U.S. Agency for International Development

Office of Inspector General

Semiannual Report to Congress
October 1, 2019-March 31, 2020

COVER: Justine Mukazungu, founder of a company that sells organic baby porridge in urban areas in Uganda, received assistance from the USAID Youth Leadership for Agriculture (YLA) project, which helps Ugandan youth gain better opportunities in the agriculture sector.

Photo by Karin Bridger, USAID

Our Mission

The mission of the Office of Inspector General is to safeguard and strengthen U.S. foreign assistance through timely, relevant, and impactful oversight.

Our Core Values

The Office of Inspector General commits to carrying out its mission in accordance with the following values:

Integrity
We are independent, objective, and ethical in our work.

Accountability
We are responsible, dependable, and committed to continuous improvement.

Excellence
We promote quality, innovation, and creativity for high-impact products and services.

Transparency
We promote open, clear, and relevant communication to inspire confidence and trust.

Respect
We promote a fair and professional work environment to maintain the highest standards of conduct.

First half of fiscal year 2020

By the Numbers

INVESTIGATIVE RESULTS

$7.1 million
in recoveries, savings, and avoided costs

61
investigations closed

14
prosecutive referrals

23
administrative actions

1
suspensions or debarments

AUDIT RESULTS

$23.5 million
in questioned costs

279
performance and financial audits issued

199
recommendations to improve operations and programs

$16.5 billion
in funds audited

MESSAGE FROM THE INSPECTOR GENERAL

Ann Calvaresi Barr
Inspector General

I am pleased to present the USAID OIG Semiannual Report to Congress for the first half of fiscal year 2020. In accordance with the Inspector General Act of 1978, as amended, this report provides the results of our work presented from October 1, 2019, to March 31, 2020, in overseeing USAID; the Millennium Challenge Corporation (MCC); the U.S. African Development Foundation (USADF); the Inter-American Foundation (IAF); and the Overseas Private Investment Corporation (OPIC), which recently merged with components of USAID to become the U. S. International Development Finance Corporation (DFC).

During this reporting period, we audited $16.5 billion in funds and issued 279 performance and financial audit reports, with a total of 199 recommendations aimed at improving the operations and programs of the agencies we oversee. These audits identified approximately $23.5 million in questioned costs and $210.3 million in funds put to better use. In addition, our investigations resulted in nearly $7.1 million in recoveries, savings, and avoided costs, as well as 14 prosecutive referrals and 23 administrative actions. During the reporting period, we closed 61 investigations.

Our audits, investigations, quarterly reports, and advisories continued to focus on high-dollar, crosscutting, and high-risk initiatives and identified shortcomings in U.S.-funded aid and development programs and operations, including responding to global health crises, sustaining development, planning for reforms, and curbing corruption and diversions. The results of our work completed during this reporting period demonstrate how ongoing management challenges—such as those related to program planning and monitoring, host country capacity, and interagency coordination—can compromise U.S. foreign assistance investments.

This semiannual report presents our work results in four key areas:

Promoting Effective Oversight of the Delivery of Humanitarian and Stabilization Assistance. The flow of billions in assistance dollars to respond to crises brought about by conflict, government instability, or cataclysmic natural events creates prime opportunities for criminals to defraud the U.S. Government and divert U.S.-funded goods. These inherent risks continue to present significant management challenges for USAID—especially when short-term humanitarian responses evolve into a protracted presence. During this period, our agents learned that a USAID implementer failed to report to appropriate authorities, including OIG, allegations of extortion of Venezuelan migrants. As a result of our investigation, the implementer made multiple process improvements to better ensure reporting compliance. Our audit work similarly led to strengthened USAID oversight of awards to Public International Organizations, including establishing new requirements for these organizations to report fraud and misconduct in USAID-funded activities, as we previously recommended.

Encouraging Effective Planning, Monitoring, and Sustainability of U.S.-Funded Development. To ensure U.S.-funded development is sustainable after U.S. involvement ends, USAID calls for investing in communities that have a stake in continuing activities and services, building local skills, and promoting public- or private-sector participation and financial backing. MCC, USADF, and IAF similarly emphasize sustainability. However, deficiencies in program monitoring and capacity development continue to put sustainability at risk. We reported that USAID lacked critical information to track and assess the progress of its health systems strengthening activities and identify additional guidance and support needed to effectively monitor global health programs and the supply chain. OIG investigations uncovered instances of procurement fraud in USAID-supported global health supply chain programs in Zambia and Nepal. Developing local infrastructure and building local capacity have also proven challenging due in part to insufficient guidance—as was the case with MCC's road projects in developing countries, a more than $2.6 billion investment. OIG investigations uncovered fraud in USAID-funded agriculture programs in Egypt and Uganda, diversions of USAID funds in Zimbabwe, inappropriate charges to health programs in the Philippines, falsely certified construction work in Uganda, and a Colombian implementer's noncompliance with USAID's Policy Against Sexual Exploitation and Abuse. Our audits prompted USAID and MCC to take actions to improve their oversight processes, while our investigations led to a variety of sanctions, including fines, debarments, and arrests.

Advancing Accountability in Foreign Assistance Programs Involving Coordination of Complex Interagency Priorities. U.S. global development objectives that involve multiple agencies call for rigorous coordination—a difficult undertaking, especially on tasks such as promoting private-sector partnerships—and our work has demonstrated the need for stronger controls to advance accountability in these multiagency efforts and better ensure U.S. interests are met. Effective interagency collaboration is especially vital in overseas contingency operation settings where high national security stakes are paired with significant effort and investment across agency lines. OIG reports on the progress of six overseas contingency operations on a quarterly basis along with the Defense and State OIGs. This reporting has pointed to the challenges USAID faces in settings like Iraq, Syria, Afghanistan, the Philippines, East Africa, and North and West Africa, where protracted conflicts, access constraints, and strategic uncertainty put billions of foreign assistance dollars at risk. While USAID programming plays a critical role in furthering U.S. foreign policy and national security interests, we identified interagency constraints on USAID's access to national security information, as well as obstacles to obtaining appropriate and timely security clearances, which have limited USAID's ability to fully assess, mitigate, and respond to threats to its humanitarian assistance and stabilization programs. We alerted USAID to these vulnerabilities and encouraged the Agency to evaluate its strategy for vetting humanitarian assistance programs and monitoring national security information.

Identifying Vulnerabilities and Needed Controls in Agency Core Management Functions. Achieving mission goals while protecting Federal funds depends on the integrity and reliability of its core business systems and practices. Without them, other safeguards—no matter how well they are designed and implemented—will not work effectively. During the period, we reported that while the agencies we oversee generally complied with Federal requirements for ensuring adequate information technology controls and financial

accountability, we identified areas where the agencies' internal controls could be strengthened.

Toward the end of the reporting period, our oversight expanded greatly when Congress provided USAID and the State Department more than $2 billion in two supplemental appropriations to respond to the COVID-19 pandemic. Swift responses involving multiple agencies are inherently risky and cut across each of the challenges we identified. Using our built-in flexibilities, we rapidly developed and launched a multi-pronged oversight strategy and will, as needed, issue advisory notices, undertake audits and investigations, and provide fraud awareness briefings specifically targeted to the COVID-19 response. As an official member of the Department of Justice's COVID-19 Anti-Fraud Task Force, we will also assist in the prosecution of any identified fraud cases resulting from USAID's response.

We continue to work with our oversight counterparts, stakeholders, and USAID partners to strengthen accountability and integrity in U.S. foreign assistance programs and operations. The conferences, workshops, and briefings we hold or participate in—along with our coordinated oversight efforts—promote proactive monitoring and information sharing on crosscutting concerns, such as operating in complex humanitarian crises and detecting and reporting sexual exploitation and abuse of beneficiaries. During this reporting period, we held 65 briefings on fraud indicators and prevention strategies to more than 3,000 participants worldwide. Our agents and analysts also continued to engage with implementers on priority projects through our Proactive Outreach Program to identify any weaknesses and vulnerabilities in implementers' procurement, finance, staffing, and other activities. We also provided training to more than 180 USAID staff and independent public accounting representatives at USAID missions covering Bosnia and Serbia, Kosovo and North Macedonia, Afghanistan, and Pakistan to strengthen compliance with USAID contract and grant terms and applicable auditing standards.

I and my senior leadership met with U.S. Government employees, bilateral donors, and the international development community, including officials and representatives from the World Food Program, the Food and Agriculture Organization, the International Fund for Agriculture and Development, and their respective oversight bodies; USAID mission directors, stabilization experts, and humanitarian advisors in Europe and Africa to discuss overseas contingency operations; and with congressional staff to brief them on our oversight work related to USAID programs, including awards management and global health preparedness.

Our extensive outreach and proactive engagement continue to expand and strengthen the foreign assistance oversight safety net by encouraging reporting of fraud and corruption, and setting the stage for systemic change.

Finally, our ongoing reforms continue to align with the overarching goals stated in our 2018 -2022 strategic plan—to provide sound reporting and insight for improving agency programs, operations, and resources; promote processes that enhance OIG performance and maximize operational efficiency; and foster a committed OIG workforce built on shared core values. Continuous improvement efforts position our office to meet OIG's far-reaching mandate. In achieving these goals, we can assure the Administration, Congress,

and the American people that we are making the most of our resources in helping to protect U.S. foreign assistance and national security interests across the globe.

I am grateful for the steadfast commitment of our staff around the world, especially during this tenuous time. Their dedication and willingness to take on significant challenges while realizing significant achievements like those outlined in this report are critical to our continued success in producing high-impact work that meets the most stringent oversight standards. I remain committed to working closely with the USAID Acting Administrator and the CEOs of MCC, USADF, IAF, and DFC to strengthen U.S. foreign assistance investments.

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ABOUT OIG

The USAID Office of Inspector General safeguards and strengthens U.S. foreign assistance through timely, relevant, and impactful oversight. We conduct independent audits and investigations to promote efficiency, effectiveness, and accountability and aim to prevent and detect fraud, waste, and abuse. We oversee all USAID programs and operations, as well as those od MCC, IAF, USADF, and, to a limited extent, the DFC.[1] We provide the results of our work to agency leaders, Congress, and the public. When conducting audits and investigations, we consider alignment with OIG's strategic goals and oversight priorities, stakeholder interests and needs, program funding levels, and risks associated with agency programs, including potential vulnerabilities in internal controls.

About the Agencies We Oversee

USAID

Established in 1961, USAID leads U.S. development and humanitarian efforts in over 100 countries around the world to enhance and save lives. USAID programs combat the spread of disease, address food insecurity, promote democratic reform, and support economic growth to alleviate poverty. USAID also provides assistance to countries recovering from disaster and periods of conflict. Learn more at usaid.gov.

MCC

Created in 2004 to reduce poverty and increase living standards by promoting sustainable economic growth and open markets, MCC's grant programs are focused on: agricultural development, education, enterprise and private sector development, governance, health, water and sanitation, irrigation, transportation, electricity, and trade and investment capacity-building. Learn more at mcc.gov.

USADF

USADF was established in 1980 to provide direct development assistance to underserved and marginalized populations in conflict and post-conflict areas in Africa. USADF grants provide seed capital and technical support to African-owned enterprises that improve lives in poor and vulnerable communities—an investment that aims to promote peace, security, and prosperous U.S. trading partners. Learn more at usadf.gov.

IAF

Created in 1969, IAF provides direct development assistance to grassroots and nongovernmental organizations in Latin America and the Caribbean. IAF grants support creative, self-help programs and activities that promote more profitable agriculture, microbusinesses, and community enterprises; expand employment opportunities through skills training; and offer access to water, basic utilities, and adequate housing. Learn more at iaf.gov.

[1]USAID OIG will provide oversight of DFC until an Inspector General for DFC is appointed.

DFC

Established in 2019, DFC partners with the private sector to finance solutions to critical challenges facing the developing world today. DFC invests across sectors including energy, health, critical infrastructure, and technology. DFC also provides financing for small businesses and women entrepreneurs in order to create jobs in emerging markets. Learn more at dfc.gov.

Overseas Contingency Operations

Since 2013, USAID OIG has had responsibility for joint, coordinated oversight of overseas contingency operations—typically large-scale, strategically significant interagency operations—in collaboration with other OIGs. This oversight coordination includes joint oversight planning and quarterly reporting on the progress of the respective operations, and has involved extensive engagement with the OIGs for the Departments of Defense, State, and Health and Human Services. OIG has provided this interagency oversight of seven overseas contingency operations since it received this mandate. Oversight responsibilities for six of these operations remain ongoing: Operation Inherent Resolve (in Syria and Iraq), Operation Freedom's Sentinel (in Afghanistan), Operation Yukon Journey (in the Middle East), Operation Pacific Eagle-Philippines, East Africa Counterterrorism Operation, and North and West Africa Counterterrorism Operation.

COVID-19 Response Efforts

On January 30, 2020, the World Health Organization declared a Public Health Emergency of International Concern for the COVID-19 outbreak, which began in China and has since spread across the globe. At USAID, the Administrator activated the Crisis Action Team on January 31, 2020, and established a new Task Force on March 9, 2020, to coordinate the Agency-wide approach to this global threat. Subsequently, Congress appropriated over $1.38 billion for assistance managed by USAID and the Department of State, including $1 million to USAID OIG for oversight of the response efforts. In addition, USAID has accessed $100 million from the Emergency Reserve Fund for Contagious Infectious-Disease Outbreaks for critical COVID-19 interventions in developing countries. To learn more about OIG's oversight of COVID-19 response efforts during the reporting period, see page 14.

History, Mandates, and Authority

1980

USAID OIG Established

December 16, 1980—USAID OIG was established by Public Law 96-533, an amendment to the Foreign Assistance Act of 1961.

1981

USAID OIG Brought Under the Inspector General Act

December 29, 1981—The International Security and Development Cooperation Act of 1981 brought the USAID Inspector General under the Inspector General Act of 1978.

1999

Oversight of IAF and USADF

November 29, 1999—OIG assumed audit and investigative oversight of IAF and USADF under the Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act, Appendix G of Public Law 106-113.

2004

Oversight of MCC

January 23, 2004—OIG assumed oversight of MCC under the Millennium Challenge Act of 2003, Division D, Title VI of Public Law 108-199.

2013

Oversight of Overseas Contingency Operations

January 2, 2013—OIG was charged with joint, coordinated oversight of overseas contingency operations under the National Defense Authorization Act for Fiscal Year 2013, Public Law 112–239.

Oversight of DFC

Under the Better Utilization of Investments Leading to Development (BUILD) Act of 2018, OPIC and components of USAID merged to create the U.S. International Development Finance Corporation on January 1, 2020. OIG previously provided oversight to OPIC in a limited capacity, the results of which are included in this report. USAID OIG is required to provide oversight of DFC until it establishes its own OIG. At that time, USAID OIG will work to transition open audit recommendations and highlight critical oversight challenges to prepare the new DFC Inspector General to conduct his or her work in an effective and timely way.

SUMMARY TABLES: AUDIT

Office of Inspector General—Audit Activity

We audit the efficiency and effectiveness of U.S. foreign assistance programs and operations, which typically includes their internal controls and compliance with laws, regulations, and agency guidance. We conduct performance audits of programs and management systems and oversee mandated audits, such as financial statement audits required under the Chief Financial Officers Act of 1990, that are performed by contracted IPAs. Many of our performance audits are crosscutting and assess the planning and execution of major agency and interagency initiatives around the world. These audits lead to recommendations that trigger policy and programmatic changes to help agencies better achieve their goals.

Federal regulations and agency policies require USAID to obtain appropriate and timely audits of its U.S. and foreign grantees and contractors as well as several enterprise funds. To complete these audits, USAID relies on non-Federal IPAs, the Defense Contract Audit Agency (DCAA), and Supreme Audit Institutions (SAIs) of host governments.

Typically, OIG is responsible for determining whether audits of grantees and contractors meet professional standards for reporting and other applicable laws, regulations, or requirements.[2] We fulfill this responsibility by performing desk reviews of the audit reports and issuing transmittal memos, which may include recommendations to the agency. At times, we also conduct quality control reviews of the workpapers supporting those audit reports.

During the reporting period, OIG conducted or reviewed 279 audits covering approximately $16.5 billion in programs with approximately $23.5 million in questioned costs and $210.3 million in funds put to better use. The following tables provide a breakdown of these amounts by category.

Questioned Costs	Funds for Better Use
Potentially unallowable costs due to reasons such as inadequate supporting documentation or an alleged violation of a law or regulation	Funds that could be used more efficiently if management took actions to implement and complete OIG recommendations

[2]OIG also reviews non-Federal audits managed by MCC. MCC requires recipients to arrange for annual audits by IPAs in accordance with professional standards and MCC guidelines.

Audits and Other Audit Products: *USAID, MCC, USADF, IAF, OPIC*
October 1, 2019-March 31, 2020

Audit Category	Number of Reports	Number of Recommendations	Amount of Recommendations	Audited Amount
USAID				
Performance Audits	1	3	$0	$0
FISMA[a] conducted by IPA[b]	1	7	$0	$0
Quality Control Reviews (QCR)	3	0	$0	$26,804,148
Desk Reviews of Foreign-Based Organization	176	86	$7,474,748	$607,241,832
Desk Reviews of Foreign Governments	6	6	$5,146,203	$32,605,940
Desk Reviews of Local Currency Trust Fund	2	0	$0	$22,677,366
Desk Reviews of U.S.-Based Contractors	42	27	$10,834,023	$2,126,421,022
Desk Reviews of U.S.-Based Grantees	22	6	$0	$790,586,266
Data Act[c] conducted by IPA	1	2	$0	$0
Economy and Efficiency performed by IPA	1	6	$0	$0
GMRA[d]	1	19	$32,000,000	$12,033,651,000
GONE[e] Act conducted by IPA	1	9	$178,300,000	$0
Review conducted by OIG	1	0	$0	$0
Total	***258***	***171***	***$233,754,974***	***$15,639,987,574***
MCC				
Performance	1	2	$0	$0
FISMA Audit conducted by IPA	1	4	$0	$0
Desk Reviews of Foreign-Based Organization	7	0	$0	$226,266,288
Desk Reviews of Foreign Governments	1	1	$0	$16,317,967
Charge Card Program Risk Assessment conducted by IPA	1	2	$0	$4,676,722
Data Act conducted by IPA	1	2	$0	$0
GMRA	1	9	$0	$545,516,000
GONE Act conducted by IPA	1	0	$0	$0
Total	***14***	***20***	***$0***	***$792,776,977***
USADF				
FISMA conducted by IPA	1	1	$0	$0
Charge Card Program Risk Assessment conducted by OIG	1	0	$0	$0
GMRA	1	0	$0	$32,205,760
Total	***3***	***1***	***$0***	***$32,205,760***
IAF				
FISMA conducted by IPA	1	3	$0	$0
Charge Card Program Risk Assessment conducted by OIG	1	0	$0	$0
GMRA	1	0	$0	$29,207,020
Total	***3***	***3***	***$0***	***$29,207,020***

Audit Category	Number of Reports	Number of Recommendations	Amount of Recommendations	Audited Amount
OPIC[f]				
FISMA conducted by IPA	1	4	$0	$0
Total	***1***	***4***	***$0***	***$0***
Grand Total	**279**	**199**	**$233,754,974**	**$16,494,177,331**

[a] Federal Information Security Modernization Act of 2002 (FISMA)
[b] Independent Public Accountant (IPA)
[c] Digital Accountability and Transparency Act (DATA Act) of 2014
[d] Government Management Reform Act (GMRA)
[e] Grants Oversight and New Efficiency Act (GONE Act) of 2016
[f] USAID OIG previously had limited oversight authority over OPIC. On January 1, 2020, OPIC transitioned to the DFC.

Summary of Audit Reports Issued Prior to October 1, 2019 With Open and Unimplemented Recommendations and Potential Cost Savings
USAID, MCC, USADF, IAF, OPIC
As of March 31, 2020

This table is a summary of reporting requirements under Section 5(a)(C) of the Inspector General Act of 1978, as amended. A complete listing of all reports issued prior to October 1, 2019, with open and unimplemented recommendations can be found in appendix B.

Agency	**Open and Unimplemented Recommendations**			**Monetary Recommendations With Management Decisions**			**Monetary Recommendations Without Management Decisions**	
	Total	Recommendations With Potential Cost Savings	Potential Cost Savings	Total	Original Questioned Costs	Amount Sustained	Total	Amount
USAID	196	94	$94,850,011	94	$94,850,011	$65,890,757	0	$0
MCC	10	0	$0	0	$0	$0	0	$0
USADF	2	0	$0	0	$0	$0	0	$0
IAF	5	0	$0	0	$0	$0	0	$0
OPIC	21	0	$0	0	$0	$0	0	$0
Total	***234***	***94***	***$94,850,011***	***94***	***$94,850,011***	***$65,890,757***	***0***	***$0***

SUMMARY TABLES: INVESTIGATIONS

Office of Inspector General—Investigative Activity

Our investigative work focuses on agency programs and operations that face a high risk of organized and systemic attempts at fraud, theft, diversion, and other abuse. Our work and outreach efforts also seek to promote a culture of compliance among implementers of U.S. foreign assistance. In addition, OIG educates agency and implementer staff on fraud trends, prevention, and the need for prompt reporting of misconduct. All OIG investigative cases are assessed for criminal, civil, or administrative enforcement remedies.

Investigative activities or referrals may also lead to new rules, procedures, or systemic changes in agency programs and operations. OIG measures the total monetary impact of our investigative activities based on the resulting recoveries, savings, and cost avoidance—nearly $7.1 million during this reporting period. For a detailed description of each metric, see page 49.

Criminal Actions and Referrals	Civil Actions and Referrals	Administrative Actions and Referrals
• Prosecutive referrals to Federal, State, or foreign authorities • Arrests • Indictments • Sentencings • Fines • Restitution	• Referrals • Judgments • Settlements	• Resignations or removals • Recoveries • Contract terminations • Suspensions or debarments • Present Responsibility Referrals

OIG Hotline. USAID, MCC, USADF, IAF, and DFC employees are required to report allegations of fraud, waste, and abuse, and any other form of misconduct in agency programming, directly to OIG. Contractors and grantees implementing projects with U.S. funds must comply with similar reporting requirements. OIG operates a confidential hotline for agency and implementer staff to report allegations. Complaints may be submitted in person, via email, phone, mail, or the OIG website. During the reporting period, the OIG Hotline received 796 complaints.

Whistleblower Protection Coordinator. Ensuring the right of individuals to report wrongdoing without fear of reprisal is essential for accomplishing OIG's mission. Therefore, assessing and responding to allegations of whistleblower retaliation committed by Agency management or Implementers of foreign assistance programs is a top priority for our office and these complaints are investigated in a timely and thorough manner.

OIG also has an active Whistleblower Protection Coordinator program, operated by OIG's Office of General Counsel, in fulfillment of statutory requirements. Activities reflecting OIG's commitment to whistleblower protection include presenting at all of USAID's biweekly New Employee Orientations, briefing employees of USAID grantees and contractors on their right to disclose fraud by their organizations without reprisal, and maintaining up-to-date information about whistleblower rights and remedies on OIG's website.

OIG is certified under the U.S. Office of Special Counsel's 2302(c) program, in accordance with which OIG actively promotes awareness of whistleblower rights and protections among its staff.

Investigative Activities Including Matters Referred to Prosecutive Authorities[a]
October 1, 2019-March 31, 2020

Monetary Impact of Investigations (Recoveries, Savings, and Cost Avoidance)	
Judicial Recoveries (Criminal and Civil)	$36,250
Administrative Recoveries	$5,749,279
Savings	$1,203,151
Cost Avoidance[b]	$69,000
Total	***$ 7,057,680***

Workload	
Investigations Opened	35
Investigations Closed	61
Total Number of Reports Issued	23

Criminal Actions and Referrals	
Prosecutive Referrals — Total	14
U.S. Department of Justice	*12*
State and Local	*0*
Foreign Authorities	*2*
Prosecutive Declinations	13
Arrests	2
Criminal Indictments	0
Criminal Informations	0
Convictions	0
Sentencings	0
Fines/Assessments	0
Restitutions	0

Administrative Actions and Referrals	
Entities Referred for Present Responsibility Determination[c]	6
New Rules/Procedures	4
Personnel Suspensions	0
Resignations/Removals	10
Recoveries	0
Suspensions/Debarments	1
Contract Terminations	2
Award Suspensions	2
Other	4

Civil Actions and Referrals	
Civil Referrals	3
Civil Declinations	0
Judgments	0
Settlements	2

[a]Represents final agency actions during the reporting period.

[b]Cost avoidance refers to Federal funds that were obligated and subsequently set aside and made available for other uses as a result of an OIG investigation. This includes instances in which the awarding agency made substantial changes to the implementation of the project based upon an OIG referral. The key factor in classifying these instances as cost avoidance is that the funds were not deobligated.

[c]A referral submitted to USAID's Office of Compliance in which an entity or individual's "present responsibility" to do business with the government is suspect and suspension/debarment has been determined by OIG to be a viable potential outcome of the referral.

SIGNIFICANT FINDINGS AND ACTIVITIES

USAID, MCC, USADF, IAF, and DFC

During the reporting period, OIG audit and investigative work brought about improvements and corrective action in programs focused on providing humanitarian and stabilization assistance, improving global health, building local capacity and promoting sustainability, and developing critical local infrastructure. Our work also identified vulnerabilities and needed controls in agencies' financial and information technology systems and management practices, which included recommendations for both systemic and targeted changes.

Highlights of Significant Findings and Activities

Audits

What We Found

The Ebola crisis in West Africa demonstrated that global health security depends on high-functioning health systems. Our audit of USAID's Health Systems Strengthening (HSS) found activities at the missions that we reviewed were aligned with the Agency's vision and designed to strengthen health systems. However, HSS activities were a minority of missions' total health budget and often do not prioritize comprehensive HSS work. Therefore, USAID's HSS activities are not designed with the primary focus to fully prepare health systems to address large-scale emergencies.

Impact on Agency Programs and Operations

By implementing our three recommendations for this audit, the Agency should be able to determine an appropriate balance between health systems strengthening activities and direct health interventions; identify and track all HSS activities across missions; and utilize new indicators to better monitor HSS progress at the country level.

Investigations

What We Found

Two separate, multi-year investigations into fraudulent billing by the same implementer revealed that millions of dollars in unallowable and unreasonable costs were billed to USAID for worldwide grants performed from 2009 through 2014. OIG's investigations uncovered the implementer's billing for lavish off-site retreats, unallowable public relations costs, and excessive bonuses for senior managers as part of its indirect costs, with the intention of inflating its Negotiated Indirect Cost Rate.

Impact on Agency Programs and Operations

Following the conclusion of the OIG investigations, USAID issued a Bill of Collection to the implementer for $5.5 million to be returned to USAID.

PROMOTING EFFECTIVE OVERSIGHT OF HUMANITARIAN AND STABILIZATION ASSISTANCE

USAID partners screen and treat children for malnutrition and provide additional food to women and children in the Kutupalong refugee camp in Cox's Bazar, Bangladesh.
Photo by Maggie Moore/USAID.

USAID provides lifesaving assistance when responding to crises brought on by conflict, government instability, or cataclysmic natural events. OIG has found that managing the risks inherent in crisis response has been a long-standing challenge for USAID, especially when a short-term humanitarian response evolves into a protracted presence. Heightened security risks and the large amounts of money involved in providing humanitarian assistance make monitoring in these settings essential but especially difficult. During the reporting period, an OIG investigation resulted in an implementer improving its reporting process. In addition, USAID implemented past audit recommendations that will improve its oversight of PIOs.

Implementer Strengthens Reporting Requirements, Terminates Employee for Mishandling Allegations of Extortion of Venezuelan Migrants

Investigation

An OIG investigation found that a USAID implementer failed to report allegations of extortion of Venezuelan migrants in connection with USAID's multi-purpose cash assistance project. OIG established that a local employee of the implementer conducted his own investigation of the allegations, without informing the country director, headquarters, USAID or OIG. As a result, in November 2019, the non-governmental organization (NGO) implemented several reporting process improvements such as recruiting a full-time compliance staff member, developing a training program on donor reporting, and working on a web-based feedback platform to report irregularities. The employee who mishandled the allegations was terminated.

USAID Implements Recommendations from Audit "Insufficient Oversight of Public International Organizations Puts U.S. Foreign Assistance Programs at Risk"

Report No. 8-000-18-003-P

In an earlier reporting period, we issued a performance audit of USAID's oversight of PIOs. The audit made six recommendations to improve the Agency's processes for risk management and strengthen oversight of PIO awards, which USAID has been working towards implementing. For example, OIG recommended that USAID establish requirements for PIOs to notify USAID of suspected and identified serious criminal misconduct in activities funded by USAID. That recommendation was closed in this reporting period after USAID consulted with major PIOs and updated its internal policy to add PIO reporting requirements related to possible fraud and misconduct associated with their agreements. The implementation of this recommendation will help strengthen USAID's ability to effectively oversee awards to PIOs.

ENCOURAGING EFFECTIVE PLANNING, MONITORING, AND SUSTAINABILITY OF U.S.-FUNDED DEVELOPMENT

A team conducts a larval survey during a comprehensive focus investigation in an elimination area in the village of Thayetchaung, Burma in May 2019.
Photo by Feliciano Monti, PMI/USAID

USAID has identified the Agency's foremost goal as ending the need for foreign assistance and has committed to supporting countries to become more self-reliant. To achieve this goal, USAID must ensure that U.S.-funded development is sustainable—that it endures after U.S. involvement ends. USAID therefore calls for investing in communities that have a stake in continuing activities and services, building local skills, and promoting planning that fosters sustainability—which could include public- or private-sector participation and financial backing. MCC has similarly emphasized country-led implementation of its projects and encourages the development of country ownership. Through their missions, IAF and USADF also support country and community-led development to facilitate local capacity building.

Monitoring Global Health Programs and Supply Chain

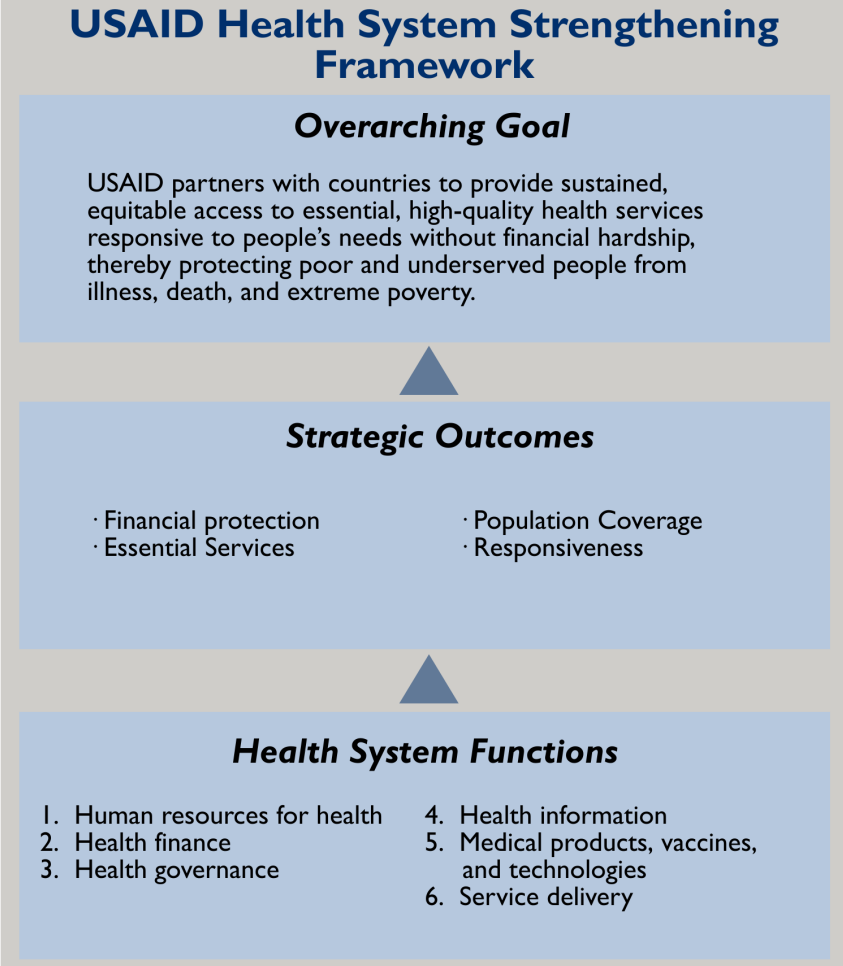
To combat HIV/AIDS, tuberculosis, and malaria and address public health emergencies, such as the current COVID-19 crisis, USAID has worked to increase overall healthcare access and quality. OIG promotes program integrity and safeguards U.S.-funded commodities to help ensure that these lifesaving treatments and services reach the intended beneficiaries. During the reporting period, OIG's audit of USAID's Health Systems Strengthening (HSS) efforts made recommendations to enhance the way the agency tracks its progress.

More Guidance and Tracking Would Bolster USAID's Health Systems Strengthening Efforts

Report No. 4-936-20-001-P

Recognizing the importance of strengthening health systems in meeting overall health goals and improving countries' abilities to react to large-scale health emergencies like the recent Ebola crises, USAID issued its vision for HSS as guidance to USAID missions in September 2015.

We reviewed 11 missions with HSS activities and determined that they designed activities that aligned with this vision. However, funding dedicated through Federal appropriations to achieving USAID's primary health goals contributed to some missions' perceptions of limited flexibility to program HSS. Since HSS lacks a dedicated funding source, and would typically take longer than direct interventions that provide a particular health service or product to yield results, HSS was a secondary priority. Missions we reviewed reported being satisfied with the technical assistance and guidance provided by the Bureau for Global Health's Office of Health Systems. However, limited information on the



Source: USAID's "Vision for Health Systems Strengthening"

progress of HSS activities affected the office's ability to assess where additional HSS guidance and support was needed across the Agency. Further, USAID had no centralized mechanism for tracking HSS progress at the country level or results of HSS activities across missions.

We made three recommendations to bolster USAID's HSS efforts by providing more guidance to missions and enhancing the way the Agency tracks its progress in achieving its vision. As of the end of the reporting period, the recommendations were open and resolved. In addition, at the end of the reporting period, OIG received an agency request for closure of one of those recommendations.

Investigation Into Procurement Integrity Leads to Resignations of USAID Foreign Service National and Contractor Employee

Investigation

OIG's investigation into the Global Health Supply Chain–Procurement Supply Chain Project in Nepal led to two resignations and a procurement process review to ensure the continuing integrity of the project. A Foreign Service National (FSN) who made false statements to OIG agents resigned in lieu of termination and agreed to be voluntarily excluded from participating as an employee, contractor, or subcontractor for the U.S. Government for 3 years. Also, an employee of a USAID contractor, who was found by OIG to have improperly disclosed procurement sensitive information for a USAID-funded sub-award to a prospective bidder, resigned in lieu of termination.

USAID Implementer in Zambia Terminates Project Engineer for Procurement Fraud

Investigation

OIG substantiated allegations of procurement fraud in Zambia under the $9.5 billion Global Health Supply Chain award. OIG found that the implementer's lead engineer violated its conflict of interest policy and shared procurement sensitive information with a prospective vendor. The implementer terminated the employee in October 2019.

OIG Oversight Strengthens USAID Investments in Global Health

Ensuring the integrity of USAID's procurement and management of global health supplies is a priority for OIG. Our investigative work aims to combat fraud and abuse in supply chains. By working with USAID missions, State Department offices, local law enforcement, and international organizations, we have made numerous arrests and seizures of stolen and counterfeit commodities. Our audit work has also highlighted opportunities for USAID to strengthen its response to future health emergencies and to improve the effectiveness and efficiency of its response to global health crises, including HIV/AIDS, malaria, Ebola, and COVID-19.

Entry of bale numbers of insecticide-treated bednets at a warehouse in Dakar, Senegal.
Photo by Michelle Kouletio, USAID/Senegal

OIG Initiates Oversight of COVID-19 Response Efforts

In response to the global COVID-19 outbreak, Congress appropriated over $1.3 billion for USAID and the Department of State's managed assistance to help developing countries combat the pandemic, including $1 million to USAID OIG for oversight of the response efforts. During the reporting period, OIG developed a multi pronged strategy to oversee USAID's response to the pandemic consisting of the following:

- OIG will issue an advisory notice with key questions for USAID to consider when planning and executing a response to the pandemic.
- OIG's Office of Investigations will play a key role in our oversight activities. Investigators will provide fraud awareness briefings for USAID and implementer personnel that are tailored to the COVID-19 pandemic. In addition, investigators will monitor instances of fraud related to the COVID-19 response, as necessary.
- OIG is officially a part of the Department of Justice COVID-19 Anti-Fraud Task Force, and OIG's Office of General Counsel will assist in the prosecution of fraud cases resulting from USAID's response.
- OIG's Office of Audit will conduct additional audit oversight related to USAID's COVID-19 response at an appropriate time in the future through performance audits as well as regular nonfederal, financial statement, and other mandated audit work

USAID Implements OIG Recommendations Related to Public Health Emergencies

OIG's past work related to the Ebola crisis in West Africa highlighted opportunities for improving USAID's response to public health emergencies. Building on our past audit work, we issued an advisory to USAID in September, 2019 to highlight areas that need further attention based on open recommendations including enhancing USAID coordination with other U.S. Government agencies, international implementers, and the Government of the Democratic Republic of Congo; and improvements in USAID capabilities to adapt response efforts to changes on the ground. Sharing

information with international partners enhances response coordination and is key to understanding the extent of outbreaks in countries, appropriate interventions, and allocation of resources. In addition, by developing a roster of qualified agency personnel for humanitarian assistance and global health experts, USAID will be better positioned to quickly surge its emergency response staff in a crisis. A summary of USAID's recent actions related to our recommendations follows.

Lessons From USAID's Ebola Response Highlight the Need for a Public Health Emergency Policy Framework (Report No. 9-000-18-001-P). In an earlier reporting period, we issued this performance audit containing 14 recommendations to ensure that USAID is prepared to respond to a future international public health emergency. Because USAID produced a policy that outlined how it intends to share information within the U.S. Government as well as with host governments and the World Health Organization; prepared qualified agency staff to participate in its emergency staffing pool; and identified technical experts and skills for health emergencies across the Agency which will be updated continually, three of those recommendations were closed in this reporting period.

Assessment and Oversight Gaps Hindered OFDA's Decision Making About Medical Funding During the Ebola Response (Report No. 9-000-18-002-P). In an earlier reporting period, we issued this performance audit containing six recommendations to help USAID's Office of Foreign Disaster Assistance (OFDA) better assess needs for emergency responses and monitor the efficiency and effectiveness of relief activities. Two of those recommendations were closed in this reporting period because OFDA prepared policy, guidance, and tools, which will be rolled out incrementally over the next year, to enable staff to properly assess humanitarian situations as well as analyze and assess data to inform their response decisions. In addition, OFDA updated its policies and procedures on monitoring the effectiveness of its responses to disasters by specifying the parties responsible; and the frequency and method for collecting, analyzing, documenting, and reporting the information necessary to oversee response activities.

OIG Continues Oversight of USAID's Global Health Supply Chain

Disruptions and constraints to the global health supply chain can have significant impact on efforts to provide global health commodities to combat HIV, malaria, or tuberculosis; vaccinations for children; or personal protective equipment for health care workers. Strengthening the global health supply chain can mitigate some of these disruptions. OIG's past investigative work identified vulnerabilities related to commodity tracking, supply chain data access, reporting, commodity inventory access, labeling, and other issues. We issued an advisory to USAID regarding these issues in October 2018.

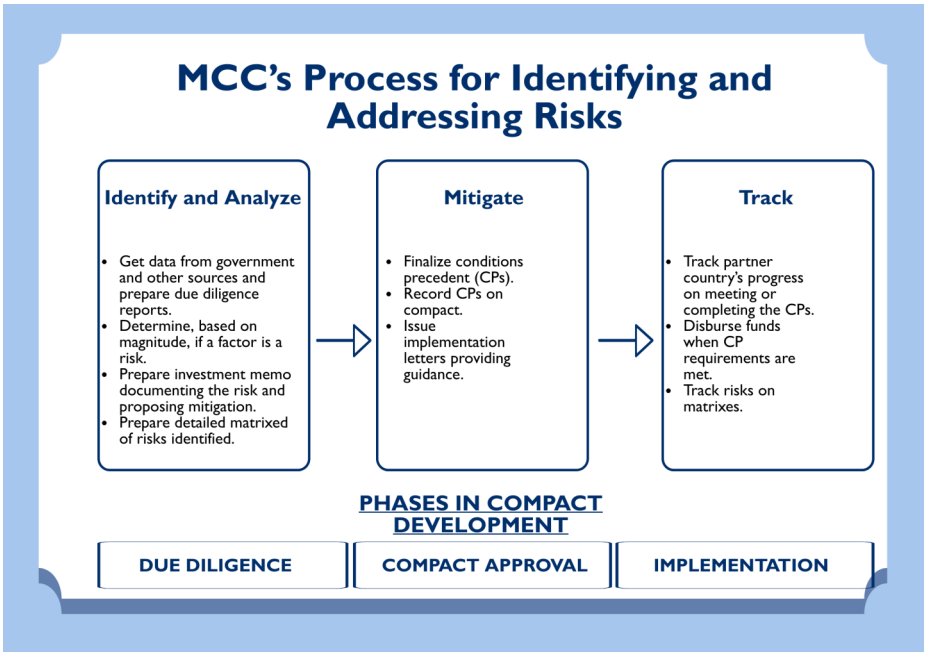
In addition to investigative work, OIG is conducting two audits of USAID's procurement and management of its Global Health Supply Chain. The audits are in response to a request from the Senate Foreign Relations Committee to initiate work on the supply chain of USAID-funded health commodities. One audit assesses USAID's design and award of a $9.5 billion contract to Chemonics in January 2016—USAID's largest contract awarded to date—and its management of the contract, particularly as it relates to Chemonics' delivery of commodities to selected host countries. The other audit examines how USAID assessed risks for in-country supply chains and the extent to which four selected African missions undertook activities that aligned with good practices for addressing the root causes of in-country supply chain weaknesses.

Developing Local Infrastructure

Because power, roads, and other public services can be transformative, USAID, MCC, and DFC have made infrastructure a priority for developing countries. OIG's work aims to assess the design, monitoring, and sustainability of infrastructure projects and detect and deter fraud and corruption. During the reporting period, our audit of MCC's road infrastructure compacts made recommendations to address risk to the compacts' sustainability.

MCC Has Opportunities to Enhance Guidance and Tools for Sustaining Results of Road Infrastructure Compacts

Report No. M-MCC-20-001-P



Source: OIG's analysis of MCC process based on documents and interviews.

Recognizing the importance of navigable roads to economic development, MCC has invested approximately $2.7 billion in developing countries' transportation sectors, 97 percent of it for roads. Because the sustainability of MCC road infrastructure projects is essential to their long-term impact, we assessed MCC's processes for identifying and addressing risks to the sustainability of road projects.

Our audit of selected past MCC road infrastructure compacts that were initiated between 2006 and 2010 found that MCC identified risks to the sustainability of its road projects, but its efforts to mitigate or track the risks were inadequate in some cases. At the time MCC designed and developed the four compacts we reviewed, the agency did not have comprehensive guidance for staff on how to develop, implement, and track risk mitigation measures to ensure sustainability of road projects. Further, post-compact road inspections revealed roads in a variety of conditions. Some sections were in good to excellent condition, while other road sections were in poor condition. In addition, MCC had not fully developed guidelines to promote consistent application of economic analysis tools across road projects—a lesson from its review of past projects. MCC updated its guidance and tools to

address risks to sustainability and require verification and tracking of data, but the guidance was still in draft. Until MCC finalizes its guidance, MCC staff will continue to face challenges in collecting quality information across all road projects and promoting the sustainability of road investments, project goals, and economic growth in partner countries.

We made two recommendations to improve MCC's ability to address risks to sustainability. As of the end of the reporting period, the recommendations were open and resolved.

Building Local Capacity

USAID works to build the local capacity of individuals and institutions to better ensure the sustainability of development and to support partner countries as they become more self-reliant. MCC's, USADF's, and IAF's missions also focus on building capacity by investing in and partnering with the countries and communities in which they operate. Our work aims to identify obstacles to these agencies' efforts for achieving that goal, and make recommendations to overcome them. During the reporting period, OIG's audit of USAID's Democracy, Rights, and Governance Programs (DRG) made recommendations to improve USAID's policies and processes to further minimize the risk of bias. OIG investigations also prompted changes in policies and procedures. As a result of investigations, there are new procedures in USAID/ Egypt to strengthen monitoring and evaluation and oversight, as well as reforms to the ethics program of a USAID implementer in Uganda.

Additional Actions Are Needed To Improve USAID's Democracy, Human Rights, and Governance Programs

Report No. 8-000-20-001-P

In response to a request from the Chairman of the Senate Foreign Relations Committee, we conducted this audit to provide information on the mechanisms USAID uses to minimize bias and favoritism in its democracy, human rights, and governance programs, with a focus on Europe, Eurasia, and the Middle East. These programs aim to promote basic DRG goals and objectives such as fair and open elections, human rights, and good and transparent governments.

To mitigate the risk of bias in its DRG programs, the Agency has instituted controls including development policies and program design, award, and implementation processes. While we did not identify any instances of partisanship affecting USAID's DRG programs, weaknesses in the Agency's DRG acquisition and assistance award process and an outdated policy could unintentionally expose USAID to bias.
We identified several factors that may influence DRG program design and implementation, and mechanisms the Agency uses to help ensure that Agency personnel take into account these factors when designing and implementing DRG programs. However, mission DRG staff reported a need for increased access to and awareness of DRG resources—particularly expertise residing in the DRG Center in USAID headquarters—and leadership vacancies have resulted in gaps in some missions' access to DRG expertise and representation.

USAID and State Department coordination on planned and ongoing DRG programs primarily occurs in-country. Examples included USAID DRG officials coordinating with their State colleagues to obtain feedback on program design and conduct joint site visits to program activities; including State officials on award selection committees; and establishing DRG work groups. However, not all missions we reviewed have established DRG work groups or sustained those that have been established. Without active DRG work groups, the agencies may miss opportunities for strengthening DRG coordination in the field and sharing best practices.

Finally, USAID's Program Cycle Operational Policy sets requirements for monitoring and measuring the progress of all Agency activities, including DRG programs, and the Agency Evaluation Policy requires operating units to perform evaluations of their programs. However, the Center of Excellence on Democracy, Human Rights, and Governance—which is charged with promoting DRG learning—has been slow to generate and disseminate knowledge through impact evaluations of DRG programs in Europe, Eurasia, and the Middle East.

We made, and the Agency agreed with, six recommendations to improve USAID's policies and processes to further minimize the risk of bias in the Agency's DRG programs. As of the end of the reporting period, the recommendations were open and resolved.

USAID Terminates Award After OIG Finds Local Organization Failed to Report Sexual Harassment and Misconduct Allegations

Investigation

An OIG investigation identified 71 unreported allegations of sexual harassment and misconduct involving staff of a Colombian NGO that was working on an electoral process program. The investigation found that the NGO did not properly inform USAID about the allegations against its staff. OIG referred the case to USAID/Colombia, which then terminated the contract with the organization. USAID/Colombia cited that the organization failed to live up to USAID's Policy Against Sexual Exploitation and Abuse.

OIG Uncovers Inflation of Number of Beneficiaries of USAID/Egypt Agricultural Program

Investigation

An OIG investigation in Egypt found that a USAID implementer inflated the number of beneficiaries receiving training and technical assistance under a USAID-funded agricultural program. OIG's investigation also found that USAID wrote the award in a manner where payments to the implementer were not contingent on the number of beneficiaries reached. In November 2019, USAID Egypt made staff changes and implemented new procedures, such as strengthening monitoring and evaluation systems and project oversight, to identify and prevent future schemes.

OIG Investigation Into Unauthorized Funding of a Foreign Political Party Leads to $125,000 Bill of Collection

Investigation

In February 2020, USAID issued a bill of collection for $125,065 to a Zimbabwean NGO which an OIG investigation discovered had diverted USAID funding to a Zimbabwean political party. As reported in a previous SARC, the same NGO's USAID grant was terminated. Both the grantee and party responsible were proposed for debarment in March 2020.

OIG Investigation Results in USAID Implementer Reforming Compliance and Ethics Program

Investigation

An OIG investigation exposed fraud and conflicts of interest affecting a $4.7 million USAID-funded agriculture program in Uganda. OIG's investigation uncovered a conflict of interest involving consultancy contracts awarded to the implementer's former Chief of Party as well as evidence that the project accountant falsified records in order to substantiate payments. In January 2020, the implementer responded by instituting various organization-wide process improvements, including anti-bribery policies and revising and updating policies for reporting ethical misconduct, whistleblower protection, conflicts of interest, and document retention.

$42,000 Administrative Recovery from USAID Recipient as a Result of Investigation Into Cost Mischarging

Investigation

In February 2020, USAID issued a bill for collection totaling $42,254 to an implementer working under the Communications for Health Advancement through Networking project, which sought to increase health programs in the Philippines, including tuberculosis treatments and HIV/AIDS-related services. OIG's investigation and subsequent audit found that the implementer mischarged USAID $41,737 for employee work and $517 in lodging expenses unrelated to the USAID project.

Arrest of Two Contractors by Host Country Police for Involvement in Bribery Scheme

Investigation

OIG conducted a bribery investigation into a USAID/Uganda implementer's engineering consultant who allegedly solicited and accepted bribes in exchange for falsely certifying construction work documents submitted by contractors in Uganda. The investigation confirmed that both the consultant and contractors submitted falsified certification documents to obtain USAID funding under the project. Pursuant to the OIG investigation, the Uganda Police Force arrested two contractors for their involvement in the bribery scheme.

ADVANCING ACCOUNTABILITY IN FOREIGN ASSISTANCE PROGRAMS INVOLVING COORDINATION OF COMPLEX INTERAGENCY PRIORITIES

A boy looks on as his mother votes in the May 2018 parliamentary elections in Erbil, Iraq. USAID provided assistance for voter education during the election.
Photo by Jim Huylebroek, Creative Associates International.

U.S. foreign assistance has the dual purpose of advancing U.S. national security and economic prosperity while promoting international development objectives. OIG provides oversight in these complex areas to ensure that U.S. foreign assistance dollars are used efficiently and effectively to meet foreign assistance aims and align with strategic interests.

Oversight of Interagency Efforts

Delivering foreign assistance often involves multiple U.S. Government agencies and requires cooperation and coordination, especially on complex tasks such as fostering private-sector partnerships that advance both U.S. prosperity and global development goals.

Transition of Oversight Responsibilities from OPIC to DFC

In fiscal year 2020, the Better Utilization of Investments Leading to Development (BUILD) Act led to the establishment of the U.S. International Development Finance Corporation (DFC), comprised of the former OPIC and certain elements of USAID. Because OIG had oversight authority of the agencies that now comprise the DFC, OIG wrote a letter to the new DFC Chief Executive Officer and the members of its Board to underline key considerations for the establishment of the new entity. These key considerations included interagency coordination, ensuring that an appropriate workforce is in place, strengthening performance management systems, and addressing vulnerabilities in core management functions. In this last area, the letter highlighted the need to address persistent weaknesses in internal control systems such as those that contribute to OPIC noncompliance with appropriations requirements or the loss of data on financial transactions. During the reporting period, the Inspector General met with the DFC CEO to reiterate these concerns. OIG will continue to engage with DFC and maintains corresponding oversight authority pending the appointment of a DFC Inspector General.

Accountability in Areas of Strategic National Interest

U.S. foreign assistance programs aim to advance U.S. foreign policy by fostering democracy, good governance, and economic opportunity to counter regional and global insecurity, transnational crime, and violence and extremism. OIG continues to concentrate its oversight where the U.S. Government invests in foreign assistance to promote regional peace and security. During the reporting period, OIG's Office of Global Strategy and Overseas Contingency Operations (GSOCO) issued a classified advisory on the limits of vetting and monitoring of national security information. GSOCO also issued quarterly reports under the Lead Inspector General framework for Afghanistan, Syria and Iraq, Africa, and the Philippines. Senior leaders from OIG engaged with stakeholders across the U.S. Government and international organizations to underscore OIG's oversight role and priorities related to humanitarian assistance in these regions.

Limits in Vetting and Monitoring of National Security Information Pose Risks for USAID Humanitarian Assistance and Stabilization Programs [Classified]

Advisory

USAID programming plays a critical role in furthering American foreign policy and national security interests. OIG issued a classified advisory that identifies vulnerabilities in USAID's humanitarian assistance vetting and points to limitations in the Agency's monitoring of national security information critical to ensuring that aid is not subject to diversion to terrorist entities. In the advisory, OIG identified interagency constraints on USAID's access to national security information, as well as obstacles to obtaining appropriate and timely security clearances, which have limited USAID's monitoring activity in this area and impacted USAID's ability to fully assess, mitigate, and respond to threats to its humanitarian assistance and stabilization programs. OIG alerted USAID to these vulnerabilities and encouraged the Agency to evaluate its strategy for vetting humanitarian assistance programs and monitoring national security information.

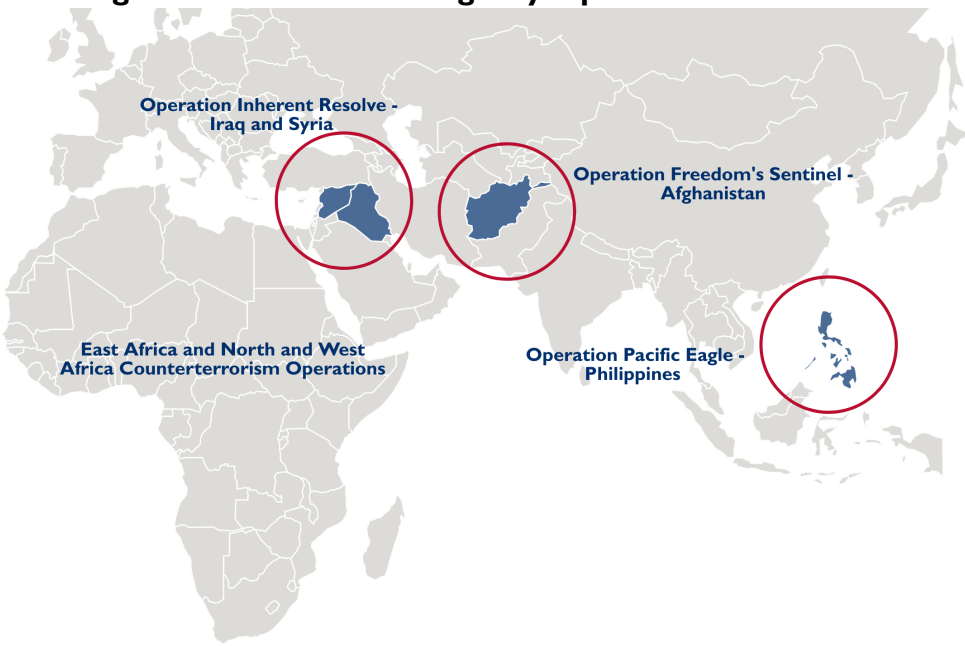
USAID OIG Delegation to Rome Reinforces U.S. Government Oversight Priorities Related to Food Assistance

In February 2020, OIG Executive Staff conducted site visits to three PIO headquarters in Rome, as well as to the U.S. Mission to UN Agencies in Rome. In a series of engagements, OIG reinforced norms and expectations around oversight of the World Food Programme, the Food and Agriculture Organization, and the International Fund for Agricultural Development. The team also gathered information on PIO accountability and control systems, approaches for managing risks in humanitarian response settings, and controls around beneficiary selection and vetting to help inform oversight plans.

Reporting of Overseas Contingency Operations Highlights Challenges of Protracted Conflicts

Through joint quarterly reporting on overseas contingency operations (OCO) under the Lead Inspector General framework, OIG reported on challenges USAID faces stemming from protracted conflict, access constraints, and strategic uncertainty in settings such as Iraq, Syria, Afghanistan, the Philippines, East Africa, and North and West Africa. OIG also contributed to the classified reports on Operation Yukon Journey, a counter-terrorism mission in the Middle East.

Oversight of Overseas Contingency Operations



- **In Afghanistan,** OIG reported on significant staffing cuts for USAID. Notwithstanding a congressional hold on a proposal to reduce USAID personnel in Afghanistan by 39 percent, OIG reported that continuing uncertainty and assignment delays effectively resulted in reductions to these proposed levels. OIG reporting also highlighted questions about the sustainability of billions in health, nutrition, and gender programming in Afghanistan.
- **In Syria,** OIG reported on the impacts of the Turkish incursion into northern Syria, including displacement of more than 200,000 civilians and the closure of USAID's forward operating location, further restricting its ability to directly oversee stabilization and humanitarian assistance activities. The Syrian government's continuing siege of Idlib has also led to intensified need and mass displacement, presenting acute challenges for a population of 3.6 million. OIG also reported on the Al-Hol displaced persons camp in eastern Syria, which presents an unprecedented challenge for USAID in meeting the needs of 70,000 women and children in a setting where sympathy for ISIS ideology continues among some.
- **In Iraq,** OIG reported on how escalating tensions with Iran have impacted USAID's ability to operate freely and safely, and that the prior ordered departure from Iraq both have had adverse effects on USAID's capacity to operate and oversee its more than $1 billion stabilization and humanitarian assistance. This assistance includes grants to encourage voluntary return of displaced persons, a process that continues to be constrained by political and security issues. Finally, OIG covered the challenge of balancing competing priorities, such as the need to counter ISIS, counter Iran, and enable recovery for religious and ethnic minorities.
- **In East Africa,** OIG reported that the Department of Defense, Department of State, and USAID have coordinated closely on the planning and implementation of stabilization efforts, but that the absence of capable hold forces may set back gains in territories recovered from al Shabaab. OIG also noted that more frequent and

longer droughts and floods in the region have been a major factor in the displacement of more than 2.6 million people. And, while USAID reopened its mission in Somalia to increase its engagement there, its presence remains small, and staff are unable to leave the compound at Mogadishu International Airport and instead rely on third-party monitors to oversee activities.

- **In West Africa,** OIG reported that deteriorating security and the increased number of internally displaced persons has caused humanitarian organizations in Mali to temporarily suspend programming and force changes in the way programs are designed. Additionally, USAID program implementers working to address the humanitarian needs in northeastern Nigeria continue to struggle with government interference, including the effects of increased NGO registration requirements, the suspension of NGO operations, and a military strategy that has ceded control of more territory to terrorist organizations.
- **In the Philippines,** OIG reported on progress in meeting the transitional shelter and water supply needs for households displaced by the 2017 siege in Marawi that removed ISIS affiliates from the city. Extended delays in reconstruction, however, have created openings for increased extremist recruitment and allowed these groups to regain a foothold in the city. OIG reported on USAID support to the recently established Muslim autonomous region that is intended to help address longstanding grievances in Mindanao.

Lead Inspector General Delegations Travel to Promote Oversight of Overseas Contingency Operations in Africa and the Middle East

In support of OIG's coordinated oversight of OCOs, the IG and Counselor joined senior Department of Defense and Department of State OIG officials in a visit to U.S. Africa Command, U.S. Europe Command, Kenya, and Djibouti in November 2019. In Stuttgart, Germany, the IG met with civilian and military representatives at USAFRICOM and USEUCOM on counterterrorism operations in Africa, the effects of Operation Inherent Resolve in Syria and Iraq, and the impact of strategic shifts in US policy priorities in the region. In Kenya and Djibouti, OIG representatives gathered information on the leading security, diplomatic, and development considerations in East Africa. Insights from the trip have, in turn, informed quarterly reporting on contingency operations.

USAID OIG also continued to engage with senior U.S. Government and foreign government officials and representatives of multilateral agencies. In March, the Inspector General traveled with the State Department Inspector General and the head of the Department of Defense Office of Inspector General to Kuwait and Bahrain to discuss the military, diplomatic, and humanitarian assistance challenges affecting U.S. overseas contingency operations. This proactive interagency engagement provides OIG with a unique cross-cutting, whole-of-government perspective on challenges in the region that we use to coordinate and shape oversight plans.

IDENTIFYING VULNERABILITIES AND NEEDED CONTROLS IN AGENCY CORE MANAGEMENT FUNCTIONS

Effective and reliable financial and information systems are vital to the stewardship of U.S. Government resources. Our audit and investigative work aims to ensure that the agencies we oversee have adequate controls over computer systems, meet Governmentwide requirements for transparency in financial reporting and accountability for appropriated funds, and effectively use limited financial and human resources. During the reporting period, OIG issued audits on compliance with information technology and financial management accountability for all the agencies we oversee. OIG investigations responded to allegations of fraud and abuse by contractors, grantees, and agency employees.

Information Technology Management

Digital Accountability and Transparency Act of 2014 (DATA Act)

The DATA Act, in part, requires Federal agencies to report financial and award data in accordance with established government-wide financial data standards. The DATA Act also requires Inspectors General to issue a report to Congress every two years assessing the completeness, timeliness, accuracy, and quality of a statistical sample of spending data submitted by the agency and the agency's implementation and use of the data standards. We contracted with an IPA to conduct audits of USAID's and MCC's compliance in FY 2019.

USAID Complied in FY 2019 With the Digital Accountability and Transparency Act of 2014

Report No. 0-000-20-001-C

The audit firm concluded that (1) USAID complied with the requirements of the DATA Act and (2) the data reported for the first quarter of FY 2019 for publication on USASpending.gov were complete, timely, accurate, and of good quality. We made two recommendations to help strengthen USAID's internal controls over its DATA Act reporting.

MCC Complied in FY 2019 With the Digital Accountability and Transparency Act of 2014

Report No. 0-MCC-20-001-C

The audit firm concluded that MCC complied with the requirements of the DATA Act and the data reported for the first quarter of FY 2019 for publication on USASpending.gov were complete, timely, accurate, and of good quality. We made two recommendations to help strengthen MCC's internal controls over its DATA Act reporting.

Federal Information Security Modernization Act of 2014 (FISMA)

FISMA requires agencies to develop, document, and implement an information security program to protect their information and information systems, including those provided or managed by another agency, contractor, or source. FISMA also requires agencies to have an annual assessment of the effectiveness of their information security program and practices. We contracted with IPAs to conduct audits of the agencies listed below for compliance with FISMA for FY 2019.

USAID Generally Implemented an Effective Information Security Program for FY 2019 in Support of FISMA

Report No. A-000-20-005-C

The audit firm concluded that USAID generally implemented an effective information security program by implementing 144 of 157 instances of selected security controls for selected information systems. However, USAID did not implement 13 control instances, which fall into 5 of the 8 FISMA metric domains that Federal inspectors general used in FY 2019 to assess the maturity of their agencies' information security programs. To address the weaknesses identified in the report, OIG made seven recommendations.

MCC Generally Implemented an Effective Information Security Program for FY 2019 in Support of FISMA

Report No. A-MCC-20-001-C

The audit firm concluded that MCC generally implemented an effective information security program by implementing 85 instances of 101 selected security controls for selected information systems. However, MCC did not implement 16 control instances, which fall into all 8 of the FISMA metric domains that Federal inspectors general used in FY 2019 to assess the maturity of their agencies' information security programs. To address the weaknesses identified in the report, OIG made four recommendations.

USADF Generally Implemented an Effective Information Security Program for FY 2019 in Support of FISMA

Report No. A-ADF-20-002-C

The audit firm concluded that USADF generally implemented an effective information security program by implementing 80 of 85 selected security controls for selected information systems, but it also identified some weaknesses. We made one recommendation to further strengthen USADF's information security program.

IAF Generally Implemented an Effective Information Security Program for FY 2019 in Support of FISMA

Report No. A-IAF-20-004-C

The audit firm concluded that IAF generally implemented an effective information security program by implementing 78 of 89 selected security controls for selected information systems, but it also identified some weaknesses. We made three recommendations to further strengthen IAF's information security program.

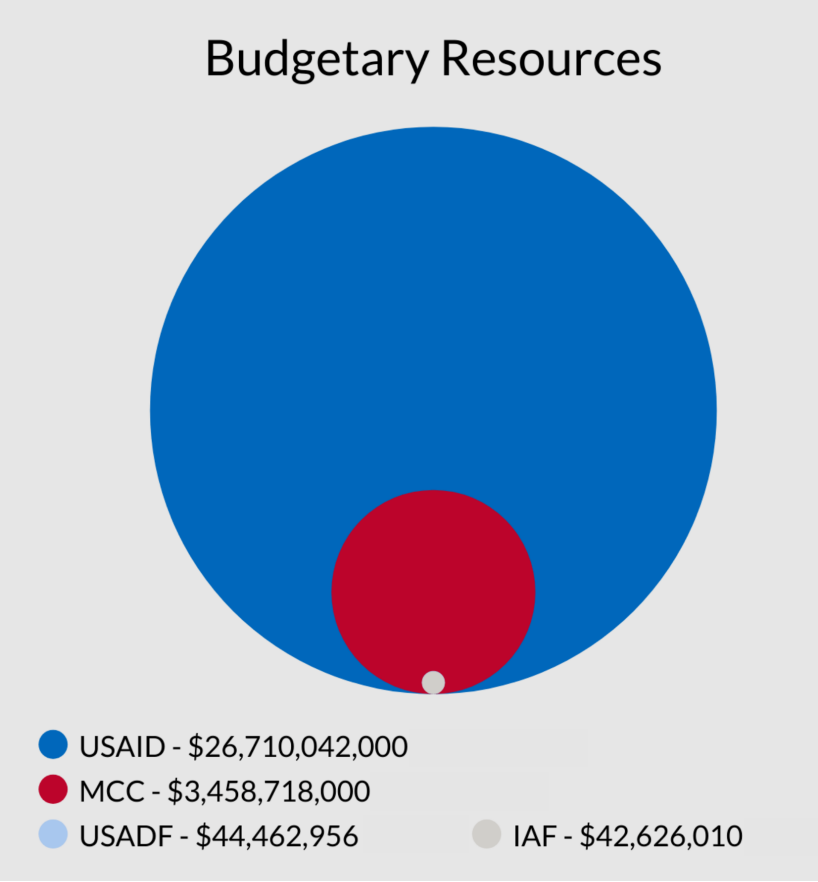
OPIC Generally Implemented an Effective Information Security Program for FY 2019 in Support of FISMA

Report No. A-OPC-20-003-C

The audit firm concluded that OPIC generally implemented an effective information security program by implementing 58 of 71 selected security controls for selected information systems, but it also identified some weaknesses. We made four recommendations to further strengthen OPIC's information security program.

Financial Systems and Agencies' Management Practices

Financial Statement Audits



USAID, MCC, USADF, and IAF manage approximately $30.3 billion annually to develop, implement, and support U.S. foreign assistance programs. Under the Chief Financial Officers Act of 1990, USAID OIG is responsible for annual audits of each agency's financial statements, either directly or by contracting with an IPA to perform the work. These audits promote accuracy, transparency, and accountability in agencies' financial management systems.

During the period, OIG issued financial statement audits of USAID, MCC, IAF, and USADF. An IPA conducted audits for each agency and OIG reviewed each audit report to ensure quality.[3] The objectives of each audit were to (1) express an opinion on

[3]OIG contracted with GKA P.C. for USAID. For MCC, it used CliftonLarsonAllen LLP. OIG worked through the U.S. Department of the Treasury's Bureau of Fiscal Service, which contracted with Brown and Company, CPAs and Management Consultants PLLC to audit IAF and USADF financial statements. USAID financial statements as of and for September 30, 2018, were audited by USAID OIG auditors whose report dated December 17, 2018, expressed an unmodified opinion on those statements.

whether each agency's financial statements of September 30, 2019, and 2018, were presented fairly, in all material respects; (2) evaluate each agency's internal controls; and (3) determine whether each agency complied with applicable laws and regulations.

For each of the four agencies, independent auditors issued unmodified, or "clean," opinions, concluding that each agency's financial statements for the fiscal years ending September 30, 2019, and 2018, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.

Material Weakness: A deficiency or a combination of deficiencies in internal control over financial reporting that presents a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis

Significant Deficiency: A deficiency or a combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Audit of USAID's Financial Statements for FYs 2019 and 2018

Report No. 0-000-20-006-C

In addition to issuing an unmodified opinion for USAID, auditors found no instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements. However, they reported significant deficiencies related to USAID's internal control processes for reconciling suspense accounts, deobligating unliquidated obligations totaling $32 million, recording accrued expenses, managing information-system accounts, and improving information technology controls over financial systems. The audit made 19 recommendations, which OIG considered open and resolved at the time of issuance.

Audit of MCC's Financial Statements for FYs 2019 and 2018

Report No. 0-MCC-20-004-C

In addition to issuing an unmodified opinion for MCC, auditors reported two significant deficiencies in internal controls related to grant accrual estimates and validation, and Millennium Challenge Accounts' financial reporting. Both were modified repeat findings from last year's report. To address the weaknesses identified in the report, OIG made nine recommendations, which OIG considered open and unresolved at the time of issuance.

Audit of IAF's and USADF's FYs 2019 and 2018 Financial Statements

Report No. 0-IAF-20-011-C (IAF)

Report No. 0-ADF-20-009-C (USADF)

In addition to issuing unmodified opinions for IAF and USADF, auditors did not identify any material weaknesses or significant deficiencies in either agency's internal controls over financial reporting. In addition, they found no instances of noncompliance with applicable laws and regulations.

Charge Card Risk Assessment

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requires each OIG to conduct periodic risk assessments of their agency's charge card program to identify and analyze the risks of illegal, improper, or erroneous purchases and payments. OIGs use these risk assessments to determine the necessary scope, frequency, and number of audits or reviews of the program.

Assessment of MCC's FY 2018 Charge Card Programs Shows Risk of Improper Purchases and Payments Has Increased to Moderate

Report No. 0-MCC-20-003-C

OIG contracted with an IPA firm to assess the risks of illegal, improper, and erroneous purchases and payments in MCC's FY 2018 charge card programs. The audit firm concluded that MCC's charge card programs posed a moderate risk of illegal, improper, or erroneous purchases and payments in FY 2018. Notably, this is an increase in risk from last year's assessment of MCC's charge card programs in FY 2017, which found the risk to be low. To help strengthen MCC's internal control over its charge card programs, the auditors made two recommendations, which OIG considers resolved but open pending completion of planned activities.

OIG Risk Assessment of the IAF Charge Card Program for FY 2017 and 2018

Report No. 0-IAF-20-002-S

Our risk assessment did not identify any misuse of the government charge cards or illegal purchases made on the part of IAF. Based on our risk assessment, we determined that the charge card program poses a low risk to the agency, and an audit of the program is not necessary.

OIG Risk Assessment of USADF's Charge Card Program for FY 2017 and 2018

Report No. 0-ADF-20-001-S

Our risk assessment did not identify any misuse of the government charge cards or illegal purchases made on the part of USADF. Based on our risk assessment, we determined that the charge card program poses a low risk to the agency, and an audit of the program is not necessary.

Grants Oversight and New Efficiency (GONE) Act

The GONE Act was passed in 2016 with the goal of directing federal agencies to close out expired grants efficiently, including deobligating any remaining expired funding. In addition, the effort intends to provide oversight to the grant closeout process of Federal agencies, improve grant closeout procedures, and enhance fiscal responsibility throughout the Government. The GONE Act requires each OIG to perform a risk assessment of its agency's grant closeout process. We contracted with an IPA to conduct audits of USAID's and MCC's grant closeout process and compliance with the act's reporting requirements.

USAID Complied With the GONE Act but Still Has a High Risk of Delayed Grant Closeout

Report No. 0-000-20-002-C

The audit firm concluded that the overall risk of delayed grant closeout is high based on weaknesses it identified in grant closeout communication, procedures, de-obligation of awards totaling $178.3 million, documentation, and employee training and certification. OIG made nine recommendations to address these weaknesses and considers all the recommendations open and unresolved. The audit firm also concluded that USAID complied with the reporting requirements of the GONE Act in FY 2017 and 2018.

MCC Complied With the GONE Act and Has a Low Risk of Delayed Grant Closeout

Report No. 0-MCC-20-005-C

The audit firm concluded that the overall risk of delayed grant closeout is low and that MCC complied with the reporting requirements of the GONE Act in FY 2017 and 2018. We did not make any recommendations.

Employee Accountability

Senior Government Employee Misconduct

Senior OPIC Official Receives Letter of Reprimand for Conflict of Interest

Investigation

An OIG investigation found that a senior employee of OPIC was married to an employee of a company that won two OPIC contracts valued at $987,000. The senior employee failed to disclose her relationship prior to participating in two OPIC technical evaluation boards, and twice failed to complete a standard conflict of interest disclosure statement. OPIC issued the employee an official letter of reprimand in December 2019 which required remedial ethics training.

Employee Misconduct

Employee Resigns After OIG Discovery of Time and Attendance Fraud

Investigation

An OIG investigation in South Africa found that a FSN employee made false statements on his time and attendance sheet and medical note. Although USAID Southern Africa intended to terminate the FSN's contract, the employee resigned in lieu of termination in February 2020.

USAID Southern Africa Terminates Three FSNs and Another Resigns After OIG Investigation into Kickbacks Scheme

Investigation

An OIG investigation discovered a contract steering conspiracy involving multiple FSN employees of USAID Southern Africa. OIG confirmed that the USAID Southern Africa correspondence and records manager registered a shell company which was awarded ten contracts over four years with a total value of $150,663. Two additional FSNs fabricated quotations, invoices, and reports in support of the scheme. The three confessed to taking kickbacks on contracts awarded to the shell company and admitted that little to no goods were received by USAID Southern Africa under these contracts. In November 2019, following a referral of OIG's findings, USAID Southern Africa terminated the three FSNs for fraud and theft. A fourth employee implicated in the investigation resigned in lieu of termination.

USAID Receives $36,000 in Restitution for Fraudulent Employment Benefits Claims

Investigation

In December 2019, as a result of an OIG investigation, a former USAID Foreign Service Officer (FSO) and her ex-domestic partner agreed to pay a total of $36,250 in restitution due to a false certification of relationship. The OIG investigation found that the FSO falsified the existence of a domestic partnership in order to qualify for a separate maintenance allowance benefit that assists with the costs of providing for family members who must remain at a location separate from the FSO. The investigation found that the FSO submitted numerous false claims for payment under the benefit. The restitution was in lieu of prosecution by the Department of Justice.

Contractor and Grantee Accountability

Non-Federal Audit (NFA) Program

To meet its oversight responsibility, OIG determines whether required audits of contractors and grantees meet professional standards for reporting and other applicable laws, regulations, and requirements. OIG's oversight activities also contribute to the NFA's impact by addressing recommendations to the Agency—46 recommendations questioning costs of $23.5 million this reporting period, as well as 80 recommendations to strengthen weaknesses in internal control and compliance.

Multiple OIG Investigations Lead to $5.5 Million Bill of Collection to USAID Implementer

Investigation

In January 2020, a USAID Agreement Officer issued a final decision regarding the allowability, allocability, and reasonableness of $17.3 million in questioned direct and indirect costs incurred by an implementer for grants and contracts performed from fiscal years 2009-14. In February 2020, the agency issued a bill of collection to the implementer for $5.5 million of the incurred costs following two separate multi-year OIG investigations. Those investigations found that the implementer's senior leadership had intentionally charged unallowable costs to its indirect accounts, including the funding of lavish off-site retreats, unallowable public relations costs designed solely to promote the organization, and large year-end bonuses for senior managers at the organization.

Two Contractors Arrested by Host Country Police for Bribery Scheme

Investigation

The OIG's ongoing investigation into a USAID/Uganda implementer discovered that an engineering consultant had solicited and accepted bribes from contractors in exchange for false certification of their construction work in order to obtain USAID funding. In conjunction with the OIG investigation, the Uganda Police Force arrested two contractors who submitted false documents in December 2019 and February 2020.

Contractor Plans to Train Staff Worldwide After OIG Discovered Fraudulent Procurement by Subcontractor

Investigation

OIG investigators found that a subcontractor providing software to train Salvadoran youths in computer skills had created a new company that fraudulently won multiple subcontracts. As a result, the prime USAID awardee plans to implement conflict of interest training for all its staff worldwide. The prime USAID awardee also reduced the price for the subcontractor's software, resulting in a $69,000 cost avoidance.

USAID Debars Managing Director of Sub-Contractor for Bribery Scheme

Investigation

OIG found that the managing director of a sub-contractor arranged to bribe a USAID contractor's procurement specialist in exchange for providing procurement sensitive information for a $72 million USAID education program in Rwanda. In response to OIG's referral, USAID debarred the individual. USAID proposed the subcontractor for debarment, but upon receiving commitments to implement an anti-bribery and corruption policy, decided not to debar.

Procurement Fraud Leads to Implementer Staff Termination and Resignation

Investigation

OIG found that the operations director for a Liberian implementer falsified procurement documents in order to benefit a vendor who received over $1.5 million of a $9.5 billion Global Health Supply Chain - Procurement Supply Management award. In March 2020, following OIG's findings, the implementer terminated the operations director, and the logistics manager resigned in lieu of termination.

USAID Issues $87,000 Bill of Collection to Major Shipping Company

Investigation

OIG uncovered that USAID was overcharged $87,383 for shipments of food aid. In 2012, USAID confronted a major shipping company for over billing14 USAID implementers on ocean freight cargo. OIG initiated an investigation and discovered approximately $850,000 in overcharges to USAID. The prime award recipient performed an internal audit in 2016 and found that its subsidiary also overcharged USAID for detention and demurrage feeds. In October 2019, USAID issued a bill for collection to the company for $87,383.

Contractor Terminated for Fraud and Misuse of Resources

Investigation

OIG's investigation found that a Personal Services Contractor fraudulently received approximately $60,000 in pay and travel allowances for days for which there was no evidence he worked. Additionally, OIG's investigation uncovered the employee's misuse of a government computer and travel card. In November 2019, USAID terminated the contract and suspended the security clearance, saving the Government approximately $102,143 in salary payments. In February 2020, the contractor was proposed for debarment by USAID.

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OIG OUTREACH AND EXTERNAL ENGAGEMENT

OIG's outreach and engagement efforts give stakeholders, oversight partners, and the public timely, relevant information to make informed decisions about U.S. foreign assistance and take action. OIG cultivates dialogue, informs decision making, coordinates oversight, and promotes greater accountability across the U.S. Government and international bodies. OIG solicits stakeholder input to inform its oversight work and strengthens partnerships with oversight offices worldwide.

Engaging Stakeholders

OIG maintains open dialogue with stakeholders on areas of heightened interest and activity and proactively shares observations based on audit and investigative work.

During the period, the Inspector General joined the heads for the Departments of Defense and State OIGs in meeting with senior military, diplomatic, and development officials on implementation of Administration policies and programs in East Africa and the Middle East. These exchanges helped the IGs gain firsthand information on counterterrorism activities and better identify how oversight can support U.S. Government objectives in the region. Later in the period, senior leaders from OIG met with representatives from the U.S. Mission to the United Nations and U.N. agencies, including the World Food Programme, to discuss ways of strengthening oversight of the UN's use of U.S. foreign assistance funds.

The Inspector General also held briefings for congressional staff to present the office's report on the top management challenges facing USAID in FY 2020. OIG delivered additional congressional briefings based on its oversight work of USAID's award management; democracy, human rights, and governance programs; and global health preparedness; oversight of MCC; and reporting on overseas contingency operations.

Sustaining Partnerships

OIG works with oversight offices and law enforcement and prosecutorial agencies worldwide. These partnerships help OIG leverage investigative resources and share knowledge, leading to stronger oversight and significant improvements in the delivery of international development and humanitarian assistance. During the reporting period, OIG's work to sustain critical oversight partnerships included:

Joining the U.S. Department of Justice's Metropolitan Area COVID-19 Anti-Fraud Task Force. Toward the end of the reporting period and in response to the COVID-19 pandemic, OIG formally joined the U.S. Attorney's Office in Washington, DC to join a taskforce focused on detecting, deterring, and pursuing abuses of U.S. taxpayer dollars intended for the COVID-19 response.

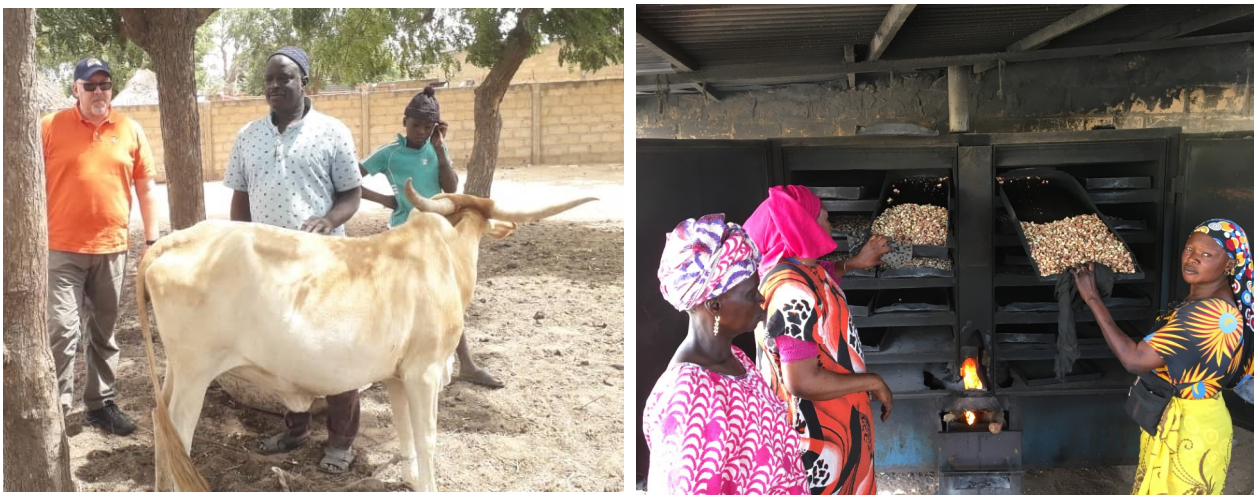
Continuing Lead IG Coordination of Overseas Contingency Operations Oversight. OIG worked with the OIGs for the U.S. Departments of Defense (DOD) and State to oversee and report on six OCOs. The OIGs' joint quarterly reports described U.S. Government activities in

Iraq and Syria (Operation Inherent Resolve), Afghanistan (Operation Freedom's Sentinel), and the Philippines (Operation Pacific Eagle). OIG also monitored and reported on the activities of classified OCOs in East Africa (East Africa Counterterrorism Operation), and Northwest Africa (North and West Africa Counterterrorism Operation) and a classified OCO in the Middle East.

Strengthening International Oversight through MOUs. USAID OIG continued to build relationships with international partners, including the signing of an memorandum of understanding with the Global Fund IG to formalize information sharing and coordination in the oversight of programs to fight the spread of HIV/AIDS.

Presenting OIG's role in Combatting Foreign Bribery to the OECD. OIG's Offices of General Counsel and Investigations were invited to present to the Organisation for Economic Co-operation and Development's (OECD) Anti-Bribery Convention Working Group on OIG's efforts to combat bribery in foreign aid programming. The Working Group consisted of officials from multiple OECD signatory nations and is formally assessing the U.S. government's overall efforts to combat foreign bribery. OIG's presentation focused on its work to combat bribery in USAID programming using all appropriate criminal, civil, and administrative enforcement remedies, as well as enforcing expectations of NGOs to disclose all allegations of bribery in a timely and transparent manner.

Strengthening Networks and Underscoring OIG's Oversight Role



OIG's Office of Investigations conducts site visits of USAID-funded programs in Senegal in February, 2020. *Photos by USAID OIG.*

OIG routinely engages with international aid and development organizations receiving USAID funding to communicate OIG's expectations for the prevention, detection, and timely reporting of fraud and other misconduct, such as suspected cases of sexual abuse and exploitation. OIG also shares best practices for identifying and combatting fraud. Such efforts foster enhanced reporting of potential misconduct by the aid sector and cooperation with OIG in the event that an investigation is necessary. In addition, OIG's Office of General Counsel makes presentations to international aid organizations and their external counsel on OIG's legal authority and expectations for requesting and receiving information on potential misconduct.

OIG Training Promotes Oversight of Agency and Implementers

Worldwide Training on Fraud Awareness

OIG briefs Agency employees on fraud awareness, prevention, and reporting to deepen their understanding of fraud schemes and vulnerabilities affecting foreign assistance funds. As shown on the map on page 37, OIG held 65 fraud awareness briefings worldwide, reaching 3,059 individuals. OIG's Office of General Counsel also briefs all new USAID employees and contractors on their right to make protected whistleblower disclosures and their legal protections against retaliation.

Cost Principles Training

OIG trained 181 USAID staff and representatives of IPAs on costs that can be legitimately charged under USAID contracts and grants, as well as applicable auditing standards. The trainings covered Bosnia and Serbia, Kosovo and North Macedonia, Afghanistan, and Pakistan.

Promoting Implementer Accountability

Also during the period, OIG fostered coordinated oversight and greater awareness of fraud schemes and reporting procedures in several key ways:

Proactive Outreach Program

During the reporting period, OIG's Office of Investigations conducted six site visits in El Salvador, Jordan, and Nigeria. Under the program, OIG special agents and analysts coordinate with implementers to develop project profiles and identify weaknesses and vulnerabilities in each organization, giving OIG and implementers a better understanding of risk areas affecting USAID programs.

Outreach to Implementer Attorneys and Compliance Officers

In March, OIG's Offices of General Counsel and Investigations presented to a convening of 60 European-based NGO legal counsels and compliance officials to reinforce OIG's authority to obtain records from implementers receiving USAID funding. The OIG representatives provided comprehensive information on processes for securing data and the due process afforded to any individual resulting from OIG investigative findings.

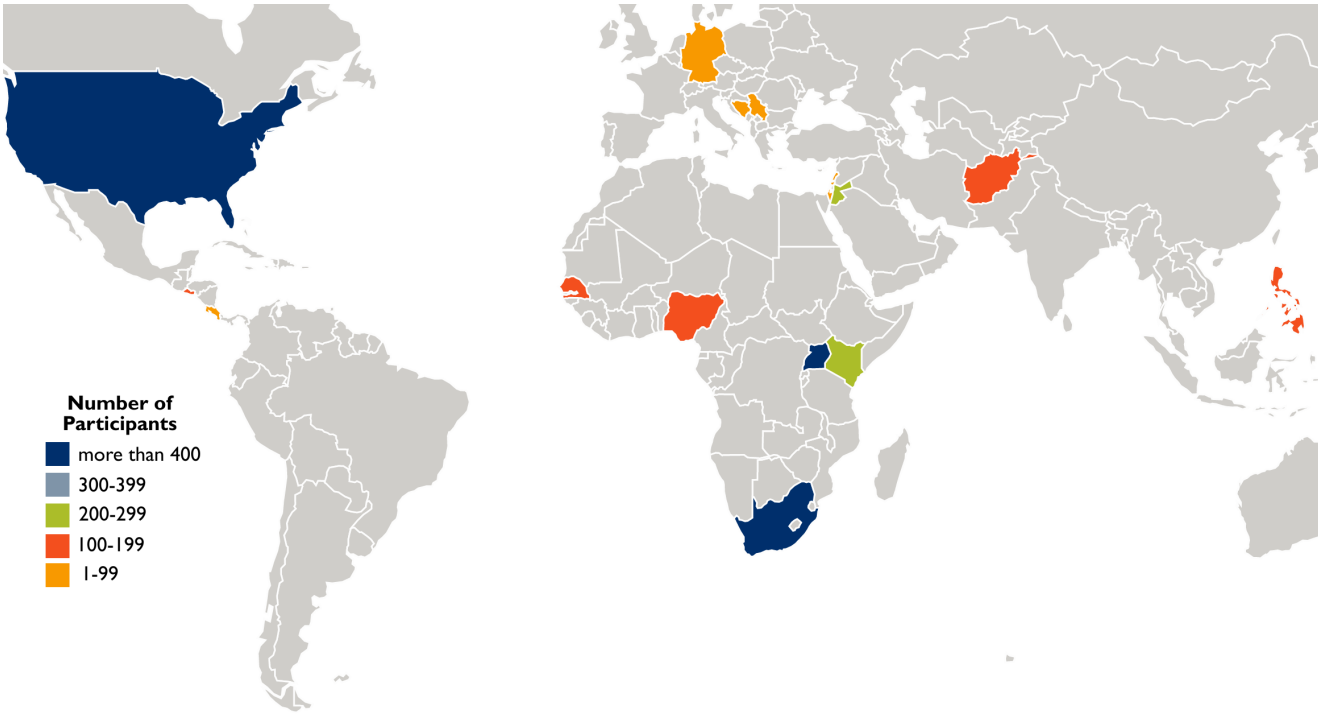
Also during the period, OIG's Senior Counsel presented at the American Bar Association's Grant Fraud Working Group and the Virginia Bar Association's White Collar Criminal Law forum to discuss OIG enforcement priorities and raise USAID implementers' awareness of potential exposure under the False Claims Act.

Raising Public Interest

With a commitment to transparency and accountability, OIG promotes awareness and knowledge of our mission, work and results, and use of taxpayer resources among the public. OIG's website contains previous and newly issued audit reports, advisories, press releases, testimonies, and summary reports, including OIG's Lead Inspector General and semiannual reports to Congress. Additional information about OIG's mission, work, and operations can be found at https://oig.usaid.gov.

Fraud Awareness Briefings Conducted Worldwide

October 1, 2019-March 31, 2020



Fraud Awareness Briefings

Country	# of Briefings	Total Participants
Afghanistan	8	36
United States	14	818
Philippines	3	141
El Salvador	3	189
South Africa	5	413
Uganda	6	428
Jordan	5	266
Israel	1	37
Germany	3	43
Nigeria	4	137
Senegal	3	112
Costa Rica	3	77
Lebanon	2	59
Kenya	3	200
Bosnia and Herzegovina	1	40
Serbia	1	22
Total	***64***	***3059***

Proactive Outreach Program Site Visits

Country	# of Site Visits
El Salvador	3
Jordan	1
Nigeria	2
Total	***6***

IG ACT REPORTING REQUIREMENTS

The following pages provide information required by the Inspector General Act of 1978, as amended, and other congressional requirements for the reporting period October 1, 2019-March 31, 2020. Requirements for which OIG has nothing to report are indicated in the table below.

The following reporting requirements can be found in the appendixes available on our website at https://oig.usaid.gov/our-work/semiannual-report:

Appendix A: List of All Audits (Financial Audits, Performance Audits, and Nonaudits) October 1, 2019-March 31, 2020

Appendix B: Reports Issued Prior to October 1, 2019, With Open and Unimplemented Recommendations, and their potential cost savings, as of March 31, 2020

Reporting Requirements Under the Inspector General Act of 1978, as amended	Description	USAID, page in report	MCC, page in report	USADF, page in report	IAF, page in report	DFC/ OPIC, page in report
§5(a)(1)	Significant problems, abuses, and deficiencies	Throughout This Report				
§5(a)(2)	Recommendations for corrective action with respect to significant problems, abuses, and deficiencies	Throughout This Report				
§5(a)(3)	Significant recommendations from previous semiannual reports on which corrective action has not been completed	42	43	Nothing to Report	43	44
§5(a)(4)	Summary of matters referred to prosecutive authorities and resulting convictions	9				
§5(a)(5)	Matters reported to the head of the agency under section 6 (c)(2) (refusal of assistance)	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(6)	Listing of reports issued during the reporting period	7, Appendix A				
§5(a)(7)	Summary of significant reports	10-33				

Reporting Requirements Under the Inspector General Act of 1978, as amended	Description	USAID, page in report	MCC, page in report	USADF, page in report	IAF, page in report	DFC,/ OPIC page in report
§5(a)(8)	Statistical table: questioned costs	47	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(9)	Statistical table: recommendations that funds be put to better use	47	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(10)(A)	Summary of audit reports issued before the commencement of the reporting period for which no management decision has been made	Nothing to Report	48	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(10)(B)	Summary of audit reports for which the agency has not returned comment within 60 days of receipt of the report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(10)(C)	Summary of audit reports for which there are outstanding unimplemented recommendations, including aggregate potential cost savings of those recommendations	Appendix B				
§5(a)(11)	Significant revisions to management decisions made during the reporting period	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(12)	Significant management decisions with which the Inspector General is in disagreement	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(13)	Information described under section 804(b) of the Federal Financial Management Improvement Act of 1996	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(14-15)	Peer reviews of USAID OIG	48				
§5(a)(16)	Peer reviews conducted by USAID OIG	Nothing to Report				

Reporting Requirements Under the Inspector General Act of 1978, as amended	Description	USAID, pg. in report	MCC, pg. in report	USADF, pg. in report	IAF, pg. in report	DFC/OPIC pg. in report
§5(a)(17-18)	Statistical tables showing the number of investigative reports, number of persons referred to the Department of Justice for criminal prosecution, number of persons referred to state/ local authorities for criminal prosecution, number of indictments/criminal information as a result of OIG referral. A description of the metrics used for developing the data for such statistical tables, including a description of the metrics used for developing the data for such tables	9, 49				
§5(a)(19)	Report on each OIG investigation involving a senior Government employee where allegations of misconduct were substantiated	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	30
§5(a)(20)	Instances of (agency) whistleblower retaliation	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(21)	Attempts by agency to interfere with OIG independence. including budget constraints and incidents where the agency restricted or significantly delayed access to information	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report
§5(a)(22)	Detailed description of situations where an inspection, evaluation, and audit was closed and not disclosed to the public; and each investigation of a senior Government employee was closed and not disclosed to the public	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report

Reporting Requirements, Other	Description	USAID, pg. in report	MCC, pg. in report	USADF, pg. in report	IAF, pg. in report	DFC/ OPIC, pg. in report
Significant Findings From Contract Audit Reports	The National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181, section 845) requires inspectors general to submit information on contract audit reports, including grants and cooperative agreements, that contain significant audit findings in semiannual reports to Congress.	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report	Nothing to Report

Significant Recommendations Described Previously Without Final Action

USAID

as of March 31, 2020

Report Number	Report Title	Date of Report	Recommendation Number	Management Decision Date	Final Action Target Date
5-000-17-001-S	Internal Control Gaps Hinder Oversight of U.S. Personal Services Contracts in Asia	3/20/2017	1	3/20/2017	1/31/2020
9-000-18-001-P	Lessons From USAID's Ebola Response Highlight the Need for a Public Health Emergency Policy Framework	1/24/2018	5	1/24/2018	6/30/2020
9-000-18-001-P	Lessons From USAID's Ebola Response Highlight the Need for a Public Health Emergency Policy Framework	1/24/2018	6	5/11/2018	6/30/2020
9-000-18-001-P	Lessons From USAID's Ebola Response Highlight the Need for a Public Health Emergency Policy Framework	1/24/2018	14	1/24/2018	6/30/2020
8-000-18-003-P	Insufficient Oversight of Public International Organizations Puts U.S. Foreign Assistance Programs at Risk	9/25/2018	2	9/25/2018	4/30/2020
9-000-19-006-P	USAID's Award Oversight Is Insufficient To Hold Implementers Accountable for Achieving Results	09/25/2019	5	9/25/2019	10/1/2020
9-000-19-006-P	USAID's Award Oversight Is Insufficient To Hold Implementers Accountable for Achieving Results	9/25/2019	6	9/25/2019	5/31/2020
9-000-19-006-P	USAID's Award Oversight Is Insufficient To Hold Implementers Accountable for Achieving Results	9/25/2019	7	9/25/2019	8/31/2020
9-000-19-006-P	USAID's Award Oversight Is Insufficient To Hold Implementers Accountable for Achieving Results	9/25/2019	10	9/25/2019	7/1/2020

Significant Recommendations Described Previously Without Final Action
MCC
as of March 31, 2020

Report Number	Report Title	Date of Report	Recommendation Number	Management Decision Date	Final Action Target Date
M-000-17-001-C	Audit of the Millennium Challenge Corporation's Financial Statements, Internal Controls, and Compliance for the Fiscal Years Ending September 30, 2016, and 2015	11/15/2016	3	1/31/2017	10/31/2020
M-000-18-002-C	Audit of MCC's Fiscal Years 2017 and 2016 Financial Statements	11/15/2017	5	3/28/2018	6/30/2020
M-000-19-001-C	Audit of MCC's Fiscal Years 2018 and 2017 Financial Statements	11/15/2018	5	6/18/2019	9/30/2020
M-000-19-001-C	Audit of MCC's Fiscal Years 2018 and 2017 Financial Statements	11/15/2018	7	6/18/2019	9/30/2020
M-000-19-001-C	Audit of MCC's Fiscal Years 2018 and 2017 Financial Statements	11/15/2018	10	6/18/2019	6/30/2020

Significant Recommendations Described Previously Without Final Action
IAF
as of March 31, 2020

Report Number	Report Title	Date of Report	Recommendation Number	Management Decision Date	Final Action Target Date
A-IAF-17-004-C	IAF Has Implemented Many Controls in Support of FISMA, but Improvements Are Needed	11/7/2016	7	11/7/2016	6/30/2020

Significant Recommendations Described Previously Without Final Action

DFC

as of March 31, 2020

Report Number	Report Title	Date of Report	Recommendation Number	Management Decision Date	Final Action Target Date
A-OPC-17-007-C	OPIC Implemented Controls in Support of FISMA for Fiscal Year 2017, but Improvements Are Needed	9/28/2017	1	9/28/2017	12/31/2018
A-OPC-19-006-C	OPIC Has Generally Implemented Controls in Support of FISMA for Fiscal Year 2018	1/30/2019	2	1/30/2019	2/28/2019
A-OPC-19-006-C	OPIC Has Generally Implemented Controls in Support of FISMA for Fiscal Year 2018	1/30/2019	4	1/30/2019	3/30/2019
A-OPC-19-006-C	OPIC Has Generally Implemented Controls in Support of FISMA for Fiscal Year 2018	1/30/2019	7	1/30/2019	7/30/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	1	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	2	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	3	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	4	2/1/2019	2/1/2019

Report Number	Report Title	Date of Report	Recommendation Number	Management Decision Date	Final Action Target Date
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	5	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	6	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	7	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	8	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	9	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	10	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	11	2/1/2019	2/1/2019

Report Number	Report Title	Date of Report	Recommendation Number	Management Decision Date	Final Action Target Date
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	14	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	15	2/1/2019	2/1/2019
9-OPC-19-002-P	OPIC Investments Increased Chile's Energy Capacity, but Weak Processes and Internal Controls Diminish OPIC's Ability To Gauge Project Effects and Risks	2/1/2019	16	2/1/2019	2/1/2019
9-OPC-19-005-P	OPIC Lacks Policy and Procedures To Ensure Compliance With Annual Appropriations Requirements	7/9/2019	3	7/10/2019	8/1/2019

Reports with Questioned and Unsupported Costs
USAID
as of March 31, 2020

Reports	Number of Audit Reports	Questioned Costs	Unsupported Costs[a]
A. Reports for which no management decision had been made as of September 30, 2019	35	$19,715,127	$13,350,858
B. Reports issued October 1, 2019-March 31, 2020	42	$23,454,974	$17,174,043
Subtotal	***77***	***43,170,101***	***30,524,901***
C. Reports with a management decision made October 1, 2019-March 31, 2020	41	$25,584,432	$18,915,161
Value of costs disallowed by Agency officials		$9,357,124	$6,485,207
Value of costs allowed by Agency officials		$16,227,308	$12,429,954
D. Reports for which no management decision had been made as of March 31, 2020	37	$17,585,669	$11,609,740

[a]Unsupported costs, a subcategory of questioned costs, are reported separately as required by the Inspector General Act.

Reports with Recommendations That Funds Be Put to Better Use
USAID
as of March 31, 2020

Reports	Number of Audit Reports	Value ($)
A. Reports for which no final action had been made as of September 30, 2019	0	0
B. Reports issued October 1, 2019 - March 31, 2020	2	$210,300,000
Subtotal	***2***	***$210,300,000***
C. Reports with a management decision made October 1, 2019- March 31, 2020	1	$32,000,000
Value of costs disallowed by Agency officials		$0
Value of costs allowed by Agency officials		$0
D. Reports for which no management decision had been made as of March 31, 2020	1	$178,300,000

Audit Reports Issued Prior to October 1, 2019 with No Management Decision
MCC
as of March 31, 2020

Report Number	Report Title	Date of Report	Recommendation Number	Reason for No Management Decision	Desired Timetable for Achieving Management Decision
3-MCC-19-006-N	Financial Audit of MCC Resources Managed by Millennium Challenge Coordinating Unit Sierra Leone Under the Threshold Agreement, April 1, 2017 to March 31, 2018	6/4/2019	1	Management Decision received but contained issues requiring explanation.	TBD

Peer Reviews Conducted of OIG
as of March 31, 2020

The Department of Treasury Office of Inspector General anticipates completing the peer review of USAID OIG's Office of Audit by April 30, 2020.

DESCRIPTION OF METRICS USED IN REPORTING INVESTIGATIVE FIGURES

Investigations Opened/Closed
Opened: When a complaint meets the following conditions:

- There is identifiable evidence of a violation of a rule, law, policy, or regulation with a clear nexus to an agency OIG oversees.
- The allegation falls within a stated management priority or an investigation of it can otherwise be justified.
- OIG management is committed to expending the necessary resources to fully investigate the matter.

Closed: When all investigative activity has concluded, all legal and administrative actions have been finalized, and all case results have been recorded in OIG's case management system.

Total Number of Reports Issued
Reports of investigation are referred to one or more recipients outside of OIG.
As part of the referral process, OIG provides referral recipients with a written report of investigation containing the following:

- **Synopsis:** An abbreviated summary of the allegations that identifies the USAID (or other agency over which OIG exercises oversight responsibilities) office or program affected, describes the findings of the investigation, and states whether any judicial or administrative action was taken as a result of those findings.
- **Details of Investigation:** The steps taken and the information gathered during the course of the investigation, including the results of interviews of witnesses and subjects, sworn statements, and the results of other significant investigative activities.

Civil Referrals/Declinations
Referrals: Cases that OIG presents to the Department of Justice (DOJ) when investigative activity establishes evidence that violations of criminal statutes subject to civil penalties or violations of 31 U.S.C. 3729 (False Claims Act) may have occurred. Such matters are referred to an appropriate DOJ entity with the authority to initiate civil action.
Declinations: Decisions by the DOJ entity to which OIG has referred an investigation for consideration for civil action not to pursue said civil action.

Civil Judgments
The final decisions of a court in a civil lawsuit. Civil judgments reported by OIG are typically associated with a financial recovery.

Civil Settlements
Occurs when the plaintiff in a civil case, most often the U.S. Government, agrees to stop legal action and the right to pursue recourse in exchange for mutually agreed upon terms. Civil settlements reported by OIG are typically associated with a financial recovery.

Prosecutive Referrals/Declinations
Referrals: Matters referred by OIG to the appropriate DOJ entity responsible for initiating criminal prosecution when investigative activity establishes reasonable grounds to believe there have been violations of Federal law relating to the programs and operations of USAID.
Declinations: Instances in which the DOJ entity to which OIG has referred an investigation for consideration for criminal action declines to pursue criminal action.

Present Responsibility Referral
A referral submitted to USAID's Office of Compliance in which an entity or individual's "present responsibility" to do business with the government is suspect and suspension/debarment has been determined by OIG to be a viable potential outcome of the referral.

Arrests
Instances in which an individual has been seized by a legal authority and taken into custody in connection with a USAID OIG investigation.

Criminal Indictments/Informations
Indictments: Instances in which a formal accusation that a person has committed a crime is made against an individual. For most investigations in which a prosecutive referral has been made to a U.S. jurisdiction, a grand jury approves the criminal indictment on determining that there is enough probable cause to move the case forward in court.
Informations: Criminal informations are used when a defendant formally charged with a crime voluntarily relinquishes the right to have a grand jury consider the evidence against him or her. A criminal information is distinct from a criminal indictment in that it allows charges to be brought directly without grand jury proceedings.

Convictions
Instances in which a criminal prosecution has concluded in a final judgment that the defendant is guilty of the crime charged.

Sentencings
Instances in which a punishment (sentence) has been meted out to a defendant after he or she has been convicted of or pleaded guilty to the crime he or she was charged with.

Fines
Monetary penalties imposed on a defendant as part of a sentencing.

Special Assessments
Monetary penalties imposed on a defendant as part of sentencing. Special assessments are applied on a per-count basis and are collected in the same manner as fines for criminal cases.

Restitutions
Instances in which a monetary penalty was imposed on a defendant as part of a sentencing. Restitutions serve as recompense for injury or loss.

New Rules/Procedures
New procedures, rules, or regulations implemented by the responsible organization to address systemic weaknesses revealed during OIG's investigation.

Personnel Suspensions
The placement of employees in a temporary nonduty and nonpay status for disciplinary reasons.

Resignations
Voluntary separation of employees from the agency. Employees who tender their resignations as the result of an OIG investigation typically do so in lieu of removal.

Removals
The involuntary separation of agency employees from the agency or the involuntary separation of implementer employees from an agency implementer or subimplementer.

Suspensions
The temporary disqualification of firms or individuals from receiving U.S. Government awards or U.S. Government-approved subawards.

Debarments
Actions taken by a debarring official to exclude a contractor or grantee from Government contracting and assistance and Government-approved subcontracting for a reasonable, specified period.

Contract Terminations
Instances in which a USAID contract, grant, or cooperative agreement is terminated as the result of an OIG investigation. Contract terminations are frequently accompanied by a financial recovery. This also includes instances in which individuals employed with the Agency through a personal services contract are involuntarily separated.

Award Suspensions
Instances in which all ongoing, pending, and planned activities under a specific award are suspended until a prescribed remedial or administrative action is concluded.

Judicial Recoveries
Monetary amounts recovered from firms or individuals as part of a criminal or civil sentencing or settlement.

Administrative Recoveries
USAID (or other agency over which OIG exercises oversight responsibilities) funds that were already distributed and for which USAID formally issued a bill of collection or other recovery mechanism (or other agency over which OIG exercises oversight responsibilities) after an OIG investigation revealed that the funds were lost, misappropriated, stolen, or misused.

Savings
USAID (or other agency over which OIG exercises oversight responsibilities) funds that were obligated, but not yet distributed, to be spent as part of a USAID (or other agency over which OIG exercises oversight responsibilities) award that were preserved and made available for better uses after an OIG investigation revealed evidence that those funds were vulnerable to fraud or waste. Savings often accompany contract terminations or the discovery of disallowed, questioned, or unsupported costs.

Cost Avoidance
Federal funds that were obligated and subsequently set aside and made available for other uses as a result of an OIG investigation. This includes instances in which the awarding agency made substantial changes to the implementation of the project based upon an OIG referral. The key operating factor in claiming these as cost avoidance is that the funds were not de-obligated.

Other

Includes a number of investigative results, the most significant of which are:

- **Personnel Counseling**: The verbal counseling of an employee by a supervisor as a response to job-related performance or ethical violations.
- **Reprimand**: An official written rebuke, censure, or disapproval of a specific action or actions by an employee.
- **Demotion**: A change of an employee's status to a lower grade or to a position with a lower rate of pay.
- **Restatement of Policy:** An instance in which the responsible organization's management reiterates existing rules and regulations to staff.
- **Audit Scheduled:** An instance in which the responsible organization schedules an audit into the organization or program that is deemed to be vulnerable to fraud, waste, or abuse by OIG's investigation.

Office of Inspector General

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