

# OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

## Water, Sanitation, and Hygiene (WASH) Programming: USAID Faced Challenges Providing Assistance to Countries With Greatest Need

Audit Report 8-000-22-001-P  
January 3, 2022



Middle East and Eastern European Regional Office



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

**DATE:** January 3, 2022

**TO:** USAID/Bureau for Resilience and Food Security/Center for Water Security, Sanitation, and Hygiene, Senior Deputy Assistant Administrator and Interim Global Water Coordinator, Maura Barry

USAID/Bureau for Legislative and Public Affairs, Deputy Assistant Administrator, Diala Jadallah-Redding

**FROM:** Middle East and Eastern Europe Audit Director, David Thomanek /s/

**SUBJECT:** Water, Sanitation, and Hygiene (WASH) Programming: USAID Faced Challenges Providing Assistance to Countries With Greatest Need

This memorandum transmits the final report on our audit of USAID's compliance with the Senator Paul Simon Water for the World Act of 2014 for your review and comment. Our audit objectives were to determine: 1) the extent to which USAID designated high priority countries consistent with the criteria and indicators in the Act, 2) the challenges USAID faced in allocating funding to high priority countries in accordance with the Act, and 3) the extent to which USAID complied with congressional reporting requirements under the Act. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in Appendix B.

The report contains one recommendation to improve the timeliness and completeness of USAID's Office of Legislative and Public Affairs' reporting under the requirements of the Act. After reviewing information you provided in response to the draft report, we consider the recommendation to be resolved but open pending completion of planned activities.

For the recommendation, please provide evidence of final action to the Audit Performance and Compliance Division.

We appreciate the assistance you and your staff provided to us during this audit.

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## Introduction

The U.S. government seeks to provide water, sanitation, and hygiene (WASH) assistance to the world's poorest and most vulnerable, billions of whom remain unserved or underserved. The World Health Organization (WHO) estimated that in 2015 nearly a third of the global population did not have access to safe drinking water and almost two-thirds lacked access to safe sanitation. The WHO also estimated that diseases tied to inadequate WASH accounted for approximately 3.3 percent of global deaths in 2016, representing 2 million preventable deaths annually. Among children under age 5, an estimated 13 percent of deaths are attributed to inadequate WASH, with diarrheal diseases alone accounting for 8 percent of deaths among this population.

Based on congressional concerns that the U.S. government's WASH assistance was not adequately benefiting countries with the greatest need, Congress passed the Senator Paul Simon Water for the Poor Act of 2005, which called for the State Department (State) and USAID to make WASH a "specific policy objective of U.S. foreign assistance programs" and coordinate on a strategy "to provide affordable and equitable access to safe water and sanitation in developing countries."

The Senator Paul Simon Water for the World Act of 2014 (the Act)<sup>1</sup> directs USAID to prioritize countries based on needs-based criteria and opportunity indicators to designate high priority countries (HPCs).<sup>2</sup> Eight criteria comprise the WASH Needs Index (Index), which ranks countries based on factors including usage of improved water and sanitation sources and facilities, hygiene behaviors, child mortality from diarrheal disease, and rate of open defecation. Three opportunity indicators are applied to Index-ranked countries: host country capacity/commitment, availability of leveraged funding, and health and educational opportunities for women.

As outlined in the U.S. Government's 2017 "Global Water Strategy," efforts were to focus "on countries and regions where needs and opportunities are the greatest and where U.S. engagement can best protect U.S. national security interests."<sup>3</sup> Congress appropriated \$400 million for water, sanitation, and hygiene programming in fiscal years (FY) 2016-2018 and \$435 million in FY 2019.

Our audit objectives were to determine (1) the extent to which USAID designated high priority countries consistent with the criteria and indicators in the Act, (2) the challenges USAID faced in allocating funding to high priority countries in accordance with the Act, and (3) the extent to which USAID complied with congressional reporting requirements under the Act.

Our audit scope focused on USAID's compliance in designating HPCs, and on identifying factors that influenced the allocation of annual earmarked congressional WASH funds to HPCs, from

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<sup>1</sup> The Act "amends the Foreign Assistance Act of 1961, as added by the Senator Paul Simon Water for the Poor Act of 2005, to include the provision of safe hygiene among the goals of the programs providing assistance for safe water and sanitation." Congressional Research Service, Summary: H.R. 2901—Senator Paul Simon Water for the World Act of 2014.

<sup>2</sup> Public Law 113-289

<sup>3</sup> U.S. Government Global Water Strategy, 2017

FY 2016-2019. The audit also focused on USAID's compliance in reporting required information to Congress in accordance with the Act for FY 2016-2019 and in accordance with the Joint Explanatory Statement of the FY 2019 Appropriations Act. We reviewed the Act, USAID policies and procedures, and USAID and State budget documents. We conducted audit fieldwork via interviews with officials from USAID's Center for Water Security, Sanitation, and Hygiene (CWSSH), Office of Budget and Resource Management (BRM), and correspondence with Legislative and Public Affairs (LPA), all located in Washington, DC.<sup>4</sup>

We conducted our work in accordance with generally accepted auditing standards. Appendix A provides more detail on our scope and methodology.

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## Summary

### **USAID's interpretation and introduction of criteria and application of indicators led to countries with low WASH needs being designated as high priority countries.**

Although USAID designated more than the minimum number of required HPCs during each fiscal year, key health statistics for some of these countries demonstrated a low WASH need. The HPC designation process in place at the time used not only the eight needs-based criteria defined as the Index but also the criterion of prior-year funding. In addition, the three opportunity indicators established in the Act were not used during the designation process but rather to support the selected countries. USAID applied its own interpretation of how to use the opportunity indicators and how to establish that HPCs would be the primary recipients of WASH funding. Moreover, USAID did not document the HPC designation process or its interpretation of these key elements of it. CWSSH officials, as of FY 2020, updated the HPC designation process to eliminate the use of prior-year funding as a criterion and to apply the opportunity indicators to all Index-ranked countries.

### **USAID lacked authority to make final funding decisions and provided higher funding to HPCs with low demonstrated need.**

USAID does not have the final authority for making funding allocation decisions for WASH programming. This responsibility is shared between BRM and State, with the final authority resting with State. Although many factors are considered when making funding allocations, information supporting the final figures is not always shared with CWSSH. Also, the Act required HPCs to be the "primary recipients" of WASH funding but did not specify what this term meant. USAID interpreted this to mean that at least 50 percent of WASH funds would be allocated to HPCs; however, this posed a challenge to the Agency in meeting congressional funding requirements. From FY 2016-2019, USAID did not meet the requirement of HPCs receiving at least 50 percent of WASH funding without designating countries with larger WASH budgets even though they were outside the Top 50 on the Index as HPCs. Average funding to HPCs outside the Top 50 on the Index was much higher than to HPCs in the Top 50.

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<sup>4</sup> USAID's Bureau for Resilience and Food Security (RFS) became operational in March 2020. According to the USAID Automated Directive System, Chapter 101, Section 3.1.17, "Bureau for Resilience and Food Security (RFS)," June 2020, RFS is responsible for USAID's leadership on the U.S. Global Water Strategy and chairs the Agency's Water-Security, Sanitation, and Hygiene Leadership Council. Before RFS became operational, USAID's Water Office was under the Bureau for Economic Growth, Education, and Environment.

**USAID did not report complete and timely information to Congress.** Although USAID complied with the requirement to notify congressional committees about the countries designated as HPCs, the Agency did not provide Congress with complete information about countries outside the Top 50 on the Index that received funding. The Agency also reported 17 months late about how criteria for the Index were weighted and how the Index affected funding priorities.

**Recommendation.** We made one recommendation to improve USAID’s compliance with the reporting on the Senator Paul Simon Water for the World Act of 2014. The Agency agreed with the recommendation.

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## Background

The Act established the criteria that comprise the Index, which is intended to provide a quantitative and transparent means of assessing WASH needs in all countries.<sup>5</sup> USAID calculated the Index by separating the criteria into three indices and establishing the weight of each: water (37.5 percent), sanitation (37.5 percent), and health (25 percent). The Act requires the designation of HPCs based on the following eight needs-based criteria and three opportunity indicators, to the extent sufficient empirical data are available:

- Needs-based Criteria
  - A. The proportion of the population using an unimproved drinking water source.
  - B. The total population using an unimproved drinking water source.
  - C. The proportion of the population without piped water access.
  - D. The proportion of the population using shared or other unimproved sanitation facilities.
  - E. The total population using shared or other unimproved sanitation facilities.
  - F. The proportion of the population practicing open defecation.
  - G. The total number of children younger than age 5 who died from diarrheal disease.
  - H. The proportion of all deaths of children younger than age 5 resulting from diarrheal disease.
- Opportunity Indicators
  - I. The national government’s capacity, capability, and commitment to work with the U.S. to improve access to safe water, sanitation, and hygiene.
  - J. The availability of opportunities to leverage existing public, private, or other donor investments in the water, sanitation, and hygiene sectors.

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<sup>5</sup> USAID based its ranking of countries on WHO health statistics and the WHO/UNICEF Joint Monitoring Program for water, sanitation, and hygiene data.

- K. The likelihood of making significant improvements on a per capita basis on the health and educational opportunities available to women as a result of increased access to safe water, sanitation, and hygiene.

The Act also established the positions of USAID Global Water Coordinator and Department of State Special Coordinator for Water Resources to provide direction and coordination related to WASH programming, management of water resources, and related issues. The other components of USAID and State involved in assessing the WASH needs of countries, allocating funding to meet those needs, and reporting to Congress are CWSSH, BRM, LPA, and the State Office of U.S. Foreign Assistance Resources (State F).

CWSSH rank countries using the Index criteria and prior year funding to designate HPCs, then applies the opportunity indicators to the HPCs. Since the Act itself does not provide funding, annual congressional earmarks for WASH must be reached through the sum of the budgets for individual countries. Funding for WASH activities typically comes from the USAID development assistance, global health, or economic support accounts. The process of allocating WASH funding is managed by State F and BRM, with input from officials in CWSSH. Final allocation decisions are reported to Congress through the 653(a) Report.<sup>6</sup> During FY 2016-2019, USAID allocated WASH funding to 44 countries and 9 regional programs; and 6 Bureaus, other offices, or future programming opportunities.

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## **USAID's Interpretation and Introduction of Criteria and Application of Indicators Led to Countries With Low WASH Needs Being Designated as High Priority Countries**

To designate countries as HPCs, USAID considered each country's prior-year funding, in addition to the criteria set forth in the Act. After designating HPCs, USAID applied the three opportunity indicators outlined in the Act only to those countries already selected as HPCs to confirm their selection. Using this process in FY 2016-2019, USAID repeatedly selected countries without the greatest WASH needs as HPCs.

As shown in Figure 1, Jordan, Lebanon, and West Bank and Gaza—countries with high levels of funding but low WASH need based on key health indicators set forth in the Act—were repeatedly selected as HPCs from FY 2016-2019. At least 89 percent of the population in these countries had access to safely managed water and sanitation, according to data from 2009.<sup>7</sup>

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<sup>6</sup> According to Section 653(a) of the Foreign Assistance Act of 1961, as amended, Congress must be notified of the amount and category of any intended assistance to be provided to a foreign country or international organization.

<sup>7</sup> U.S. Government Accountability Office, *U.S. Water and Sanitation Aid: Millions of Beneficiaries Reported in Developing Countries, but Department of State Needs to Strengthen Strategic Approach* (GAO-10-957), September 24, 2010.

## Figure I. High Priority Countries and WASH Needs Index Rating, FY 2016-2019

Jordan, Lebanon, and West Bank and Gaza—countries with high levels of funding but low need based on key health indicators—were repeatedly selected as HPCs.

Country	WASH Needs Index Rating			
	FY 2016	FY 2017	FY 2018	FY 2019
Afghanistan	9	9	12	12
DRC	4	4	7	7
Ethiopia	7	7	4	4
Haiti	16	16	19	19
India		3		
Indonesia	42	42	50	50
Jordan	121	121	129	129
Kenya	18	18	30	30
Lebanon	100	100	98	98
Liberia	21	21	22	22
Mozambique		12		
Nigeria	1	1	6	6
South Sudan	6	6	10	10
Uganda	26	26	14	14
West Bank and Gaza	179	179	80	
Zambia		30		

Note: The numerically lower the Index ranking, the higher the need of WASH programming. Gray blanks mean the country was not an HPC that year.

Source: USAID Center for Water Security, Sanitation, and Hygiene.

The Act listed the three opportunity indicators but did not specify how to apply them. A USAID official said that the Agency chose to apply the opportunity indicators to validate HPC decisions rather than apply these indicators to the entire spectrum of Index-ranked countries. USAID officials acknowledged weaknesses in its assessment of opportunity indicators under this process, noting that it was not well-defined, well-documented, or transparent.

The Act required HPCs to be the “primary recipients” of WASH funding but did not specify what this term meant. USAID interpreted this to mean that at least 50 percent of WASH funds should be allocated to HPCs. According to USAID’s interpretation, prior-year funding levels for a country should be included as a criterion regardless of where the country ranked in terms of need. In a 2015 internal memo, USAID wrote that “[i]n order to capture the countries and



geographic areas with the largest WASH programs by funding, USAID has integrated the WASH needs and opportunities with funding levels to identify the final list of priority countries and geographic areas. Accordingly, a combination of the needs and opportunities assessments, as well as the [prior year] funding levels for recipient countries were used for the final determination of high priority countries and geographic areas.”

USAID officials said that leaders of the Bureau for Economic Growth, Education, and Environment (in which the CWSSH formerly sat), with some involvement from the State Special Coordinator for Water, were primarily responsible for the decision to use prior-year funding as a criterion and the determination of how to apply the opportunity indicators. However, USAID did not maintain any documentation to support its interpretation of these key criteria, outside of the high-level overview of the designation process provided in the 2015 memo. This lack of documentation does not meet Federal standards for internal control, which highlight the importance of maintaining adequate documentation of significant events; the decision as to how to apply the Act’s criteria was such a significant event.<sup>8</sup> The lack of documentation also is not in line with Agency policy, which requires USAID employees to “create records needed to carry out the business of the Agency, record decisions and actions taken, and document activities for which they are responsible.”<sup>9</sup> By including prior-year funding as a criterion for designating HPCs, USAID departed from the criteria and opportunity indicators set forth in the Act.

Since we completed audit fieldwork, USAID implemented a methodology, as of FY 2020, that links the opportunity indicators to the Index for all countries—not just those already designated as HPCs—and no longer uses prior-year funding as a criterion. According to CWSSH officials, the updated methodology and accompanying standard operating procedures were approved in September 2020 by the Global Water Coordinator, in advance of the FY 2021 HPC designation. The standard operating procedures were again updated for the FY 2022 designation. These procedures were approved by the Acting Global Water Coordinator in July 2021. USAID also established the Leadership Council for Water Security, Sanitation, and Hygiene to provide leadership, oversight, and coordination of WASH programming and to make recommendations about funding allocations.<sup>10</sup> Because the agency addressed the issues we identified, we make no recommendation related to this finding.

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<sup>8</sup> GAO, *Standards for Internal Control in the Federal Government*, “Control Activities,” Principle 10, September 2014.

<sup>9</sup> ADS, Chapter 502, Section 202.2.I (2), “Primary Responsibilities,” December 2019.

<sup>10</sup> The council and new methodology were established after the period under audit and did not factor into our analysis. We did not review the new methodology to verify that it no longer includes prior-year funding as a criterion or links the opportunity indicators and the Index in the HPC designation process.

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## USAID Lacked Authority to Make Final Funding Decisions and Provided Higher Funding to HPCs With Low Demonstrated Need

USAID faced two key challenges in allocating funding: the Agency did not have authority to make final funding decisions and it funded countries with low demonstrated needs at far higher rates than it did those with higher needs.

According to USAID officials, funding levels are the responsibility of BRM and State F Bureau, meaning that CWSSH does not have control over the final WASH funding levels. Officials from CWSSH said that State F, which has the final funding authority, does not share information with them about how it reaches its final allocation decisions. Officials from BRM and State F said that they consider many factors when making final funding allocation decisions, in addition to the funding levels recommended by CWSSH, including the following:

- Legal requirements such as earmarks and directives at the country, regional, and global level.
- Other priorities or political/diplomatic factors.
- Historical funding.
- Receipt of reprogrammed funds.
- Other congressional and technical feedback.

The other challenge the Agency faced was providing a larger share of funding to HPCs without the greatest WASH need. According to USAID's HPC designation process, HPCs should receive at least half of the available WASH funds. USAID met this requirement in each of the years from FY 2016-2019, with HPCs receiving between 54 percent and 64 percent of allocated funding. However, funding allocated to HPCs within the Top 50 countries on the Index (those with the greatest water need) alone did not meet this interpretation for FY 2016-2019. In each year, HPCs outside the Top 50 received about as much funding as HPCs within the Top 50.<sup>11</sup> Providing significant funding to HPCs outside the Top 50 with the greatest WASH needs does not meet the Act's objective to provide sustainable access to clean water and sanitation for the world's most vulnerable populations.

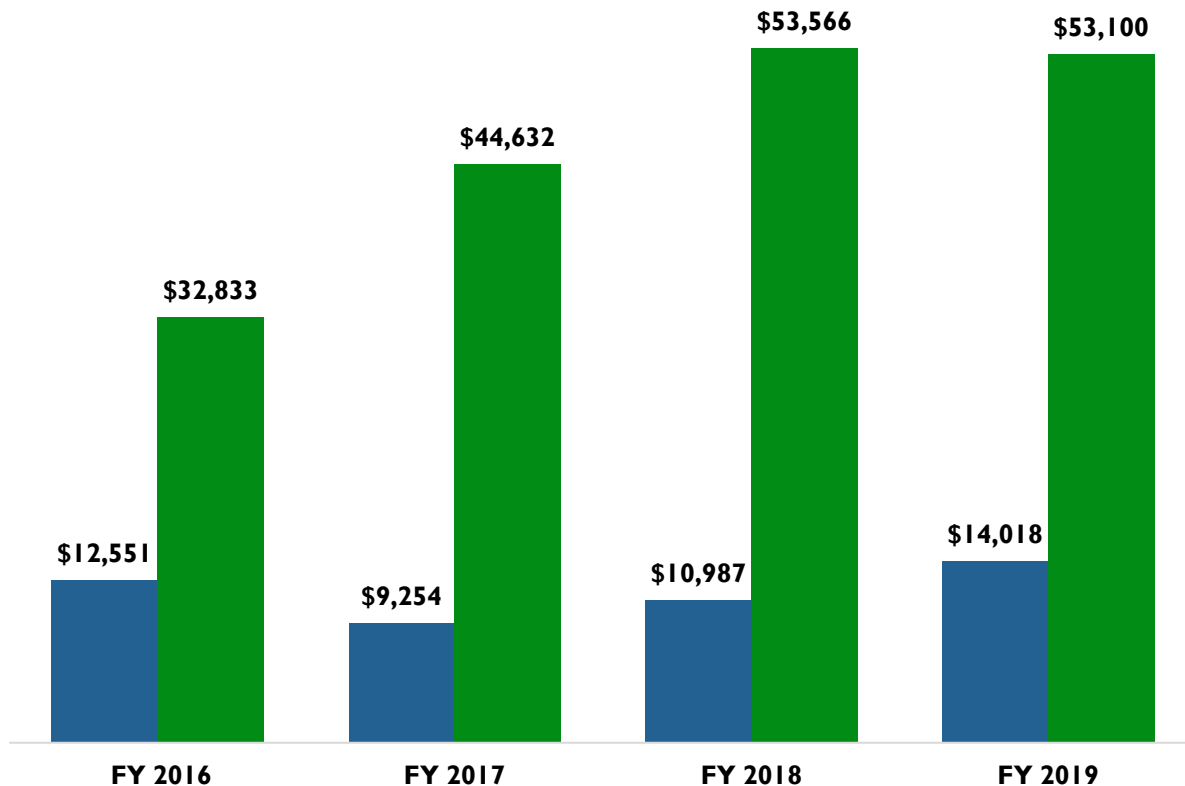
Although USAID designated more than the required number of countries as HPCs each year, it allocated on average more funding to HPCs outside the top 50 with greatest need according to the Index. As shown in Figure 2, from FY 2016-2019, HPCs within the Top 50 of the Index received an average of between \$9 million and \$14 million per year in WASH funding, whereas HPCs outside the Top 50 received average amounts ranging from \$32 million to \$53 million per year.

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<sup>11</sup> OIG analysis shows that in each year, 25 percent to 33 percent of funding was allocated to HPCs outside of the Top 50, and 27 percent to 32 percent was allocated to HPCs within the Top 50.

**Figure 2. USAID Funding for WASH High Priority Countries, FY 2016-2019 (in millions)**

Average Funding, Countries in Top 50 | Average Funding, Countries Outside Top 50



Source: USAID Office of Budget and Resource Management and Center for Water Security, Sanitation, and Hygiene.

HPCs outside the Top 50 on the Index received higher funding, on average, than those within it. This means that USAID and State made larger WASH allocations, on average, to HPCs with less demonstrated need than to those with greater need. The spirit and intent of the Act cannot be achieved with high allocations of resources to countries with low demonstrated need at the expense of countries with greater needs for WASH programming.

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## **USAID Did Not Report Complete and Timely Information to Congress**

Although USAID complied with the requirement to notify congressional committees about the countries designated as HPCs, the Agency did not provide Congress with complete information about countries outside the Top 50 on the Index that received funding. The Agency also missed a deadline to notify Congress about how criteria are weighted and how the Index affects funding priorities.

The Act included two requirements for reporting to Congress:

- Not fewer than 10 countries must be designated as high priority countries to be the primary recipients of United States Government assistance, and the appropriate congressional committees must be notified of these designations.
- No later than 15 days before the obligation of any funds for water, sanitation, or hygiene projects or programs for countries that are not ranked in the top 50 countries based upon the WASH Needs Index, the Administrator of USAID must notify the appropriate congressional committees of the planned obligation of such funds.

In addition, the Joint Explanatory Statement of the FY 2019 Appropriations Act required that within 45 days of the enactment of the Act, the USAID Administrator must submit to the appropriate congressional committees the specific weighting of criteria in the Index and an explanation of how it is used to prioritize funding that is proportionate to the needs of a country for water, sanitation, and hygiene projects.

### USAID Complied With the Requirement to Notify Congressional Committees About the Countries Designated as High Priority Countries

For FY 2016 and FY 2017, USAID notified Congress via a letter addressed to the Committee on Foreign Relations about those countries designated as high priority. For FY 2018 and FY 2019, USAID notified Congress via a memo, which was not addressed to any committee. A USAID official said that these notification memos were sent to the appropriate committees via email from the Committee Congressional Liaison Officer and/or delivered to committees via hard copy to House and Senate mail rooms labelled for recipients and distributed through House and Senate regular mail procedures.

### USAID Did Not Provide Congress With Complete Information About Countries Outside of the Top 50 on the WASH Needs Index That Received Funding

From FY 2016-2019, USAID provided funding to 17 countries ranked outside the Top 50 and should have made a total of 46 notifications to Congress about these countries' ranking on the Index during that time span; however, as shown in Figure 3, USAID only provided 17 of the 46 required notifications.

**Figure 3. Countries Outside the Top 50 on the WASH Needs Index Receiving Funding and Requiring Congressional Notification, FY 2016-2019**

- ✓ - USAID provided required congressional notification
- ✗ - USAID did not provide required congressional notification

Country	FY 2016	FY 2017	FY 2018	FY 2019
Barbados		✓		

Country	FY 2016	FY 2017	FY 2018	FY 2019
Botswana	×	×	×	×
Dominican Republic		✓	✓	×
Egypt		×		
Eswatini			×	×
Guatemala	×	✓	×	
Jordan	✓	✓	×	×
Lebanon	✓	✓	✓	✓
Malawi	✓	×		
Peru				×
The Philippines	✓	×	×	✓
Rwanda			×	×
Senegal	✓	×	×	✓
South Africa	×	×	×	×
Tajikistan		×	×	✓
West Bank and Gaza	✓	×		
Yemen	×	×		

Note: Gray blanks mean the country did not receive funding that year.

Source: USAID's Center for Water Security, Sanitation, and Hygiene and Bureau for Legislative and Public Affairs.

A CWSSH official said that the way USAID reported the countries outside the top 50 receiving funding changed during the period under audit. In FY 2016, a list of countries outside the Top 50 which USAID planned to provide with WASH funding was sent with the blanket Congressional Notification (CN) identifying HPCs. In subsequent years, reporting was done through individual mission CNs. LPA was responsible for following up on these notifications, and CWSSH officials said that they were not notified whether required information related to this requirement was included in each CN.

Because standard language identifying countries as an Act activity was not included in all CNs from FY 2016-2019, it was not possible to identify in the CN if a country is outside the Top 50 on the Index. In July 2019, a CWSSH official raised a concern with LPA about the missing standard language and asked to be part of the clearance process. An LPA official responded that LPA and the Office of General Counsel decided that the previous CNs would stand, that standard language would be included in CNs beginning in FY 2019, and that CWSSH would not need to be part of the clearance process. We reviewed the CNs submitted for FY 2019 and determined that several CNs did not include the standard language. An LPA official said that these were likely inadvertent omissions.

## USAID Did Not Provide Congress With Timely Information About the Weighting of Criteria

The Joint Explanatory Statement accompanying the FY 2019 Appropriations Act required the USAID Administrator to provide the appropriate congressional committees, within 45 days of the enactment of the Act, the weighting of criteria in the Index and an explanation of how the Index is used to prioritize funding in proportion to a country's WASH needs.<sup>12</sup> The Act was passed on February 15, and the report was due to Congress in April 2019. USAID sent the required information via an email to Congress on September 21, 2020—17 months after the due date.

According to a CWSSH official and an LPA official, the two parties disagreed on the format of the required response to the Joint Explanatory Statement of the FY 2019 Appropriations Act. An LPA official said that the “manner of response [is] flexible”—that it could be sent via written report or verbal notification. CWSSH did not agree that a verbal response was sufficient.

By not providing complete and timely notification to Congress as required, USAID undermined Congress' ability to monitor USAID's implementation of the Act and provide guidance if it believed USAID was not acting in accordance with the purpose and intent of the Act.

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## Conclusion

USAID provides critical WASH assistance throughout the world. The overall goal of this assistance, as outlined in the Act, is to provide affordable and equitable access to safe water and sanitation in developing countries with the greatest need. USAID faced several challenges in meeting the spirit and intent of the Act. While the Act detailed requirements for USAID to follow, it also lacked specificity in key areas, which allowed USAID to establish its own interpretation of certain terms. USAID was also faced with not having ultimate authority in allocating WASH programming funds to HPCs. Despite these challenges, USAID has the responsibility to ensure that it helps provide sustainable access to clean water and sanitation for the world's most vulnerable populations, and to effectively communicate with Congress on its WASH funding priorities. While USAID designated more than the required number of countries as HPCs each year, the designation and allocation process resulted in the high allocation of resources to countries with low demonstrated need. In FY 2020, USAID implemented and documented a new methodology for designating HPCs. If implemented properly, the new methodology should address the issues we identified, yet there is still an opportunity to improve compliance with congressional reporting requirements. By acting now, the Agency would better position itself to improve its reporting on the Act.

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<sup>12</sup> H.J. Res 31

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## Recommendation

We recommend that the USAID Office of Legislative and Public Affairs take the following action:

- I. Establish and implement procedures to ensure that congressional reporting is timely and complete, including reporting on planned funding for countries outside of the Top 50 of the WASH Needs Index.

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## OIG Response to Agency Comments

We provided our draft report to USAID on October 20, 2021. On November 30, 2021, we received the Agency's response, which is included as Appendix B of this report. The Agency also provided a technical comment, which we considered and incorporated as appropriate.

The report included one recommendation. We acknowledge USAID's management decision on the recommendation and consider it to be resolved but open pending completion of planned activities.

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## Appendix A. Scope and Methodology

We conducted our work from September 2019 through October 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives were to determine (1) the extent to which USAID designated high priority countries consistent with the criteria and indicators in the Act, (2) the challenges USAID faced in allocating funding to high priority countries in accordance with the Act, and (3) the extent to which USAID complied with congressional reporting requirements under the Act.

Our audit scope focused on USAID's compliance with Sect. 5 (f)(1)A-K and (h)(i)(2) of the Senator Paul Simon Water for the World Act of 2014 that USAID was required to apply when designating HPCs between FY 2016-2019 and identifying factors that influenced USAID's determinations when allocating annual earmarked congressional WASH funds to designated HPCs between FY 2016-2019. The period represents the first fiscal year after the signing of the Act in December 2014 until the start of audit fieldwork. The audit also focused on determining if USAID had reported to Congress the required information in accordance with Sect. 5 (h)(1)(B) and (h)(i)(1) of the Act for FY 2016-2019, and in accordance with the congressional reporting requirement of the FY 2019 Joint Explanatory Statement. The audit fieldwork was conducted via teleconferences with officials from USAID's Center for Water Security, Sanitation, and Hygiene (CWSSH), Office of Budget and Resource Management (BRM), and correspondence with officials from Legislative and Public Affairs (LPA), all located in Washington, DC.

To answer the first objective of determining the extent to which USAID had designated HPCs consistent with the criteria and indicators in accordance with the Act:

- We reviewed the Act to obtain an understanding of the criteria and indicators that USAID was required to use to designate HPCs.
- We reviewed USAID's procedures used to designate HPCs.
- We consulted with OIG's Office of General Counsel to confirm the criteria and indicators required by the Act to designate HPCs.
- We interviewed officials from USAID/CWSSH.
- We documented our understanding of the procedures used to designate 13 HPCs in FY 2016, 16 HPCs in 2017, 13 HPCs in 2018, and 12 HPCs in 2019.
- We compared USAID's procedures used to designate HPCs for FY 2016-2019 with the requirements of the Act to determine if USAID had designated HPCs in accordance with the Act.



To answer the second objective of identifying challenges USAID encountered when allocating funding to designated HPCs:

- We interviewed officials from USAID/CWSSH about the policy that that USAID allocate at least 50 percent of the annual earmarked congressional funds for WASH to designated HPCs for FY 2016-2019.
- We interviewed officials from USAID/BRM and State/F, and documented procedures the officials said they used to allocate annual earmarked congressional WASH funds to HPCs for FY 2016-2019.
- We discussed with USAID/CWSSH and USAID/BRM the challenges USAID said it encountered when allocating annual congressional earmarked WASH funds to designated HPCs for FY 2016-2019.

To answer the third objective of determining to what extent USAID complied with congressional reporting requirements under the Act:

- We reviewed the Act to obtain an understanding of the reporting requirements to Congress for designated HPCs.
- We reviewed the Joint Explanatory Statement of the FY 2019 Appropriations Act to obtain an understanding of the reporting requirements for designated HPCs.
- We consulted with OIG's Office of General Counsel to confirm our understanding of the reporting requirements for the Act and the Joint Explanatory Statement.
- We determined USAID's compliance with the reporting requirements to Congress through interviews and reviews of submitted documents.

To answer the audit objectives, we relied extensively on the computer-processed data contained in the Phoenix financial management system maintained by USAID for reporting the amount of WASH funding provided to each country. USAID OIG reviews related internal controls as part of the mandated audits of the Agency's consolidated fiscal year-end financial statements. For the years in our audit period, USAID OIG concluded that USAID's financial statements were presented fairly, in all material respects. Therefore, we determined the data to be reliable for our purposes.

In planning and performing the audit, we gained an understanding and assessed internal controls that were significant to the audit objectives. Specifically, we designed and conducted procedures related to one of the five components of internal control as defined by GAO.<sup>13</sup> In addition, we considered risks due to fraud and noncompliance with laws and regulations that were relevant to designating and funding HPCs for FY 2016-2019, as well as reporting to Congress, as required.

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<sup>13</sup> GAO, *Standards for Internal Control in the Federal Government*, "Control Environment," September 2014.

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## Appendix B. Agency Comments



### MEMORANDUM

**TO:** Assistant Director/OIG/MEER, David Clark

**FROM:** DAA/LPA, Diala Jadallah-Redding /s/  
SDAA/RFS & Interim Global Water Coordinator, Maura Barry /s/

**DATE:** November 30, 2021

**SUBJECT:** Management Comment(s) to Respond to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled, *Water, Sanitation, and Hygiene (WASH) Programming: USAID Faced Challenges Providing Assistance to Countries with Greatest Need (8-000-22-00X-P)*

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The U.S. Agency for International Development (USAID) would like to thank the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report. The Agency agrees with the recommendation.

#### **Technical Comments on Report**

Comment: On page 17, the report's conclusion notes the following:

*"While USAID designated more than the required number of countries as HPCs each year, the designation and allocation process resulted in the high allocation of resources to countries with low demonstrated need. In FY 2020, USAID implemented and documented a new methodology for designating HPCs, and if implemented properly, should address the issues we identified."*

The Bureau for Resilience and Food Security notes that USAID develops and provides budget recommendations for High Priority Country (HPC) funding allocation levels based on technical considerations on an annual basis. Final funding allocation level decisions for HPCs are made by the Department of State's Bureau for Foreign Assistance.

**RESPONSE TO RECOMMENDATIONS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED, *Water, Sanitation, and***

*Hygiene (WASH) Programming: USAID Faced Challenges Providing Assistance to Countries With Greatest Need (8-000-22-00X-P)*

Please find below the management comments from the U.S. Agency for International Development (USAID) on the draft report produced by the Office of the USAID Inspector General (OIG), which contains one recommendation for USAID:

**Recommendation 1:**

To ensure future compliance with reporting requirements under the Senator Paul Simon Water for the World Act of 2014, we recommend that USAID's Office of Legislative and Public Affairs: Establish and implement procedures to ensure that congressional reporting is timely and complete, including reporting on planned funding for countries outside of the Top 50 of the WASH Needs Index.

- **Management Decision:** USAID accepts the recommendation as it relates to notification of Congress prior to obligation of WASH funds appropriated pursuant to Water for the World outside the top 50 on the WASH Needs Index.

*Congressional Notification Process Improvements* - USAID recognizes the importance of ensuring that congressional reporting is timely and complete. Among other efforts, USAID will make congressional notification process improvements and strengthen related policy and guidance as needed. These improvements will help provide Congress with timely and accurate information on planned funding for countries outside of the Top 50 on the WASH Needs Index, and other congressional requirements.

- **Target Completion Date:** September 2022.



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