

November 2006

FOREIGN ASSISTANCE

U.S. Democracy Assistance for Cuba Needs Better Management and Oversight





Highlights of [GAO-07-147](#), a report to congressional requesters

Why GAO Did This Study

U.S. law authorizes aid for nonviolent democratic change in Cuba. From 1996–2005, State and USAID awarded grants totaling \$74 million to support such change. A presidential commission recently recommended increasing funding for these efforts.

This report examines (1) agency roles in implementing this aid and selection of grantees; (2) types of aid, recipients, and methods of delivery reported in 2005; (3) oversight of grantees; and (4) data about the impact of this aid.

To address these objectives, we analyzed the activities and internal controls, and USAID's oversight and management of, 10 grantees with about 76 percent (in dollars) of total active awards for Cuba democracy aid. Our review focused on USAID because State's first awards were not made until mid-2005.

What GAO Recommends

GAO recommends that State and USAID work jointly to improve interagency communication about Cuba assistance, and that USAID improve its management and oversight of grantees.

State and USAID officials said that they were taking steps to improve interagency communications. USAID said it was taking steps to improve the agency's management, monitoring, and evaluation of democracy assistance to Cuba.

www.gao.gov/cgi-bin/getrpt?GAO-07-147.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov.

FOREIGN ASSISTANCE

U.S. Democracy Assistance for Cuba Needs Better Management and Oversight

What GAO Found

The Department of State (State) and the U.S. Agency for International Development (USAID) implement U.S. democracy assistance for Cuba through an interagency process. However, communication between these agencies was sometimes ineffective, most critically about grantees' on-island activities. About 95 percent (\$62 million) of USAID's total awards were made in response to unsolicited proposals; however, after 2004, both USAID and State used formal competition to select grantees.

Dissidents in Havana said that U.S. assistance provided moral support and enhanced their ability to work for democracy. In 2005, the 10 grantees we reviewed delivered humanitarian and other aid, training, and information to human rights and political activists, independent librarians and journalists, and political prisoners and their families. Assistance shipped to Cuba included food, medicine, clothing, office equipment and supplies, shortwave radios, books, and newsletters. Grantees also conducted international advocacy for human and workers' rights in Cuba and planned for a future democratic transition. Given the Cuban government's repressive policies and opposition to U.S. democracy assistance, grantees employed a range of discreet delivery methods that varied in terms of security, flexibility, and cost. The U.S. Interests Section in Havana, Cuba, a State post, has played an important role in distributing the aid provided by some grantees.

Internal controls—both over the awarding of Cuba program grants and oversight of grantees—do not provide adequate assurance that the grant funds are being used properly and that grantees are in compliance with applicable laws and regulations. Preaward reviews of grantees were not always completed before awards, and USAID did not follow up adequately after awards to correct weaknesses in grantee policies, procedures, and accounting systems identified by these reviews. In addition, standardized grant agreements did not provide sufficient details to support program accountability or the correction of the weaknesses identified by preaward reviews. The Cuba program office also did not adequately manage at-risk grantees and lacked formal review or oversight procedures for monitoring grantee activities. We performed limited testing for 10 grantees and identified questionable expenditures and significant internal control weaknesses with 3 grantees that USAID had not detected.

The Cuban government's active opposition to U.S. democracy assistance presents a challenging operating environment for State and USAID. Although USAID and its grantees have some evaluation and anecdotal information about program results, they have focused on measuring and reporting program activities, such as the volume of food, medicine, or books sent to Cuba. USAID recently took several steps to collect better information about program results, such as increasing staff expertise and meeting more regularly with grantees.

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Abbreviations

DRL	Bureau of Democracy, Human Rights, and Labor
IRS	U.S. Internal Revenue Service
NED	National Endowment for Democracy
NGO	nongovernmental organization
OMB	Office of Management and Budget
RFA	request for application
USAID	U.S. Agency for International Development
USINT	U.S. Interests Section, Havana, Cuba

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United States Government Accountability Office
Washington, DC 20548

November 15, 2006

The Honorable Jeff Flake
Vice Chairman
The Honorable William D. Delahunt
Ranking Minority Member
Subcommittee on Oversight and Investigations
Committee on International Relations
House of Representatives

The Cuban government systematically restricts nearly all political dissent, denying its citizens basic rights to free expression, association, and assembly. The Cuba Democracy Act of 1992¹ and the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996² authorized the President to provide assistance and other support for individuals and independent nongovernmental organizations (NGO) to promote peaceful, nonviolent democratic change in Cuba through various types of democracy-building efforts. From 1996–2005,³ the U.S. Agency for International Development (USAID) awarded 40 grants or cooperative agreements totaling \$65.4 million⁴ to support the development of civil society in Cuba. In 2005, the Department of State (State), through its Bureau of Democracy, Human Rights, and Labor (DRL), awarded four grants totaling about \$8.1 million to support a range of democracy assistance activities for Cuba. In 2004 and 2006, the Commission for Assistance to a Free Cuba⁵ recommended increasing funding for this type of assistance.

At your request, this report examines (1) the roles and objectives of the agencies implementing U.S. democracy assistance targeted at Cuba, and

¹Pub. L. No. 102-484, Div. A, Tit. XVII, Sec. 1705, 22 USC 6004.

²Pub. L. No. 104-114, Sec 109, 22 USC 6039, commonly known as the Helms-Burton Act.

³Unless otherwise noted, all annual references are to the U.S. fiscal year (Oct. 1–Sept. 30).

⁴The total includes modifications to awards made during 1996–2005.

⁵In October 2003, the President established the Commission for Assistance to a Free Cuba to identify measures to help bring about an end to the Castro dictatorship and U.S. programs that could assist an ensuing transition. The Secretary of State chairs the commission, which includes the Assistant to the President for National Security; the Secretaries of Commerce, Homeland Security, Housing and Urban Development, and Treasury; and the USAID Administrator.

the funding, characteristics, and selection of the grantees⁶ receiving awards under this program; (2) the types, amounts, and recipients of this assistance in 2005 and the methods used to deliver it; (3) USAID's monitoring and oversight of these grantees; and (4) the availability of data to evaluate whether U.S. assistance has achieved its goals. We plan to issue a classified version of this report that provides additional information about the methods used to deliver U.S. assistance to Cuba, steps taken to reduce losses of assistance shipped to the island, and some of the recipients of U.S. assistance in Cuba.

In conducting this review, we analyzed selected characteristics of the 34 grantees that received one or more of 44 State or USAID awards for this assistance from 1996–2005. We also analyzed the reported activities, assistance delivered, and management and internal controls for 10 USAID grantees with 14 awards active in 2005⁷ (representing about 76 percent of total State and USAID awards for Cuba democracy assistance in terms of dollars). We focused our review on USAID because State did not award its first grants until mid-2005 and on grantees with several years experience working with USAID on Cuba democracy assistance. At USAID and State in Washington, D.C., and at the offices of grantees in our sample in Washington, D.C., and Miami, Florida, we analyzed key records and interviewed agency officials and grantees to understand U.S. and agency assistance objectives and the processes used to select and monitor grantees and evaluate program. At the Departments of Treasury (Treasury) and Commerce (Commerce), we discussed export licenses required for this assistance. We also interviewed officials at the National Endowment for Democracy (NED), a private nonprofit corporation funded through State's annual appropriation that supports democracy promotion in Cuba and other nations. We conducted fieldwork in Havana, Cuba, working out of the U.S. Interests Section (USINT), a State post. In Havana, we interviewed U.S. officials, leading dissidents, and foreign-embassy officials

⁶This report refers to NGOs that received either grants or cooperative agreements as grantees. Under a grant agreement, the grantee is free to implement an agreed-upon development program without substantial agency involvement. Under a cooperative agreement, the grantee has a significant amount of independence in carrying out its program, but the agency is involved in selected areas deemed essential to meeting program requirements and ensuring achievement of program objectives. These areas include approval of work plans, designation of key positions and approval of key personnel, and approval of monitoring and evaluation plans.

⁷The 14 awards consist of 1 State grant, 1 USAID grant, and 12 USAID cooperative agreements.

and observed post activities. We conducted our work from August 2005 through November 2006 in accordance with generally accepted government auditing standards. See appendix I for a more detailed explanation of our scope and methodology.

Results in Brief

U.S. democracy assistance focused on Cuba is implemented through an interagency process led by State and USAID. However, we found that communication between these agencies about the implementation of this assistance was sometimes ineffective. Most critically, since USAID does not have staff in Cuba, the agencies had not established routine communication links between USAID and USINT about the implementation and monitoring of on-island activities. To support independent civil society groups and individuals, State and USAID awarded 44 grants and cooperative agreements between 1996 and 2005 to three types of grantees: (1) democracy and human rights NGOs focused specifically on Cuba, which received about 51 percent (\$37.3 million) of the assistance; (2) democracy and human rights NGOs with a worldwide or regional focus, which received about 39 percent (\$28.7 million); and (3) universities, which received about 10 percent (\$7.6 million). About 95 percent (about \$61.9 million) of USAID's awards were made in response to unsolicited proposals.⁸ All four of State's awards and the remainder of USAID's awards were made competitively. USAID modified over two-thirds of its 40 awards, increasing the estimated program cost almost eight-fold—from about \$6 million to about \$50 million—and extending program completion dates by an average of about 3 years.

USAID reported that its Cuba program had provided a wide range of democracy-related assistance from 1996–2006. Dissidents in Havana said that this assistance provided moral support and enhanced their ability to continue their pro-democracy work. The 10 grantees that we reviewed in detail delivered significant amounts of humanitarian and material assistance,⁹ as well as training, and information. The recipients of this

⁸An unsolicited proposal is submitted to the agency independently by the organization applying for funding. The agency may choose to make a noncompetitive award based on this proposal. In contrast, standard grant or cooperative agreements are usually awarded competitively to organizations responding to an agency request for applications or proposals. See GAO, *Foreign Assistance: USAID Relies Heavily on Nongovernmental Organizations, but Better Data Needed to Evaluate Approaches*, GAO-02-471 (Washington, D.C.: Apr. 25, 2002).

⁹Material assistance includes shortwave radios, DVD players, cameras, and office equipment and supplies.

assistance included Cuban human rights activists, political dissidents, independent librarians, journalists, and political prisoners and their families. The grantees reported using several methods to deliver assistance to the island. According to grantees and U.S. officials, these methods involve different security, flexibility, and cost considerations. Some grantees have taken steps to reduce the risk of loss—due to theft or confiscation by the Cuban government—of assistance shipped to Cuba. USINT has distributed increased amounts of some types of democracy assistance since 2000.

USAID's internal controls over the awarding of Cuba program grants and the oversight of grantees do not provide adequate assurance that the grant funds are being used properly or that grantees are in compliance with applicable laws and regulations. We found that some preaward reviews of grantees were not completed before grant awards, and USAID did not follow up adequately to correct deficiencies identified by these reviews. In addition, the standardized language in grants and cooperative agreements lacked the detail necessary to support program accountability and the correction of grantee deficiencies identified during preaward reviews. The Cuba program office did not adequately identify, prioritize, or manage at-risk grantees and did not have critical review or oversight procedures in place to monitor grantee activities. We performed limited testing on 10 grantees and identified questionable expenditures and significant internal control weaknesses with 3 grantees that USAID had not detected. The program office also lacked adequate policies and procedures for reviewing grantees' compliance with cost-sharing provisions in grant agreements. Additionally, USAID does not appear to routinely follow prescribed closeout processes to identify and recover inappropriate expenditures or unexpended funds. These weaknesses in agency policies and procedures and in program office oversight allowed the significant internal control deficiencies we found at 3 grantees to go undetected and increased the risk of fraud, waste, abuse, and noncompliance with laws and regulations in the USAID program. We referred the problems we identified at these 3 grantees to the USAID Office of Inspector General.

Some information is available about the impact or results of U.S. democracy assistance targeted at Cuba. State and USAID face a difficult operating environment that presents monitoring and evaluation challenges. For example, USAID does not have staff in Cuba and under Cuban law it is illegal for Cubans to cooperate with U.S. democracy assistance activities. In this context, USAID and its grantees have conducted some evaluations—such as an assessment of some independent NGOs in Cuba receiving U.S. assistance. However, although some

anecdotal information about program results is available, evaluations generally have been limited in number and scope. Instead, USAID and grantees have largely focused on measuring and reporting program activities, such as the volume of humanitarian assistance or the number of books sent. Starting in mid-2005, USAID initiated several efforts to collect better information about results, such as increasing staff expertise and requiring intermediate program evaluations when grants are modified.

In summary, U.S. efforts to support democratic change in Cuba face several challenges. Some result from the difficult operating environment, while others result from managerial weaknesses in the program. To enhance the implementation of U.S. democracy assistance targeted at Cuba, particularly in the context of the Commission for Assistance to a Free Cuba's call to increase funding for these efforts, this report recommends that the Secretary of State and USAID Administrator work jointly to improve communication between responsible State and USAID bureaus and offices and that the USAID Administrator work to improve USAID's management and oversight of grantees.

In commenting on a draft of this report, State and USAID officials said that they had begun taking steps to implement our recommendations. State and USAID officials also provided technical comments, which we have incorporated where appropriate.

Background

Conditions in Cuba Pose Substantial Challenges for U.S. Assistance

Conditions in Cuba—a hard-line Communist state that restricts nearly all political dissent—pose substantial challenges to implementing, monitoring, and evaluating democracy assistance. USAID does not work cooperatively or collaboratively with the Cuban government, as it does in most countries receiving U.S. democracy assistance.¹⁰ The United States and Cuba do not have diplomatic relations, and the United States

¹⁰In commenting on a draft of this report, the Principal Assistant Secretary of State for Democracy, Human Rights, and Labor Affairs noted that State provides democracy assistance in several countries where it does not work cooperatively or collaboratively with the national governments.

maintains an embargo on most trade. USINT staff is restricted to Havana.¹¹ USAID does not have staff in Cuba, and Cuba program office staff have been unable to obtain visas to visit the island since 2002. Additionally, the range of Cuban partner organizations is significantly limited by U.S. law, which generally prohibits direct assistance to the Cuban government and NGOs with links to the government or the Communist Party.

Cuban law prohibits citizens from cooperating with U.S. democracy assistance activities authorized under the Cuban Liberty and Democratic Solidarity Act, punishable with prison terms of up to 20 years. Tactics for suppressing dissent include surveillance, arbitrary arrests, detentions, travel restrictions, exile, criminal prosecutions, and loss of employment. Neighborhood committees (known as Committees for the Defense of the Revolution) monitor residents' activities; those identified as dissidents are subject to intimidation (acts of repudiation), including psychological and physical violence. Independent groups, dissidents, and activists face constant harassment and infiltration by Cuban government agents. In 2003, the Cuban government arrested and sentenced 75 leading dissidents and activists to terms of up to 28 years in prison.¹² The Cuban government accused some of these individuals of receiving assistance from USAID grantees. A Cuban human rights group known as *Damas de Blanco* (Ladies in White), formed after the 2003 crackdown, consists of dissidents' wives, mothers, and sisters who peacefully protest for the unconditional release of political prisoners.

There is no free press in Cuba, and independent journalists are harassed and imprisoned.¹³ The Cuban government also substantially restricts and controls the flow of information, routinely monitoring international and domestic telephone calls and fax transmissions. As of 2006, only about 200,000 Cubans out of a total population of 11 million had been granted

¹¹By agreement with the Cuban government, USINT is limited to 51 U.S. personnel. These officials are supported by more than 200 Cuban contract employees.

¹²As of August 2006, about 60 of the 75 dissidents remained in prison. According to State officials, several of those released conditionally from prison went into exile.

¹³Reporters Without Borders' *Annual Worldwide Press Freedom Index* for 2006 ranked Cuba 165th out of 168 countries—just below China and Burma and just ahead of Eritrea, Turkmenistan, and North Korea.

official access to the Internet.¹⁴ The use of satellite dishes, radio antennas, fax machines, and cellular telephones is restricted due to high costs, laws, and the threat of confiscation. The customs service also routinely monitors mail, freight shipments, and visitors' baggage for materials with political content. Further, the government routinely jams all external, non-Cuban broadcasts, including the U.S. government-supported Radio and TV Martí broadcasts.

Commission Recommends Increased Assistance and Identifies U.S. Objectives

The Commission for Assistance to a Free Cuba was established by the President to identify measures to help end the Castro dictatorship and identify U.S. programs that could assist an ensuing transition. The commission's May 2004 report¹⁵ recommended providing an additional \$36 million to USAID, State, and other agencies' grant programs supporting Cuban civil society, as well as \$5 million for worldwide public diplomacy initiatives. The report also recommended the creation of a transition coordinator for Cuba at State, a post created and filled in 2005.

The commission's July 2006 report¹⁶ recommended providing \$80 million over 2 years to increase support for Cuban civil society, disseminate uncensored information to Cuba, expand international awareness of conditions in Cuba, and help realize a democratic transition. The report also recommended subsequent annual funding of at least \$20 million until the end of the Castro regime. These funds would be in addition to current funding for State and USAID democracy assistance programs and Radio and TV Martí.¹⁷

State and USAID officials said that the commission's 2004 report provides the policy framework for their agencies' respective grant programs (see table 1).

¹⁴Reporters Without Borders' October 2006 report *Going Online In Cuba: Internet under Surveillance* said that Cuba is one of the world's most backwards countries regarding Internet usage—with less than 2 percent of its population online—and that Cuban authorities have implemented an unjustified system of control and surveillance over Internet use.

¹⁵Commission for Assistance to a Free Cuba, *Report to the President* (Washington, D.C.: May 2004).

¹⁶Commission for Assistance to a Free Cuba, *Report to the President* (Washington, D.C.: July 2006).

¹⁷The President's 2007 budget requests \$36 million for Radio and TV Martí, both of which broadcast Spanish-language news and current affairs programming to Cuba.

Table 1: U.S. Policy Framework Identified in the Commission for Assistance to a Free Cuba's 2004 Report

Strategies

- Empower Cuban civil society
 - Break the Cuban dictatorship's information blockade
 - Deny resources to the dictatorship
 - Illuminate the reality of Castro's Cuba
 - Encourage international diplomatic efforts to support civil society and challenge the Castro regime
 - Undermine the regime's succession strategy
-

Source: The Commission for Assistance to a Free Cuba's May 2004 report to the President.

U.S. Assistance Supports Civil Society; Most Awards Were Based on Unsolicited Proposals

State and USAID lead interagency efforts to provide democracy assistance to independent civil society groups and individuals in Cuba. However, we found weaknesses in the communications between State and USAID regarding the implementation of this assistance. State and USAID made awards to three types of grantees: Cuba-specific NGOs, NGOs with a worldwide or regional focus, and universities. Prior to 2004, all USAID awards were based on unsolicited proposals. In 2004–2005, USAID and State used a competitive process to select grantees. Since the program's inception, USAID extended the amount and length of about two-thirds of the 40 grants and cooperative agreements it awarded.

State- and USAID-Led Interagency Process Implements U.S. Assistance

Since 1996, State and USAID have led the implementation of U.S. democracy assistance focused on Cuba. We observed weaknesses in communication between responsible State and USAID bureaus and offices.

State's Office of Cuban Affairs (under the Bureau of Western Hemisphere Affairs) and USAID's Cuba program office (under the Latin America and Caribbean Bureau) have led the implementation of assistance programs that support the development of democratic civil society in Cuba, coordinating their activities primarily through an interagency working group. This working group also includes representatives from the National Security Council, Commerce (Bureau of Industry and Security, Foreign

Policy Controls Division), and Treasury (Office of Foreign Assets Control).¹⁸

USAID has funded democracy assistance grants and cooperative agreements for Cuba since 1996. USAID’s Cuba program is overseen by a director and one junior officer. In 2005, State initiated a grant program for Cuba democracy assistance through DRL. Headed by an assistant secretary, DRL leads U.S. efforts to promote democracy, protect human rights and international religious freedom, and advance labor rights globally. The Director of U.S. Foreign Assistance (who serves concurrently as the USAID Administrator) is responsible for coordinating State and USAID democracy assistance worldwide, with continued participation in program planning, implementation, and oversight from the various bureaus and offices within State and USAID, and is developing a strategic framework and procedures to ensure that programs match priorities.

Table 2 outlines the roles and responsibilities of key executive branch agencies in providing democracy assistance to Cuba.

Table 2: Key Roles and Responsibilities for U.S. Democracy Assistance for Cuba

Organization/location	Roles/responsibilities
Interagency Working Group	
State and USAID, co-chairs Washington, D.C.	<ul style="list-style-type: none"> • Provides overall policy direction • Reviews unsolicited USAID assistance proposals and makes award recommendations
State	
DRL	
Office for the Promotion of Human Rights and Democracy Washington, D.C.	<ul style="list-style-type: none"> • Recommends State grant awards • Monitors the implementation of State grants
Bureau of Western Hemisphere Affairs	
Office of Cuban Affairs Washington, D.C.	<ul style="list-style-type: none"> • Co-chairs interagency working group on Cuba • Provides policy guidance • Reviews State and USAID assistance proposals • Principal liaison within State for USAID program

¹⁸Organizations that receive federal funds to provide assistance in Cuba must comply with regulations administered by Treasury and Commerce. Treasury and Commerce officials review assistance proposals, provide guidance on U.S. export and asset control regulations, and issue licenses to State and USAID grantees.

Organization/location	Roles/responsibilities
USINT Havana, Cuba	<ul style="list-style-type: none"> • Provides information on conditions in Cuba • Reviews State and USAID assistance proposals • Delivers some assistance to independent groups and individuals in Cuba, including assistance provided by USAID- and State-funded grantees • Conducts a range of other public diplomacy initiatives
Cuba Transition Coordinator Washington, D.C.	<ul style="list-style-type: none"> • Facilitates implementation of pro-democracy, civil-society building, and public diplomacy projects • Continues regular planning for future transition assistance contingencies • Coordinates the implementation of overall policy and programmatic direction
USAID	
Latin America and Caribbean Bureau	
Cuba Program Office Washington, D.C.	<ul style="list-style-type: none"> • Co-chairs interagency working group on Cuba • Recommends USAID Cuba democracy assistance awards • Monitors the implementation of USAID grants and cooperative agreements • Reviews State assistance proposals

Source: GAO analysis of State, USAID, and other records.

Note: DRL reorganized in June 2006. State's Cuba democracy assistance program now falls under the new Office of Asia and Western Hemisphere.

As the table shows, USINT plays an important role in implementing State and USAID democracy assistance focused on Cuba. In addition to these tasks, USINT administers immigration and refugee programs, maintains regular contact with Cuban activists and other embassy officials, and files reports regarding human rights abuses.

Effective internal control requires effective communication with key stakeholders who have a significant impact on whether an agency achieves its goals.¹⁹ However, during our fieldwork in Havana and Washington, D.C., we found that communications were sometimes ineffective between State bureaus and offices, USINT, and USAID regarding the implementation of U.S. democracy assistance focused on Cuba. Most critically (given that USAID does not have staff in Cuba and the Cuba program office staff cannot visit the island), routine

¹⁹GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1999), p. 19.

communication links between USAID and USINT had not been established. Specific examples include the following:

- USAID did not receive reports prepared by USINT assessing some independent NGOs in Havana, although some of these organizations received assistance from USAID grantees. These reports summarize the observations made during USINT site visits and also recommended adjustments in the level and type of assistance distributed to individual NGOs. Given the lack of a USAID presence in Cuba, information provided in these reports would improve USAID officials' knowledge of how some assistance is being utilized.
- USAID's Cuba program director did not participate in the evaluation and ranking of democracy assistance proposals submitted to State's DRL. (He had an opportunity to provide comments after State's review panel had met.) The director said that he potentially could have provided important "lessons learned" about these proposals, based on almost a decade of experience implementing assistance in Cuba. State officials said that the omission of the USAID Cuba program director from the technical review panels was an oversight and that DRL would take steps to ensure USAID's participation on future Cuba panels.
- USINT officials said that they received limited information from USAID about its grantees' on-island activities, such as specific groups or individuals receiving U.S. support. The information these officials had about such matters was based on direct contact with some grantees and comments from dissidents. More complete information about grantee activities would provide a basis for USINT to monitor and report more systematically on groups and individuals receiving U.S. assistance.
- USINT officials said that they had little advance knowledge of the types and amounts of assistance that USAID grantees expected them to distribute. In addition, they said that some grantee-provided books and other materials had been inappropriate or ill-suited for promoting democracy in Cuba.²⁰ These officials stated that U.S. assistance would be more effective if they had more advance information about—and input into—grantee shipments. USAID officials agreed that better communication is needed to coordinate these activities.

²⁰In some cases, USINT officials declined to distribute such books and materials, according to State and USAID officials. In March 2001, State's Office of Inspector General reported similar problems with grantee shipments to USINT. See State's Office of Inspector General, *Inspection of U.S. Interests Section, Havana, Cuba*, Report Number 01-FP-R-020 (Washington, D.C.: Mar. 2001).

In commenting on this report, State and USAID officials recognized the benefits of improved interagency communication on Cuba democracy assistance and noted that they were taking steps in this direction, such as providing USAID program officials with access to classified communications between State and USINT. According to the USAID Cuba program director, access to classified communications should allow better coordination with USINT on grantee shipments to the island. In addition, State said that DRL, the Bureau of Western Hemisphere Affairs, the Office of the Cuba Transition Coordinator, and USAID would meet regularly to share information gathered in quarterly meetings with grantees. USAID officials commented that including the Cuba program office in interagency working groups and weekly staff meetings of State's Cuba desk would improve operational coordination. Including the Cuba program office in communications between USINT and grantees also would benefit USAID grantee oversight and management.

U.S. Assistance Is Intended to Support the Development of Cuban Civil Society

USAID and State democracy assistance generally aims to support independent civil society groups and individuals in Cuba. The 1992 and 1996 acts authorized support for individuals and independent NGOs in Cuba, such as sending humanitarian assistance to victims of political repression and their families; providing material and other support; sending books and other information; and supporting visits and the permanent deployment of independent human-rights monitors. The USAID Cuba program's strategic objective is "to help build civil society in Cuba by increasing the flow of accurate information on democracy, human rights, and free enterprise to, from, and within Cuba." Table 3 summarizes the DRL, USINT, and USAID program activities for democracy assistance targeted at Cuba.

Table 3: State and USAID Program Activities for Cuba Democracy Assistance

State

DRL—Office for the Promotion of Human Rights and Democracy

- Support human rights and democracy; increase the flow of information on Cuba's transition to a market-based economy and democracy.
- Support democracy-building by women.
- Support democracy and civil society organizations in the Afro-Cuban community.
- Reach out to disaffected youth.
- Support NGO training to promote the peaceful transition to democracy.
- Provide communications and office equipment to civil society groups.
- Strengthen and expand independent libraries and promote solidarity with international library associations.
- Promote independent labor organization membership and development; facilitate international contacts.

USINT, Havana, Cuba

- Maintain regular contact with civil society activists, including independent journalists and librarians, human rights activists, wives of political prisoners, and political activists.
 - Broadly distribute books, magazines, newspapers, news clips, videos, pamphlets, radios, and other equipment to Cubans willing to receive them.
 - Produce more printed material to reduce dependence on unpredictable supply lines.
 - Facilitate printing and distribution of information produced by civil society.
 - Provide Internet access and opportunities for long-distance communications for Cuban civil society.
 - Develop, support, and execute training and long-distance exchange programs for members of Cuban civil society.
 - Encourage international media and third-country diplomats to increase their interaction with Cuban civil society and their reporting of human rights and other issues.
 - Facilitate interaction between members of Cuban civil society and civil society organizations in the United States and elsewhere.
 - Help improve Radio/TV Martí programming.
-

USAID

Latin America and Caribbean Bureau—Cuba Program Office

- Build solidarity with human rights activists by providing moral support, information, and non-financial material assistance (including laptop computers, printers, fax machines, short-wave radios and food and medicine).
 - Give voice to independent journalists by publishing their reports on the internet for dissemination worldwide, providing the Cuban people with hard copies of their reports, and providing training and (non-financial) material assistance.
 - Defend workers' rights by alerting the international community to Cuban government actions in violation of international standards protecting labor rights.
 - Help develop independent NGOs by providing them with information, training, and (non-financial) material assistance.
 - Provide direct outreach to the Cuban people by providing newsletters, books, and other informational materials.
 - Plan for transition by holding conferences and publishing studies.
-

Source: GAO analysis of State and USAID records.

Note: DRL reorganized in June 2006. State's Cuba democracy assistance program now falls under the new Office of Asia and Western Hemisphere.

USAID and State Made Awards to Three Types of Grantees

In implementing their program objectives, State and USAID awarded 44 grants and cooperative agreements from 1996–2005²¹ to 34 grantees in three categories:

- Cuba-specific NGOs received awards totaling \$37.3 million (about 51 percent of the total value of the awards);
- NGOs with a worldwide or regional focus received awards totaling \$28.7 million (about 39 percent of the total value of the awards); and
- Universities received awards totaling about \$7.6 million (about 10 percent of the total value of the awards).

All 34 grantees are U.S.-based, and most are located in Washington, D.C., or Florida. Table 4 summarizes State and USAID awards from 1996–2005.

²¹In 2000, USAID also awarded PricewaterhouseCoopers \$163,000 to evaluate its Cuba program.

Table 4: State and USAID Cuba Democracy Assistance Grantees and Awards, 1996–2005

Dollars in millions

Type of organization	USAID			State			Total		
	No. of orgs.	Awards		No. of orgs.	Awards		No. of orgs.	Awards	
		No.	Amt.		No.	Amt.		No.	Amt.
Cuba-specific NGO	12	17	\$37.3	–	–	–	12	17	\$37.3
Regional or worldwide NGO	12	14	20.5	4	4	\$8.1	14	18	28.7
University	8	9	7.6	–	–	–	8	9	7.6
Total	32	40	\$65.4	4	4	\$8.1	34	44	\$73.6

Source: GAO analysis of State and USAID records.

Note: Total for number of organizations does not add because two grantees received awards from both USAID and State.

Some of the NGOs with a worldwide or regional focus have a relatively long history working on Cuba issues. In some cases, these NGOs have received grants from NED. From 1984–2005, NED awarded 158 grants totaling \$13.3 million for democracy assistance for Cuba. Established by Congress in 1983,²² NED is a private nonprofit corporation with the purpose of encouraging and supporting activities that promote democracy around the world. As part of its global grants program for “opening dictatorial systems,” NED assistance to Cuba has focused on providing aid to journalists, independent workers’ organizations, and cooperatives, while maintaining exile-based programs that defend human rights, provide uncensored information, and encourage dialogue about a country’s political future. NED’s independent governing board makes decisions about which assistance proposals the organization funds. In 2005, using a \$3 million grant from DRL, NED funded 16 Cuba-related grants totaling about \$2.2 million. (Four of the 16 grantees also have active USAID grants for Cuba democracy assistance.)

Grantee Selection Was Based on Unsolicited Proposals until 2004

Our analysis showed that about 95 percent (\$61.9 million) of USAID’s total awards were made in response to unsolicited proposals. From 1996–2004, USAID made 34 awards (\$54.7 million) based on unsolicited proposals. The unsolicited proposals were evaluated by the interagency working group (see table 2). In 2004–2005, USAID made 5 awards (\$3.5 million)

²²National Endowment for Democracy Act, Pub. L. No. 98-164, Tit. V, 22 USC 4411-4416.

based on two requests for applications (RFA). The proposals received in response to these RFAs were evaluated and ranked by two technical evaluation committees that included State and USAID officials. In 2005, USAID also made an additional award to a previous grantee for \$7.2 million based on an unsolicited proposal. The USAID Assistant Administrator for Latin America and the Caribbean authorized the negotiation of awards for both unsolicited and solicited proposals. All awards ultimately were approved by an agreement officer in USAID's Office of Acquisition and Assistance.

In keeping with the Federal Grant and Cooperative Agreement Act,²³ USAID policy encourages competitive awards for grants and cooperative agreements in most circumstances so that the agency can identify and fund the best projects to achieve program objectives.²⁴ USAID's general policy is to award all grants and cooperative agreements competitively, seeking applications from all eligible and qualified entities. However, USAID policy permits funding unsolicited proposals (without the benefit of competition) when certain criteria are met. For example, an unsolicited proposal may be funded if USAID did not solicit the proposal and it presents a unique or innovative approach, fully supports U.S. development priorities, and demonstrates a unique capacity for the applicant to carry out program activities. In such cases, USAID guidance requires that officials explain the circumstances that justify funding these proposals.²⁵ The USAID Cuba program director told us that the interagency working group (see table 2) had opposed prior attempts to employ a competitive process for selecting grantees.

USAID's successful use of competitive solicitations for some awards in 2004–2005 suggests that the Cuba program could have employed this selection strategy for at least some prior awards. A total of 27 NGOs responded to USAID's 2004 and 2005 RFAs. USAID's technical evaluation committees found the proposals submitted by 12 of the 27 applicants

²³The Federal Grant and Cooperative Agreement Act of 1977 (31 USC 6301-6308) “encourages competition in making grants and cooperative agreements.”

²⁴Our prior work also suggests that competition provides substantial benefits to the government. See, for example, [GAO-02-471](#).

²⁵Unsolicited proposals are covered by the “Guide to USAID's Assistance Application Process and to Submitting Unsolicited Assistance Applications.” In technical comments on this report, USAID noted that one advantage of using unsolicited proposals is that organizations can submit proposals at any time.

“within the competitive range” of the RFAs, and recommended awarding cooperative agreements to 6 applicants and asking an additional 6 to submit (revised) best and final proposals. Eight of the 12 applicants had not received prior awards for U.S. democracy assistance for Cuba. In technical comments on this report, USAID officials said that using a competitive process will not always result in grantees different from those that would be selected using a noncompetitive process.

All four State awards in 2005 (\$8.1 million) were made competitively; two of these awards (\$4.5 million) were to USAID Cuba grantees. Proposals received in response to State’s RFA were reviewed and evaluated by two technical committees (panels) that included officials from State’s Western Hemisphere Affairs, DRL bureaus, USINT; awards were approved by the Assistant Secretary of State for Democracy, Human Rights and Labor. As previously discussed, the USAID Cuba program director received copies of the proposals for comment but did not participate in the technical panels. In commenting on this report, State officials said that DRL would continue to the greatest extent possible to use a competitive process for Cuba grants. State officials also said that DRL’s standard practice is to solicit participation by USAID and the appropriate regional bureau on all its evaluation panels, and that they will ensure that this policy is followed on future Cuba panels.

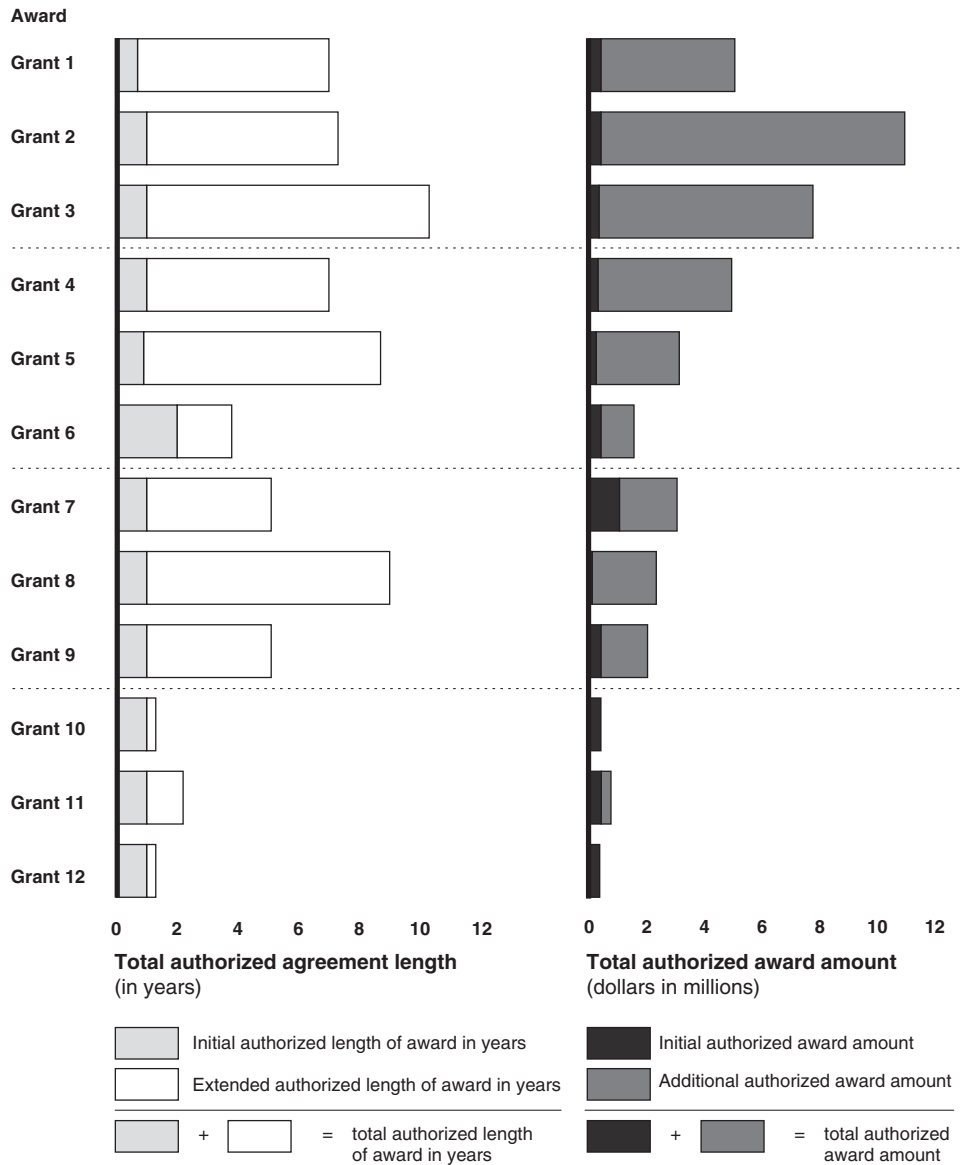
Agreements Often Modified to Increase Funding and Extend Completion Dates

Our analysis showed that USAID modified 28 of the 40 agreements awarded between 1996 and 2005 to increase funding, extend program completion dates, or both.²⁶ In several cases, these modifications substantially altered grantees’ project objectives.²⁷ These modifications increased the aggregate value of these agreements nearly eight-fold—from about \$5.9 million to nearly \$50.1 million—and extended the program completion dates by an average of about 3 years. Between November 1997 and May 2006, USAID had modified 12 agreements that we reviewed in detail (see fig. 1). These modifications increased the aggregate value of these agreements from about \$4.8 million to nearly \$42.3 million and extended the program completion dates by an average of about 4.6 years.

²⁶USAID modified 17 agreements to increase funding and extend completion dates and 11 agreements to extend completion dates. Some agreements were modified several times.

²⁷USAID guidance permits a change of program objectives when modifications are used to develop an ongoing relationship with a grantee.

Figure 1: Modifications in Total Authorized Length and Amount for 12 USAID Cuba Democracy Assistance Agreements, November 1997 to May 2006



Source: GAO analysis of USAID award documents as of May 2006.

USAID policy requires that some modifications and extensions be justified, such as those that extend the life of the award and simultaneously either increase the total estimated amount of the award or change the program

description. Officials must explain why the benefits of continuing the assistance activity with the same grantee exceed the benefits of a competitive process favored by law and agency policy. USAID Cuba program officials stated that they modified existing agreements (rather than initiating new ones) to prevent disruption of assistance programs.²⁸ Additionally, officials said that they wanted to avoid the administrative burdens associated with awarding new grants or cooperative agreements. However, USAID procurement officials told us that, whether modifying an existing agreement or making a new noncompetitive award to the same grantee, a similar amount of work is required.²⁹ These officials also identified several advantages to closing out awards and making new ones. Following established closeout procedures, for example, provides additional assurance that grantee expenditures to date have been appropriate, and end-of-project reports provide important information about project accomplishments and failings to date. As discussed in a following section, the Cuba program office has decided to require grantees to submit interim evaluations when requesting significant project modifications or extensions.

Grantees Provided Assistance and Information to Recipients Using Several Methods; USINT Played Active Role

USAID reports that its grantees have provided a wide range of democracy-related assistance since the Cuba program's inception. In 2005, the 10 grantees that we reviewed delivered humanitarian and material assistance, training, and information to Cuba. In addition, several of these grantees worked to increase international awareness of the Cuban regime's human rights record; others planned for a democratic transition in Cuba. Recipients of U.S. humanitarian and material assistance, training, and information included human rights activists, political dissidents, independent librarians, journalists, and political prisoners and their families. Grantees employed several methods to deliver these items to the island. According to grantees and U.S. officials, these methods involve different security, flexibility, and cost considerations. Increasingly since 2000, USINT has distributed some grantee-funded assistance directly.

²⁸In technical comments on this report, USAID officials said that, in some cases, justifications can be quite broad, because USAID has the authority to cite impairment of foreign assistance objectives. According to these officials, all modifications and extensions were appropriately justified and cleared through the interagency review process.

²⁹In technical comments on this report, USAID officials said that the work associated with conducting a competitive process is more intensive and lengthy than a noncompetitive process, but confirmed that the justification and approval processes supporting either noncompetitive awards or noncompetitive extensions of existing awards are similar.

USINT also provides information, electronic equipment, and other support to Cubans using its own funding.

U.S. Democracy-Related Assistance Since 1996

According to data provided by USAID, from 1996 to 2006 the Cuba program provided the following assistance: 385,000 pounds of medicines, food, and clothing; more than 23,000 shortwave radios; and millions of books, newsletters, and other informational materials. In addition, USAID reported that U.S. assistance supported journalism correspondence courses for more than 200 Cubans, the publication of about 23,000 reports by independent Cuban journalists about conditions or events in Cuba, and visits to Cuba by more than 200 international experts to help train and develop independent NGOs.

Dissidents we interviewed in Cuba said that they appreciated the range and types of U.S. democracy assistance, that this assistance was useful in their work, and that this aid demonstrated the U.S. government's commitment to democracy in Cuba. Dissidents said they appreciate the moral support that U.S. assistance provides, and that this aid enhanced their ability to continue their pro-democracy work.

Grantees Provided Four Types of Assistance in 2005

In 2005, the 10 grantees we reviewed reported activities in four categories: (1) providing humanitarian and material assistance and training to independent civil society groups and individuals; (2) disseminating uncensored information to, within, and from Cuba; (3) increasing international criticism of the Cuban regime by highlighting its human and workers' rights violations; and (4) planning for a future transition to democracy by sponsoring conferences and publishing studies. Our analysis of quarterly reports and other records show that these grantees provided substantial assistance in 2005 (see table 5).

Table 5: Assistance to Individuals and Groups in Cuba in 2005

Category	Reported assistance	Description
Humanitarian ^a	<ul style="list-style-type: none"> About 115,000 pounds of food, medicine, clothing, and other assistance Unspecified amounts of other humanitarian aid, such as assistance for hurricane victims 	<ul style="list-style-type: none"> Food included canned and dried goods such as soups, tuna, bouillon, and powdered milk. Medicines included over-the-counter pain relief medication, antacids, and vitamins. Clothing, which sometimes was donated or used, included blue jeans, T-shirts, underwear, and sandals.

Category	Reported assistance	Description
Material ^b	<ul style="list-style-type: none"> About 4,900 shortwave radios About 27 DVD players About 13 copier/printer/fax machines Video recorders and cameras Office supplies About 200 flashlights 	<ul style="list-style-type: none"> Shortwave radio kits were powered by rechargeable batteries, solar cells, or other methods. Office supplies included notebooks, paper, printer cartridges, pencils, and pens. Other items included video game players, key chains, and holiday post cards.
Training	<p>Thirteen exchange visits to the United States</p> <p>Six training seminars in Cuba</p> <p>Technical and other assistance, such as computer and business training</p>	<ul style="list-style-type: none"> One grantee provided materials and training on documenting labor rights abuses and filing claims to labor rights organizations, for example. One grantee provided leadership and management training for activists.
Uncensored information	<ul style="list-style-type: none"> About 100,400 books, magazines, and other reading materials About 1.1 million newsletters and pamphlets About 11,600 DVDs and CDs 13 Web sites <ul style="list-style-type: none"> One grantee reported more than 4.4 million average monthly hits by more than 390,000 users One grantee reported an average of about 57,000 monthly hits by more than 11,500 users Daily, weekly, and monthly e-mails containing news, research studies, and other information^c Regular communication by telephone, fax, Internet/e-mail and mail^d Radio/TV programs and interviews, including for Radio Martí and Radio República. 	<ul style="list-style-type: none"> Books in Spanish included <i>Como Llegó la Noche</i> (How the Night Arrived), by Huber Matos; <i>La Fiesta del Chivo</i> (The Feast of the Goat), by Mario Vargas Llosa; <i>El Poder de los Sin Poder</i> (Power of the Powerless), by Vaclav Havel; and children's reading and coloring books. Grantees also published books on Cuba written by Cuban activists, such as <i>Vive Boitel</i> (Boitel Lives), by Jorge Luis García Pérez; and <i>Ojos Abiertos</i> (Eyes Open), a collection of literature, poetry, and art by Cuban writers and artists participating in a literary contest. Topics included peaceful democratic activism, Cuban and U.S. society and history, international politics, and transitions to a free market economy. Dissidents and others in Cuba said that <i>The Da Vinci Code</i> and Harry Potter titles currently are two favorites of adults and children. Magazines contained news and opinion articles written by Cuba- and Miami-based activists. Newsletters and pamphlets summarized international and Cuba-specific news, events in Cuba, and other issues. Grantees regularly updated Web sites with news and opinion pieces, links, and other information. DVDs included recordings of Radio Martí, grantee-produced talk shows, recordings of political prisoners' trials, and American children's movies. CDs included recordings of Cuban-American music. Radio program content included music, news analysis and commentary, and recorded call-in programs.

Source: GAO analysis of 10 grantees' quarterly reports submitted to USAID and State, and other records.

^aQuantities include humanitarian assistance reported in pounds. In addition, some grantees reported the quantity or the value of items sent—for example, one grantee reported shipping approximately \$4,500 worth of humanitarian aid.

^bQuantities of items as reported. In some cases, grantees did not specify quantities of items sent to Cuba. For example, one grantee reported that individuals delivered "modest amounts of equipment."

^cGrantees' e-mail distribution lists ranged in size from about 1,500 subscribers in the United States, Cuba and other countries, to tens of thousands of e-mail addresses in Cuba.

⁴One grantee reported an increase in Internet communication following the opening of USINT's computer labs in Havana.

In technical comments on this report, USAID officials said that the purpose for providing novels, video games, children's coloring books, and some other items listed in table 5 is to attract Cubans to independent libraries and other organizations so that they can review other materials on democracy, free markets, and other subjects.

Eight grantees also reported conducting international outreach and advocating for human and workers' rights causes in Cuba (either directly or through subgrantees). Our analysis of quarterly reports shows that these grantees were involved in organizing or participating in the following types of activities in 2005:

- conferences and meetings held by groups such as the United Nations Human Rights Commission in Geneva, Switzerland, and the Organization of American States General Assembly, in Ft. Lauderdale, Florida;
- meetings with foreign government and political leaders to discuss human and workers' rights in Cuba and possible support for activists;
- conferences and meetings of civil society groups;
- press conferences, news releases, and other events related to human rights; and
- mail, e-mail, and letters distributed to foreign government officials.

One grantee was primarily focused on planning for a democratic transition. This grantee reported that it commissioned academic studies, compiled databases, and organized seminars in the United States and a Latin American country. These resources were made available in print and online.

Recipients of U.S. Assistance Included a Range of Cuban Civil Society Groups

Our analysis of quarterly reports and other records shows that the recipients of U.S. assistance in 2005 included political prisoners and their families, independent librarians, journalists, political parties, labor organizations, other civil society groups and activists, and, to a lesser extent, the general Cuban public (see table 6).

Table 6: Recipients of U.S. Democracy Assistance in Cuba in 2005

Recipient	Reported assistance
Political prisoners and their families	<ul style="list-style-type: none"> • Six grantees sent humanitarian assistance and other support to political prisoners and their families. • The Cuban Commission for Human Rights and National Reconciliation estimates there are about 300 political prisoners in Cuba, including about 60 of the 75 activists and dissidents arrested during the 2003 crackdown.
Independent libraries	<ul style="list-style-type: none"> • Eight grantees supported independent libraries throughout Cuba. • Libraries typically are located in activists' homes, civic groups, and religious community centers; they provide space for adults and children to read, hold discussions, watch television and movies, play games, draw and paint.
Independent journalists	<ul style="list-style-type: none"> • One grantee focused on providing assistance to independent journalists. • Other grantees may provide assistance to independent journalists who are also independent librarians or family members of political prisoners. • One grantee reported that an average of about 30 independent journalists submit news and opinion articles and photos for publication online or in print.
Independent political parties	<ul style="list-style-type: none"> • Five grantees sent assistance to leaders of various political parties in Cuba. • Although the Cuban Communist Party is the only official political party in Cuba, a number of unofficial, independent political parties also exist.
Independent labor organizations	<ul style="list-style-type: none"> • One grantee focused on supporting independent workers' rights organizations in Cuba. Three other grantees also reported supporting these groups. • The Cuban government permits only one legal labor organization, the Confederation of Cuban Workers.
Other independent civil society groups and activists	<ul style="list-style-type: none"> • Five grantees sent materials and training to civic groups, religious centers, Cuban writers' and artists' groups, human rights groups, and other professional organizations.
Cuban public	<ul style="list-style-type: none"> • Five grantees sent information directly to the Cuban public via Internet sites, e-mails, and radio broadcasts. • Grantees generally did not estimate how much of the population received assistance through redistribution via independent organizations.

Source: GAO analysis of 10 grantees' quarterly reports submitted to USAID and other records.

Note: Individuals may be a member of more than one group—for example, the spouse of a political prisoner might also be an independent librarian or journalist.

According to USINT officials, recipients sometimes give away or sell books, magazines, newspapers, or other assistance. According to senior USINT officials, these actions may have the unintended effect of expanding the reach of U.S. assistance. Senior U.S. officials viewed these losses due to confiscation or reselling as an unavoidable cost of providing democracy assistance in Cuba's repressive political and economic environment. However, in technical comments on this report, USAID officials said that, despite potential benefits of expanding the reach of US assistance, selling such assistance is not allowed under USAID policy. USAID recently sent an e-mail to its grantees reminding them that they are

forbidden to sell or knowingly condone the selling of humanitarian aid or other assistance by recipients.

Several Methods Used to Deliver U.S. Assistance

The grantees in our sample reported using several methods to deliver humanitarian aid and material assistance, training, and informational materials to Cuba. Grantees and U.S. officials said that these methods involved different security, flexibility, and cost considerations. For example, the estimated cost of delivering humanitarian or material assistance to the island ranged from about \$4 to \$20 per pound.

Some grantees have taken steps to reduce the risk of loss—due to theft or confiscation by the Cuban government—of assistance shipped to Cuba. Dissidents we interviewed in Havana said that the assistance they received from USAID and State grantees (and other organizations) was sometimes interrupted. In addition, USAID officials said that the Cuban government closed some independent libraries and confiscated their books and equipment in 2005.

We plan to issue a classified version of this report that would provide additional information about the methods used to deliver U.S. assistance to Cuba, steps taken to reduce losses of assistance shipped to the island, and some of the recipients of U.S. assistance in Cuba.

USINT Delivers Some Grantee and Other Assistance

USINT data shows that it delivers assistance and information to more than 2,500 individuals and groups in Cuba. In 2005, for example, the office distributed over 269,000 books, magazines, articles, pamphlets, and other materials. According to U.S. officials, USINT's role delivering democracy assistance has increased since 2000—as indicated by the substantial increase in the volume.³⁰ These officials also said that further expanding the volume of items distributed would require additional staff and resources.

The assistance delivered by USINT was funded by State and USAID grantees as well as by USINT. According to U.S. officials, USINT purchased materials, equipment, and information, including U.S. national

³⁰USINT records indicate that the annual volume of shipments increased between 2000 and 2005 by about 200 percent—from about 51,000 to 155,000 pounds. U.S. officials estimate that equipment, books, and other assistance materials distributed by USINT made up about 50–70 percent of the total volume for 2005.

news and professional magazines, such as the Spanish-language versions of Newsweek, *The Economist*, *Art in America*, *The Atlantic*, *Popular Mechanics*, and *Downbeat*. In 2004, the office also purchased equipment, materials, and an electronic subscription allowing it to publish onsite 300 copies of *El Nuevo Herald* daily newspaper. USINT also purchased and distributed radios, laptop computers, and DVD players. Some of this material and information distributed by USINT is redistributed by individuals and groups to other locations in Cuba.

During our fieldwork at USINT, we observed employees unload, sort, and distribute shipments sent by USAID grantees and one U.S.-based NGO, as well as items purchased by USINT. Shipments included materials for independent librarians and journalists, artists, musicians, academics and teachers, churches, and foreign diplomats. Some of these shipments were addressed to specific individuals. USINT officials said that they deliver information directly to some Cuban government officials. USINT officials also distribute literature and equipment to Cubans visiting the consular section for visas or other business.

As part of its public diplomacy efforts, USINT provides videoconferencing capabilities and public Internet access to facilitate the work of State and USAID grantees. For example, grantees use Internet-based video conferencing for training sessions. We observed a training session organized by one USAID grantee for approximately 20 independent journalists. In addition to the training, the participants said that they had received other U.S. assistance, such as equipment, supplies, and help in publishing their stories outside Cuba. USINT also provides public access to about 20 computers with Internet access, printers, and copiers. During our fieldwork, we observed that a number of Cuban activists used these computers. The computers also appeared to be popular with the Cuban public—reservations for using them were booked for a month in advance, according to USINT employees managing this equipment.

Additionally, as part of USINT's public diplomacy program, the public affairs office also compiles and selects daily news clippings and quotes to display on an electronic billboard news ticker located on USINT's exterior. This billboard was installed in January 2006 to display information for people passing the building, which is located on a major Havana street and pedestrian walkway.

Monitoring and Oversight of Cuba Program Grants Did Not Provide Adequate Assurance That Funds Were Used Properly

USAID's internal controls over both the awarding of Cuba program grants and the oversight of grantees do not provide adequate assurance that the grant funds are being used properly or that grantees are in compliance with applicable laws and regulations.³¹ The *Guide to Opportunities for Improving Grant Accountability* states that organizations that award grants need good internal control systems to provide adequate assurance that funds are properly used and achieve intended results.³² However, we found some weaknesses in internal control in the preaward, award, implementation, and closeout phases of Cuba-program grants management.³³ The agency's preaward reviews of grantees often were not completed prior to grant awards, and USAID auditors did not adequately follow up to correct deficiencies after grant awards. In addition, the standardized terms and conditions of grants and cooperative agreements lacked the detail necessary to support adequate accountability; specifically, the grants and cooperative agreements did not include a requirement for an acceptable internal control framework, nor did they contain provisions for correcting deficiencies noted by preaward reviews. USAID's Cuba program office also does not have adequate policies and procedures for assessing grantee risks in order to put in place proper procedures to reduce that risk. In addition, a lack of adequate oversight and monitoring by USAID's program office allowed for questionable expenditures by grantees to go undetected; moreover, grantee compliance with cost-sharing provisions was not adequately addressed. The program office also did not provide adequate training to grantees and does not appear to routinely follow prescribed closeout processes. These

³¹GAO's *Standards for Internal Control in the Federal Government* provides an overall framework for establishing and maintaining internal control, identifying and addressing major performance and management challenges, and identifying and addressing areas at the greatest risk of fraud, waste, and mismanagement. [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999).

³²A guide compiled by members of the Grant Accountability Project—a collection of federal, state, and local audit organizations tasked by the Comptroller General's Domestic Working Group to offer suggestions for improving grant accountability. See Domestic Working Group, *Guide to Opportunities for Improving Grant Accountability* (Oct. 2005), available at <http://www.ignet.gov/randp/rpts1.html>.

³³In the preaward stage, potential grantees submit applications for agency review. In the award stage, the agency identifies successful applicants or legislatively defined grant recipients and awards funding. The implementation stage, also referred to as the postaward stage, includes payment processing, agency monitoring, and grantee reporting, which may include financial and performance information. The closeout phase includes the preparation of final reports, financial reconciliation, and any required accounting for property.

weaknesses in agency and program office internal control policies and procedures contributed to internal control deficiencies we found at 3 of the 10 grantees we reviewed, leaving USAID’s Cuban democracy program at increased risk of fraud, waste, and abuse. We referred the problems we identified at these 3 grantees to the USAID Office of Inspector General.

USAID’s Preaward Processes Were Inadequate

USAID guidance requires grant officers to determine whether the potential recipient possesses, or has the ability to obtain, the necessary management competence in planning and carrying out assistance programs, and whether it practices mutually agreed upon methods of accountability.³⁴

As addressed in the *Guide to Opportunities for Improving Grant Accountability*, an effective review performed before the award—which includes a general review of the control environment and the control activities in place—helps to detect and correct control weaknesses that could contribute to potential fraud, waste, and abuse of grant funds. The potential grantee can then correct these weaknesses before USAID provides funding. During our site visits, we identified fundamental internal control weaknesses at three grantees that might have been mitigated if USAID had performed more timely preaward reviews and performed the necessary follow-up on findings. (Table 7 lists some examples of the internal control weaknesses we identified at these three grantees.)

First, in four of the eight instances in which preaward reviews were conducted, the reviews were completed after the awards were made.³⁵ According to USAID officials, these four reviews were issued from 3–33 days after the award date primarily because of staffing shortages. However, in technical comments on our report, USAID officials said that the agreement officer received oral findings from USAID or Defense Contract Audit Agency auditors before the final report.

³⁴USAID, ADS Chapter 303—*Grants and Cooperative Agreements to Non-Governmental Organizations*; Section 303.3.9.1(a), Pre-Award Survey Requirements.

³⁵Preaward reviews were conducted for 7 of the 10 grantees we reviewed. One grantee received two preaward reviews. According to a USAID procurement official, in accordance with agency guidance, preaward reviews were not conducted for 3 of the 10 grantees because they were well-established and had done previous business with USAID.

We also identified one preaward review conducted for USAID by the Defense Contract Audit Agency that appears to have had limitations and weaknesses in its implementation. This review, dated November 20, 2002, concluded that one of the three grantees for which we identified fundamental internal control weaknesses had an adequate accounting system. However, during our site visit in 2006, this grantee could provide only some paid invoices and bank statements for transactions before February 2005. These records were insufficient for tracking and reporting accumulated grantee expenditures or reconciling bank accounts.

Second, USAID's follow-up on preaward reviews was insufficient to provide assurance that deficiencies and weaknesses found during the preaward reviews were adequately addressed. Five of the eight preaward reviews we assessed made recommendations for correcting deficiencies in the grantees' accounting systems that could adversely affect grantees' ability to record, process, summarize, and report direct and indirect costs. However, the corresponding grants and cooperative agreements did not include specific provisions for correcting these deficiencies.³⁶ Moreover, although all eight reviews we assessed recommended follow-up reviews, USAID did not conduct most of them in a timely fashion. In one case, USAID did not conduct a follow-up review until 3 years after such a review was recommended in an initial review. In technical comments on this report, USAID officials said that in the past there were some instances where resources for preaward and follow-up reviews were not available, but that obtaining funding for these reviews is generally a priority for USAID and the Office of Acquisition and Assistance. USAID officials stated that the Office of Acquisition and Assistance will work with the Cuba program office to ensure information regarding grantee audits is communicated to all appropriate staff in a timely manner and that if any subsequent audits are necessary, adequate funding will be made available.

³⁶See Office of Management and Budget (OMB) Circular No. A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*. OMB has codified A-110 at 2 CFR Pt. 215, and USAID had codified the requirements of A-110 at 22 CFR Pt. 226.

Grant Agreements Did Not Support Program Accountability

We performed a detailed review of four cooperative agreements and one grant agreement that USAID signed between 1997 and 2005 for democracy assistance for Cuba.³⁷ These agreements had a variety of objectives, ranging from providing humanitarian assistance to dissidents and their families to providing information about conditions in Cuba to the Cuban public and the international community. In general, however, the standardized language of the agreements did not contain sufficient detail to address the unique objectives of each grant, the grantee's internal controls, or the remediation of known grantee deficiencies. This increases the risk that grantees will use program funding, either unintentionally or intentionally, for purposes that are not intended by the program and that program assets will not be adequately safeguarded.

According to the *Guide to Opportunities for Improving Grant Accountability*, the terms, conditions, and provisions in the award agreement, if well designed, can render all parties more accountable for the award. The terms and conditions in the USAID grants and cooperative agreements we reviewed generally lacked the detail necessary to provide adequate guidance to grantees. For instance, although providing humanitarian assistance is a common objective, the agreements provided insufficient detail for grantees to differentiate between allowable and unallowable types of such assistance. In addition, rather than providing guidance in the agreement document, the agreements pointed to additional sources of rules and regulations, including supporting legislation that the grantees might have difficulty locating or implementing without additional guidance. For example, the agreements do not contain details about acceptable cost-sharing contributions, but instead direct grantees to the Code of Federal Regulations. The grant agreements we reviewed also did not include provisions requiring grantees to establish and maintain an acceptable internal control system or, as previously discussed, provisions for correcting deficiencies identified during preaward reviews.

³⁷We judgmentally selected these 5 agreements from the 13 USAID agreements in our sample because they represent a broad range of the types of objectives outlined by Cuba program grantees. A USAID official confirmed that all of the agreements use standard language from document-generating software that is modified periodically under the direction of USAID's Office of Acquisition and Assistance.

Cuba Program Office Inadequately Monitored and Oversaw Grant Implementation

Internal controls should be designed to provide for ongoing monitoring in the course of normal operations. We identified several weaknesses in the USAID Cuba program office's oversight and monitoring of grantees' implementation of grants and cooperative agreements, including the lack of policies and procedures for identifying at-risk grantees, formal oversight of grant implementation, and a framework for monitoring cost sharing. In addition, the program office provided inadequate training to grantees. These weaknesses exist in a restrictive environment where the Cuban government precludes Cuba program officers from directly observing the use and outcomes of the assistance.

Policies and Procedures for Mitigating Risks at At-Risk Grantees Are Inadequate

The USAID Cuba program office does not have adequate policies and procedures for assessing and managing the risks associated with specific grantees. USAID Cuba program officials have not performed a formal risk assessment of the grantees providing assistance to Cuba, although they said that they consider recipients of larger awards to be higher risk. Larger recipients often are subject to the Single Audit Act³⁸ and annual financial statement audits, and are therefore subject to internal control and compliance testing. The program director and program office staff said that they visit grantees at least quarterly. However, one of the grantees we reviewed said that USAID officials do not conduct formal financial oversight visits to their office. Visits to large and small grantees were not formally documented and were not based on structured oversight procedures. In addition, the USAID program office also performed limited to no reviews of the financial records for recipients, increasing the risk that they would operate without effective controls. USAID Cuba program officials said that if the applicant had a prior history of managing USAID or U.S. government contracts or grants, USAID contacted the cognizant USAID or other federal agency technical officer for information about those awards. For applicants without a prior history of managing such federal awards, the program office verifies that the applicant had received

³⁸The Single Audit Act (31 USC 7501-7507) is intended to promote sound financial management, including effective internal controls, for federal awards administered by state and local governments and nonprofit organizations. OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, sets standards related to the Single Audit Act, including a requirement for organizations that expend \$500,000 or more in federal awards during the fiscal year to have a single or program-specific audit conducted for that year, including a review of internal controls.

USAID Does Not Effectively Monitor Grant Project Implementation

501(c)(3) status from the Internal Revenue Service (IRS).³⁹ USAID also conducts local inquiries to verify the reputation and qualifications of the applicant.

USAID's Cuba program office does not have a formal grantee monitoring and oversight process to help ensure accountability for grant funds. We found key weaknesses in the oversight USAID did provide.

First, USAID lacked adequate documentation of the grantees' implementation plans. Five agreements between USAID and grantees specified that grantees were to submit implementation plans for approval before initial disbursements. A USAID official said the plans had been communicated orally or included in the grantees' initial proposals. However, we found inadequate documentation in USAID's files to support this. In addition, some grantees with whom we spoke lacked an understanding of USAID's requirements for implementation plans. For example, two grantees could not confirm the existence of implementation plans for their respective grants.

Second, USAID did not require grantees to submit detailed, well-supported quarterly reports and did not have a formal process for reviewing those reports. Along with a narrative report, USAID requires grantees to submit one-page quarterly financial reports (but not supporting documentation) to validate underlying expenditures. Although grantees provide summary amounts for expenditures and obligations, the financial information required by USAID in the quarterly reporting process is not sufficiently detailed to help the program office identify potentially inappropriate expenditures. In addition, USAID does not have a formal process for reviewing this reporting. The lack of formal quarterly review procedures and documentation reduces USAID's ability to identify and correct inappropriate expenditures by grantees. In technical comments on this report, USAID officials said that the Paperwork Reduction Act limits USAID's ability to require, as a general rule, grantees to report information in addition to that required under OMB circular A-110 and 22 CFR Part 226

³⁹501(c)(3) status, which is based on a provision in the Internal Revenue Code, means that the IRS has reviewed an NGO's application for such status entitling it to exemption from federal taxation, and has determined that the NGO meets specified criteria, such as being organized and operated exclusively for a public purpose (such as charity or education) and not engaging in prohibited activities (such as lobbying or profit-making). Because the IRS has already performed a review of an NGO's organization and operation, USAID can reasonably rely on IRS's prior work and thus needs to conduct a less comprehensive review using USAID resources.

without approval from OMB. USAID officials said that they will consider pursuing OMB approval.

Third, USAID does not have a protocol for monitoring visits to grantees and does not document the results of those visits. Our Standards for Internal Control in the Federal Government addresses the need for developing and implementing detailed procedures for grantee monitoring. During our fieldwork, we accompanied USAID Cuba office staff on site visits to several grantees. During this fieldwork, we observed that USAID officials did not use a structured review process or coordinate their reviews to prevent gaps or duplication of efforts. USAID officials did not prepare trip reports or other written summaries of their observations during these site visits.⁴⁰ Some grantees stated that program officials generally examined only a limited number of invoices during their visits. One program office staff member said that, during site visits, he typically spent about an hour interviewing grantee representatives and reviewing records at each grantee.

USAID Cuba Office Lacks Framework for Monitoring Cost Sharing

USAID's Cuba program office did not have a framework for overseeing grantee compliance with cost-sharing requirements in their grants and cooperative agreements and could not determine whether grantees were complying with these requirements. Cost sharing, an important element of the USAID-grant recipient relationship, is applied to certain grantees on a case-by-case basis. If USAID includes a cost-sharing provision in an agreement, the respective grantee must finance a specified amount of activity costs using nonfederal funds. Some agreements allow grantee contributions to include nonmonetary contributions, such as services and property, in addition to cash contributions.⁴¹

⁴⁰The USAID program director said that the program office and grantees were concerned about creating records that might be released under the Freedom of Information Act, because the release of such information could damage program activities and/or result in the harassment or imprisonment of aid recipients in Cuba. However, in technical comments on this report, USAID officials said that concerns related to protecting sensitive information have been addressed through the application of Freedom of Information Act exemptions and, thus, in the future, will not present an obstacle to recordkeeping.

⁴¹OMB Circular No. A-110 provides guidance on cost sharing; USAID has adopted and codified this guidance with some limited modifications at 22 CFR 226.23. With a few limited exceptions, a grantee receiving federal dollars under more than one federal grant program may not use the funds received under a different grant for cost sharing. On this last point, see GAO, *Principles of Federal Appropriations Law* (commonly referred to as "the Redbook"), [GAO-06-382SP](#), at 10.E.4 (3rd ed. Feb. 2006).

Twelve of the 13 USAID agreements we reviewed contained cost-sharing provisions, totaling about \$7.6 million. In some cases, the grantee's cost share was a significant portion of the total amount of assistance authorized under the agreement. For example, one grantee's initial share represented 56 percent of the total estimated program amount. Moreover, as previously discussed, the cost-sharing provisions we reviewed offered little guidance about the allowable sources of cost-sharing funds or the methods for valuing non-monetary contributions applied toward the cost share, instead directing grantees to the Code of Federal Regulations.⁴²

Grantees are required to periodically report to USAID the amounts they have spent as their portion of the cost sharing. However, based on a review of grantee documentation and interviews with agency staff, we determined that USAID does not systematically monitor grantee compliance with cost-sharing requirements. For example, staff does not use a work program or structured methodology to determine whether grantees comply with cost-sharing provisions in their respective agreements.

Two of the USAID grantees we reviewed reported that they complied with USAID grant regulations by applying funds received under grants from NED toward their required share of program costs. USAID grant regulations at 22 CFR 226.23 require grantees to meet their cost-sharing requirement with nonfederal resources. For the purpose of complying with USAID grant regulations on cost-sharing requirements, it is unclear whether funds received under grants from NED constitute federal or nonfederal resources.⁴³ USAID officials, after consulting with State and NED officials, have determined that NED funds provided from U.S. government sources cannot be used by NED grantees to meet required cost-share contributions under USAID regulations. USAID officials said

⁴²22 CFR 226.23 states that cost sharing must meet specific guidelines. For example, contributions must be verifiable through recipient records, necessary and reasonable for proper and efficient accomplishment of project or program objectives, not paid by the government under another award (except where authorized by federal statute), and provided for in the approved budget.

⁴³This issue arises because NED is a private, nonprofit corporation established by statute that receives federal funds to carry out its activities. Under the NED statute, State is required to make an annual grant to NED out of specific appropriations to carry out the purposes of the NED statute. NED is prohibited from carrying out activities directly and is instead required to fund private-sector initiatives furthering this purpose. Therefore, NED makes grants to private NGOs, which may at the same time be USAID grantees.

that they will address the proper use of NED grant funds provided from U.S. government sources in relation to existing and future USAID grants.

USAID Does Not Provide Adequate Training to Grantees

One important role for a grantor program office is the training and guiding of program grantees, as discussed in the 2005 *Guide to Opportunities for Improving Grant Accountability*. However, USAID does not provide formal grant management training to help grantees understand the regulations, policies, and procedures governing grant funds.⁴⁴ According to USAID officials, limited English proficiency has created additional challenges for some of the smaller grantees. The Cuba program director stated that he had wanted to provide formal training to certain grantees, but was concerned about the grantee reaction to creating training requirements for some, but not all, grantees. In technical comments on this report, USAID officials said that although grantees are responsible for understanding and complying with grant provisions and federal laws and regulations, USAID will consider providing Spanish language technical assistance to grantees to build NGO capacity for financial management. USAID also is pursuing providing grant and regulation information to grantees in Spanish.

USAID Does Not Appear to Routinely Follow Prescribed Closeout Processes

Closeout processes can be used for identifying problems with grantee financial management and program operations, accounting for any real and personal property acquired with federal funds, making upward or downward adjustments to the federal share of costs, and receiving refunds for unobligated funds that the grantee is not authorized to retain. USAID did not provide us with evidence that they routinely performed closeout

⁴⁴The guide states that agency staff and grantees need sufficient training so that they can understand the regulations, policies, and procedures governing grant funds. The guide further states that it is essential that grantees receive such training, particularly small entities unfamiliar with all of the regulations and policies. See Grant Accountability Project, Domestic Working Group, *Guide to Opportunities for Improving Grant Accountability* (Oct. 2005).

processes for some agreements.⁴⁵ Currently, USAID guidance states that if a U.S. grantee requires a closeout audit, the Office of Acquisitions and Assistance must include a closeout audit request in the next regularly scheduled audit of the organization. In technical comments, USAID officials said that such audit requests are no longer made because the agency uses a database system to track whether grantees required to have closeout audits receive one in accordance with agency policies and procedures. The Office of Acquisitions and Assistance recognizes that the current written policy regarding closeout procedures is outdated and is working to update it.

USAID's Weaknesses Contributed to Deficiencies Observed at Three Grantees

During our limited reviews, we identified fundamental internal control weaknesses at 3 of the 10 grantees that most likely would have been identified had USAID followed up on weaknesses identified by preaward reviews. In addition, the lack of adequate oversight and monitoring by USAID's program office allowed for questionable expenditures by three grantees to go undetected. Table 7 summarizes the internal control weaknesses we observed at these grantees.

⁴⁵According to USAID officials, agency policy for closeout reviews of U.S.-based grantees depends on whether the grantees are subject to the Single Audit Act. For grantees subject to this act, USAID verifies that they file an A-133 report before closing out that grant. For grantees not subject to this act, the Office of Acquisition and Assistance reviews the project file and consults with the agreement officer and cognizant technical officer to determine whether a particular grantee should receive an audit. Factors considered in making this determination include whether there have been performance concerns and the benefits and costs of an audit. USAID guidance instructs agreement officers to "leave open" all grants with open (unresolved) audit recommendations.

Table 7: Internal Control Standard Deficiencies Observed at Three Grantees, March–April 2006

Grantee A	Grantee B	Grantee C
Control environment		
<ul style="list-style-type: none"> A poor “tone at the top” and attitude by grantee management toward maintaining adequate financial and program records. Grantee management lacks knowledge that commingling funds was not authorized under the program. 	<ul style="list-style-type: none"> Grantee management lacks understanding of the requirements in the grant agreement. 	<ul style="list-style-type: none"> Grantee management lacks understanding of the requirements in the grant agreement. Management indicated that they were selling some inventory items, primarily books meant for distribution in the program, to raise additional revenue.
Control activities		
<ul style="list-style-type: none"> Significant commingling of funds between the Executive Director’s personal bank account, the USAID grant account, and the private donations account. Lack of bank reconciliations and adequate records to support expenditures. Lack of documentation to determine compliance with cost-sharing requirements detailed in grant agreement. Recording of time charges that do not appear to be logical or correct. 	<ul style="list-style-type: none"> Lack of accounting records to support expenditures. For example, grantee could not produce expense reports or detailed listings of expenses for periods prior to February 2005. Questionable travel expenses lack adequate documentation. Lack of documentation to determine compliance with cost-sharing requirements detailed in grant agreement. 	<ul style="list-style-type: none"> Lack of accounting records to support expenditures. For example, grantee couldn’t provide time reports to justify salary expenses for some employees. Questionable expenses paid to family member of grantee manager. Hundreds of dollars in petty cash was observed at the grantee’s office that was not controlled or properly secured.

Source: GAO analysis of USAID and grantee records.

The 3 grantees discussed in table 7 accounted for about 9 percent (\$4.7 million) of the awards received by the 10 grantees we reviewed.⁴⁶ Two of the 3 grantees detailed above did not maintain adequate records of the amount and type of assistance or materials sent to Cuba, the methods and dates assistance was sent or transmitted, or efforts to verify that assistance was received. Additionally, these two grantees had not established systematic procedures for gathering, documenting, and reporting this information.⁴⁷

⁴⁶The 10 grantees we reviewed had 13 USAID Cuba awards totaling almost \$50 million, and one State DRL Cuba award of about \$2.3 million. We calculated percentages using the total amount for 14 awards.

⁴⁷Nevertheless, some dissidents in Havana said that they had received some assistance from one of these grantees. Additionally, the USAID Cuba program director was able to confirm indirectly that some of this grantee’s shipments had reached Cuba.

For these three grantees, we identified numerous questionable transactions and expenditures that USAID officials likely would have identified had they performed adequate oversight reviews. For example, two grantees had inadequate support for checks written to key officials of that organization. In addition, one of these two grantees could not justify some purchases made with USAID funds, including a gas chainsaw, computer gaming equipment and software (including Nintendo Gameboys and Sony Playstations), a mountain bike, leather coats, cashmere sweaters, crab meat, and Godiva chocolates. According to this grantee's proposal, USAID funds were to be used to provide humanitarian assistance and information to dissidents and their families. Subsequent to our questions regarding these purchases, the grantee's executive director wrote us that he intended to submit corrections to USAID for some of these charges.

In conjunction with the USAID Assistant Administrator for Latin America and the Caribbean and the Cuba program director, we referred the problems we identified at the three grantees discussed in table 7 to the USAID Office of Inspector General. An investigator said that the Office of Inspector General was investigating these three grantees.

Based on our limited review, 7 of the 10 grantees appear to have established systematic procedures for documenting, tracking, and reporting on the use of grant funds. These 7 grantees accounted for about 91 percent (\$47.2 million) of the awards received by the 10 organizations that we reviewed (see footnote 44). The operating procedures at some of these 7 grantees are likely the result of pre-existing internal control operating characteristics (and do not reflect USAID monitoring and oversight). These grantees also had detailed records of their respective activities. For example, one grantee maintained an inventory and signed receipts for humanitarian shipments to Cuba, and dated, handwritten notes of telephone calls or other communications to verify receipt of shipments. Another grantee maintained detailed records of the methods used, quantities of printed material transmitted, and copies of communications as evidence of receipt.

Some Data Available about the Impact of U.S. Assistance

Agencies and grantees face an operating environment in Cuba that presents monitoring and evaluation challenges. USAID has conducted some program evaluation, but has not routinely collected program outcome information from its grantees. Instead, USAID and its grantees have largely focused on measuring and reporting program activities. In 2005–2006, however, USAID began to focus on collecting better information about the results of U.S. democracy assistance.

Operating Environment Presents Monitoring and Evaluation Challenges

The operating environment in Cuba poses a range of challenges to monitoring and evaluating U.S.-funded democracy assistance. Challenges include:

- The lack of USAID presence in Cuba and the inability of the USAID staff to travel there, because the Cuban government actively opposes U.S. democracy assistance.
- The lack of operational coordination and routine communication links between State and USAID (as previously discussed).
- Grantee reluctance to share information with other grantees because of concerns about potential Cuban government infiltration of grantee operations.
- USAID and grantee concerns that sensitive agency records could be disclosed in response to Freedom of Information Act requests (as previously discussed).
- U.S. officials and grantees cited potential danger to dissidents and activists in Cuba if sensitive information was released or disclosed.

The USAID Cuba program director said that in this environment, strict cause and effect relationships between the USAID program and changes in Cuban civil society are difficult to establish and document.⁴⁸ Compared with activities in Cuba, off-island activities, such as those at U.S. universities, are generally easier to carry out, monitor, and evaluate, according to USAID officials. However, off-island activities have a less-evident and slower impact on Cuban society and politics.

⁴⁸Democracy assistance in authoritarian or totalitarian states such as Cuba is often designed to lay the groundwork for future transitions and, as such, the impact of that assistance can be difficult to measure, particularly at an early stage. One democracy expert has written that “many of the most important results of democracy programs are psychological, moral, subjective, indirect and time-delayed.” Thomas Carothers, *Aiding Democracy Abroad* (Carnegie Endowment for International Peace: Washington, D.C.: 1999, p. 340).

USAID and Grantees Have Conducted Some Evaluations of Cuba Assistance

USAID’s Cuba program office and its grantees have conducted some evaluations of U.S. assistance, but these studies have been limited in number and scope. USAID officials also have informally interviewed Cuban dissidents and émigrés about the receipt and effectiveness of U.S. assistance, but they did not systematically document, compile, or analyze the results of these interviews. Although USINT has assessed some independent libraries in Cuba, USAID has not received its reports.

USAID and Grantee Evaluations of Cuba Assistance

USAID and its grantees have conducted some evaluations of U.S. democracy assistance for Cuba (see table 8). Generally, however, these efforts have not reflected a systematic approach to program evaluation, although some benefits resulted.

Table 8: Evaluations of USAID’s Cuba Democracy Assistance, 1996–2005

Evaluation/study	Evaluation author, purpose, and findings	Our comments and observations
Grantee evaluation of independent NGOs (2004–2005)	<p>One year after increased repression in Cuba, a grantee conducted an evaluation of some independent NGOs in Cuba at USAID’s request.</p> <p>The study methodology included fieldwork in Cuba by subject matter experts and telephone interviews and analysis.</p> <p>The study:</p> <ul style="list-style-type: none"> • identified challenges—such as an out-dated leadership structure and “brain drain” caused by emigration; • identified best practices and lessons learned; and • included several recommendations to improve program implementation. 	USAID and grantee officials stated that they benefited from this evaluation and that it provided otherwise unavailable information.
External evaluation of USAID’s Cuba program (2000)	<p>USAID contracted with PricewaterhouseCoopers to assess the effectiveness of its program, assess grantee compliance with the agreement terms and conditions, and recommend program improvements.</p> <p>The study methodology included reviewing grantee records and interviews with grantee representatives, U.S. officials, academics, and other experts. The study did not include fieldwork in Cuba.</p> <p>The study found USAID’s administration of the Cuba program to be generally satisfactory. For monitoring and evaluation, the study noted, however, that baseline data and targets to measure program performance were drawn from limited data sources and had limited utility for monitoring and evaluating the activities of some grantees.</p> <p>The study recommended increasing program staff, adopting a research agenda to guide planning and inform program activities, expanding grantee information sharing and cooperation, and improving measurement of program performance.</p>	USAID implemented some of the study’s recommendations but did not implement others, such as the recommendation to improve program performance (results) measures. ^a

Evaluation/study	Evaluation author, purpose, and findings	Our comments and observations
Survey of recent Cuban emigrants (1999)	Survey of recent Cuban emigrants to establish a baseline on knowledge, attitudes, and access to accurate information about democracy, human rights, and free enterprise.	The Cuba program plans to fund a follow-up survey to measure changes in knowledge, attitudes, and access to information since the 1999 survey.
Focus groups with Cuban émigrés (2003–2006)	Two grantees conducted focus groups with recent Cuban émigrés to estimate the audience for, and improve the content and effectiveness of, a pro-democracy newsletter published and distributed in Cuba by one of the grantees. The grantees documented, compiled, and analyzed the results of these groups.	The USAID Cuba program director has participated in some of these groups and has reviewed some of the resulting analyses.
Grantee end-of-project reports (various years)	USAID grants and cooperative agreements require grantees to submit final reports containing an evaluation of the program’s accomplishments and failings, including comments and recommendations for potential future work.	In our review of USAID files maintained for each grantee, we found few end-of-project reports. Because agreements did not require intermediate program evaluations, USAID’s frequent use of agreement extensions has allowed many projects to continue for several years without evaluation. ^b

Source: GAO analysis of USAID and grantee records.

^aIn technical comments on this report, USAID officials said that, following the evaluation, the Cuba program relied on an annual census of the Cuban opposition’s on-island actions as a proxy indicator for assessing the performance of USAID programs to help develop civil society in Cuba (see our discussion of this measure below).

^bIn technical comments on this report, USAID officials said that grantee proposals requesting additional funding include lessons learned and other information normally found in an end-of-project report. The interagency committee reviewing the proposals uses this and other information to evaluate grantee performance.

USAID’s Informal Interviews with Cuban Dissidents

The USAID program director also has conducted a number of informal interviews with Cuban dissidents and members of independent Cuban NGOs able to travel outside Cuba. Although limited by Cuban government controls on travel, these opportunities provided USAID with some ability to verify the receipt and impact of grantee assistance directly, according to USAID officials. For example, the program director was able to verify that some dissidents had received, and continued to use, computers shipped to the island. In other cases, USAID has relied on USINT reporting to verify receipt of such assistance. However, these interviews and discussions were conducted on a sporadic basis, and USAID officials did not systematically document, compile, or analyze the results.

USINT Assessments of Independent NGOs in Cuba

USINT officials have done some monitoring of assistance (books, equipment, and supplies) distributed to about 100 independent NGOs in Havana. (USINT employees distributed this assistance, which it and USAID grantees had purchased.) As we observed during our fieldwork, USINT employees kept records of unannounced inspection visits to these

organizations and submitted summary reports to USINT officials. Based on these reports, USINT officials have recommended increases or decreases in the level and type of assistance provided to these NGOs. Although there have been documented losses at some of these organizations, USINT officials said such losses were unavoidable in Cuba and that their policy is to continue providing some limited assistance to these NGOs. As discussed previously, however, USAID has not received these reports.

USAID and Grantees Have Focused on Measuring and Reporting Program Activities

USAID and its grantees have not routinely collected and reported data and other information about the results or impact of the democracy assistance they have provided. USAID's reports have focused primarily on measures of program activities. The Cuba program office's accomplishment reports, updated on a monthly basis, consolidate quantitative data about activities and related information submitted quarterly by grantees, such as the number of books, newsletters, and other informational materials sent to the island; the number of reports published by Cuban independent journalists; and instances where the international community denounced Cuban government human rights violations. The Cuba program's annual operational plan takes a similar approach. USAID officials said that data about shipments of books, newsletters, and other informational materials provide a measure of the flow of information to Cuba. The officials also said that data about the number of independent journalists published outside Cuba on the Internet (or in hard copy) provide a measure of the flow of information from Cuba. However, these reports and data do not provide an assessment of the impact or contribution of these activities in the context of helping to build civil society in Cuba (part of the USAID Cuba program's strategic objective) or the effectiveness of U.S. assistance in achieving broader U.S. democracy goals and objectives for Cuba.⁴⁹

In addition to measures of program activities, USAID officials point to the total number of nonviolent acts of civil resistance in Cuba, as reported in annual *Steps to Freedom* reports,⁵⁰ as a proxy indicator for measuring the

⁴⁹One difficulty in assessing program impact is that USAID has not identified intermediate outcomes for these objectives. Our prior work suggests that identifying short-, intermediate-, and long-term outcomes can help agencies evaluate program results, as required by OMB. For example, see GAO, *Program Evaluation: Strategies for Assessing How Information Dissemination Contributes to Agency Goals*, [GAO-02-923](#) (Washington, D.C.: Sept. 30, 2002).

⁵⁰See, for example, Cuban Democratic Directorate and Center for the Study of a National Option, *Steps to Freedom 2004: A Comparative Analysis of Civil Resistance in Cuba from February 2004 through January 2005* (Hialeah, Florida: 2005).

positive impact of U.S. democracy assistance. Rich in detail about Cuba's dissidents, the reports show that total nonviolent acts of civil resistance increased from about 600 acts in 2001 to about 1,800 in 2004. However, the reports show that, between 2002 and 2004, the number of less intense nonviolent acts of civil resistance increased while the number of more intense acts declined.⁵¹ In commenting on a draft of our report, State officials said that this decline coincided with the Cuban government's 2003 crackdown on dissidents. Annual reports on human rights conditions in Cuba prepared by Amnesty International, Human Rights Watch, and State covering the same period (2001–2004) portray a more complex and ambiguous human rights situation than the generally positive trend shown by the indicator in the *Steps to Freedom* reports.

Grantees' quarterly reports to USAID are the main vehicle for reporting performance information. The quarterly reports submitted by 10 grantees in 2005 consistently provided data about program activities. However, these reports generally did not provide a focused analysis of program accomplishments. Only two organizations consistently identified program results as part of their quarterly reporting. For example, one grantee's reports discussed the results of assistance activities in the context of the broader Cuban pro-democracy movement and short- and long-term civil society goals. USAID officials said that they had repeatedly emphasized to grantees the importance of including information about project results in their reporting. The USAID Assistant Administrator for Latin America and the Caribbean and the Cuba program director said that the director had discussed this topic at grantee meetings held several times each year.

⁵¹The *Steps to Freedom* reports discuss three levels of nonviolent acts of civil resistance that range from less to more intense: (1) protest and persuasion, including organized or spontaneous public demonstrations of discontent or against specific injustices; (2) intervention, including creating alternative venues of expression and association, such as forming independent libraries or labor unions; and (3) non-cooperation, which implies a general withdrawal of public support for a government, including refusal to participate in political activities. The 2004 report states that the number of acts of intervention declined from 389 in 2002 to 100 in 2004. Comparing the number of acts of non-cooperation reported in the 2003 and 2004 reports shows a decline in this category from 37 acts in 2002 to 4 acts in 2004.

USAID Program Office Has Started to Focus on Collecting Better Information

Since 2005, USAID's Cuba program has taken several steps to improve data collection and its communication with grantees. These include:

- *Increasing staff expertise and meeting more regularly with grantees.* In 2005, a staff member with experience in grant management and performance evaluation joined USAID's Cuba office; this staff member developed, and began using, a set of structured questions to gather and record grantee performance information. This new staff member also began to meet and regularly communicate with grantees. However, the staff member said that the office's small number of staff makes effective program monitoring and evaluation challenging.⁵²
- *Improving information in grantees' quarterly reports.* The Cuba program acknowledged that quarterly reports submitted by grantees have not included important information about program activities and results. Several grantees said that they were unsure of what evaluation-related information to include in reports and had received relatively little guidance from USAID until recently. According to USAID, smaller grantees have experienced greater challenges in this regard because of their lack of experience working with USAID and because of their limited English proficiency. USAID officials acknowledged grantees had not been provided formal training in program evaluation.

In July 2006, USAID's Cuba program office e-mailed grantees a more detailed description of the types of data and other information to include in their quarterly reports, as part of a series of e-mails to remind grantees of USAID laws, regulations, and policies. USAID staff said that they are working with grantees to improve the quality of their quarterly reports and that they intend to issue additional written guidance.

- *Requiring intermediate program evaluations.* In 2006, recognizing that the frequent use of agreement modifications and extensions had postponed end-of-project evaluations for many grantees, the Cuba program office decided to include terms in future grants and cooperative agreements requiring grantees to submit interim evaluations when requesting significant project modifications or extensions.

⁵²The 2000 PricewaterhouseCoopers evaluation report concluded that the unusual nature of the Cuba program created a heavy workload for USAID's Cuba program office and that the office was understaffed.

Conclusions

In the context of recent recommendations to increase funding for democracy assistance in Cuba, we conclude that the U.S. government's efforts to support democratic political change face several significant challenges. Some of these challenges stem from the difficult operating environment in Cuba, while others are the result of weaknesses in the managerial oversight the program has received to date. Recently, however, USAID has taken some steps to establish improved policies and reporting procedures.

Effectively delivering democracy-related assistance to Cuba will require a number of improvements, including better communication between State and USAID regarding day-to-day activities, particularly in Cuba. In addition, a number of the basic elements required for effective grant management and oversight need to be strengthened. These include ensuring that effective preaward reviews are performed, strengthening internal controls at the grantee level, and identifying and monitoring at-risk grantees. Further, agency officials need to inform and, as needed, train grantees about their shared responsibilities in collecting information that will permit better monitoring and evaluation of program outcomes. Ultimately, better program oversight can help to assure that resources are responsibly and effectively utilized and grantees are in compliance with applicable laws and regulations.

Recommendations for Executive Action

We recommend that the Secretary of State and the USAID Administrator work jointly to improve communication among State bureaus in Washington, D.C.; USINT in Cuba; and USAID offices responsible for implementing U.S. democracy assistance, recognizing that USINT has limited resources but a crucial role in providing and monitoring democracy assistance.

We also recommend that the USAID Administrator direct the appropriate bureaus and offices to improve management of grants related to Cuba by taking the following actions:

- Improving the timeliness of preaward reviews to ensure they are completed prior to the awarding of funds.
- Improving the timeliness and scope of follow-up procedures to assist in tracking and resolving issues identified during the preaward reviews.

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- Requiring that grantees establish and maintain adequate internal control frameworks, including developing approved implementation plans for the grants.
 - Providing grantees specific guidance on permitted types of humanitarian assistance and cost-sharing, and ensuring that USAID staff monitors grantee expenditures for these items.
 - Developing and implementing a formal and structured approach to conducting site visits and other grant monitoring activities, and utilizing these activities to provide grantees with guidance and monitoring.

Agency Comments and Our Evaluation

We received comments from State and USAID, which are reprinted in appendixes II and III, respectively. State and USAID appreciated the professionalism with which we conducted our review and were gratified that we were able to report that dissidents in Cuba appreciated U.S. democracy assistance, and found this assistance to be useful in their work. In response to our recommendation, State said that, consistent with the Secretary of State's recent foreign assistance reforms, it was taking steps to improve interagency communication and coordination for Cuba democracy assistance. These steps included providing USAID officials regular access to classified communications with USINT in Havana and State, and implementing regular meetings between DRL, the Bureau of Western Hemisphere Affairs' Office of Cuban Affairs, the Office of the Cuba Transition Coordinator, and USAID. State also commented that—within the constraints imposed by implementing a democracy-building program in Cuba—DRL and the Office of Cuban Affairs would work closely with all grantees to identify creative ways to document the impact of Cuba programs. These new methods of documentation would attempt to measure impact beyond direct outputs (e.g., items delivered or persons trained).

USAID said it was taking actions to improve its performance in managing, monitoring, and evaluating democracy assistance for Cuba. These actions would include better documentation of USAID grantee monitoring, improved interagency communications, and a review of all aspects of the USAID procurement system as it relates to the Cuba program. Subsequent to submitting its written comments, USAID offered additional comments regarding our recommendations. USAID concurred with our first, second, third, and fifth recommendations, as well as with the part of our fourth recommendation that USAID should ensure that its staff monitors grantee expenditures. USAID concurred, in part, with our recommendation to

provide grantees specific guidance on permitted types of humanitarian assistance and cost-sharing. To avoid potentially making grant documents unwieldy and difficult to use, USAID plans to continue to reference additional regulatory material regarding allowable costs and other matters in its grants. However, USAID will review its standard grant provisions to ensure that grantees are provided clear guidance regarding how to access referenced regulatory materials. USAID also is considering providing technical assistance for grants management and grant and regulatory documents to Cuba program grantees in Spanish.

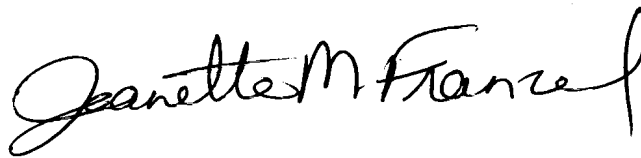
State and USAID provided technical comments on a draft of this report, which we have incorporated where appropriate. In its technical comments, USAID raised some issues regarding some of our findings. However, we have worked with agency officials to resolve or clarify these matters.

We will send copies of this report to the Secretary of State, the USAID Administrator, appropriate congressional committees, and other interested parties. Copies will be made available to others upon request. In addition, this report will be made available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact David Gootnick at (202) 512-4128 or gootnickd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.



David Gootnick, Director
International Affairs and Trade



Jeanette M. Franzel, Director
Financial Management and Assurance

Appendix I: Objectives, Scope, and Methodology

This report examines (1) the roles and objectives of the agencies implementing U.S. democracy assistance targeted at Cuba and the characteristics and selection of the grantees¹ receiving Department of State (State) and U.S. Agency for International Development (USAID) awards; (2) the types, amounts, beneficiaries, and methods used to deliver assistance for selected grantees in 2005;² (3) USAID's monitoring and oversight of these grantees; and (4) the availability of data to evaluate whether U.S. assistance has achieved its goals.

During our review, we conducted fieldwork at USAID, State, and the Departments of Treasury (Treasury) and Commerce (Commerce) in Washington, D.C.; we also conducted work at the offices of selected grantees in Washington, D.C., and Miami, Florida. At these locations, we analyzed key records and interviewed agency officials and grantees to obtain an understanding of the processes used to select grantees, monitor their performance, assess the disbursement of funds, and evaluate project results. We also discussed Cuba democracy assistance with officials at the National Endowment for Democracy and the Council on Foreign Relations in Washington, D.C.

We conducted fieldwork at the U.S. Interests Section (USINT) in Havana, Cuba, from late June–early July 2006, where we interviewed relevant U.S. government officials and observed their activities, such as sorting, delivering, and monitoring assistance. We interviewed several leading dissidents and human rights activists—including independent librarians and journalists—and family members of political prisoners. We also interviewed foreign-embassy officials.

We conducted our work from August 2005 through September 2006 in accordance with generally accepted government auditing standards.

To identify the roles and objectives of the implementing agencies, we analyzed (1) U.S. laws authorizing democracy assistance to Cuba and related records, such as agency officials' statements and committee reports; (2) State and USAID policy and strategy records, such as agency strategic and performance plans, budget requests, and bureau and mission performance plans; and (3) the two reports of the Commission for

¹This report refers to nongovernmental organizations receiving either grant or cooperative agreements as grantees.

²Unless otherwise noted, all annual references are to the U.S. fiscal year (Oct. 1–Sept. 30).

Assistance to a Free Cuba and related records. We also interviewed USAID, Treasury, Commerce, and State officials (including State's Cuba Transition Coordinator) about the objectives and roles of their agencies in providing assistance to Cuba.

To examine the characteristics and selection of the grantees that received State or USAID awards in 1996–2005, we reviewed key grantee and agency records including annual reports, proposals, and Web sites for the 34 organizations that received State or USAID awards during that period; and the grants and cooperative agreements, agreement modifications, and related agency records for the 44 awards State and USAID made during that period. We analyzed this information to determine (1) the types and location of organizations that received awards; (2) whether these organizations had previously worked on democracy promotion activities; (3) the methods State and USAID used to identify and evaluate assistance proposals; and (4) selected characteristics of the awards, such as their initial amount and length, cost-sharing requirements, and any postaward modifications.

To identify the types and amounts of assistance provided by grantees, beneficiaries of this assistance, and grantees' delivery methods, we selected a judgmental sample of 10 grantees with active awards in 2005 (see table 9). These 10 grantees were implementing 14 grants or cooperative agreements in 2005³ with a total estimated budget of nearly \$52 million. In selecting the grantees, we considered a range of factors to ensure our sample included a mix of large, medium, and small awards; included a mix of types of nongovernmental organizations (NGO); and covered the range of U.S. democracy assistance targeted at Cuba. We focused our detailed analysis on USAID's grantees and agreements because State's grants were not awarded until mid-2005. We also considered the length of time grantees had been providing U.S. democracy assistance for Cuba to ensure grantees had several years experience working with USAID.⁴ The resulting sample accounts for over 76 percent of the State and USAID awards active in 2005 for U.S. democracy assistance targeted at Cuba.

³The 14 awards consist of 1 State grant of \$2.3 million; and 1 USAID grant and 12 USAID cooperative agreements totaling \$49.6 million.

⁴At the time we conducted our site visits, the 10 grantees had received USAID funding for Cuba democracy assistance for between 2.6 and 8.3 years, with an average of 5.7 years.

Table 9: State and USAID Grantees and Awards that GAO Reviewed

Grantee	Location	Grants and cooperative agreements	
		Number of awards	Dollars (in millions) ^a
Grantee 1	Washington, DC	2	\$12.28
Grantee 2	Miami, FL	1	10.95
Grantee 3	Washington, DC	2 ^b	10.09
Grantee 4	Miami, FL	1	4.94
Grantee 5	Washington, DC	2	4.67
Grantee 6	Miami, FL	1	3.05
Grantee 7	Miami, FL	1	2.32
Grantee 8	Miami, FL	1	2.02
Grantee 9	Miami, FL	2	1.21
Grantee 10	Miami, FL	1	0.36
Total		14	\$51.89

Source: GAO analysis of State and USAID records. These grants and cooperative agreements were active in fiscal year 2005.

^aReflects agreement modifications as of 2005.

^bGrantee had one State and one USAID grant.

To identify these organizations' program objectives, we analyzed grantee proposals, grants or cooperative agreements, internal authorization memorandums, and modification of assistance forms. We obtained grantees' quarterly narrative and financial reports to USAID to identify grantees' reported activities and to quantify the types and amounts of assistance these grantees reported sending to Cuba. To corroborate these data and to develop an understanding of grantees' delivery methods, we interviewed representatives of these organizations in Washington, D.C., and Miami and, when possible, observed their activities. We also reviewed internal documents provided by these grantees, including procedures manuals, tracking databases and reports, and other records.

We developed an electronic database to track and analyze selected terms of the agreements in our sample, including objectives, award amounts and dates, cost-sharing amounts, modifications, sub-grant agreements, and reported activities. To test the general reliability of quantities of assistance recorded for our sample, we compared these data with other documents provided by grantees (e.g., shipment logs, tracking databases, and internal reports), documents submitted by USAID, and data provided by USINT. We also used interviews with grantee representatives to corroborate these data. Based on these general comparisons, we determined grantees' records were sufficiently reliable for the purposes of this report.

To identify the types and amounts of assistance provided by grantees in our sample, we used our electronic database to track and summarize grantees' individual activities, which we then used to categorize assistance types and amounts. In addition, we interviewed representatives of the grantees in our sample and select beneficiaries in Havana about their experiences.

To assess USAID's management and internal control for monitoring grantees, we reviewed grants and cooperative agreements, interviewed agency officials and select grantees, reviewed USAID and grantee policies and procedure manuals, performed walk-throughs of grantee disbursement processes, and reviewed grantee invoices and supporting documentation. For 10 grantees, we reviewed the internal controls and related residual fiscal accountability risk. Based on our initial reviews, we performed additional expenditure testing for 3 grantees that appeared to have poor control environments. To assess grantees' potential fiscal accountability residual risk, we reviewed the adequacy of their internal controls according to the criteria contained in our *Standards for Internal Control in the Federal Government*.⁵ Our procedures did not specifically address whether grantees were complying with federal laws and regulations. However, grantees expending more than \$500,000 in federal funds annually are subject to the Single Audit Act. Under this act, these grantees must receive an annual audit, which includes determining whether the grantee has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs. We focused our detailed analysis on USAID's grant oversight and did not perform similar detailed analysis of State's grant oversight because State's grants were not awarded until mid-2005.

We performed a detailed review of 5 of 14 grant agreements in our sample. We selected these agreements because they represented the range of Cuba program objectives outlined and were signed over an 8-year period between 1997 and 2005. A USAID official confirmed that all grant and cooperative agreements use standard language from document-generating software. The standard language is modified periodically under the direction of the USAID's Office of Acquisition and Assistance.

⁵GAO/AIMD-0021.3.1 (Washington, D.C.: Nov. 1999).

To assess the monitoring and reporting of program performance information evaluation, we examined USAID, Office of Management and Budget, and other federal government policies and guidance. We also reviewed our previous reports and expert panel reports on grant accountability to identify lessons learned. To better understand the challenges of evaluating democracy assistance, we reviewed relevant literature. We also analyzed USAID Cuba program documents, grantee agreements, and modifications to identify guidance provided on reporting performance data. We also analyzed grantee quarterly reports to identify how they reported program achievements. We also assessed evaluations of U.S. assistance to Cuba, such as one grantee's evaluation of some independent NGOs, the PricewaterhouseCoopers evaluation of the USAID Cuba program, and associated program documents.

We interviewed USAID Cuba program officials concerning their current and past program evaluation practices; program grantees in Miami and Washington, D.C., to identify the instructions and feedback they have received concerning program reporting and evaluation; USINT officials concerning their role in monitoring and reporting program performance information; and beneficiaries in Cuba about their views of the effectiveness of the U.S. democracy assistance they had received. We focused our detailed analysis on USAID's program effectiveness because State's grants were not awarded until mid-2005.

Both State and USAID officials provided sensitivity reviews of a draft of this report, and we followed their direction in removing potentially sensitive or classified information.

Appendix II: Comments from the Department of State



United States Department of State

*Assistant Secretary for Resource Management
and Chief Financial Officer*

Washington, D.C. 20520

SEP 20 2006

Ms. Jacquelyn Williams-Bridgers
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "FOREIGN ASSISTANCE: Better Management and Oversight Needed for U.S. Democracy Assistance Efforts in Cuba," GAO Job Code 320373.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact John Regan, Economic Officer, Bureau of Western Hemisphere Affairs, at (202) 647-9389.

Sincerely,

A handwritten signature in cursive script that reads "Bradford R. Higgins".

Bradford R. Higgins

cc: GAO – Elizabeth Guran
WHA – Elizabeth Whitaker
State/OIG – Mark Duda

Department of State Comments on GAO Draft Report:

**Foreign Assistance: Better Management and Oversight Needed for U.S.
Democracy Assistance Efforts in Cuba**
(GAO-06-1066N). (GAO Code: 320373)

Thank you for allowing the Department of State the opportunity to comment on the draft report *Foreign Assistance: Better Management and Oversight Needed for U.S. Democracy Assistance Efforts in Cuba*.

The Department of State appreciates the professionalism with which GAO conducted program audit meetings, data collection and analysis over the past year and GAO's stated willingness to incorporate the Department's technical comments into the final GAO report.

The Department of State is pleased that GAO auditors secured the necessary Cuban government visas to spend ten days in Havana meeting with some of Cuba's human rights activists, independent librarians, independent journalists, and other citizens of Cuba who struggle daily against one of the world's most repressive political and economic systems.

The Department of State is gratified that GAO was able to report that "recipients we interviewed in Cuba said they appreciated the range and types of U.S. democracy assistance, that this assistance was useful in their work, and that this aid demonstrated the U.S. Government's commitment to democracy in Cuba."

The Department of State's Bureau of Democracy, Human Rights and Labor's ("DRL") standard practice is to compete openly its Human Rights and Democracy Funds ("HRDF") grants and to meet regularly with its grantee organizations. DRL will continue this practice to the greatest extent possible with its Cuba programs. DRL's standard practice also is to solicit participation by USAID and the relevant regional bureau on all of its HRDF panels. DRL will ensure that this policy is followed on all HRDF Cuba panels.

The GAO report recommends greater communication and coordination between State and USAID on their respective programs, a process which has already begun. Consistent with the foreign assistance reforms recently launched by the Secretary through the Office of the Director of Foreign Assistance, all foreign assistance operational planning will be country based and will be integrated and coordinated among the implementing agencies. Country operational planning

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will include a careful analysis of the appropriateness and efficacy of proposed implementing partners. In addition, DRL, The Bureau of Western Hemisphere Affairs' Office of Cuban Affairs, the Office of the Cuba Transition Coordinator, and USAID will meet on a regular basis to share information gathered in quarterly grantee meetings. As part of our effort to improve communications, USAID Cuba program officials now having regular access to classified communications with the U.S. Interests Section in Havana and counterparts at the Department of State.

DRL's Cuba programs are relatively new. The implementation of democracy-building programs in countries run by closed and repressive regimes requires particular care to safeguard the security and privacy of information of grantees. Within these constraints, DRL and the Office of Cuban Affairs will work closely with all grantees to look for creative ways to document the impact of Cuba programs that measure impact beyond outputs such as items delivered or persons trained.

Appendix III: Comments from the U.S. Agency for International Development



September 15, 2006

David Gootnick
Director
International Affairs and Trade
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Gootnick:

I am pleased to provide the U.S. Agency for International Development's (USAID) formal response on the draft GAO report Foreign Assistance: Better Management and Oversight Needed for U.S. Democracy Assistance Efforts in Cuba (GAO-06-1066N). (August 2006)

USAID appreciates the courtesy with which GAO conducted program audit meetings, data collection and analysis over the past year and GAO's stated willingness to incorporate USAID technical comments into the final GAO report. We are pleased that GAO auditors received Cuban government visas to spend ten days in Havana, with the opportunity to meet with some of Cuba's human rights activists, independent librarians, independent journalists, and other citizens of Cuba who struggle daily against one of the most brutally repressive political and economic systems in the world.

USAID is gratified that GAO was able to report that "recipients we interviewed in Cuba said they appreciated the range and types of U.S. democracy assistance, that this assistance was useful in their work, and that this aid demonstrated the U.S. government's commitment to democracy in Cuba." USAID partner organizations have clearly contributed much, if not most, of this assistance. USAID believes their efforts deserve continued support.

While USAID is taking issue with some findings in the draft report, we will seek to improve agency performance in managing, monitoring, and evaluating this assistance. The GAO has indicated several areas for improvement, and USAID

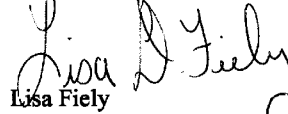
U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
www.usaid.gov

- 2 -

has immediately undertaken actions to address them. These include more formal documentation of USAID monitoring systems, improved communication mechanisms within the inter-agency system, and a review of all aspects of the USAID procurement system as it relates to the Cuba program. USAID will, of course, remain in close contact with GAO as it moves to close out all GAO recommendations.

Thank you again for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this review.

Sincerely,



Lisa Fiely
Chief Financial Officer

Appendix IV: GAO Contacts and Staff Acknowledgments

GAO Contacts

David Gootnick, (202) 512-3149 or gootnickd@gao.gov
Jeanette M. Franzel, (202) 512-9471 or franzelj@gao.gov

Staff Acknowledgments

In addition to the contacts named above, Phillip Herr, Michael Rohrback, Bonnie Derby, Elizabeth Guran, Keith H. Kronin, Todd M. Anderson, Cara Bauer, Lynn Cothorn, and Reid Lowe made key contributions to this report. Ernie Jackson, Lauren S. Fassler, and Arthur L. James, Jr., provided technical assistance.

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