 2013, to address the need for construction contracts and task orders to manage similar types of projects:

The use of contracts and task orders to manage both the design and construction of infrastructure projects allows the Agency to specify that engineering requirements including design, tendering, and construction oversight activities, as well as safety or other operational construction standards/specifications are met. In contrast, the agreement conditions with grantees under assistance awards [minimize] the Agency’s ability to ensure that the design and construction activities are carried out properly.

OIG concludes that the Department should develop similar guidelines that define the appropriate procurement vehicles for construction projects.

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<sup>12</sup> The grants’ terms and conditions include the requirement for the recipient to submit quarterly and financial reports 30 days after the calendar year quarter (April 30, July 30, October 30, and January 30).

## **Grant Termination**

As a result of the issues detailed in this report, specifically OHG's inability to account for its use of grant funds, OIG recommended that both grants be immediately terminated for cause. The U.S. Department of State Standard Terms and Conditions for Foreign Organizations, which is incorporated into the OHG grant agreements by reference, states the following regarding the termination of grants for cause:

DOS reserves the right to terminate the award in whole or in part at any time before the project period end date, whenever it is determined that the recipients have failed to comply with the conditions of the award.

DOS must promptly notify the recipients in writing of the determination and reasons for the termination, together with the effective date. Payments made to recipients or recoveries by DOS awards terminated for cause must be in accordance with the legal rights and liabilities of the parties.

If it is determined that the MOC projects at the Afghan universities should continue, OIG recommends that SCA use an alternative procurement vehicle to obtain construction services for the MOC projects to maximize the Department's ability to ensure that the design and construction activities are carried out properly. Further, the Department should no longer issue any construction grants until the Department develops guidance that dictates the appropriate procurement vehicles for construction projects.

**Recommendation 1:** OIG recommends that the Bureau of South and Central Asian Affairs immediately terminate grant agreements S-AF200-13-CA-012 and S-AF200-13-CA-014 with Omran Holding Group and deobligate the \$5,092,874 in remaining funds.

**Management Response:** SCA concurred with the recommendation, stating that "the termination letters for each award are currently in the clearance process" and that it "will deobligate all remaining funding from these awards."

**OIG Reply:** OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that SCA has terminated grant agreements S-AF200-13-CA-012 and S-AF200-13-CA-014, and deobligated the \$5,092,874 in remaining funds.

**Recommendation 2:** OIG recommends that the Bureau of South and Central Asian Affairs direct Omran Holding Group to reimburse the Department for the \$1,203,426 in unspent funds related to grant agreements S-AF200-13-CA-012 and S-AF200-13-CA-014, and verify that the Department has received reimbursement for all unspent funds.

**Management Response:** SCA concurred with recommendation, stating that "instructions for Omran to return funds overpaid on awards S-AF200-13-CA-012 and S-AF200-13-CA-014 are included in the termination letters."

**OIG Reply:** OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that OHG has reimbursed the Department for the \$1,203,426 in unspent funds related to grant agreements S-AF200-13-CA-012 and S-AF200-13-CA-014.

**Recommendation 3:** OIG recommends that the Bureau of South and Central Asian Affairs require the grants officer to determine the allowability of \$502,890 in potentially unallowable costs identified by OIG, direct Omran Holding Group to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

**Management Response:** SCA concurred with the recommendation, stating that it “will determine the allowability of questioned costs once OHG has submitted their final financial reports.”

**OIG Reply:** OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that the grants officer has determined the allowability of \$502,890 in potentially unallowable costs identified by OIG, and that OHG has refunded the Department any costs determined to be unallowable.

**Recommendation 4:** OIG recommends that the Bureau of South and Central Asian Affairs require Omran Holding Group to demolish the existing structure at Balkh University, at Omran Holding Group’s expense, within a reasonable timeframe as determined by the grants officer and verify that the structure has been demolished with no cost to the Department.

**Management Response:** SCA concurred with the recommendation, stating that “in the termination letter for award number SAF200-13CA012, OHG has been instructed to demolish the existing structure at Balkh University no later than October 31, 2014.” SCA further stated that “OHG is also required to provide photos of the site to demonstrate that the building has been demolished.”

**OIG Reply:** OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that OHG has demolished the existing structure at Balkh University.

**Recommendation 5:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, develop Department guidance regarding the use of Federal assistance funds for overseas construction, including the use of appropriate procurement vehicles, such as contracts, for construction. Until such guidance is developed, no construction grants should be issued by the Department.

**Management Response:** A/OPE concurred with the recommendation, stating that it is “working with the Department’s Legal Advisors on determining which Statutory Authorities and appropriations expressly allow, or disallow construction projects to be executed with a federal assistance agreement.” A/OPE also stated that they are developing a Federal Assistance Management Advisory to determine the amount of construction based projects, and “will then

develop a Department policy on construction including the use of appropriate procurement vehicles.”

**OIG Reply:** OIG considers the recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that the Department has developed and implemented policies regarding the use of Federal assistance funds for overseas construction, including the use of appropriate procurement vehicles.

As the action offices for these recommendations, please provide information on actions taken or planned for the five recommendations within 30 days of the date of this letter. Actions taken or planned are subject to follow-up and reporting in accordance with the enclosed compliance response information.

Because of the concerns outlined above, OIG will also provide this report to the Department of Defense OIG, which has oversight responsibility for the large number of contracts OHG holds with the Department of Defense.

If you have any questions, please contact me, Assistant Inspector General for Audits, by email at [Redacted] (b) (6) [@state.gov](mailto:[Redacted] (b) (6)@state.gov) or at (202) 284-[Redacted] (b) (6), or Melinda M. Perez, Director, Contracts and Grants Division, by email at [Redacted] (b) (6) [@state.gov](mailto:[Redacted] (b) (6)@state.gov) or at (703) 284-[Redacted] (b) (6).

cc: S/SRAP – Daniel F. Feldman  
S/SRAP – Jonathan J. Carpenter  
NEA-SCA/EX – Lee R. Lohman  
SCA/PPD – Grachel J. Humphries  
A/OPE/FA – Jeffrey D. Johnson

Attachments: As stated



## Bureau of South and Central Asian Affairs Response to Recommendations 1–4




United States Department of State

Washington, D.C. 20520

UNCLASSIFIED  
MEMORANDUM

September 3, 2014

**TO:** OIG/AUD – Norman P. Brown

**FROM:** SRAP – Dan Feldman 

**SUBJECT:** Draft Management Assistance report – Termination of Construction grants to Omran Holding Group (AUD-CG-XX-XX)

Thank you for the opportunity to provide comments on the subject draft audit report. We acknowledge that the original focus of this audit was the Department's selection, positioning, training, and oversight responsibilities of Grants Officers Representatives (GORs), and that the objective was to determine whether GORs are able to successfully perform their assigned grant administration and oversight responsibilities. We also acknowledge that through this effort, grants SAF20013CA012 and SAF20013CA014 to Omran Holding Group (OHG) were selected as a part of a sample of grants the OIG chose to review in Afghanistan. The OIG's findings as related to the OHG review indicate a number of areas of concern, including misuse of Government funds, significant noncompliance with Federal regulations, inaccurate financial reporting, and failure to comply with the terms of one grant agreement.

As the audit team is aware, the Public Affairs Section (PAS) at embassy Kabul has implemented a myriad of oversight processes in an effort to refine the management of Foreign Assistance awards since 2010. Overall, this section has obligated more than 975 awards totaling over \$270,000,000 under extraordinarily challenging circumstances. While we were aware that the OHG had failed to comply with the terms of one of the grant agreements, this review provides us with additional information about the OHG's deficiencies we could not have otherwise obtained.

We have addressed each of the SCA specific audit recommendations (1 – 4) in the attachment to this letter and would like to stress that we remain committed to our efforts to strengthen the oversight and management processes for Federal assistance awards in cooperation with A /OPE.

Attachment:

1. SCA Specific Recommendations and Responses

**Response to the Management Assistance Report**  
***Termination of Construction Grants to Omran Holding Group***

**SCA Specific Recommendations and Responses**

**Recommendation 1:** OIG recommends that the Bureau of South and Central Asian Affairs immediately terminate grant agreements S-AF200-13-CA-012 and S-AF200-13-CA-014 with Omran Holding Group and deobligate the \$5,092,874 in remaining funds.

**SCA/PPD Response:** Concur. The termination letters for each award are currently in the clearance process. In compliance with Grants Policy Directive 53, the letters will be cleared by L for prior approval. Additionally, SCA/PPD will deobligate all remaining funding from these awards.

**Recommendation 2:** OIG recommends that the Bureau of South and Central Asian Affairs direct Omran Holding Group to reimburse the Department for the \$1,203,426 in unspent funds related to grant agreements S-AF200-13-CA-012 and S-AF200-13-CA-014, and verify that the Department has received reimbursement for all unspent funds.

**SCA/PPD Response:** Concur. Instructions for Omran to return funds overpaid on awards SAF200-13-CA012 and SAF200-13-CA014 are included in the termination letters. .

**Recommendation 3:** OIG recommends that the Bureau of South and Central Asian Affairs require the grants officer to determine the allowability of \$502,890 in potentially unallowable costs identified by OIG, direct Omran Holding Group to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

**SCA/PPD Response:** Concur. SCA/PPD will determine the allowability of questioned costs once OHG has submitted their final financial reports.

**Recommendation 4:** OIG recommends that the Bureau of South and Central Asian Affairs require Omran Holding Group to demolish the existing structure at Balkh University, at Omran Holding Group's expense, within a reasonable timeframe as determined by the grants officer and verify that the structure has been demolished with no cost to the Department.

**SCA/PPD Response:** Concur. In the termination letter for award number SAF200-13CA012, OHG has been instructed to demolish the existing structure at Balkh University no later than October 31, 2014. OHG is also required to provide photos of the site to demonstrate that the building has been demolished and the debris removed.

**Recommendation 5:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, develop Department guidance regarding the use of Federal assistance funds for overseas construction, including the use of appropriate procurement vehicles, such as contracts, for construction. Until such guidance is developed, no construction grants should be issued by the Department.

**SCA/PPD Response:** We defer to A/OPE to respond.

**Bureau of Administration's Office of the Procurement Executive Response to  
Recommendation 5**




United States Department of State

Washington, D.C. 20520

UNCLASSIFIED MEMORANDUM


September 3, 2014

**TO:** OIG/AUD – Norman P. Brown

**FROM:** A/OPE/FA - Jeffrey D. Johnson 

**SUBJECT:** Draft Management Assistance report – Termination of Construction grants to Omran Holding Group (AUD-CG-XX-XX)

We appreciate the opportunity to review and provide comments on the draft Management Assistance report, "Termination of Construction grants to Omran Holding Group (AUD-CG-XX-XX)." As your audit team knows and understands, the Department of State has a complex and diversified federal assistance portfolio which is dependent on standard policies and procedures. These policies and procedures are promulgated through regulation, grants policy directives, The *Federal Assistance Policy Handbook* and training courses provided by A/OPE. The Federal Assistance Policy Handbook broadly outlines the requirements for construction grants for the Department and A/OPE acknowledges that the requirements should be strengthened. Additionally, the Department's authority to implement construction projects may be included within the specific Statutory Authorities and/or appropriation's language. We are working with the Department's Legal Advisors on determining which Statutory Authorities and appropriations expressly allow, or disallow, construction projects with federal assistance agreement.

We have addressed audit recommendation 5 in the attachment to this letter. We look forward to working collaboratively with your staff and with our federal assistance community to continue to build on and strengthen the Departments policies and procedures. If you have any questions or need additional information about the response to recommendation 5, please contact Jeffrey D. Johnson, Director, Federal Assistance Division (A/OPE/FA) at 703-812-

Attachment:

1. A/OPE Recommendation 5 and Response

**Response to the Management Assistance Report**  
***Termination of Construction Grants to Omran Holding Group***

**A/OPE Specific Recommendations and Responses**

**Recommendation 5:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, develop Department guidance regarding the use of Federal assistance funds for overseas construction, including the use of appropriate procurement vehicles, such as contracts, for construction. Until such guidance is developed, no construction grants should be issued by the Department.

**A/OPE Response:** A/OPE concurs with the recommendation. We are working with the Department's Legal Advisors on determining which Statutory Authorities and appropriations expressly allow, or disallow construction projects to be executed with a federal assistance agreement. A/OPE is developing a Federal Assistance Management Advisory (FAMA) for the Department. The purpose of the FAMA is gain a greater sense of the amount of construction-based projects that 1) have been implemented, 2) are currently being implemented, and 3) planned to be implemented by Bureaus, Embassies, and Posts. Once data is received and analyzed, A/OPE will develop a Department policy on construction including the use of appropriate procurement vehicles.