



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



OFFICE OF INSPECTOR GENERAL

**Semiannual Report to Congress
October 1, 2017—March 31, 2018**

COVER:

More than half a million Rohingya refugees from Burma have fled across the border to Bangladesh to escape violence in Burma's Rakhine State. Refugees currently residing in temporary settlements near Cox's Bazar in Bangladesh suffer from high levels of food insecurity and malnutrition. In response, USAID's Office of Food for Peace has contributed support for food assistance and nutrition programs in Burma and Bangladesh. *Photo by Maggie Moore, USAID*

Mission

The mission of the Office of Inspector General is to provide independent oversight that promotes the efficiency, effectiveness, and integrity of foreign assistance programs and operations under USAID OIG's jurisdiction.

Vision

OIG's vision is to be a leading oversight organization with a motivated and resourceful workforce that

- Produces high-quality work that facilitates mission achievement in foreign assistance.
- Increases accountability and promotes good stewardship of foreign assistance funds.

First half of fiscal year 2018

By the Numbers

INVESTIGATIVE RESULTS

 **\$455 million**
in recoveries, savings, and avoided costs

 **80**
investigations closed

 **6**
prosecutorial referrals

 **39**
administrative actions

 **17**
suspensions or debarments

AUDIT RESULTS

 **\$107 million**
in questioned costs

 **288**
performance and financial audits issued

 **445**
recommendations to improve operations and programs

 **\$19 billion**
in funds audited

MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present the USAID OIG Semiannual Report to Congress for the first half of fiscal year 2018. In accordance with the Inspector General Act of 1978, as amended, this report presents the results of our work delivered from October 1, 2017, to March 31, 2018, 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).

During this reporting period, we audited \$19 billion in funds and issued 288 performance and financial audit reports, with a total of 445 recommendations aimed at improving the operations and programs of the agencies we oversee. These audits identified approximately \$107 million in questioned costs. In addition, our investigations resulted in \$455 million in recoveries, savings, and avoided costs, as well as 6 prosecutorial referrals and 39 administrative actions, including 17 debarments. During the reporting period, we closed 80 investigations.

Our audits and investigations 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 longstanding management challenges—such as those related to program planning and monitoring, host country capacity, and interagency coordination—can compromise U.S. foreign assistance investments. For example:

- **Mobilizing a Coordinated U.S. Response to Public Health Emergencies.** Despite its experience with public health emergencies of international concern, USAID lacked a policy framework for responding to the Ebola outbreak. Such a framework would better position USAID to quickly launch a coordinated response and get ahead of a disease's epidemiological curve. Instead, the Agency has relied on incomplete guidance for managing response efforts,



Ann Calvaresi Barr
Inspector General

leaving responders to re-create processes for controlling new public health emergencies—which scientists generally agree is not a question of if, but when, they occur.

- **Sustaining Infrastructure Projects in Pakistan.** USAID’s longstanding challenge of securing country ownership and local capacity to sustain U.S.-funded projects was evident in the Gomal Zam Multipurpose Dam Project and related irrigation activities, to which USAID committed \$117 million. After the dam portion was completed and handed over to the Pakistan Government, Pakistani officials reported that the operation of the hydroelectric component was sporadic. In October 2016, system failures and damages shut down electricity generation altogether, which has yet to be restored.
- **Planning for Reforms.** The joint USAID-Department of State reform effort demonstrated the complexity in aligning complementary yet distinct missions and underscored USAID’s persistent challenge in implementing programs, projects, and operations that involve other U.S. Government agencies. Our point-in-time review of the joint reform effort highlighted uncertainty about its direction and end goals, and noted that disagreement and limited transparency on decisions related to the consolidation of functions and services led to questions about what had been achieved. USAID staff also voiced concerns related to the Agency’s approach for developing its independent reform plan, including a lack of transparency and inclusivity in the process. We timed our work to inform Congress’s and the Office of Management and Budget’s reviews and ultimate approval of the reform proposals.
- **Preventing Fraud in Iraq Stabilization Activities.** Our investigation with the U.N. Development Programme Office of Audit and Investigations found indications of fraud and corruption in a stabilization project that assists Iraqis in returning to communities liberated from terrorist occupation. The joint investigation—which prompted USAID to impose additional requirements on \$150 million in financial commitments—underscored the difficulties in implementing assistance programs in nonpermissive environments, including providing robust monitoring and assessing implementers’ internal controls.
- **Protecting U.S. Investments From Terrorist Organizations.** Diversions to designated terrorist organizations have the potential to significantly undermine both development

and national security objectives. We exposed illicit activity involving the diversion of U.S. Government-funded food kits to a militant organization in northern Syria, which led to the suspension of a \$44.6 million award. In another case, our agents revealed that a nongovernmental organization misrepresented its connections with Hamas when it obtained USAID awards. Subsequently, the organization was required to pay approximately \$2 million to the United States and revise its policies to better ensure it complies with applicable U.S. laws.

During this reporting period, we continued to coordinate with our oversight counterparts and stakeholders to promote integrity in development and humanitarian assistance programs and operations. We held 129 briefings on fraud indicators in foreign assistance programs and fraud prevention strategies to more than 3,500 participants, and OIG agents and analysts engaged with implementer staff to identify project-specific vulnerabilities. We also discussed corruption impacting Iraq stabilization and cross-border programs in Syria at the fourth meeting of the OIG-founded Syria Investigations Working Group, which was attended by investigators from eight U.N. agencies, four bilateral donors, and the Department of State OIG. We continued to engage with senior U.S. Government and foreign government officials and representatives of multilateral agencies. For example, I traveled with the Inspector General for the State Department and the Principal Deputy Inspector General for the Department of Defense to Afghanistan, Iraq, and Qatar to discuss the military, diplomatic, and humanitarian assistance challenges that continue to beleaguer U.S. overseas contingency operations. This extensive outreach and proactive engagement not only encouraged reporting of fraud and corruption, but also set the stage for systemic changes.

I am grateful for the steadfast commitment of OIG staff around the world. Their dedication and hard work have made possible the significant achievements outlined in this report and 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 Administrator and the CEOs of MCC, USADF, IAF, and OPIC to strengthen U.S. foreign assistance investments.

INSPECTOR GENERAL HOTLINES

The Office of Inspector General (OIG) provides regular fraud awareness briefings to U.S. Government-funded program officials and implementers to educate and deepen their understanding of fraud schemes. Last year, OIG also launched a proactive outreach program to establish relationships with U.S. Agency for International Development (USAID) priority programs and implementers. Our highly skilled agents and analysts engage and partner with implementer employees to develop specific project profiles that identify weaknesses and vulnerabilities in each organization's management of procurement, finance, staffing, and other project-specific activities. Through this approach, OIG learns the business models of organizations it oversees and provides immediate feedback, which encourages reporting of fraud and leads to systemic changes where needed.

These informative, relationship-building efforts help deter fraud, waste, and abuse and encourage implementers to report allegations using the hotline. The programs, organizations, and operations under OIG's oversight include: the Millennium Challenge Corporation (MCC), U.S. African Development Foundation (USADF), Inter-American Foundation (IAF), and Overseas Private Investment Corporation (OPIC). Employees of these organizations, as well as contractors, program participants, and the general public, may report allegations directly to OIG.

Complaints may also be submitted via email, phone, mail, OIG's online complaint form, or on each organization's main website. OIG also receives allegations of fraud, waste, and abuse through a country-specific hotline in Pakistan, which is implemented locally by Transparency International, an international nongovernmental organization that focuses on anticorruption.

The Inspector General Act of 1978, as amended, protects those who make hotline complaints. The Whistleblower Protection Enhancement Act of 2012 protects employees who disclose misconduct or misuse of Government resources. Individuals who contact the hotline are not required to identify themselves and may request confidentiality when submitting allegations. However, OIG encourages those who report allegations to identify themselves so OIG can contact them with any additional questions. Pursuant to section 7 of the Inspector General Act, OIG will not disclose the identity of an

Email

ighotline@usaid.gov

Complaint form

oig.usaid.gov/content/oig_hotline

Phone

| 800 230 6539 or 202 712 1023

Mail

USAID OIG Hotline

P.O. Box 657

Washington, DC 20044 0657

employee of USAID, MCC, USADF, IAF, or OPIC who provides information, unless that employee consents or unless the Inspector General determines that such disclosure is unavoidable during the course of an investigation. As a matter of policy, OIG provides comparable protection to employees of contractors, grantees, and others who provide information to OIG and request confidentiality. The hotline website is encrypted, consistent with industry standards; however, individuals who are concerned about the confidentiality or anonymity of electronic communication may submit allegations by phone or mail.

CONTENTS

Message From the Inspector General	iii
Inspector General Hotlines	vi
Introduction	1
History, Mandates, and Authority	1
Areas of Responsibility	1
Joint Work and Partners	2
OIG Organizational Performance Measures	6
Progress in Meeting Strategic Goals and Objectives	9
Summary Tables: Audits and Other Audit Products	14
Summary Tables: Audits with Open and Unimplemented Recommendations:	16
Summary Tables: Investigative Activities Including Matters Referred to Prosecutive Authorities	17
Summary Tables: Fraud Awareness Briefings Conducted Worldwide	18
Summary Tables: Proactive Outreach Program Site Visits Conducted Worldwide	20
Significant Findings and Activities: USAID	21
Accountability	22
Contractor and Grantee Accountability—Audits	22
Contractor and Grantee Accountability—Investigations	25
Expanding Accountability	26
Promoting Effective Program Implementation	28
IG Act Reporting Requirements: USAID	47
Incidents in Which OIG Was Refused Assistance or Information	47
Interference With OIG Independence	47
Senior Government Employee Misconduct	47
Instances of Whistleblower Retaliation	48
Audit Reports With Recommendations With No Management Decision	48
Significant Recommendations Described Previously Without Final Action	49
Reports With Questioned and Unsupported Costs	50
Reports With Recommendations That Funds Be Put to Better Use	51
Audit Reports Issued for Which Agency Comments Were Not Received Within 60 Days	51
Management Decisions With Which the Inspector General Disagrees	51
Significant Revisions of Management Decisions	51
Significant Findings From Contract Audit Reports	51
Noncompliance With the Federal Financial Management Improvement Act of 1996	51
Audits Not Previously Disclosed	52
Closed Investigations Involving Senior Government Employees Not Previously Disclosed	52
Significant Findings and IG Act Reporting Requirements: MCC	53
Significant Findings and Activities	54
Inspector General Act Reporting Requirements	57
Significant Findings and IG Act Reporting Requirements: USADF	59
Significant Findings and Activities	59
Inspector General Act Reporting Requirements	60
Significant Findings and IG Act Reporting Requirements: IAF	62
Significant Findings and Activities	62
Inspector General Act Reporting Requirements	63

Significant Findings and IG Act Reporting Requirements: OPIC	65
Inspector General Act Reporting Requirements	66
Peer Reviews	68
Audit	68
Investigations	68
Common Abbreviations	69
IG Act Reporting Requirements Location in Report	71
Description Of Metrics Used In Reporting Investigative Figures	73
Appendix A: List of Audits	76
Appendix B: Reports With Open and Unimplemented Recommendations:	77

INTRODUCTION

History, Mandates, and Authority

USAID OIG was established on December 16, 1980, by Public Law 96-533, an amendment to the Foreign Assistance Act of 1961. On December 29, 1981, the International Security and Development Cooperation Act of 1981 brought the USAID Inspector General under the purview of the Inspector General Act of 1978. OIG assumed audit and investigative oversight of USADF and IAF in 1999 and of MCC in 2004. OIG also maintains some oversight authority over OPIC under 22 U. S. Code 2199(e).

The Inspector General Act authorizes the Inspector General to conduct and supervise audits and investigations. Our mission is to provide independent oversight that promotes the efficiency, effectiveness, and integrity of programs and operations under our jurisdiction. Some of our work is mandated by statute or other requirements; other work is performed at OIG's discretion. When identifying and prioritizing appropriate audit and investigative activity, we consider stakeholder interests and needs, alignment with strategic goals, program funding, and risks associated with the agencies' programs, including potential vulnerabilities in internal controls.

Areas of Responsibility

Audits

OIG conducts and oversees audits of worldwide foreign assistance programs and agency operations of USAID, MCC, USADF, IAF, and OPIC. Audit activities include performance audits and reviews of programs and management systems, financial statement audits required under the Chief Financial Officers Act of 1990, and audits related to the financial accountability of grantees and contractors.

Investigations

OIG investigates allegations of fraud, waste, and abuse relating to the foreign assistance programs and operations of the agencies for which we provide oversight. Investigations of criminal, civil, and administrative violations cover all facets of these worldwide operations. OIG also works proactively by providing fraud awareness briefings and literature, audiovisual aids, and advice on fraud prevention strategies for our agencies' personnel and employees of foreign assistance implementers worldwide.



During a January 2018 Lead Inspector General trip to Iraq and Afghanistan, the Inspector General of USAID, the Inspector General of the Department of State, and the Principal Deputy Inspector General for the Department of Defense met with President Ghani of Afghanistan. *Photo by OIG*

Joint Work and Partners

OIG participates in task forces and cooperates with other groups. The following activities summarize our participation in these areas.

Coordinated Oversight of Overseas Contingency Operations

USAID OIG works closely with the Inspectors General of the Department of Defense and Department of State to plan, coordinate and report on oversight of overseas contingency operations.¹ The framework provided in the Inspector General Act requires that during such circumstances, one agency be designated as the lead Inspector General.

During the reporting period, OIG contributed to Lead Inspector General quarterly reports to Congress on oversight of overseas contingency operations in Iraq and Syria for Operation Inherent Resolve, in the Philippines for Operation Pacific Eagle, as well as in Afghanistan for Operation Freedom's Sentinel, covering the first and second quarters of fiscal year 2018. These reports examined key topics such as assistance provided to facilitate the return of displaced persons in Iraq, and the humanitarian impact of ongoing conflict in Syria, keeping our stakeholders informed of the work by the various Inspectors General to provide oversight during these challenging operations.

¹ Section 8L of the Inspector General Act of 1978, as amended, requires the Inspectors General for the Department of Defense, Department of State, and USAID to coordinate oversight on overseas contingency operations lasting more than 60 days. Section 8L requires these OIGs to work together to develop and execute a joint strategic plan for comprehensive oversight of the contingency operation and to submit to Congress a quarterly report on the operation's progress and a semiannual report on corresponding oversight activities.

OIG continues to directly engage with the organizations implementing USAID's programming to ensure they understand their roles in protecting U.S. Government funds through proper, well-resourced oversight systems, and proactive information sharing, particularly in response to the ongoing overseas contingency operations in Afghanistan, Iraq, and Syria.

In addition to ongoing efforts related to overseas contingency operations, in January 2018, the USAID Inspector General and Deputy Inspector General, along with the Department of State Inspector General and the Department of Defense Principal Deputy Inspector General, traveled to Iraq, Afghanistan, and Qatar. This second joint trip focused on the progress of Operation Inherent Resolve and Operation Freedom's Sentinel. The delegation met with senior U.S. and Coalition officials (including military commanders, ambassadors, and USAID mission directors) and Iraqi and Afghan Government officials, including President Ghani of Afghanistan. The meetings addressed the military, diplomatic, and humanitarian assistance challenges that remain in the fights against the Islamic State of Iraq and Syria (ISIS), and the Taliban and other extremist groups in Afghanistan. The Inspectors General reported on their observations from the trip in a Lead Inspector General Special Report issued in March 2018.

During these travels, the USAID Inspector General opened an OIG Fraud Prevention Workshop in Afghanistan. The workshop, led by OIG Office of Investigations personnel, provided a forum for USAID implementer staff to discuss fraud-related challenges and prevention within development and humanitarian assistance programs in Afghanistan.

Collaboration With International Oversight Agencies

Since 2012, OIG has attended global conferences with other international oversight agencies to increase information sharing that addresses crosscutting investigative and audit issues and mitigates fraud in development programs.

Additionally, OIG serves as one of the founding members of the International Audit and Integrity Group, whose mission is to facilitate the sharing of information to increase integrity in development programs. Over the past 6 years, and particularly in the past 6 months, OIG has strengthened relationships with the representatives from the member organizations through workshops, meetings, and joint oversight efforts. The meetings included participants from United Nations (U.N.) agencies and multilateral and bilateral donor organizations.

By bringing together many of the same organizations whose countries fund programs related to the Syrian humanitarian crisis, OIG formed the Syria Investigations Working Group.

Syria Investigations Working Group

OIG founded the Syria Investigations Working Group in October 2015. This working group consists of representatives from the investigative oversight bodies of USAID OIG, Department of State OIG, public international organizations, and bilateral donors who share investigative leads, coordinate oversight activities, and identify trends in the region.

In November 2017, the United Kingdom's Department for International Development hosted the working group's fourth meeting in Glasgow, Scotland. The meeting was attended by investigators from eight U.N. agencies and four bilateral donors, along with the International Federation of the Red Cross and the USAID and Department of State OIGs. The meeting included briefings by USAID OIG, the United Kingdom's Department for International Development, the USAID Office of U.S. Foreign Disaster Assistance (OFDA), Mercy Corps, and the U.N. Development Programme (UNDP). USAID OIG investigators presented on their investigations related to corruption impacting Iraq stabilization programs and cross-border programs into Syria.

International Contract Corruption Task Force

OIG participates in the International Contract Corruption Task Force, which shares information and conducts joint investigations into fraud schemes that affect programs at multiple member agencies. The task force includes the following government offices:

- USAID OIG
- Department of State OIG
- Special Inspector General for Afghanistan Reconstruction
- Federal Bureau of Investigation
- U.S. Army Criminal Investigation Division's Major Procurement Fraud Unit
- Air Force Office of Special Investigations
- Naval Criminal Investigative Service

Coordinated Audit Plan for HIV/AIDS, Tuberculosis, and Malaria

OIG collaborates with its counterparts at the Department of State and the Department of Health and Human Services to develop an annual consolidated audit plan for HIV/AIDS, tuberculosis, and malaria. The three OIGs work together to determine the audits each office will conduct to make the best use of U.S. Government resources.

Working With Bilateral Donors

OIG participates in a group of bilateral donors from 12 countries, including the United States, working to improve transparency and accountability of multilateral organizations and taking on other issues of mutual interest.

Office of Government Ethics Curriculum Development Team

OIG participates in the Office of Government Ethics curriculum development team, which involves multiple Government agencies developing ethics guidance and training for law enforcement officers.

Council of Inspectors General on Integrity and Efficiency

OIG participates in the Council of the Inspectors General on Integrity and Efficiency and contributes to several committees and working groups. USAID Inspector General Calvaresi Barr serves as Vice Chair of the Audit Committee and will chair the council's 2018 leadership conference. During the reporting period, OIG presented at the council's annual Audit, Investigations, and Evaluation Roundtable on combatting organized crime targeting the global health supply chain. OIG also provides audits and semiannual reports to Oversight.gov, the council's online repository of reports across all OIGs.

OIG ORGANIZATIONAL PERFORMANCE MEASURES

OIG established performance measures in its strategic plan for fiscal years 2015–2019, several of which were updated with the publication of the fiscal year 2016 annual plan. The data below reflect our accomplishments for the first half of fiscal year 2018.

Strategic Goal I

Strengthen the ability of the organizations for which OIG provides oversight to manage and deliver foreign assistance efficiently and effectively through audit products and activities.

Measure	2017 Results	2018 Yearend Target	2018 Midyear Results
Percentage of audits covering high-priority programs and operations, addressing management challenges, or identifying systemic weaknesses	100%	92%	100%
Percentage of audit peer review recommendations with which OIG agrees that have been implemented within 1 year	100%	N/A	N/A
Percentage of management decisions ¹ on which OIG and the agency agree that have final action within 1 year of the decision	87%	72%	99.8%

¹A management decision is made when agency management establishes the corrective action to be taken in response to an audit recommendation. A management decision must determine the allowability of questioned costs (if applicable), establish a corrective action plan, and identify a target date for final action.

Strategic Goal 2

Deter and detect fraud, corruption, criminal activity, and misconduct in the programs, operations, and workforce of the organizations for which OIG provides oversight.

Measure	2017 Results	2018 Yearend Target	2018 Midyear Results
Percentage of OIG investigations resulting in a positive outcome (e.g., indictments, recoveries, systemic changes)	58%	50%	58%
Number of individuals reached through outreach events	9,235	7,000	3,591
Dollar value of investigative savings and recoveries	Exceeded total cost of investigative operations	Exceeds total cost of investigative operations	Exceeds total cost of investigative operations
Number of briefings and meetings with senior U.S. Government or foreign government officials that provide law enforcement liaison and support to anticorruption efforts	41	30	27

Strategic Goal 3

Provide useful, timely, and relevant information to enable stakeholders to make informed decisions about foreign assistance programs and operations.

Measure	2017 Results	2018 Yearend Target	2018 Midyear Results
Number of congressional engagements (e.g., testimony, briefings, and other formal contacts)	54	70	21
Number of page views on the OIG website	150,833	225,000	75,158

Strategic Goal 4

Continually improve the efficiency, effectiveness, and quality of OIG operations.

Measure	2017 Results	2018 Yearend Target	2018 Midyear Results
Percentage of employees indicating satisfaction with OIG customer service, operations, and initiatives	74%	68%	To be reported at yearend
Percentage of major management milestones met relating to strategic planning, continuity of operations, policy development, human capital management, information technology management, financial resource management, operations planning, and external reporting requirements	85%	85%	82%
Percentage of OIG operating units executing within 5 percent of budget plans	25%	55%	50%

Strategic Goal 5

Recruit, develop, and retain a highly qualified, motivated, and diverse workforce with the necessary tools and training to fulfill OIG's mission.

Measure	2017 Results	2018 Yearend Target	2018 Midyear Results
Percentage of incoming employees hired within established timeframes ¹	19%	65%	100%
Percentage of employees retained who are performing at or above fully successful or proficient levels	98%	95%	99%
Percentage of employees engaged in their work ²	72%	68%	To be reported at yearend

¹The established timeframes are 80 calendar days for Civil Service vacancies and 140 days for Foreign Service positions. The timeframe starts when the Request for Personnel Action (SF-52) is completed and ends when the employee accepts a job offer.

²Employee engagement is measured using the relevant questions from the Office of Personnel Management's Federal Employee Viewpoint Survey.

PROGRESS IN MEETING STRATEGIC GOALS AND OBJECTIVES

The Office of Inspector General's five strategic goals convey our commitment to providing quality oversight to the agencies we oversee and to communicating OIG effectiveness at safeguarding taxpayer resources. These goals also emphasize our obligation to continually find ways to improve our own operations and ensure that our workforce is highly motivated and well-trained to carry out its responsibilities.

As of half way through fiscal year 2018, we issued 288 performance and financial audits and identified over \$107 million in questioned costs, and our investigative work had led to over \$455 million in investigative recoveries, savings, and avoided costs. We implemented numerous activities to promote the effectiveness and integrity of foreign assistance programs, provide quality information to our stakeholders, and enhance OIG's internal processes and workforce.

The results of OIG's midyear performance are discussed below.

Strategic Goal I *Strengthen the ability of the organizations for which OIG provides oversight to manage and deliver foreign assistance efficiently and effectively through audit products and activities.*

OIG met all of its targets for the performance measures, and exceeded two of the three measures it is tracking under this strategic goal: the percentage of audits covering high-priority programs and operations and the percentage of management decisions on which OIG and the agency agree have final action within 1 year of the decisions. For this period, OIG exceeded its performance measure by issuing seven performance audits, of which 100 percent covered high-priority programs and operations, addressed management challenges, or identified systemic weaknesses. Similarly, for the indicator on management decisions on which the OIG and the agency agree that have final action within 1 year of the decision, OIG exceeded its target by achieving final action on nearly 100 percent of the recommendations. As of June 30, 2017, USAID OIG had resolved all 28 peer review recommendations from the 2016 audit peer review, meeting its yearend goal.

OIG continues to meet its significant obligations related to the oversight of Operation Inherent Resolve. Operation Inherent Resolve is an ongoing contingency operation, which integrates the efforts of USAID and the

Departments of Defense and State, to counter ISIS. OIG plans to perform audit engagements to provide oversight of USAID's Operation Inherent Resolve activities.

OIG worked on several other activities that contribute to Goal 1. In assessing USAID's overall management and coordination of the Ebola outbreak, and its ability to react to future international public health emergencies, for example, OIG found that USAID had not developed a policy framework to better ensure that it was positioned to respond quickly to large-scale international public health emergencies nor had USAID captured Agency-wide lessons from its experiences or codified some key management and coordination processes. Instead, the Agency continued to rely on incomplete guidance for managing and coordinating response efforts—leaving responders to recreate processes as emergencies evolve.

In addition, OIG's audit of USAID/Pakistan's management of the Gomal Zam Multipurpose Dam Project, which was intended to address problems with electricity shortage and water scarcity in Pakistan, demonstrated that the hydroelectric component of the project was not generating the anticipated amount of electricity and while key Gomal Zam Irrigation Project (GZIP) infrastructure was complete, it was delayed by more than 30 months due to untimely payments by USAID's implementer and security problems. Furthermore, the audit found that the mission did not ensure that its implementer complied with environmental protection steps mitigating environmental risks outlined in GZIP's environmental assessment plan.

Strategic Goal 2 ***Deter and detect fraud, corruption, criminal activity, and misconduct in the programs, operations, and workforce of the organizations for which OIG provides oversight.***

OIG is making significant progress toward meeting its 2018 yearend performance targets related to identifying, investigating, and deterring fraud, waste, and abuse in agencies' programs and operations. By the middle of this fiscal year, 58 percent of OIG's investigations resulted in positive outcomes. OIG conducted fraud awareness briefings worldwide, reaching 3,591 individuals through outreach events. OIG held 27 high-level briefings or meetings with senior U.S. Government or foreign government officials. These education and relationship-building efforts help deter fraud, waste, and abuse by increasing awareness of reporting procedures for criminal, civil, and administrative violations; educate stakeholders on the consequences of committing these violations; and establish cooperation with other law enforcement authorities.

other requests for work from Congress, including audits of democracy and governance programs and USAID's global health supply chain program.

OIG promotes government transparency and supports the public's right to information on government effectiveness by publishing information on its website and responding to requests from the public, including media and Freedom of Information Act requests. For the first half of the fiscal year, OIG counted 75,158 page views. OIG recently began a redesign of its public website to improve stakeholders' access to findings, recommendations, and other materials. OIG also uses email and Twitter to notify key external stakeholders of newly issued materials, including audit reports, press releases, and statements. In addition, OIG provides audit reports and semiannual reports to Oversight.gov, a website initiative by the Council of the Inspectors General on Integrity and Efficiency to create a repository of reports across the inspector general community. This additional platform allows OIG to reach an even greater audience through its online presence.

Strategic Goal 4 *Continually improve the efficiency, effectiveness, and quality of OIG operations.*

OIG is on track to meet all of its performance goals under strategic goal 4.

We have achieved 83 percent of the project milestones set out in our fiscal year 2018 tactical work plan. Significant projects completed include the consolidation of multiple internal websites by launching the new OIG Intranet SharePoint site; development of a new onboarding program for all OIG staff; full certification by the Office of Personnel Management of our Senior Executive Service performance system; creation of a new Process Improvement Council that evaluates process improvement suggestions submitted by staff; and IT system changes to implement changes in the OIG recommendation followup process.

For our metric related to unit budget execution, OIG is close to meeting its yearend goal of at least 55 percent of operating units executing their budget plans. Additionally, we have centralized OIG's processes around International Cooperative Administrative Support Services payments, allowing budget analysts to disburse and monitor workload counts in coordination with the overseas offices.

Strategic Goal 5 *Recruit, develop, and retain a highly qualified, motivated, and diverse workforce with the necessary tools and training to fulfill OIG's mission.*

For strategic goal 5, OIG is currently meeting both of its fiscal year 2018 performance goals.

OIG was able to meet its goal of hiring 60 percent or more of employees within established timeframes. This was largely accomplished due to improvements within the Human Capital Division that instituted a collaborative pre-recruitment approach with management teams to attract and hire individuals with the required skills, knowledge, and experience.

Additionally, OIG has continued the significant investments in workforce capacity development in fiscal year 2018. Notable accomplishments during this period include establishing a comprehensive, cross-functional leadership capstone development program and initiating the first cohort; building on OPM's supervisory skills framework to establish a supervisory training curriculum and roadmap at all leadership levels; developing and implementing a new OIG 101 Fundamentals program to help assimilate new employees into the vision and culture of the OIG; rolling out a successful two-day interactive workshop to help all staff understand the phases and personal impacts of organizational change and provide tools and techniques for managing those impacts; expanding coaching opportunities and activities to build the coaching skills of managers and leaders; and designing, developing, and implementing the OIG Adjunct Faculty Program to train internal subject matter experts on designing and implementing technical training.

SUMMARY TABLES

Audits and Other Audit Products: USAID, MCC, USADF, IAF, OPIC

October 1, 2017-March 31, 2018

Type of Report	Number of Reports	Amount of Recommendations (\$)	Audited Amount (\$)
Conducted by OIG			
Economy and Efficiency — USAID	7	11,709,069	0
Programs and Operations (financial statement audits) — USAID	1	0	13,058,496,000
Other Audit Products (Nonaudits)			
Reviews/Surveys — MCC	1	0	0
Quality Control Reviews — USAID	6	0	0
Conducted by External Audit Organizations/Independent Public Accountants or Other U.S.-Government Agencies (DCAA, etc.)¹			
Economy and Efficiency — USAID	1	0	0
Economy and Efficiency (FISMA) ² — USAID	1	0	0
Economy and Efficiency (FISMA) — USADF/IAF	2	0	0
Economy and Efficiency (DATA Act) ³ — USAID	2	0	0
Economy and Efficiency (FITARA) ⁴ — MCC	1	0	0
Economy and Efficiency (DATA Act) — MCC	1	0	0
Programs and Operations (financial statement audits) — USADF/IAF	2	0	71,385,423
Programs and Operations (financial statement audits) — MCC	1	0	746,601,000
Risk Assessment (Charge Card) — MCC	1	0	5,030,700
Agency-Contracted Audits (ACA) — USAID			
U.S.-Based Contractors	7	5,588,215	233,249,761
U.S.-Based Grantees	11	36,254,106	914,777,477
Foreign-Based Organizations	2	283,825	111,228,955
Foreign Governments	1	0	2,296,226
Agency-Contracted Audits (ACA) — MCC			
Foreign-Based Organizations — MCA Compacts	14	448,736	197,035,597
Contract Audit Agency/Defense Contract Audit Agency (DCAA) — USAID			
U.S.-Based Contractors	3	910,027	137,607,097
Incurred Costs — Independent Public Accountants — USAID			
U.S.-Based Contractors	25	39,896,827	1,530,243,135
A-133⁵ — USAID			
U.S.-Based Grantees	15	140,253	1,615,635,498

Type of Report	Number of Reports	Amount of Recommendations (\$)	Audited Amount (\$)
Enterprise Funds — USAID			
U.S.-Based Grantees	2	0	72,100,558
Local Currency Trust Fund — USAID			
Foreign-Based Organizations	5	0	9,831,747
Recipient-Contracted Audits (RCA) — USAID			
U.S.-Based Contractors	3	0	83,051,962
U.S.-Based Grantees	7	50,747	74,683,124
Foreign-Based Organizations	136	8,483,808	436,566,147
Foreign Governments	2	24,083	4,186,352
Foreign Governments (Supreme Audit Institutions ⁶)	14	3,671,082	37,326,219
Other Nonaudit Products (Nonaudits, Attestation Engagements, Examinations)—USAID			
Foreign-Based Organizations	14	0	0
Total	288	107,460,778	19,341,332,978

¹ In some instances, USAID contracts with DCAA and independent public accounting firms to perform audits.

² Federal Information Security Modernization Act of 2002 (FISMA).

³ Digital Accountability and Transparency Act of 2014 (DATA Act) Pub. L. No. 113-101 (May 9, 2014).

⁴ FITARA – Federal Information Technology Acquisition Reform Act.

⁵ A-133 – Single Audit, performed by an independent public accountant.

⁶ Supreme audit institutions are the principal government audit agencies in the recipient countries and are often the only organizations with a legal mandate to audit the accounts and operations of their governments.

SUMMARY TABLES

Audits with Open and Unimplemented Recommendations: USAID, MCC, USADF, IAF, and OPIC

Summary of Audit Reports Issued Prior to October 1, 2017 With Open and Unimplemented Recommendations and Potential Cost Savings As of March 31, 2018

Agency	Open and Unimplemented Recommendations			Monetary Recommendations With Management Decisions			Monetary Recommendations Without Management Decisions		Adjusted Potential Cost of Savings ¹ (\$)
	Total	With Potential Cost Savings	Potential Cost Savings (\$)	Total	Original Questioned Costs (\$)	Amount Sustained (\$)	Total	Amount (\$)	
USAID	326	141	\$129,391,636	141	\$129,391,636	\$53,460,645	0	\$0	\$129,391,636
MCC	14	3	\$291,244	3	\$291,244	\$0	0	\$0	\$0
USADF	1	0	\$0	0	\$0	\$0	0	\$0	\$0
IAF	2	0	\$0	0	\$0	\$0	0	\$0	\$0
OPIC	2	0	\$0	0	\$0	\$0	0	\$0	\$0
Total	345	144	\$129,682,880	144	\$129,682,880	\$53,460,645	0	\$0	\$129,391,636

¹The figures in this column reflect an adjusted amount based on agency management decisions for monetary recommendations as of the end of the reporting period. Monetary recommendations are those that identify either questioned (i.e., unsupported or ineligible) costs and/or funds recommended to be put to better use. An agency management decision to sustain all or a portion of the total amount signals the agency's intent to recoup or reprogram the funds.

Once agency managers make such a decision, OIG acknowledges the dollar amount the agency has agreed to sustain as the most accurate representation of dollars to be saved, since it is this amount that the agency will attempt to recoup. When they are available, we use these sustained costs, adding them to those monetary recommendations that have yet to receive a management decision, to arrive at an adjusted figure that most accurately reflects potential savings.

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, 2017, with open and unimplemented recommendations can be found in Appendix B.

SUMMARY TABLES

Investigative Activities Including Matters Referred to Prosecutive Authorities

October 1, 2017-March 31, 2018

Workload	
Investigations Opened	47
Investigations Closed	80
Total Number of Reports Issued	12

Civil Actions	
Civil Referrals	0
Civil Declinations	0
Judgements	0
Settlements	1
Total	1

Criminal Actions	
Prosecutive Referrals — Total	6
Prosecutive Referrals — Department of Justice	1
Prosecutive Referrals — State and Local	0
Prosecutive Referrals — Overseas Authorities	5
Prosecutive Declinations	3
Arrests	13
Criminal Indictments	0
Criminal Informations	0
Convictions	3
Sentencings	3
Fines/Assessments	3
Restitutions	0
Total	31

Administrative Actions	
New Rules/Procedures	7
Personnel Suspensions	3
Resignations/removals	5
Recoveries	1
Suspensions/debarments	17
Contract terminations	5
Award Suspension	3
Other	4
Total	39

Monetary Impact (Recoveries, Savings, and Cost Avoidance)	
Judicial Recoveries (Criminal and Civil)	\$2,025,890
Administrative Recoveries	\$4,081,845
Savings	\$296,791,267
Cost Avoidance ¹	\$152,297,157
Total	\$455,196,159

¹ 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 operating factor in claiming these as cost avoidance is that the funds were not de-obligated.

A detailed description of each investigative metric can be found on page 71.

SUMMARY TABLES

Fraud Awareness Briefings Conducted Worldwide

October 1, 2017-March 31, 2018

Month	Location	Sessions	Participants
October	Kabul, Afghanistan	5	61
	Chisinau, Moldova	2	38
	Islamabad, Pakistan	6	77
	Dakar, Senegal	9	159
	Thienaba, Senegal	1	18
	Kiev, Ukraine	4	119
	Washington, DC, USA	1	70
November	Lusaka, Zambia	2	72
	Islamabad, Pakistan	2	46
	Jakarta, Indonesia	4	184
	Kabul, Afghanistan	3	62
	Dakar, Senegal	1	18
	Kampala, Uganda	1	7
	Frankfurt, Germany	1	11
	Kaolack, Senegal	2	28
December	Kabul, Afghanistan	1	6
	Frankfurt, Germany	1	19
	Islamabad, Pakistan	3	12
	Karachi, Pakistan	1	34
	Khartoum, Sudan	1	24
	Dar es Salaam, Tanzania	2	70
	Kampala, Uganda	1	34
January	Kabul, Afghanistan	4	80
	Almaty, Kazakhstan	3	95
	Bishkek, Kyrgyzstan	2	77
	Islamabad, Pakistan	5	370
	Pretoria, South Africa	2	37
	Dushanbe, Tajikistan	3	71
	Port of Spain, Trinidad	1	13
	Washington, DC, USA	2	124

Month	Location	Sessions	Participants
February	Kabul, Afghanistan	5	14
	Brasilia, Brazil	1	7
	Jerusalem, Israel	6	45
	Abuja, Nigeria	1	133
	Islamabad, Pakistan	5	97
	Pretoria, South Africa	5	108
	Soweto, South Africa	1	73
	Antakya, Turkey	1	26
	Entebbe, Uganda	1	22
	Kampala, Uganda	1	38
	Washington, DC, USA	2	73
	Lusaka, Zambia	1	69
	March	Amman, Jordan	1
Arlington, VA, USA		2	34
Centurion, South Africa		1	53
Davao, Philippines		1	48
Juba, South Sudan		3	73
Kabul, Afghanistan		3	16
Monrovia, Liberia		3	227
Kampala, Uganda		2	71
Nairobi, Kenya		1	20
Port-Au Prince, Haiti		1	174
Pretoria, South Africa		2	56
San Salvador, El Salvador		1	4
Tamale, Ghana		1	5
Washington, DC, USA		1	21
<i>Total</i>		<i>129</i>	<i>3,591</i>

SUMMARY TABLES

Proactive Outreach Program Site Visits Conducted Worldwide

October 1, 2017-March 31, 2018

Proactive Outreach Program

Under the Proactive Outreach Program protocol, officially launched in April 2017, OIG special agents and analysts engage and partner with implementer employees to develop specific project profiles, identifying weaknesses and vulnerabilities in each organization. The program benefits investigators because they can gain a broader understanding of key USAID programs, establish valuable points of contact associated with these programs, and provide instant feedback through an immediate discussion of risk areas.

Outreach program site visits demonstrate wide-reaching impact that goes beyond what is specifically observed, and are therefore of great value to the organization. OIG will produce advisory memos, as appropriate, that outline programmatic recommendations for detecting and monitoring for fraud within OIG's strategic priorities and in coordination with the lessons learned from the outreach program. These advisories will be shared with relevant congressional committees and posted on the OIG website.

For the purposes of tracking the program, OIG is keeping account of how many POPs are conducted per period, however the quantitative value does not reflect the breadth of the discussion and the full impact of potential followup actions that an implementer might take to protect their organization against fraud.

Country	No. of POPs
Port-au-Prince, Haiti	2
Lancaster, PA, USA	1
Santo Domingo, Dominican Republic	1
Baltimore, MD, USA	2
Port of Spain, Trinidad	1
Johannesburg, South Africa	1
Richmond, VA, USA	1
Makati City, Philippines	1
<i>Total</i>	<i>10</i>

SIGNIFICANT FINDINGS AND ACTIVITIES: *U.S. Agency for International Development*



In Maiduguri, Northeast Nigeria, a USAID partner is constructing latrines and handwashing stations for communities displaced by Boko Haram violence. Approximately 8.5 million people in northeastern Nigeria are in need of humanitarian services. Insecurity and inclement weather exacerbate existing food and nutrition needs in the Lake Chad Basin region, as well as contribute to the spread of diseases, such as cholera, which is endemic to Nigeria and regularly occurs during the annual rainy season, as well as hepatitis E. *Photo by USAID*

ACCOUNTABILITY

Contractor and Grantee Accountability—Audits

Overall Audit Activity USAID is required by the Federal Acquisition Regulation, the Single Audit Act, and OMB guidance to obtain appropriate and timely audits of its contractors, grantees, and enterprise funds. In addition, USAID has internal policies and procedures governing these audits. OIG provides oversight of these audit activities, ensuring they are conducted in accordance with appropriate quality standards.

Audits of U.S.-Based Contractors U.S.-based, for-profit entities carry out many USAID-funded activities. Traditionally, the Defense Contract Audit Agency (DCAA) has conducted audits, reviews, and surveys of these entities. However, in fiscal year 2013, USAID began to use independent public accounting firms to conduct audits, reviews, and surveys of awards made to these entities. Since that time, these firms have conducted most of the incurred-cost audits and accounting system reviews of U.S.-based, for-profit entities.

During this reporting period, OIG reviewed and transmitted three DCAA reports pertaining to U.S.-based contractors covering approximately \$138 million in costs with \$910,000 in questioned costs. OIG also reviewed 25 incurred-cost audit reports, which covered \$1.5 billion in costs and questioned approximately \$40 million. It also reviewed seven Agency-contracted audits covering approximately \$233 million in costs and questioned about \$5.6 million. In addition, OIG reviewed three recipient-contracted audit reports covering approximately \$83 million in costs with no questioned costs. Altogether, these audits covered approximately \$2 billion in USAID funds spent by U.S.-based contractors and over \$46 million in questioned costs.

Audits of U.S.-Based Grantees and Enterprise Funds U.S.-based nonprofit organizations also receive significant USAID funds to implement development programs overseas. As required by OMB guidance, nonfederal auditors perform annual financial audits of USAID grantees that spend more than \$750,000 in Federal funds annually. The auditors are required to identify the following:

- Significant deficiencies involving major programs.
- Material noncompliance with laws and regulations.
- Known fraud affecting Federal awards.
- The status of prior audit findings.

In some instances, USAID contracts with DCAA to perform special financial audits and with independent public accounting firms to perform Agency-contracted financial audits of U.S.-based grantees. OIG provides oversight for the nonfederal auditors performing these audits to determine whether they have prepared audit reports in accordance with OMB reporting requirements and generally accepted government auditing standards.

During the reporting period, OIG reviewed 15 Single Audit Act reports² covering approximately \$1.6 billion, and identified \$140,253 in questioned costs. In addition, OIG reviewed and issued 11 Agency-contracted audits related to U.S.-based grantees, covering approximately \$915 million in costs and questioning approximately \$36 million, as well as 7 recipient-contracted audits, covering about \$75 million in costs with \$50,747 in questioned costs. Altogether, these audits and reviews covered more than \$2.6 billion in USAID funds spent by U.S.-based grantees and over \$36 million in questioned costs.

During this reporting period, OIG conducted two enterprise fund reviews of U.S.-based grantees, covering about \$72 million with no questioned costs.

OIG also conducts quality control reviews to (1) determine whether the underlying audits were conducted in accordance with generally accepted government auditing standards and meet OMB requirements, (2) identify followup work needed to support the opinions in the audit report, and (3) identify issues that may require management attention by Federal officials. During this reporting period, OIG conducted one quality control review of audits of U.S.-based grantees.

² A single audit under 2 CFR Part 200 is a rigorous, organization-wide audit or examination of an entity that expends \$750,000 or more of Federal assistance (Federal funds, grants, or awards) received for its operations. Usually performed annually, the single audit's objective is to provide assurance to the Federal Government about the management and use of such funds by nonprofit organizations. The audit is typically performed by an independent certified public accountant and encompasses both financial and compliance components.

**Audits of
Foreign-Based
Organizations,
Foreign
Governments, and
Local Currency Trust
Funds**

OMB's "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (the super circular that combines eight previously separate sets of OMB guidance) does not apply to foreign-based contractors and grantees. Given the high-risk environment in which USAID operates, however, USAID has extended similar audit requirements to its foreign-based contractors and grantees through standard provisions in grants, cooperative agreements, and contracts. Financial audits of foreign-based contractors and grantees are normally conducted by independent audit firms.

USAID's financial audit requirements concerning its contracts, grants, and cooperative agreements with foreign entities are normally satisfied under its recipient-contracted audit program. However, USAID may initiate and procure an audit directly to provide additional audit coverage or address specific concerns.

OIG has recently concluded an initiative that examined OIG's oversight role over USAID and MCC audits of foreign-based organizations and foreign governments and is in the process of communicating changes with USAID and MCC and developing internal policies and procedures. For example, OIG has raised the threshold from \$300,000 to \$750,000 for the recipient-contracted audits that will be reviewed and processed by OIG.

OIG reviews audit reports to determine if they are reliable and if deviations from government auditing standards are reported as scope limitations. OIG sends the audit report to the appropriate USAID managing unit for any corrections and notification to the audit firm.

This reporting period, OIG reviewed 2 Agency-contracted audit reports, covering over \$111 million and questioning \$283,825; 136 recipient-contracted audit reports, covering over \$437 million and questioning about \$8 million; 14 examination reports with no questioned costs; and 5 local currency trust fund audits, covering approximately \$10 million in expenditures with no questioned costs. Altogether, these 157 audits of foreign-based organizations, covering nearly \$558 million in expenditures, resulted in about \$9 million in questioned costs. During this reporting period, OIG conducted five quality control reviews of firms conducting audits of foreign-based organizations.

OIG reviewed 17 audits of funds granted to foreign governments, covering over \$43 million in expenditures and questioning about \$3.7 million. Of these 17 audits, 1 was an Agency-contracted audit, covering over \$2.3 million with no questioned costs; and 16 were recipient-contracted audits, covering

approximately \$42 million and questioning about \$3.7 million. Of the 16 recipient-contracted audits, only 14 were conducted by supreme audit institutions, covering approximately \$37 million and questioning \$3.7 million.

Contractor and Grantee Accountability—Investigations

USAID FSN Employee Terminated for Disclosing Procurement-Sensitive Documents During Bidding Process for \$48 Million Contract

We conducted an investigation generated by a USAID implementer in Africa that reported receiving a copy of the independent government cost estimate for an upcoming \$48 million solicitation. The investigation confirmed that the implementer obtained the estimate from a USAID Foreign Service National (FSN) employee who had access to the confidential data. We reported our findings to USAID officials who terminated the FSN employee after 29 years of service.

OIG Investigation of Cash Thefts Led to Resignation of Local USAID/Honduras Employee

An OIG investigation into allegations of multiple thefts of personal and USAID funds from a USAID/Honduras office space led to an FSN employee being placed on administrative leave. During the investigation, OIG coordinated with the regional security office and determined that the FSN employee stole cash from other USAID employees in January 2018. Prior to further administrative action, the employee resigned.

Two Separate OIG Investigations in Yemen Resulted in Written Reprimands for USAID FSN Employees

Two unrelated OIG investigations in Yemen revealed that two FSN employees had unapproved external employment in violation of USAID policy. In November and December of 2017, each employee was suspended for 5 days as a result of the investigations.

OIG Investigation in Lebanon Resulted in Resignation of USAID FSN Employee

A USAID FSN employee was allowed to resign in lieu of termination after an OIG investigation determined that they inappropriately used inside knowledge to compete for a promotion within the USAID mission in Lebanon. They resigned on October 12, 2017.

Expanding Accountability

Expanding Supreme Audit Institutions' Capabilities

Corruption and lack of accountability are major impediments to international development. They threaten to negate years of economic growth, especially in areas of the world subject to political instability and violence. OIG audits and investigations are critical to safeguarding USAID funds. OIG also takes additional steps to promote accountability and transparency, as described below.

We continue to work closely with selected supreme audit institutions in countries where USAID is present. Supreme audit institutions are the principal government audit agencies in the recipient countries and are often the only organizations that have a legal mandate to audit their respective government's accounts and operations. These institutions may be called on to audit funds provided to host governments by USAID or other donors. Before conducting audits for USAID, these institutions must demonstrate sufficient professional capacity and independence. OIG often provides training in processes for conducting financial audits of USAID funds in accordance with U.S. Government auditing standards.

During this reporting period, supreme audit institutions issued 14 audit reports covering \$37,326,219 in USAID funds. They reported \$3,671,082 in questioned costs, 11 internal control weaknesses, and 109 material instances of noncompliance.

Cost Principles Training

USAID's contracts and grants incorporate cost principles that define the types of costs that can be charged legitimately to USAID programs.

OIG conducts overseas training to increase awareness of and compliance with these cost principles and to promote compliance with the auditing standards. This training provides a general overview of U.S. Government cost principles and examples that demonstrate concepts such as reasonableness, allocability, allowability, and various specific cost principles—e.g., principles relating to travel expenses or entertainment costs.

During this reporting period, we provided training on cost principles and related subjects in the Philippines and Pakistan to 318 people, including USAID employees, local accounting firms, and implementing partners.

Fraud Awareness Briefings

During the current reporting period, OIG emphasized fraud prevention by providing 129 fraud awareness briefings to 3,591 people.

Investigations resulting in criminal or civil prosecution are publicized on USAID's website and in other settings, calling attention to prosecutorial actions taken against individuals or organizations whose illegal activities have targeted foreign assistance activities and programs. In addition, we developed publications and educational materials, such as OIG hotline posters, fliers, and cards, which have been distributed worldwide. To expand OIG's outreach efforts, these materials are produced in six languages (English, French, Spanish, Pashtu, Dari, and Arabic).

Integrity Working Group

In May 2012, we established the Integrity Working Group to facilitate action and cooperation by, and to enhance responsiveness between, USAID offices on employee integrity issues. Consisting of five member offices (OIG, Office of Human Capital and Talent Management, Office of the General Counsel, Office of Security, and Office of the Chief Information Security Officer), the working group is an interoffice communication and collaboration mechanism intended to enhance accountability and continuity regarding member offices' obligations for employee integrity case referrals.

The working group has monthly meetings during which the Deputy Assistant Inspector General for Investigations receives updates from the member offices on referred investigations, provides input on emerging issues impacting programmatic and employee integrity matters, and collaborates on crosscutting issues that improve the effectiveness of USAID's mission. Additionally, the working group reviews outstanding employee integrity cases and discusses plans for resolution.

PROMOTING EFFECTIVE PROGRAM IMPLEMENTATION

During the reporting period, OIG audit and investigative work covered programs focused on responding to crises and conflict in nonpermissive and contingency environments; improving global health; building local capacity and promoting sustainability; developing critical local infrastructure; and managing risks and securing funds, information, and personnel.

HIGHLIGHTS OF SIGNIFICANT FINDINGS AND ACTIVITIES

An OIG **investigation with the UNDP Office of Audit and Investigation** found indications of fraud and corruption in an Iraqi stabilization project that resulted in nearly \$150 million in suspended funds and new internal controls.

Three OIG audits examined **USAID's Ebola response**, including lessons learned that can be applied to future public health emergencies.

An audit of **USAID's Redesign effort** reviewed USAID's process in developing its reform plans and its compliance with congressional notification requirements

WORKING IN NONPERMISSIVE AND CONTINGENCY ENVIRONMENTS

USAID responds to crises and conflict by providing humanitarian aid to meet the emerging needs of populations affected by violence, political or civil instability, and natural disasters. Over the longer term, USAID plays a role in mitigating the impact of disasters through reconstruction and economic assistance programs, and regional assistance to affected countries. The Agency also strives to promote peaceful political transitions by strengthening civil society and respect for human rights, facilitating reconciliation, supporting effective democratic governance, and fostering the resumption of basic economic activity.

Overseas Contingency Operations Oversight

During this reporting period, OIG received 28 complaints associated with activities in Iraq, Syria, and the surrounding areas, for a total of 240 since January 2015. OIG used the data from these cases to inform fraud prevention training efforts. We performed extensive outreach to implementing partners engaged in the cross-border program, conducted site visits, and provided four fraud awareness briefings to 127 participants during this reporting period, including visits to implementers in Amman, Jordan, and Antakya, Turkey.

***Defeating ISIS
Investigative Task
Force***

With the threat of ISIS in the Middle East and elsewhere, USAID pivoted its efforts in Operation Inherent Resolve to reflect the operation's critical role in countering and defeating ISIS (D-ISIS) through humanitarian and development programming. In parallel, OIG established the D-ISIS Investigative Task Force in April 2017 to ensure oversight and prevent fraud, waste, and abuse in these operations.

The task force expands our work on Operation Inherent Resolve matters by leveraging the breadth of expertise available within and outside OIG. Members include USAID investigators, analysts, auditors, and managers based in Washington, DC, Cairo, Egypt, and Frankfurt, Germany, as well as Department of State OIG investigators.

The task force meets biweekly, keeping abreast of D-ISIS activities at USAID and providing updates to members on new leads, allegations, investigations, outreach, and planned activities. The task force provides a forum for planning and strategizing key oversight initiatives and for USAID and Department of State OIG staff to collaborate closely on their ongoing joint cases. The OFDA risk mitigation officer often attends these meetings to provide a critical link to the office and serve as a liaison with USAID OIG.

***Oversight in
Challenging
Environments:
Lessons From the
Syria Response
Feature Report***

OIG has identified serious issues in U.S. humanitarian assistance efforts in nonpermissive environments, such as Syria, demonstrating the need for oversight to ensure the effective delivery of humanitarian goods and services. Recognizing that this work serves as a model for examining other humanitarian assistance efforts in nonpermissive environments, we prepared a report to take stock of important lessons learned that could be applied elsewhere.

In the report, we identified several key elements of an effective humanitarian assistance response in nonpermissive environments like Syria. These include: effective fraud and loss-reporting systems; robust agency oversight and monitoring systems; strong internal controls in implementing partner organizations; sound procurement processes; and broad information sharing on fraud risks and indicators.

In response to our observations in these areas, USAID reported taking several actions to improve fraud detection, monitoring and oversight, procurement processes, and accountability in Syria humanitarian assistance programs. For example, the Agency partially suspended awards and debarred or suspended 36 individuals or companies. An additional

20 individuals were removed from employment, downgraded, or resigned. USAID also reported that it instituted 15 systemic changes to help prevent and detect fraud in its programming.

USAID OIG has not yet verified that USAID has fully implemented the reforms it has described or determined whether the reforms have been effective at addressing the underlying problems.

USAID/West Bank and Gaza Improved Conflict Mitigation Program Management But Has Not Completed an Evaluation

Report No. 8-294-18-001-P

The USAID/West Bank and Gaza's Conflict Mitigation and Management Program promotes peace through dialogue by bringing together Israelis and Palestinians; Israelis, Palestinians, and Jordanians; and Israeli Arab and Israeli Jewish citizens. The program makes grants to a variety of organizations, disbursing over \$60 million since 2004. This followup audit set out to determine to what extent USAID/West Bank and Gaza had implemented recommendations OIG made in 2013 and evaluated the program's impact. We found that the mission had implemented most of our prior recommendations. For example, it strengthened financial safeguards, performed a conflict assessment, and used the findings to shape subsequent solicitations for grant proposals. However, the mission had not corrected reported data errors and it had not completed an evaluation of the program as called for by USAID policy. The mission agreed with and took corrective actions on our two recommendations to further improve USAID's management of the program.

Ongoing Investigation in Southeast Turkey Led to Debarment of Individual Involved in Kickbacks and Bid-Rigging Investigation

An ongoing OIG investigation into bid-rigging, collusion, bribery, and kickbacks between Turkish vendors and procurement staff from four nongovernmental organizations in southeast Turkey has resulted in a 3-year debarment for a key conspirator in the scheme.

Joint OIG Investigation With UNDP Resulted in Nearly \$150 Million in Suspended Funds and New Internal Controls To Protect Taxpayer Funds Investigation

A joint OIG investigation with the UNDP Office of Audit and Investigation found indications of fraud and corruption in an Iraqi stabilization project. In July 2017, the United States pledged \$150 million to the UNDP Iraq stabilization program but due to fraud allegations, it was placed on hold. The project assists Iraqis in returning to their communities that have been freed from conflict and occupation by ISIS. As a result of the investigation, USAID and UNDP agreed to include additional award requirements to strengthen internal controls by expanding monitoring of stabilization activities; controlling information sharing on contract details; enhancing training and capacity building on fraud prevention; and dedicating a full-time UNDP investigator focused on Iraq in order to prevent fraud.

Corruption Investigation Resulted in Cancellation of Nearly \$264 Million in Power Generation and Transmission Projects Investigation

In February 2018, USAID revoked nearly \$264 million for planned and current infrastructure projects funded through an Afghan Government-owned power infrastructure company. The Agency made this funding decision based on investigative developments in a joint USAID OIG and Special Inspector General for Afghanistan Reconstruction criminal investigation. The investigation involves an alleged contract steering scheme wherein high-level Afghan Government officials colluded with a number of contractors to exchange \$2 million in kickbacks for a \$134 million power transmission infrastructure contract. USAID's \$264 million funding cancellation is in addition to the Agency's previous funding de-obligation for the \$134 million contract.

\$44.6 Million Award Suspended Due to Diversion of USAID Commodities to Militant Organization Investigation

An ongoing OIG investigation found that employees of a U.S.-based nongovernmental organization knowingly diverted USAID-funded food kits to a militant organization operating in northern Syria called Hay'at Tahrir AlSham (HTS). HTS is a militant group formed in 2017 by a merger of five other Syrian militant groups, and has since grown further. Under duress after being threatened by members of HTS, employees allowed HTS fighters to be included among program beneficiaries in the Idlib Governorate and submitted falsified beneficiary lists to USAID to conceal the fighters' participation in the food assistance program. USAID suspended the \$44.6 million program, which delayed approximately \$30.2 million in program funding until appropriate controls are implemented.

***Investigation
Uncovered Years
of Poor Accounting
and Gross
Mismanagement at
American University
of Afghanistan***

Investigation

In the fall of 2016, USAID OIG and the Special Inspector General for Afghanistan Reconstruction launched a joint investigation into allegations of widespread fraud, waste, and abuse in USAID-funded programs at the American University of Afghanistan. In consideration of information disclosed during the investigation, along with information from an independent review ordered by the Agency, USAID decided to stop providing funding advances to the university. In addition, the agreement was modified to require the university to submit reimbursement vouchers with supporting documentation for expenses for \$3.4 million in currently available project funds, rather than be provided funding upfront.

***Logistics Service
Company and
Local Procurement
Logistics Manager
Debarred for 3 Years***

Investigation

In October 2017, USAID imposed a 3-year debarment on a procurement and logistics manager at International Executive Service Corps after an OIG investigation disclosed that he steered more than \$400,000 in procurements to his brother-in-law's company in exchange for more than \$315,000 in kickbacks. His brother-in-law's company was also debarred for 3 years for its role in the scheme.

***USAID/South Sudan
Supervisory Foreign
Service National
Employee and
Subordinate Resign in
Lieu of Termination
for Attempting to
Steer \$305,000
Contract***

Investigation

OIG investigated an allegation involving two USAID local national employees who were reportedly steering contracts to personal contacts. The investigation confirmed that the supervisory local employee was sharing procurement-sensitive information from several companies competing for a \$305,000 contract. When interviewed, both employees confessed to sharing confidential bidding information. As a result of OIG's investigation, USAID cancelled the contract's bidding process and both employees resigned in lieu of termination.

KEY ONGOING AUDIT WORK

USAID's Assistance to Public International Organizations

This audit will determine what assessment of risks USAID's offices are conducting before awarding funds to public international organizations, and how the offices mitigate risks they identify. The audit will also determine how public international organization programs and funds are overseen by USAID's offices and whether other vulnerabilities exist with this type of assistance.

IMPROVING GLOBAL HEALTH

In addition to playing a critical, long-running role in implementing programs for HIV/AIDS, tuberculosis, and malaria, USAID responds to public health emergencies of international concern and works to increase healthcare access and quality. USAID also focuses on building sustainable and resilient health systems, improving maternal and child health, and addressing nutrition in vulnerable populations.

Oversight of U.S. Government Efforts to Combat Ebola

USAID, through OFDA, operated as the lead Federal agency to coordinate the U.S. response to the international Ebola outbreak. According to the World Health Organization, the 2014 Ebola epidemic in West Africa was linked to more than 11,000 deaths, making it one of the most fatal infectious disease outbreaks in modern history. Among international donors, USAID and the Department of State mounted the largest response, managing around \$2.5 billion out of the U.S. Government's total contribution of \$5.4 billion.

OIG provided oversight of Ebola-related U.S. Government activities through audit work and investigative activities. During the reporting period, we concluded three audits looking at various facets of USAID's response to the outbreak.

***Lessons From
USAID's Ebola
Response Highlight
the Need for a Public
Health Emergency
Policy Framework***

***Report No.
9-000-18-001-P***



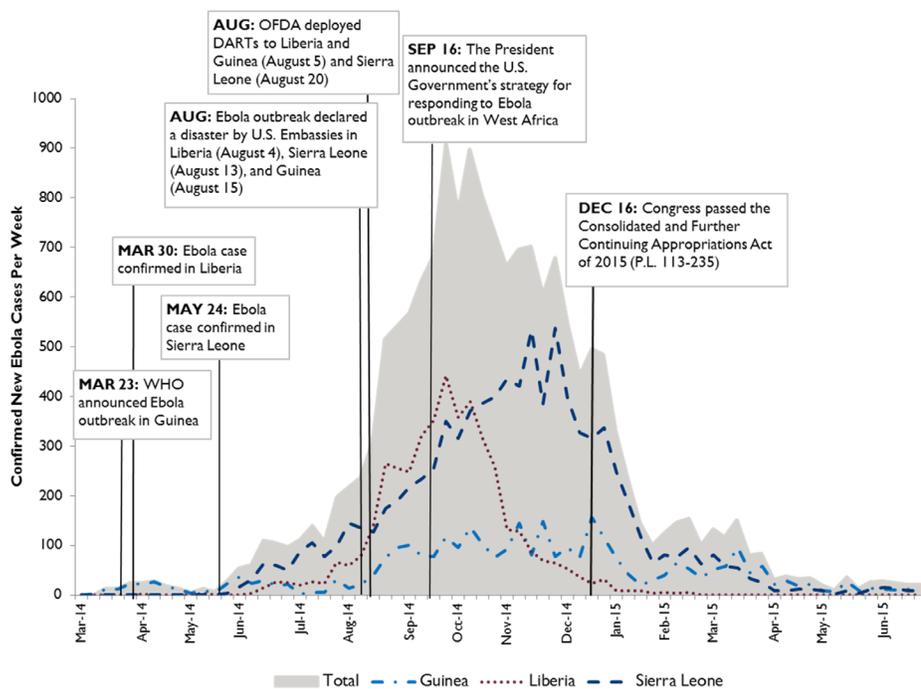
Handprints of Ebola survivors paint the wall of an Ebola Treatment Unit in Gbarnga, Liberia. *Photo by OIG*

We conducted this audit to assess USAID's overall management and coordination of the Ebola outbreak and the Agency's ability to react to future international public health emergencies. Although USAID's Ebola response strategy provided needed flexibility to adjust operations as the disease and other circumstances evolved, challenges related to funding and the transition to recovery weakened USAID's response, as did shortcomings in leadership, staffing, and coordination. For example, officials

from USAID and the Centers for Disease Control and Prevention disagreed on response priorities, and response and recovery efforts were delayed.

For future emergencies, OIG determined that USAID’s policies and processes need improvement. USAID has not developed a policy framework for responding quickly to large-scale international public health emergencies, nor has it captured Agency-wide lessons from its experiences. Without them, responders are left to re-create processes as emergencies evolve.

OIG made 14 recommendations. USAID agreed with all the recommendations.



Timeline of the Ebola outbreak and key events in the U.S. Government response. Source: OIG analysis

Assessment and Oversight Gaps Hindered OFDA’s Decision Making About Medical Funding During the Ebola Response Report No. 9-000-18-002-P

With this audit, OIG sought to determine whether OFDA effectively (1) assessed needs for medical facilities and commodities in the affected countries and (2) oversaw the items it funded. USAID/OFDA neither effectively determined initial needs nor sufficiently reassessed those needs as the outbreak evolved. OFDA identified a general need for protective equipment, structures, personnel, and supplies, but did not indicate the number and size of facilities, where to build them, and when they needed to be operational. Insufficient assessments contributed to the delayed opening

of facilities. By the time most were operational, the majority of confirmed Ebola cases had already occurred, resulting in an excess of medical commodities. In addition, OFDA did not adequately oversee what it funded, and it lacked the information it needed to track activities and determine the funding's effectiveness.

OIG made eight recommendations. USAID agreed with all eight, but two remain unresolved because the Agency's proposed corrective actions centered on implementers rather than on Agency personnel and guidance.

***The Impact of
OFDA's Infection and
Prevention Training
To Prevent Ebola's
Spread Was Unclear
in Liberia and Sierra
Leone***

***Report No.
4-000-18-001-P***

OIG conducted this audit to determine whether OFDA was achieving its goal to train and prepare healthcare providers to prevent the spread of Ebola in Liberia and Sierra Leone. We found that OFDA lacked accurate data to demonstrate that it achieved its goal. Grantees who conducted training did not retain evidence to support their results and, in one case, counted providers who received training under previous programs not funded by OFDA.

Moreover, OIG site visits showed that healthcare providers in Liberia were not consistently applying what they had learned, ignoring infection and prevention control protocols such as washing hands and disposing of medical waste appropriately. Healthcare providers said the practices were new and would take some time to adopt.

We made no recommendations in this report.

***Six Individuals
Arrested for Illicit
Sale of HIV/AIDS and
Antimalarial Products
in Zambia
Investigation***

Between June and October 2017, OIG worked on a proactive initiative in Zambia and visited markets and pharmacies in the capital to determine if stolen USAID-funded commodities were being illicitly sold. Within days, the investigative team identified individuals involved in the illegal sale of stolen HIV and malaria test kits, which were later confirmed to have been supplied by USAID and the Global Fund. In December 2017, we worked an operation with the Zambia National Task Force, which resulted in the arrest of six individuals who were charged with the illicit sale of stolen HIV and malaria test kits. The investigation is ongoing.

**Four Individuals
Arrested for
Diverting and
Distributing
USAID-Funded
Mosquito Nets
Investigation**



Stolen USAID-provided antimalaria bed nets seized at the Abuja markets in Nigeria during a USAID OIG and local law enforcement joint operation. *Photo by OIG*

After months of fieldwork, OIG presented to the Nigerian National Agency for Food and Drug Administration and Control interim findings of an investigation into diversions of antimalarial commodities. In February 2018, officers from the agency and the Nigeria Police Force arrested four sellers of stolen USAID-funded lifesaving commodities and seized over 800 illegally diverted long-lasting insecticidal nets provided to the Nigerian National Malaria Elimination Programme by USAID under the President’s Malaria Initiative. OIG investigators were present and provided technical guidance to support this arrest operation. The investigation is ongoing.

**Three Individuals
Convicted for
Diverting and
Distributing
USAID—and Global
Fund—Donated
Antimalarial
Medicine in Malawi
Investigation**

During the reporting period, OIG and the Malawian Drug Theft Investigative Unit pursued investigative leads provided to the OIG’s cash-for-tips “Make a Difference” Malaria hotline in Malawi. The leads were conducted at various health facilities and markets purportedly selling stolen U.S. Government-funded antimalarial commodities. The verification efforts prompted three arrests in September 2017 and resulting convictions of the same Malawians in December 2017. The investigation is ongoing.

**USAID/Vietnam
Recovered \$42,208
From Health Project
Implementer for
Kickbacks on
Employee Salaries
Investigation**

An OIG investigation into an allegation of mismanagement at the Centre for Community Health and Development, a local Vietnamese organization implementing USAID's Community HIV Link program, required at least one employee to pay back a portion of their salary. In addition to taking kickbacks from employee salaries, the organization allegedly withheld portions of employee per diems during business travel. The organization's managers allegedly told its staff that because foreign donors do not understand that Vietnamese organizations have to pay under the table expenditures, the returned salary was used to cover those and other potentially non-allowable costs.

Further investigation found that employees were encouraged by managers to return a portion of their salaries by making contributions to an "employee fund" recorded and controlled by the organization's management. The rate of pay varied per employee and position. The organization refused to produce complete records or comply with a USAID OIG subpoena, thereby complicating a determination of how much funding had been embezzled.

In response to the investigative findings, USAID issued a letter of determination to the organization for \$96,279. USAID ultimately accepted recoveries of \$42,208.

KEY ONGOING AUDIT WORK

USAID's Response to the Zika Virus Outbreak in the Western Hemisphere

OIG will assess the initial steps USAID took to respond to the Zika outbreak and prepare for expanded efforts in the Western Hemisphere.

USAID's Programs To Strengthen Health Systems in Selected Missions

This audit will examine whether selected USAID missions coordinated with other donors and host-country strategies to design programs to strengthen health systems, and whether the programs received the necessary resources, direction, and technical assistance.

USAID/Ukraine's Efforts To Foster Country Ownership of HIV/AIDS Interventions

This audit will determine to what extent USAID/Ukraine's recent efforts advanced Ukrainian ownership of its HIV/AIDS response, and what actions were taken to identify and target any gaps in country ownership.

BUILDING LOCAL CAPACITY AND PROMOTING SUSTAINABILITY

Building capacity is at the heart of sustainable development. It allows institutions and individuals in developing countries to pursue and fund their own objectives. USAID embraces capacity building through training, staffing assistance, education, and strengthening governance. USAID's efforts are designed to promote democratic and resilient societies, support free and fair elections, bolster civil society, and protect human rights. USAID aims to help countries develop good governance and inclusive growth.

USAID Has Advanced STEM Education in Egypt Despite Some Implementation Challenges

Report No. 8-263-18-002-P



First-year female students at Dakahlia STEM School perform lab experiments. *Photo by OIG*

Prospects for long-term stability and prosperity in Egypt, a key U.S. ally, are hindered by Egypt's poor education system. To help the Egyptian Ministry of Education expand and strengthen its efforts to provide science, technology, engineering, and mathematics (STEM) education, in August 2012 USAID/Egypt awarded a 4-year, \$25 million cooperative agreement to World Learning to implement the STEM School Project. We conducted this audit to determine whether project activities advanced STEM education for targeted students. We also examined English language instruction and cost-sharing requirements during implementation to determine whether the project built the ministry's capacity to replicate and sustain STEM schools. We found that the project successfully reached targeted

students with instruction and increased the capacity of ministry staff, school administrators, and teachers in admissions, instruction, testing, and records management. As of June 2016, the Egyptian Government had established nine STEM schools, well beyond the three to five initially expected, demonstrating staff's capability to replicate the STEM model. Yet English language instruction proved insufficient, requiring World Learning to develop an online resource that would boost English proficiency, and World Learning still needed to be more transparent in reporting its cost-sharing contributions and meeting its commitment. The mission agreed with and took corrective actions to address two of the three recommendations regarding cost sharing. The third recommendation remains unresolved pending Agency determination on the allowability of questioned costs..

OIG Investigation Led to Systemic Changes on \$20 Million USAID-Funded Education Award in Dominican Republic Investigation

OIG responded to an allegation from the USAID/Dominican Republic that an implementer of a \$20 million award reported false information about its work to the mission. The investigation determined that USAID failed to provide the implementer with clear guidance in the cooperative agreement, causing the implementer to report inaccurate information in order to be compliant with USAID's requirements. The investigation also determined that an implementer staff member acted as a principal employee on the project without proper designation under the award. We referred our findings to USAID/Dominican Republic, which initiated a modification to the agreement to include adding the senior staff member as a principal on the project and clarified expectations in reporting to USAID.

KEY ONGOING AUDIT WORK

USAID's Democracy, Human Rights, and Governance Programs

OIG is looking at how USAID designs and implements democracy, human rights, and governance programs and how it measures their progress. The audit will also evaluate how USAID avoids the perception of interference in a country's internal politics and its coordination with the Department of State. OIG is conducting this audit pursuant to a request from the Chairman of the Senate Foreign Relations Committee.

DEVELOPING CRITICAL LOCAL INFRASTRUCTURE

USAID recognizes that infrastructure is a priority for developing countries. Power, roads, and other public services like water and energy supplies can be critical to a country's economic growth. In conflict zones in particular, improved infrastructure can impact stability and recovery efforts.

Pakistan's Gomal Zam Dam Has Not Generated the Electricity Anticipated Despite Millions in USAID Investments
Report No. 5-391-18-001-P



The main canal carries water to the surrounding areas. *Photo by OIG*

In 2010, the U.S. Secretary of State announced programs to address problems with electricity shortages and water scarcity in Pakistan. In response, USAID/Pakistan signed an agreement with the Government of Pakistan in January 2011 for the Gomal Zam Multipurpose Dam Project, designed to add 17.4 megawatts of generation capacity to the national electric grid, provide drinking water, and help with flood control in three strategically important areas. USAID followed up by funding the Gomal Zam Irrigation Project to boost food production by bringing water to 191,000 acres of agricultural land. As of September 2016, USAID had committed \$117 million for the two signature projects and related dam and irrigation works. We conducted this audit to determine whether USAID/Pakistan implemented key elements of these signature projects. We found that the hydroelectric component of the Gomal Zam Multipurpose Dam Project was not generating the anticipated amount of electricity. Electricity generation ceased in October 2016 and had not yet been restored. In addition, during implementation, USAID added funding to the fixed-amount reimbursable

agreement it had with the Pakistani Government for the Gomal Zam Irrigation Project, increasing the ceiling from \$40 million to \$51.5 million and defeating the cost-control purpose of the agreement. Further, USAID did not ensure that its implementer complied with environmental protection steps. USAID/Pakistan agreed with all three recommendations we made to address these problems.

**Contract for
USAID Consultant
Responsible for
Oversight at
Construction Sites in
Gaza Is Terminated
for Salary Kickbacks
Investigation**

An OIG investigation revealed that Al Madina Consultants, a construction firm in Gaza subcontracted by AECOM Technical Services (AECOM) to oversee USAID—and World Bank Group—funded construction activities in Gaza, forced its employees to pay a substantial percentage of their USAID-funded salaries to Al Madina’s owners. The investigation confirmed that most of Al Madina’s employees in Gaza, as a condition of employment, had to agree to withdraw a percentage of their monthly salaries (up to 40 percent) in cash and provide it to Al Madina’s owners. As a result of the OIG investigation, AECOM terminated its \$3.5 million subcontract with Al Madina in November 2017. In January 2018, we referred the case to USAID’s Compliance Division for possible suspension and debarment. We will also refer the case to the Palestinian Authority Anti-Corruption Commission for possible criminal or civil prosecution.

KEY ONGOING AUDIT WORK

Power Africa

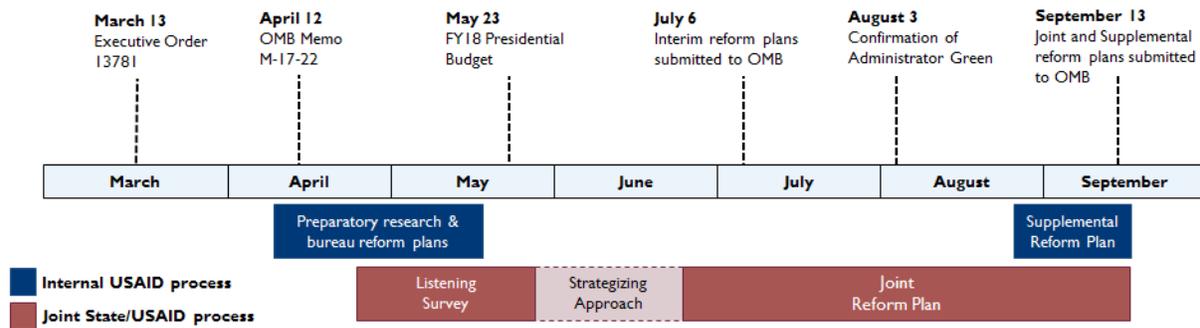
OIG is conducting an audit of four of the participating U.S. agencies—USAID, MCC, OPIC, and USADF—that OIG oversees to assess progress in meeting the Power Africa initiative goals. The audit will also look at the coordination and transaction model, as well as challenges, constraints, and risks to Power Africa.

Select USAID Construction Activities

This audit will determine what informs USAID decisions concerning its construction portfolio.

MANAGING RISK AND SECURING FUNDS, INFORMATION, AND PERSONNEL

To support its mission, USAID must ensure that it maintains the proper institutional capacity to implement and oversee its programs and activities. This includes areas such as human resources, IT infrastructure, and award management.



Key Redesign dates and initiatives (from March 13 to September 13, 2017). Source: *OIG analysis*

USAID’s Redesign Efforts Have Shifted Over Time

Report No. 9-000-18-003-P

Seven weeks after freezing Federal hiring, the President issued Executive Order 13781 on March 13, 2017, “intended to improve the efficiency, effectiveness, and accountability of the executive branch.” A month later, OMB followed up with Memorandum M-17-22, requiring Executive Branch agencies including USAID and the Department of State to submit reform plans and workforce plans to OMB by September 2017. In response, USAID helped develop a joint State-USAID reform plan and produced a USAID supplemental reform plan that focused on internal issues.

Given the scope of this undertaking and the desire for transparency, the U.S. Senate Committee on Appropriations asked us to review USAID’s process in developing its reform plans and its compliance with congressional notification requirements. We described both the events and actions taken by USAID to develop its reform plans and the assessments of USAID’s actions by those involved in the process. We also determined that some USAID actions raised questions about compliance with appropriations requirements.

Audit of USAID’s Financial Statements for Fiscal Years 2017 and 2016

Report No. 0-000-18-004-C

We audited USAID’s financial statements for fiscal years 2017 and 2016 and issued an unmodified opinion.

With respect to internal control, we identified one deficiency that we considered a material weakness, pertaining to USAID’s process for reconciling its Fund Balance With Treasury account with the Department

of the Treasury. We also identified three deficiencies that we considered significant deficiencies in USAID's processes for (1) reconciling intragovernmental transactions, (2) complying with Federal accounting standards for reimbursable agreements, and (3) maintaining adequate records of property, plant, and equipment.

We found no instances of substantial noncompliance with Federal financial management system requirements, but one each with Federal accounting standards and the U.S. Standard General Ledger at the transaction level.

USAID management accepted and took corrective action on our three recommendations to improve internal control.

In planning and performing this audit, we noted certain matters involving USAID's internal controls. In a management letter, we provided comments and suggestions to the Agency that will improve USAID's internal controls and result in other operating efficiencies, and discussed them with members of the management team.

DATA Act Audits

The Digital Accountability and Transparency Act of 2014 (DATA Act) requires Federal agencies to disclose their direct expenditures and to disaggregate spending on Federal contracts, loans, and grants related to its programs. It also requires agencies to follow data definition standards to make financial and payment information consistent and reliable throughout the Federal Government.

USAID Complied in Fiscal Year 2017 With the Digital Accountability and Transparency Act of 2014

Report No.
0-000-18-001-C

We contracted with the independent certified public accounting firm of GKA P.C. to conduct an audit of USAID's compliance with the DATA Act. The audit firm concluded that USAID's fiscal year 2017 financial and award data for the quarter ended March 31, 2017, substantially complied with the act's requirements for completeness, timeliness, quality, and accuracy. The audit firm also concluded that USAID effectively implemented and followed the applicable Governmentwide financial data standards established by OMB and Treasury. We agreed with the report conclusions. The report contained no recommendations.

USAID Implemented Application Controls for DATA Act Reports, but Improvements Are Needed

Report No.
A-000-18-005-C

We contracted with the independent certified public accounting firm CliftonLarsonAllen LLP to audit USAID's implementation of selected application controls used to report financial data under the DATA Act. The audit objective was to determine whether USAID implemented selected application controls in its Global Acquisition and Assistance System and its Phoenix Financial System. The Agency uses data from these two

applications to report under the DATA Act. The audit firm concluded that USAID implemented 23 of the 27 selected application controls designed to preserve the integrity of its DATA Act reporting. However, USAID did not implement four of the controls, including standard operating procedures for the DATA Act reporting process or perform internal data validations before posting the data to the Treasury's DATA Act Broker website. To address the four control weaknesses identified in the report, the audit firm made and OIG agreed with two recommendations. USAID accepted both recommendations, and one is closed.

USAID Lacked Key Internal Controls Over Its Models for Posting Financial Transactions

Report No.
A-000-18-004-P

Like other executive branch agencies, USAID must prepare annual statements summarizing its financial activities and status at yearend to show the public how well it has managed its funds. To produce its statements, USAID relies on the financial management system it uses to automate day-to-day accounting entries, Phoenix. In that system, electronic models are used to record or post transactions to the general ledger, which summarizes all transactions occurring Agency-wide. Posting models determine which general ledger accounts are affected by each accounting transaction. Since transactions can be worth billions of dollars, and annual totals processed by Phoenix exceed \$15 billion, USAID must take care to post the transactions correctly to ensure accurate financial statements. Prior OIG audits of financial statement audits for fiscal years 2015 and 2014 revealed differences between USAID's general and subsidiary ledgers. Therefore, we conducted this audit to determine whether USAID's Office of the Chief Financial Officer implemented key internal controls over general ledger posting models in Phoenix to mitigate the risk of unauthorized and undocumented changes. We found that because its staff did not perform a formal risk assessment, the office did not implement some key internal controls. For example, USAID headquarters did not have clearly documented procedures for managing the general ledger posting models, nor did it have adequate security controls for tasks related to changing the models—segregating duties, maintaining audit logs, approving changes, and monitoring their implementation. As a result, USAID was at risk of having errors in the models and in its financial statements. USAID management agreed with the two recommendations we made to help the Agency implement the missing internal controls.

USAID Has Implemented Controls in Support of FISMA, but Improvements Are Needed

Report No. A-000-18-003-C

The Federal Information Security Modernization Act of 2014 (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 their information systems.

We contracted with the independent certified public accounting firm CliftonLarsonAllen LLP to conduct an audit of USAID's compliance with FISMA during fiscal year 2017. The audit firm concluded that USAID generally complied with FISMA requirements by implementing 150 of 162 selected security controls for selected information systems. However, USAID did not implement 12 controls designed to preserve the confidentiality, integrity, and availability of its information and information systems. To address the weaknesses identified in the report, the audit firm made and OIG agreed with 11 recommendations. USAID management agreed with all the recommendations, and one is closed.

USAID-Funded Implementer Agreed to Pay \$2 Million for Engaging in Prohibited Activities With State Sponsors of Terrorism and Entities Designated as Foreign Terrorist Organizations

Investigation

In June 2015, a False Claims Act complaint was filed in the Southern District of New York against a USAID-funded implementer, Norwegian People's Aid. Norwegian People's Aid had previously certified under a USAID award that it did not provide material support to state sponsors of terrorism or terrorist organizations designated as such on the Specially Designated Nationals and Blocked Persons List published by the Office of Foreign Assets Control. OIG opened an investigation and determined that the organization provided material support to Iran, a designated state supporter of terrorism, through its participation in oil development programs in the country from 2001 through 2008. Additionally, from 2012 to 2015, Norwegian People's Aid was involved in a youth leadership development program that included support for Hamas, the Popular Front for the Liberation of Palestine, and the Democratic Front for the Liberation of Palestine. In March 2018, a settlement agreement was reached to resolve the U.S. Government's claims against Norwegian People's Aid. Under the settlement, the organization will be required to pay injunctive relief and a monetary penalty of approximately \$2 million to the United States in addition to revising its internal policies to ensure that, henceforth, it complies with applicable U.S. laws.

***USAID Issued
Africare \$3.9 Million
Bill of Collection
Pursuant to Internal
Control Weakness***

Investigation

A self-disclosure of internal control weakness by the USAID implementer, Africare, in 2015 led to a coordinated fact-finding effort between USAID and OIG investigations. Through witness interviews and record reviews, OIG confirmed material weaknesses in the accounting systems and grossly lacking supporting documentation at Africare's Washington, DC, headquarters and field offices that persisted for several years. A USAID-initiated audit confirmed the investigative findings. Citing the lack of adequate and complete supporting documentation, the USAID-initiated audit questioned \$3.9 million.

IG ACT REPORTING REQUIREMENTS: *U.S. Agency for International Development*

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, 2017-March 31, 2018.

The following reporting requirements can be found in the Appendixes:

- Appendix A: List of All Audits (Financial Audits, Performance Audits, and Nonaudits) Issued October 1, 2017-March 31, 2018
- Appendix B: Reports issued prior to October 1, 2017, with open and unimplemented recommendations, as of March 31, 2018

Incidents in Which OIG Was Refused Assistance or Information

During this reporting period, there were no reports of instances in which OIG was unreasonably refused assistance or information.

Interference With OIG Independence

During this reporting period, OIG did not encounter any attempts to interfere with its independence, to include restrictions of OIG's congressional communications or budgetary constraints designed to limit OIG's capabilities. OIG did not encounter resistance or objections to oversight activities, nor did it face restricted or significantly delayed access to information.

Senior Government Employee Misconduct

Section 5(a)(19) of the Inspector General Act of 1978, as amended, requires a report on each investigation conducted by OIG involving a senior Government employee³ where allegations of misconduct were substantiated.

OIG has nothing to report for this reporting period.

³Section 5(f)(7) of the Inspector General Act of 1978, as amended, defines a senior government employee as "an officer or employee in the executive branch (including a special Government employee as defined in section 202 of title 18, United States Code) who occupies a position classified at or above GS-15 of the General Schedule or, in the case of positions not under the General Schedule, for which the rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS-15 of the General Schedule; and any commissioned officer in the Armed Forces in pay grades O-6 and above."

Instances of Whistleblower Retaliation

Section 5(a)(20) of the Inspector General Act of 1978, as amended, requires a detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation.

OIG has nothing to report for this reporting period.

Audit Reports Issued Prior to October 1, 2017, With Recommendations With No Management Decision

OIG has nothing to report for this reporting period.

Significant Recommendations Described Previously Without Final Action — USAID

as of March 31, 2018

Report Number	Report Title	Date of Report	Rec. No.	Management Decision Date	Final Action Target Date
6-263-13-002-P	Audit of USAID/Egypt's Transition Support Grants Program	10/22/12	6*	10/22/12	4/30/18
0-000-13-001-C	Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011	11/16/12	1	11/16/12	9/30/18
4-962-13-004-P	Audit of USAID's Internal Controls Over Prepositioned Food Assistance for the Horn of Africa	1/7/13	3	2/19/13	6/30/18
0-000-15-001-C	Audit of USAID's Financial Statements for Fiscal Years 2014 and 2013	11/17/14	2	11/17/14	9/30/18
9-000-16-001-S	Review of USAID's Cuban Civil Society Support Program	12/22/15	16	12/22/15	5/15/18
8-000-16-002-P	USAID/Azerbaijan, Belarus, Ukraine, and Other Offices Would Benefit From Additional Guidance and Training on Using Cost Sharing	7/5/16	16	7/5/16	4/30/18
8-000-16-003-P	Working in Politically Sensitive Countries With Limited Resources Stymied Monitoring and Evaluation Efforts in Selected Middle East Missions	9/30/16	18	2/24/17	9/30/18
0-000-17-001-C	Audit of USAID's Financial Statements for Fiscal Years 2016 and 2015	11/15/16	1	11/15/16	9/30/18
9-000-17-001-P	Ebola Experience Highlights Opportunities To Strengthen USAID's Award Process and Reprogram Funds	12/27/16	1	12/27/16	6/4/18
5-000-17-001-S	Internal Control Gaps Hinder Oversight of U.S. Personal Services Contracts in Asia	3/20/17	1 4	3/20/17 3/20/17	12/31/18 4/30/19

*With Treasury for further collection.

Reports With Questioned and Unsupported Costs—USAID

October 1, 2017-March 31, 2018

Reports	Number of Audit Reports	Questioned Costs (\$)	Unsupported Costs ¹ (\$)
A. For which no final action had been made as of October 1, 2017	131	86,100,461 ^{2,3}	74,976,690 ^{2,3}
B. Add: Reports issued October 1, 2017-March 31, 2018	109	107,012,041 ⁴	80,543,176 ⁴
Subtotal	240	193,112,502	155,519,866
C. Less: Reports with a management decision made October 1, 2017-March 31, 2018	161 ⁵	98,581,790 ⁶	86,630,344 ⁶
Value of costs disallowed by Agency officials		38,969,548	34,285,395
Value of costs allowed by Agency officials		59,612,242	52,344,949
D. For which no management decision had been made as of March 31, 2018	79	94,530,712 ⁷	68,889,522 ⁷

¹ Unsupported costs, a subcategory of questioned costs, are reported separately as required by the Inspector General Act.

² The ending balances on September 30, 2017 for questioned costs totaling \$86,087,460, and for unsupported costs totaling \$74,993,746 were increased by \$13,001 for questioned costs and decreased by \$17,056 for unsupported costs respectively, to reflect adjustments in recommendations from prior periods.

³ Amounts include \$447,775 in questioned costs and \$360,654 in unsupported costs for audits performed for OIG by other federal audit agencies.

⁴ Amounts include \$910,027 in questioned costs and \$810,774 in unsupported costs for audits performed for OIG by other federal audit agencies.

⁵ Unlike the monetary figures of this row, this figure is not being subtracted from the subtotal. Some audit reports counted here may be counted again in the figure below it because some reports have multiple recommendations and fall into both categories.

⁶ Amounts include \$447,775 in questioned costs and \$360,654 in unsupported costs for audits performed for OIG by other federal audit agencies.

⁷ Amounts reflect \$910,027 in questioned costs and \$810,774 in unsupported costs for audits performed for OIG by other federal audit agencies.

Reports With Recommendations That Funds Be Put to Better Use

OIG has nothing to report for this reporting period.

Audit Reports Issued for Which Agency Comments Were Not Received Within 60 Days

OIG has nothing to report for this reporting period.

Management Decisions With Which the Inspector General Disagrees

OIG has nothing to report for this reporting period.

Significant Revisions of Management Decisions

OIG has nothing to report for this reporting period.

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.

The act defines “significant audit findings” to include unsupported, questioned, or disallowed costs in excess of \$10 million and other findings that the inspector general determines to be significant. During the reporting period, OIG had no significant findings of this kind from contract audit reports for USAID.

Noncompliance With the Federal Financial Management Improvement Act of 1996

OIG has nothing to report for this reporting period.

Audits Not Previously Disclosed

OIG has nothing to report for this reporting period.

Closed Investigations Involving Senior Government Employees Not Previously Disclosed

Section 5(e)(22)(B), of the Inspector General Act, as amended, requires detailed descriptions of the particular circumstances of each investigation conducted by OIG involving a senior Government employee that is closed and was not disclosed to the public.

OIG has nothing to report for this reporting period.

SIGNIFICANT FINDINGS AND IG ACT REPORTING REQUIREMENTS: *Millennium Challenge Corporation*

The Millennium Challenge Corporation forms partnerships with some of the world's poorest countries and provides large-scale grants to them when they demonstrate that they are committed to good governance, economic freedom, and investment in their citizens. These grants fund country-led solutions for reducing poverty through sustainable economic growth.



Repairs at the aging Nkula A hydropower plant are among critical infrastructure investments being undertaken as part of MCC's Malawi Compact. *Photo by: Jake Lyell, MCC*

Significant Findings and Activities

Fund Accountability Statements

OIG reviews and approves fund accountability statement audits of MCC compact funds under recipient government management. These audits are conducted by independent audit firms. Under the terms of MCC compacts, funds expended by a recipient country must be audited at least annually. The recipient country establishes an accountable entity, usually a Millennium Challenge Account, that produces financial statements. The selected audit firm issues an opinion on whether the fund accountability statement for the MCC-funded programs presents fairly, in all material respects, the program revenues and costs incurred and reimbursed, in conformity with the terms of the compact agreement and related supplemental agreements for the period being audited.

In addition, the audit firm is required to employ generally accepted government auditing standards in performing the audits. All audit reports are reviewed, approved, and issued by OIG.

During this reporting period, OIG issued 14 fund accountability statement audit reports, which made 18 recommendations.

MCC Charge Card Programs Posed a Low Risk of Improper Purchases and Payments in Fiscal Year 2016

Report No.
M-000-18-003-C

We contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP to conduct a risk assessment of MCC charge card programs for fiscal year 2016. The audit firm assessed the risks of illegal, improper, and erroneous purchases and payments by analyzing and testing MCC's internal controls over its charge card programs from October 1, 2015, to September 30, 2016. Charge card disbursements during this period totaled \$5,030,700. The audit firm concluded that MCC's charge card programs posed a low risk of illegal, improper, or erroneous purchases and payments in fiscal year 2016. The report did not include any recommendations.

Audit of MCC's Fiscal Years 2017 and 2016 Financial Statements

Report No.
M-000-18-002-C

We contracted with the independent certified public accounting firm CliftonLarsonAllen LLP to conduct an audit of MCC's financial statements for fiscal years 2017 and 2016. The audit firm concluded these financial statements were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The audit firm found no instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements.

The auditors reported two significant deficiencies in internal control related to grant accrual estimates and validation (modified repeat finding) and to Millennium Challenge Accounts' financial reporting and compliance (new finding). To address the significant deficiencies identified in the report, the audit firm made, and OIG agreed with, eight recommendations. MCC's management agreed with all eight.

***MCC Took Steps
To Address Human
Capital Challenges
in the Georgia
II Compact's
Education Project***

***Report No.
M-114-18-001-S***

Many of Georgia's more than 2,300 schools were built in the Soviet era and have not had ongoing maintenance. Consequently, their heating, electrical, water supply, and sanitation systems are in poor condition. To rehabilitate school infrastructure and improve general education quality, MCC's second compact with Georgia includes \$56.5 million for the Improved Learning Environment Infrastructure Activity. Early in the compact development process, MCC concluded that a key risk to completing the rehabilitation work was a shortage of technical experience, such as engineers and contract specialists, among the Georgian Government staff implementing the rehabilitation work. We conducted this review to determine what steps MCC took to address that shortage. We found that when this activity experienced problems with human capital capacity, MCC responded by improving controls over project implementation. Because MCC recognized and took action to address the risks identified, we made no recommendations in this report.

***MCC Complied in
Fiscal Year 2017
With the Digital
Accountability and
Transparency Act of
2014***

***Report No.
M-000-18-001-C***

The DATA Act requires Federal agencies to disclose their direct expenditures and to disaggregate spending on Federal contracts, loans, and grants related to its programs. It also requires agencies to follow data definition standards to make financial and payment information consistent and reliable throughout the Federal Government.

We contracted with the independent certified public accounting firm of Brown & Company Certified Public Accountants and Management Consultants PLLC to conduct an audit of MCC's compliance in fiscal year 2017 with the DATA Act. The audit objectives were to assess (1) the completeness, timeliness, quality, and accuracy of MCC's fiscal year 2017 second quarter financial and award data submitted to the U.S. Department of the Treasury for publication on USASpending.gov and (2) MCC's implementation and use of the Governmentwide financial data standards established by OMB and Treasury. The audit firm concluded that the fiscal year 2017 second quarter financial and award data submitted by

MCC complied with OMB and Treasury requirements for completeness, timeliness, quality, and accuracy. In addition, the audit firm concluded that the data MCC submitted was in all material respects presented in accordance with the data definition standards published by OMB and Treasury for DATA Act reporting. MCC agreed with the report conclusions. The report contained no recommendations.

***MCC Could Improve
Its Information
Technology
Governance To
Conform to FITARA
Report No.
A-MCC-18-004-C***

We contracted with the independent certified public accounting firm Brown & Company CPAs and Management Consultants PLLC to conduct an audit of MCC’s implementation of the Federal Information Technology Acquisition Reform Act (FITARA). Although MCC was not required to implement FITARA, we initiated this audit to assess whether MCC could improve its information technology governance processes. Accordingly, the objective of this performance audit was to determine whether MCC established a framework for the management and oversight of its information technology, as prescribed in OMB memorandum M-15-14, “Management and Oversight of Federal Information Technology.” The audit firm concluded that MCC conformed to 6 of the 19 applicable common baseline requirements outlined in the memo. However, the audit firm determined that MCC did not conform in several areas. For example, the chief information officer (CIO) did not report directly to MCC’s Chief Executive Officer or Deputy Chief Executive Officer, nor did MCC have a corporate-wide glossary of FITARA terms and requirements, as required by the Clinger-Cohen Act. Further, MCC had not updated its Budget Formulation Policy and Procedure Manual to make its CIO responsible and accountable for the life-cycle management of all IT assets, nor did the CIO consistently review and approve IT acquisition strategies and plans that originated outside the Office of CIO.

To address the weaknesses identified in the report, the audit firm made and OIG agreed with seven recommendations to MCC’s management.

KEY ONGOING AUDIT WORK

Effectiveness of MCC’s Model for Transportation Infrastructure Projects

This audit will determine whether partner country governments sustained MCC-funded roads; MCC effectively identified and addressed sustainability risks to road projects; and MCC integrated lessons from past compacts into guidance for future road projects.

Inspector General Act Reporting Requirements

The following pages provide information required by the Inspector General Act of 1978, as amended, and other congressional requirements. OIG has no information to report for the reporting period October 1, 2017-March 31, 2018, in the areas listed below:

- Investigations conducted by OIG involving a senior Government employee where allegations of misconduct were substantiated
- Instances of whistleblower retaliation
- Incidents in which OIG was refused assistance or information
- Interference with OIG independence
- Reports issued prior to the commencement of the reporting period with recommendations with no management decisions
- Reports with recommendations that funds be put to better use
- Reports issued for comment prior to commencement of the reporting period but not responded to within 60 days
- Significant management decisions with which the Inspector General disagrees
- Significant revisions of management decisions
- Significant findings from contract audit reports
- Noncompliance with the Federal Financial Management Improvement Act of 1996
- Undisclosed audits
- Closed investigations involving Senior Government Employees not previously disclosed

The following reporting requirements can be found in the Appendixes:

- Appendix A: List of All Audits (Financial Audits, Performance Audits, and Nonaudits) Issued October 1, 2017-March 31, 2018.
- Appendix B: Reports issued prior to October 1, 2017, with open and unimplemented recommendations, as of March 31, 2018

Significant Recommendations Described Previously Without Final Action — MCC as of March 31, 2018

Report Number	Report Title	Date of Report	Rec. No.	Management Decision Date	Final Action Target Date
M-000-16-001-S	MCC's Implementation of Executive Order 13526, Classified National Security Information, Needs Strengthening	9/30/16	1	9/30/16	6/30/18
A-MCC-17-003-C	The Millennium Challenge Corporation Has Implemented Many Controls in Support of FISMA, But Improvements Are Needed	11/7/16	4 5 8	11/7/16 11/7/16 11/7/16	5/31/18 4/30/18 5/31/18
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	11/15/16	1 3 5 6 7	1/31/17 1/31/17 1/31/17 1/31/17 1/31/17	6/30/18 9/30/18 9/30/18 9/30/18 9/30/18
A-MCC-17-006-C	MCC Implemented Controls in Support of FISMA for Fiscal Year 2017 but Improvements Are Needed	9/28/17	3 4	9/28/17 9/28/17	8/30/18 4/30/18

Reports With Questioned and Unsupported Costs — MCC

October 1, 2017-March 31, 2018

Reports	Number of Audit Reports	Questioned Costs (\$)	Unsupported Costs (\$) ¹
A. For which no management decision had been made as of October 1, 2017	1	205,369	181,685
B. Add: Reports issued October 1, 2017-March 31, 2018	6	448,736	15,592
Subtotal	7	654,105	197,277
C. Less: Reports with a management decision made October 1, 2017-March 31, 2018	2	281,097	181,685
Value of Recommendations Disallowed by Agency Officials		138,741	111,230
Value of Recommendations Allowed by Agency Officials		142,356	70,455
D. For which no management decision had been made as of March 31, 2018	5	373,008	15,592

¹Unsupported costs, a subcategory of questioned costs, are reported separately as required by the Inspector General Act.

SIGNIFICANT FINDINGS AND IG ACT REPORTING REQUIREMENTS: *U.S. African Development Foundation*

The U.S. African Development Foundation is an independent Federal agency established to support and invest in African-led development that improves lives and livelihoods in poor and vulnerable communities in Africa by providing seed capital and technical support.

Significant Findings and Activities

Audit of the U.S. African Development Foundation's Fiscal Years 2017 and 2016 Financial Statements

Report No.
0-ADF-18-003-C

OIG contracted with the independent certified public accounting firm Brown & Company CPAs and Management Consultants PLLC to conduct an audit of USADF's financial statements for fiscal years 2017 and 2016. The audit firm concluded that USADF's financial statements for the fiscal years ending September 30, 2017, and 2016, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The audit firm did not identify any material weaknesses or significant deficiencies in USADF's internal control over financial reporting. In addition, the audit firm found no instances of noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements. However, the audit firm identified internal control deficiencies that it reported to USADF in a management letter. While the audit firm made five recommendations, they were minor and we opted not to formalize or track them.

USADF Implemented Controls in Support of FISMA for Fiscal Year 2017 but Improvements Are Needed

Report No.
A-ADF-18-001-C

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 their information systems.

We contracted with the independent certified public accounting firm CliftonLarsonAllen LLP to conduct an audit of USADF's compliance with FISMA during fiscal year 2017. The audit objective was to determine whether USADF implemented certain security controls for selected information systems consistent with FISMA. The audit firm concluded that USADF implemented 71 of 91 selected security controls but did not completely implement the remaining 20 security controls. The audit firm made, and OIG agreed with, four recommendations to USADF's

management to address the weaknesses identified to tighten controls. USADF agreed with all four recommendations.

Inspector General Act Reporting Requirements

The following pages provide information required by the Inspector General Act of 1978, as amended, and other congressional requirements. OIG has no information to report for the reporting period October 1, 2017-March 31, 2018 in the areas listed below:

- Investigations conducted by OIG involving a senior Government employee where allegations of misconduct were substantiated
- Instances of whistleblower retaliation
- Incidents in which OIG was refused assistance or information
- Interference with OIG independence
- Reports issued prior to the commencement of the reporting period with recommendations with no management decisions
- Reports with questioned and unsupported costs
- Reports with recommendations that funds be put to better use
- Reports issued for comment prior to commencement of the reporting period but not responded to within 60 days
- Significant management decisions with which the Inspector General disagrees
- Significant revisions of management decisions
- Significant findings from contract audit reports
- Noncompliance with the Federal Financial Management Improvement Act of 1996
- Undisclosed audits
- Closed investigations involving Senior Government Employees not previously disclosed

The following reporting requirements can be found in the Appendixes:

- Appendix A: List of All Audits (Financial Audits, Performance Audits, and Nonaudits) Issued October 1, 2017-March 31, 2018
- Appendix B: Reports issued prior to October 1, 2017, with open and unimplemented recommendations, as of March 31, 2018

**Significant Recommendations Described Previously Without Final Action —
USADF**

as of March 31, 2018

Report Number	Report Title	Date of Report	Rec. No.	Management Decision Date	Final Action Target Date
A-ADF-17-002-C	The United States African Development Foundation's Information Security Program Needs Improvements to Comply With FISMA	11/7/16	20	11/7/16	6/30/18

SIGNIFICANT FINDINGS AND IG ACT REPORTING REQUIREMENTS:

Inter-American Foundation

The Inter-American Foundation is an independent U.S. Government agency created to provide development assistance in Latin America and the Caribbean. IAF provides grant support for creative ideas for self-help received from grassroots groups and nongovernmental organizations, while encouraging partnerships among community organizations, businesses, and local governments that are working to improve the quality of life for poor people and strengthen democratic practices.

Significant Findings and Activities

Audit of the Inter-American Foundation's Fiscal Years 2017 and 2016 Financial Statements
Report No.
0-IAF-18-002-C

We contracted with the independent certified public accounting firm Brown & Company CPAs and Management Consultants PLLC to conduct an audit of IAF's financial statements for fiscal years 2017 and 2016. The audit firm concluded that IAF's financial statements as of fiscal years ending September 30, 2017, and 2016, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The audit firm did not identify any material weaknesses or significant deficiencies in IAF's internal control over financial reporting. In addition, the audit firm found no instances of noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements. The audit firm made no recommendations.

IAF Has Implemented Controls in Support of FISMA for Fiscal Year 2017 but Improvements Are Needed
Report No.
A-IAF-18-002-C

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 their information systems.

We contracted with CliftonLarsonAllen LLP to conduct the annual assessment of IAF's implementation of certain security controls for selected information systems in support of FISMA. The audit firm concluded that IAF implemented 86 of 94 selected security controls but did not implement 8 controls. To address the weaknesses identified in the report, OIG made three recommendations to IAF to fully implement the remaining security controls consistent with FISMA requirements. IAF agreed with all three.

Inspector General Act Reporting Requirements

The following pages provide information required by the Inspector General Act of 1978, as amended, and other congressional requirements. OIG has no information to report for the reporting period October 1, 2017-March 31, 2018 in the areas listed below:

- Investigations conducted by OIG involving a senior Government employee where allegations of misconduct were substantiated
- Instances of whistleblower retaliation
- Incidents in which OIG was refused assistance or information
- Interference with OIG independence
- Reports issued prior to the commencement of the reporting period with recommendations with no management decisions
- Reports with questioned and unsupported costs
- Reports with recommendations that funds be put to better use
- Reports issued for comment prior to commencement of the reporting period but not responded to within 60 days
- Significant management decisions with which the Inspector General disagrees
- Significant revisions of management decisions
- Significant findings from contract audit reports
- Noncompliance with the Federal Financial Management Improvement Act of 1996
- Undisclosed audits
- Closed investigations involving Senior Government Employees not previously disclosed

The following reporting requirements can be found in the Appendixes:

- Appendix A: List of All Audits (Financial Audits, Performance Audits, and Nonaudits) Issued October 1, 2017-March 31, 2018
- Appendix B: Reports issued prior to October 1, 2017, with open and unimplemented recommendations, as of March 31, 2018

Significant Recommendations Described Previously Without Final Action — IAF
as of March 31, 2018

Report Number	Report Title	Date of Report	Rec. No.	Management Decision Date	Final Action Target Date
I-IAF-16-002-P	Audit of Inter-American Foundation Activities in Brazil and El Salvador	11/9/15	3	11/9/15	6/30/18
A-IAF-17-004-C	The Inter-American Foundation Has Implemented Many Controls in Support of FISMA, but Improvements Are Needed	11/7/16	7	11/7/16	6/30/18

SIGNIFICANT FINDINGS AND IG ACT REPORTING REQUIREMENTS:

Overseas Private Investment Corporation

The Overseas Private Investment Corporation is an independent U.S. Government corporation that mobilizes private capital to achieve social and economic development in developing countries while advancing U.S. foreign policy. It works with the private sector to help U.S. businesses gain footholds in emerging markets by promoting increased revenues, jobs, and growth opportunities at home and abroad. Operating in more than 160 countries, OPIC provides financing, guarantees, political risk insurance, and support for private equity investment funds.

OIG provides oversight of OPIC based on limited authorities under Section 239 of the Foreign Assistance Act of 1961, as amended,⁴ and a joint memorandum between the two agencies. This joint memorandum, signed in November 2017, affirms OIG's authority to initiate audits and investigations and seek reimbursement for this work from OPIC up to amounts provided to in annual appropriations. In recent years, Congress has acted through annual appropriations laws to ensure effective oversight of OPIC. The current MOU will remain in place each year for as long as funds are provided, or until the effective date of any law establishing another oversight arrangement for OPIC.

KEY ONGOING AUDIT WORK

OPIC's Chile Energy Portfolio

This audit will assess OPIC's effectiveness in supporting development and involving the U.S. private sector in Chile's energy sector. The audit will also determine how OPIC assessed and approved energy projects in Chile and what process it used to identify and mitigate selected risks in its portfolio.

Risk Assessment of OPIC's Management of Purchase Cards for Fiscal Year 2016

The Government Charge Card Abuse Prevention Act of 2012 requires OIG to conduct a risk assessment of agency purchase cards, travel cards, fleet cards, and convenience checks. It also requires OIG to submit a status report on purchase and travel card audit recommendations to the director of OMB 120 days after the end of each fiscal year.

⁴22 U.S.C. 2199(e)

Inspector General Act Reporting Requirements

The following pages provide information required by the Inspector General Act of 1978, as amended, and other congressional requirements. OIG has no information to report for the reporting period October 1, 2017-March 31, 2018 in the areas listed below:

- Investigations conducted by OIG involving a senior Government employee where allegations of misconduct were substantiated
- Instances of whistleblower retaliation
- Incidents in which OIG was refused assistance or information
- Interference with OIG independence
- Reports issued prior to the commencement of the reporting period with recommendations with no management decisions
- Reports with questioned and unsupported costs
- Reports with recommendations that funds be put to better use
- Reports issued for comment prior to commencement of the reporting period but not responded to within 60 days
- Significant management decisions with which the Inspector General disagrees
- Significant revisions of management decisions
- Significant findings from contract audit reports
- Noncompliance with the Federal Financial Management Improvement Act of 1996
- Undisclosed audits
- Closed investigations involving Senior Government Employees not previously disclosed

The following reporting requirements can be found in the Appendixes:

- Appendix B: Reports issued prior to October 1, 2017, with open and unimplemented recommendations, as of March 31, 2018

**Significant Recommendations Described Previously Without Final Action —
OPIC**

as of March 31, 2018

Report Number	Report Title	Date of Report	Rec. No.	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	9/28/17	1 2	9/28/17 9/28/17	5/31/18 6/30/18

PEER REVIEWS

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203) requires Federal inspectors general to report on results of peer reviews in their semiannual reports.

Audit

OIG received an external peer review rating of pass with deficiencies, as noted in the final report issued June 29, 2016. Except for the deficiencies noted in the report, the peer review concluded that the system of quality control for the audit organization of OIG in effect for the 3-year period ending March 31, 2015, had been suitably designed and complied with to provide OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

From the peer review, 28 recommendations were made to help resolve the identified deficiencies. As of June 30, 2017, all 28 recommendations have been resolved. The Office of Audit continues to focus on effectively implementing key reforms including initiatives related to strengthening audit quality and enhancing training for auditors.

Investigations

During the last reporting period, the U.S. Department of State OIG conducted a Quality Assessment Review of USAID OIG Office of Investigations, which was completed on May 12, 2017. The USAID OIG Office of Investigations received an overall rating of compliance and the review included positive recognition of several program areas of its operations, such as the high-quality of its evidence program and exceptional proactive fraud awareness briefing program. Included in the review, while not serious, were two notations worthy of mention related to updating its policy and procedures.

In response, the USAID OIG Office of Investigations took appropriate steps to follow through on its commitment for improvement. For example, the relevant policy chapters in the Criminal Investigator Manual identified by the Department of State OIG regarding specialized investigative techniques and criminal referrals to the Department of Justice were updated satisfying the suggestions.

COMMON ABBREVIATIONS

BU	funds recommended to be put to better use
CDC	Centers for Disease Control and Prevention
CIO	chief information officer
DATA Act	Digital Accountability and Transparency Act of 2014
DCAA	Defense Contract Audit Agency
DOD	Department of Defense
DOJ	Department of Justice
DOS	Department of State
FISMA	Federal Information Security Modernization Act of 2014
FITARA	Federal Information Technology Acquisition Reform Act
FY	fiscal year
GAGAS	generally accepted government auditing standards
HHS	Department of Health and Human Services
HIV/AIDS	human immunodeficiency virus, acquired immunodeficiency syndrome
IAF	Inter-American Foundation
ISIS	Islamic State of Iraq and Syria
MCC	Millennium Challenge Corporation
NGO	nongovernmental organization
OFDA	USAID Office of U.S. Foreign Disaster Assistance
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
PMI	President's Malaria Initiative

QC	questioned costs
SAI	supreme audit institution
UN	unsupported costs
U.N.	United Nations
USADF	U.S. African Development Foundation
USAID	U.S. Agency for International Development
UNDP	United Nations Development Programme

IG ACT REPORTING REQUIREMENTS LOCATION IN REPORT

Reporting Requirements Under the Inspector General Act of 1978, as amended	Description	USAID, pg. in SARC	MCC, pg. in SARC	USADF, pg. in SARC	IAF, pg. in SARC	OPIC, pg. in SARC
§5(a)(1)	Significant Problems, Abuses, and Deficiencies	Throughout this report				
§5(a)(2)	Recommendations for Corrective Action with Respect to Significant Problems, Abuse, and Deficiencies	Throughout this report				
§5(a)(3)	Significant Recommendations from Previous Semiannual Reports on which Corrective Action has not been Completed	49	58	61	64	67
§5(a)(4)	Summary of Matters Referred to Prosecutive Authorities and Resulting Convictions	17				
§5(a)(5)	Matters Reported to the Head of the Agency under section 6(c)(2) (refusal of assistance)	N/A	N/A	N/A	N/A	N/A
§5(a)(6)	Listing of Reports Issued During the Reporting Period	Appendix A				N/A
§5(a)(7)	Summary of Significant Reports	21	53	59	62	65
§5(a)(8)	Statistical Table: Questioned Costs	50	58	60	63	66
§5(a)(9)	Statistical Table: Recommendations that Funds be Put to Better Use	51	57	60	63	66
§5(a)(10)(A)	Summary of Audit Reports Issued Before the Commencement of the Reporting Period for which No Management Decision Has Been Made	48	57	60	63	66
§5(a)(10)(B)	Summary of Audit Reports for which the Agency has not Returned Comment within 60 Days of Receipt of the Report	51	57	60	63	66
§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	51	57	60	63	66
§5(a)(12)	Significant Management Decisions with which the Inspector General is in Disagreement	51	57	60	63	66

Reporting Requirements Under the Inspector General Act of 1978, as amended	Description	USAID, pg. in SARC	MCC, pg. in SARC	USADF, pg. in SARC	IAF, pg. in SARC	OPIC, pg. in SARC
§5(a)(13)	Information Described Under Section 804(b) of the Federal Financial Management Improvement Act of 1996	51	57	60	63	66
§5(a)(14-15)	Peer Reviews of USAID OIG	68				
§5(a)(16)	Peer Reviews Conducted by USAID OIG	Nothing to report this period				
§5(a)(17-18)	Statistical tables showing the number of investigative reports; number of persons referred to the Department of Justice (DOJ) 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	17, 73				
§5(a)(19)	Report on each OIG investigation involving a senior Government employee where allegations of misconduct were substantiated	47	57	60	63	66
§5(a)(20)	Any instance of whistleblower retaliation	48	57	60	63	66
§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	47	57	60	63	66
§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	52	57	60	63	66

DESCRIPTION OF METRICS USED IN REPORTING INVESTIGATIVE FIGURES

Investigative Results	Definition
Investigations Opened/Closed	<p>Opened—When a complaint meets the following conditions:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
Total Number of Reports Issued	<p>Reports of investigation are referred to one or more recipients outside of OIG.</p> <p>As part of the referral process, OIG provides referral recipients with a written report of investigation containing the following:</p> <ul style="list-style-type: none"> • 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	<p>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.</p> <p>Declinations—Decisions by the DOJ entity to which OIG has referred an investigation for consideration for civil action not to pursue said civil action.</p>
Civil Judgments	<p>The final decisions of a court in a civil lawsuit. Civil judgments reported by OIG are typically associated with a financial recovery.</p>
Civil Settlements	<p>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.</p>

Investigative Results	Definition
Prosecutive Referrals/Declinations	<p>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.</p> <p>Declinations—Instances in which the DOJ entity to which OIG has referred an investigation for consideration for criminal action declines to pursue criminal action.</p>
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	<p>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.</p> <p>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.</p>
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 from Government contracting and Government-approved subcontracting for a reasonable, specified period.

Investigative Results	Definition
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 then recovered by USAID (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	<p data-bbox="597 1247 1377 1304">Includes a number of investigative results, the most significant of which are:</p> <ul data-bbox="597 1318 1398 1770" style="list-style-type: none"> <li data-bbox="597 1318 1344 1409">• Personnel Counseling—The verbal counseling of an employee by a supervisor as a response to job-related performance or ethnical violations. <li data-bbox="597 1423 1365 1486">• Reprimand—An official written rebuke, censure, or disapproval of a specific action or actions by an employee. <li data-bbox="597 1501 1393 1564">• Demotion—A change of an employee’s status to a lower grade or to a position with a lower rate of pay. <li data-bbox="597 1579 1398 1669">• Restatement of Policy—An instance in which the responsible organization’s management reiterates existing rules and regulations to staff. <li data-bbox="597 1684 1398 1770">• 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.

APPENDIX A

List of Audits: USAID, MCC, USADF, IAF

Please refer to our website, <https://oig.usaid.gov>, for the full supplemental Appendix A.

Appendix A contains a list of all audit reports issued during the reporting period, including associated questioned costs, unsupported costs, and value of recommendations that funds be put to better use, including:

USAID

Financial Audits (Including Recipient-Contracted Audits and Audits Conducted by Independent Public Accountants or DCAA)

Performance Audits (Including Audits Conducted by Independent Public Accountants)

Nonaudits (Quality Control Reviews) Conducted by OIG

MCC

Financial Audits (Including Audits Conducted by Independent Public Accountants)

Performance Audits (Including Audits Conducted by Independent Public Accountants)

Nonaudits (Surveys, Risk Assessment, and Reviews) Conducted by OIG

USADF

Financial Audits (Including Audits Conducted by Independent Public Accountants)

Performance Audits (Including Audits Conducted by Independent Public Accountants)

IAF

Financial Audits (Including Audits Conducted by Independent Public Accountants)

Performance Audits (Including Audits Conducted by Independent Public Accountants)

APPENDIX B

Reports With Open and Unimplemented Recommendations: USAID, MCC, USADF, IAF, OPIC

Please refer to our website, <https://oig.usaid.gov>, for the full supplemental Appendix B.

Appendix B contains a list of all audits reports issued prior to October 1, 2017, with open and unimplemented recommendations and potential cost saving, as of March 31, 2018, for:

USAID

MCC

USADF

IAF

OPIC

Office of Inspector General
U.S. Agency for International Development
1300 Pennsylvania Avenue NW
Room 6.6.D
Washington, DC 20523
oig.usaid.gov