



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

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Written Statement for U.S. Senate Committee on Appropriations Subcommittee on State, Foreign Operations, and Related Programs

Review of the U.S. Agency for International Development's Fiscal Year 2023 Budget Request

May 25, 2022

Chairman Coons, Ranking Member Graham, and Members of the Subcommittee:

Thank you for the opportunity to provide a written statement for the subcommittee's hearing on the U.S. Agency for International Development's (USAID's) fiscal year 2023 budget request. The USAID Office of Inspector General (OIG) provides independent, objective oversight to safeguard and strengthen U.S. foreign assistance. We appreciate your continued support of our office as we work across USAID as well as the Millennium Challenge Corporation, the U.S. African Development Foundation, and the Inter-American Foundation to promote effectiveness and efficiency in foreign assistance programs and identify and deter the fraud, waste, and abuse that can jeopardize those programs' success.

USAID's mission is to advance a peaceful and prosperous world through its development and humanitarian assistance activities, and in doing so advance U.S. national security and economic priorities. The Agency's budget request speaks to ongoing and planned development and humanitarian work around the globe with ambitious aims—from saving lives to fighting transnational corruption to tackling root causes of irregular migration. It also includes elements intended to provide for a secure and skilled workforce to enable USAID's success. As in prior years, supplemental funding to address new crises may augment USAID's responsibility on the world stage and increase demands on the Agency's capability to act.

USAID must overcome complex challenges while executing its mission across over 100 countries. It often works in close coordination with other U.S. government agencies and international donors while overseeing an array of contractors, grantees, and other recipients of U.S. funds worldwide. Our work highlights the importance of implementing controls and building partnerships in even the most difficult settings to manage, monitor, and sustain results. The U.S. government's response to the conflict in Ukraine illustrates the multifaceted risks. There, USAID is called to overcome supply chain constraints to support the Ukrainian people's most critical needs, coordinate with domestic and international partners to advance objectives, and support the safety of its own staff.

This statement draws upon our annual report on the top management challenges facing USAID and aligns with our five priority oversight areas:¹

- Advancing global health outcomes
- Managing aid in emerging and protracted crises
- Leveraging local strengths for sustainable development
- Advancing foreign assistance priorities through coordinated efforts
- Strengthening core management functions

As discussed below, our work points to key lessons for USAID and other stakeholders to both amplify strengths and address potential risks in U.S. humanitarian and development programs. This is especially critical with respect to managing urgent and ongoing crises and addressing emerging priorities of the administration. Overall, amid long-standing development challenges and an ever-changing geopolitical landscape, our work underscores the constant need for responsible stewardship among agencies and implementers alike.

Advancing Global Health Outcomes

The COVID-19 pandemic continues to pose an unprecedented global public health crisis with more than 500 million confirmed cases and 6.2 million deaths as of April 2022. USAID contributed to the U.S. government's international pandemic response to combat the virus and prevent decades of development gains from being lost due to the resulting economic, democratic, and social backsliding effects. In addition, USAID has committed to reinforcing U.S. global health leadership in pandemic preparedness and decades-long advances in responses to HIV/AIDS, maternal and child health, and infectious diseases like malaria.

Our oversight of USAID's COVID-19 response and broader global health portfolio identifies specific challenges planning, implementing, and monitoring activities:

- USAID had limited control over some key decisions. Starting in April 2020, the National Security Council (NSC) made key decisions for USAID's COVID-19 ventilator donation program of over \$200 million, including which ventilator models to send and where to send them.² This marked a significant departure from USAID's customary practice for responding to public health emergencies, and the NSC's decisions did not align with USAID's planned pandemic response. For example, most of the countries that USAID had proposed to support were categorized as low- or lower-middle income by the World Bank, but well over half of all ventilator donations were made to upper-middle- or high-income countries, as directed by the NSC. The Government Accountability Office further reported that USAID had limited information on the location or use of the ventilators once delivered.
- Procurement and delivery challenges could affect COVID-19 vaccine donation effectiveness. We reported that USAID may need to adapt oversight to mitigate the risk of fraud, waste,

¹ As required by statute, we annually identify and report the [top challenges](#) facing the agencies we oversee and the progress made in managing them.

² USAID OIG, [USAID Had Limited Control Over COVID-19 Ventilator Donations, Differing From Its Customary Response to Public Health Emergencies](#) (4-936-21-002-P), February 24, 2021.

and abuse for USAID's \$4 billion contribution to Gavi, the Vaccine Alliance.³ We also reported that USAID, in finalizing its vaccine strategy, was working through constraints with human resources, supply chains, and public trust in countries receiving donated vaccines. By March 2022, USAID had delivered half a billion vaccines to more than 110 countries but noted that in-country constraints as well as funding shortfalls could keep vaccines from reaching those who need them.

- Stronger planning and evaluation processes are needed for global health supply chain awards. Weaknesses hindered USAID's ability to support key design and award decisions for its \$9.5 billion global health supply chain contract issued to Chemonics International in 2015.⁴ In addition, while Chemonics International generally delivered health commodities in the right quantities, more oversight was needed to improve timeliness and performance. USAID still has work to do to address open recommendations on procurement, oversight, and risk mitigation, including improving guidance for evaluating a bidder's management information systems—a critical component of a global health supply chain—prior to making a future award. These improvements are key for USAID to make as it prepares to award its \$17 billion NextGen global health supply chain contracts.

USAID continues to make progress addressing challenges and strengthening its global health approach. For example, in April 2022, the Agency revised its Framework for USAID's Response to Infectious Disease Outbreaks, which it first developed in July 2018 in response to our oversight work on the Ebola outbreak in West Africa. However, continued diligence is imperative as global conditions evolve. We will keep strategic focus on USAID's global health portfolio, including the COVID-19 response and programming for the President's Emergency Plan for AIDS Relief (PEPFAR). In the coming year, our planned oversight activities include a series of COVID-19 audits covering topics to include USAID's coordination of related efforts, rapid response, and vaccine readiness activities.

Managing Aid in Emerging and Protracted Crises

USAID responded to over 80 crises worldwide in fiscal year 2021 to provide life-saving support in dire situations, whether brought on by conflict, natural disaster, or a combination of factors. Over the past 5 years, assistance for humanitarian needs as a portion of USAID's budget has doubled, reaching nearly 40 percent of USAID's net costs in fiscal year 2021. As needs grow and crises expand due to worsening weather events and prolonged pandemic effects, rigorous planning, monitoring, and risk mitigation are critical to safeguard U.S. assistance.

Our work highlights some of the difficulties conducting sound planning, monitoring, and risk mitigation in humanitarian settings:

- Fraud risk mitigation strategies must include the right actors and level of detail for accountability. Otherwise, USAID faces increased risks of fraud and diversion, as we found in

³ USAID OIG, [U.S. COVID-19 Vaccine Contributions: USAID Should Consider Enhancing Oversight to Mitigate Risk of Fraud, Waste, and Abuse](#) (E-000-21-002-M), September 1, 2021.

⁴ USAID OIG, [Award Planning and Oversight Weaknesses Impeded Performance of USAID's Largest Global Health Supply Chain Project](#) (9-000-21-004-P), March 25, 2021.

our oversight of USAID's humanitarian responses in Syria⁵ and the Venezuela regional crisis.⁶ USAID recently developed a new framework for managing fraud risk in response to our oversight that includes defined roles and responsibilities and requirements for risk assessments, control activities, and monitoring. Assessing, mitigating, and monitoring fraud risks remains critical for USAID in the coming year as crises unfold. We have received dozens of reports of diversion and loss of assistance intended for beneficiaries in Northern Ethiopia and alerted USAID to instances when intimidation and demands from the Taliban compromised humanitarian assistance in Afghanistan.

- While USAID aims to bolster oversight with third-party monitoring, doing so effectively has been a challenge. The extreme poverty and chronic food insecurity of Africa's Sahel region draw reoccurring emergency interventions, but the monitoring efforts USAID relied on to track progress and make course corrections fell short, which we found could affect its follow-on programming.⁷ In Afghanistan, USAID reported that while the end of armed conflict has improved humanitarian access, USAID-funded organizations continue to face access restrictions affecting their female aid workers.⁸
- With lives and livelihoods at stake, looking beyond immediate need is daunting but essential for a more stable future. This was the case with the Venezuela regional crisis, where we found USAID had not prepared strategies to guide in-country development efforts or programs to manage Venezuelan migration in neighboring countries. In Iraq, we found that USAID's guidance and practices did not encourage transitioning from more immediate humanitarian assistance to longer term solutions.⁹ While USAID has taken steps to address related recommendations, the importance of deliberate planning remains paramount for protracted and evolving scenarios, like in Syria and Iraq, where drought now threatens food insecurity and destabilizes the transition from humanitarian assistance.¹⁰

We continue to examine humanitarian oversight and fraud risks in priority areas, including the Northern Triangle, Burma, and Yemen, and are planning new work on USAID's response to the circumstances in Ukraine and Afghanistan. We are also engaging directly with USAID's teams, program implementers, and our oversight partners on the ground to enhance awareness for preventing fraud, diversions, and losses that threaten the integrity of U.S. foreign assistance.

⁵ USAID OIG, [Weaknesses in Oversight of USAID's Syria Response Point To the Need for Enhanced Management of Fraud Risks in Humanitarian Assistance](#) (8-000-21-001-P), March 4, 2021.

⁶ USAID OIG, [Enhanced Processes and Implementer Requirements Are Needed To Address Challenges and Fraud Risks in USAID's Venezuela Response](#) (9-000-21-005-P), April 16, 2021.

⁷ USAID OIG, [USAID's RISE Program in the Sahel Aligned With Resilience Policies but Lacked Robust Monitoring](#) (4-000-21-003-P), September 25, 2021.

⁸ USAID OIG, [Operation Freedom's Sentinel Lead Inspector General Quarterly Report to Congress October 1, 2021 to December 31, 2021](#), February 11, 2022.

⁹ USAID OIG, [Enhanced Guidance and Practices Would Improve USAID's Transition Planning and Third-Party Monitoring in Iraq](#) (9-266-21-003-P), February 19, 2021.

¹⁰ USAID OIG, [Lead Inspector General for Operation Inherent Resolve Quarterly Report to the United States Congress | October 1, 2021 – December 31, 2021](#), February 7, 2022.

Leveraging Local Strengths for Sustainable Development

USAID has long encouraged locally led development to achieve enduring results. In its fiscal year 2023 budget request, USAID reiterated its commitment to local investments by partnering with new, nontraditional, and diverse actors; empowering local organizations; and promoting transparent investments. Under this strategy, broad goals for sustained economic growth, gender equity, climate change, and more depend on leveraging the skills and interests of local partners, governments, and private sector entities.

Yet, locally led development brings certain risks that USAID must accept or work to mitigate:

- The quantity and capability of local partners may be insufficient to lead some development efforts. When we looked at PEPFAR programs in Africa, we found USAID was not on track to meet the goal of channeling 70 percent of PEPFAR budgets through local partners by September 2020 due to low baselines and challenges identifying and developing capable local organizations.¹¹ Thus, some missions focused on programmatic rather than budgetary goals. USAID faced similar issues with supply chains in some countries and balanced risks by doing work on behalf of local officials or by operating parallel supply chains.¹²
- Local internal control and compliance systems may be weak. In the past 10 years, we have made over 3,500 recommendations to USAID citing internal control and compliance issues and questioned over \$1.1 billion through our reviews of local partner financial audits. In the last 2 years, these financial audits found over 20 instances in Africa where USAID's local partners did not perform required due diligence checks, including verifying whether potential employees and suppliers were restricted from receiving U.S. government funds.
- To optimize private sector engagement, USAID needs more guidance, data, and dedicated staff.¹³ Otherwise, USAID risks falling short of its private sector goals. We also found USAID needs more guidance for monitoring cost-share contributions for building local commitment.¹⁴
- Weaknesses in controls and oversight can have undercutting effects. One example is evidence suggesting corruption at a Kenyan state-run corporation and recipient of a \$650 million award with USAID to store and distribute donated medical commodities. The situation compromised the provision of goods to vulnerable Kenyans and complicated USAID's ability to manage its investment. Other examples from recent investigations include the theft and resale of equipment intended for Jordanian project beneficiaries and substandard construction of USAID-funded projects in the West Bank.

¹¹ USAID OIG, [PEPFAR in Africa: USAID Expanded the Use of Local Partners but Should Reassess Local Partner Capacity to Meet Funding Goals](#) (4-936-22-001-P), December 13, 2021.

¹² USAID OIG, [USAID's Global Health Supply Chain Would Benefit From More Rigorous Risk Management and Actions To Enhance Local Ownership](#) (4-936-20-002-P), July 10, 2020.

¹³ USAID OIG, [Improved Guidance, Data, and Metrics Would Help Optimize USAID's Private Sector Engagement](#) (5-000-21-001-P), December 9, 2020.

¹⁴ USAID OIG, [Cost Sharing: USAID's Asia Bureau Should Enhance Guidance and Training to Ensure Missions Verify Awardees' Contributions](#) (5-000-22-002-P), November 26, 2021.

Whereas USAID looks to local organizations to bring both tailored solutions and have the capacity to implement them, our oversight examines how USAID executes its role to ensure that its local partners are equipped to responsibly implement and account for U.S. foreign assistance. In addition to investigations and financial audits, our ongoing work includes a performance audit of USAID's New Partnerships Initiative, a performance audit of USAID's approach to reviewing and vetting Northern Triangle program implementers, and a performance audit of USAID's \$845 million cash transfer to the Jordanian government.

Advancing Foreign Assistance Priorities Through Coordinated Efforts

Achievement of U.S. foreign assistance aims often depends on effective coordination between USAID, other Federal agencies, bilateral donors and host nations, private and public sector organizations, and multilateral institutions. This coordination takes place at both strategic and operational levels and in a wide variety of forums as USAID delivers aid and assistance alongside other donors working in the same areas. USAID must also balance executive and legislative branch mandates and priorities, align efforts to counteract malign actors, and deconflict activities to avoid internal and external duplication.

Our work highlights some of the challenges USAID faces when coordinating on key decisions and strategic priorities with other stakeholders:

- Funding decisions by other actors can take USAID's programs in a different direction than planned, as occurred with donated ventilators early in the COVID-19 response.¹⁵ Similarly, the Senator Paul Simon Water for the World Act of 2014 directed USAID to prioritize countries based on needs-based criteria and opportunity indicators.¹⁶ However, we found USAID lacked final authority for funding decisions and, at the State Department's direction, ended up providing funds to some countries that had low demonstrated needs.
- To increase resilience against Russian aggression, USAID produced the Countering Malign Kremlin Influence (CMKI) Development Framework. However, in developing the framework, USAID did not engage all internal and external stakeholders, including other regional bureaus within the Agency and external donors such as the European Union's Eastern Partnership Program.¹⁷
- In response to statutory requirements over concerns that resources were not reaching persecuted communities in Iraq, USAID took efforts to channel more funds through religious and ethnic minority groups. Due to a State Department-led staffing reduction in Iraq, USAID faced obstacles managing the increasingly complex Iraq award portfolio. While the Agency sought to increase staffing levels in Iraq, these attempts were unsuccessful.¹⁸

¹⁵ USAID OIG, [USAID Had Limited Control Over COVID-19 Ventilator Donations, Differing From Its Customary Response to Public Health Emergencies](#) (4-936-21-002-P), February 24, 2021.

¹⁶ USAID OIG, [Water, Sanitation, and Hygiene \(WASH\) Programming: USAID Faced Challenges Providing Assistance to Countries with Greatest Need](#) (8-000-22-001-P), January 3, 2022.

¹⁷ USAID OIG, [Countering Malign Kremlin Influence: USAID Can Do More to Strengthen Its CMKI Development Framework](#) (8-199-22-002-P), January 26, 2022.

¹⁸ USAID OIG, [Significant Events Surrounding USAID's Iraq Religious and Ethnic Minority Portfolio and Award Management Challenges](#) (E-000-22-001-M), November 1, 2021.

- A concern affecting global development and humanitarian assistance is sexual exploitation and abuse (SEA), a topic we have worked ardently with USAID and oversight partners to address since 2019. In August 2021, we alerted USAID to concerns about the World Health Organization’s lack of cooperation with our investigative inquiry into SEA allegations against its aid workers. USAID is also still working to close our audit recommendations to strengthen guidance and controls and improve incident reporting and tracking in an effort to prevent and respond to SEA against beneficiaries.¹⁹

We continue to examine opportunities to enhance coordination with existing and potential stakeholders through our oversight and other outreach efforts. This includes leveraging information-sharing relationships through collaboration with 12 international oversight counterparts, including Gavi, the Vaccine Alliance; the World Health Organization; and other U.N. agency oversight counterparts enabling us to cast a wide net to confront corruption allegations affecting programs across the aid sector.

Strengthening Core Management Functions

In executing its annual budget, USAID relies on support functions for managing finances, awards, information, and human capital. The fiscal year 2023 budget request ties these core management functions to a revitalized workforce that advances critical foreign assistance programs and ensures prudent accountability of taxpayer dollars.

USAID shows continued diligence in strengthening related controls. For example, just over 7 years ago, a material weakness with USAID’s reconciliations with the U.S. Treasury kept us from providing an opinion on the Agency’s financial statements.²⁰ Since then, USAID has worked to fix the gap, so that its financial statements are presented fairly and in conformance with applicable principles. However, as USAID adapts its development and humanitarian assistance programs for emerging priorities, attention to core management functions remains critical:

- Challenges in the areas of award design and monitoring can lead to opportunities for fraud, waste, and abuse. For example, after confirming a Jordanian firm engaged in a pass-through scheme to obtain an award for which it was ineligible, we issued a fraud alert flagging that USAID small business set-aside awards were susceptible to being awarded to pass-through or shell companies with no actual presence in the United States, contrary to the Small Business Act.
- The increasing threat and number of cyberattacks on government agencies demands effective protection of personally identifiable information. We determined that USAID needs additional controls to protect personally identifiable information.²¹ Moreover, our annual audit mandated by the Federal Information Security Modernization Act of 2014 (FISMA)

¹⁹ USAID OIG, [USAID Should Implement Additional Controls To Prevent and Respond To Sexual Exploitation and Abuse of Beneficiaries](#) (9-000-21-006-P), May 12, 2021.

²⁰ USAID OIG, [Audit of USAID’s Financial Statements for Fiscal Years 2014 and 2013](#) (0-000-15-001-C), November 17, 2014.

²¹ USAID OIG, [USAID Needs to Improve Its Privacy Program to Better Ensure Protection of Personally Identifiable Information](#) (A-000-21-001-P), August 11, 2021.

identified weaknesses in four of nine FISMA reporting metric domains—including identity and access management and supply chain management—for USAID’s information security program in fiscal year 2021.²²

- Nearly one-third of our performance audits issued in the last decade identified staffing or training gaps as the root cause of programmatic shortfalls. We are concluding an audit examining the extent to which USAID met congressionally mandated staffing goals, identified skills gaps, and measured progress toward assessing those gaps. We are also concluding an evaluation of USAID’s prolific use of personal services contractors in humanitarian settings and an evaluation of the Africa Bureau’s human capital management practices.

We will maintain focus on core management functions through mandated and discretionary oversight activities. We will also continue to raise awareness for strengthening controls and accountability, including identifying loopholes that hinder the government’s ability to enforce civil fraud remedies against USAID-funded organizations based outside of the United States.

Concluding Observations About Continued Oversight

We appreciate the subcommittee’s enduring support for our office’s independent oversight mandate and the resources to meet current and emerging requirements. The fiscal year 2023 request seeks \$80.5 million for USAID OIG. These funds will support audit, evaluation, inspection, investigative, and other oversight work to promote positive change in the delivery of U.S. foreign assistance and help ensure that USAID prudently uses every dollar it receives.

Our fiscal year 2021 audit and investigative returns amounted to \$1.75 for each dollar we received to support our operations. In addition, our recommendations have triggered foundational changes in policy and programming around global health and humanitarian assistance, Agency procurements, and accountability related to the prevention of sexual exploitation and abuse. We will build on these accomplishments, utilizing recent funding for oversight of programs responding to the COVID-19 pandemic and the conflict in Ukraine, and continue to provide timely, relevant, and impactful oversight of U.S. foreign assistance.

We stand ready to execute our priorities and plans for ensuring effective oversight of U.S. foreign assistance in fiscal year 2023. This includes a special focus on addressing pressing oversight requirements related to COVID-19 as well as programming in the West Bank and Gaza, and the Northern Triangle; expanding our inspections and evaluation capability; and advancing adaptations to a hybrid work environment. We will continue to maximize our impact by taking a strategic approach to oversight; leveraging key partnerships within the oversight community and with the agencies we oversee; and keeping agency leaders, Congress, and other stakeholders informed of the results of our work.

²² USAID OIG, [USAID Implemented an Effective Information Security Program for Fiscal Year 2021 in Support of FISMA \(A-000-22-005-C\)](#), December 7, 2021.