

# OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

## Humanitarian Assistance in Yemen: Opportunities Exist for USAID to Further Strengthen Its Risk Management Process

Audit Report 8-I99-22-003-P

August 23, 2022



Middle East and Eastern Europe Regional Office



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

**DATE:** August 23, 2022

**TO:** USAID/Bureau for Humanitarian Assistance, Assistant to the Administrator, Sarah Charles

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

**SUBJECT:** Humanitarian Assistance in Yemen: Opportunities Exist for USAID to Further Strengthen Its Risk Management Process

This memorandum transmits the final report on our audit of USAID's management of the humanitarian crisis in Yemen. Our audit objectives were to assess the extent to which the Bureau for Humanitarian Assistance (BHA) (1) designed mitigation measures to address risks in providing humanitarian assistance in Yemen and (2) implemented mitigation measures to help ensure that activities contributed to achieving humanitarian objectives in Yemen. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding technical comments, in Appendix C.

The report contains four recommendations to improve BHA's processes for risk management and mitigation. After reviewing information you provided in response to the draft report, we consider one recommendation closed (recommendation 4) and three recommendations resolved but open pending completion of planned activities (recommendations 1, 2, and 3).

For recommendations 1, 2, and 3, 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

From 2018 to 2021, the United Nations recognized Yemen as the world's worst humanitarian crisis.<sup>1</sup> Protracted armed conflicts led to the internal displacement of 3.6 million people, economic destabilization, and the collapse of basic services.<sup>2</sup> In 2020, the United Nations reported that 80 percent of the country's population, or 24 million people, required some form of assistance or protection.<sup>3</sup> Throughout 2020, humanitarian needs increased while access became more constrained, and donors reduced funding. As a result, in 2021, the United Nations reported that famine prevention had become the most urgent priority, with Yemen reaching its highest recorded levels of acute malnutrition for children under age 5 and an additional 16.2 million people expected to experience acute food insecurity during the year.<sup>4</sup>

USAID reported that deepening challenges such as these, along with the coronavirus disease (COVID-19) pandemic, political deadlock, and fuel scarcity made Yemen one of the most complex response environments for the Bureau of Humanitarian Assistance (BHA). From our audit period of January 2019 to January 2021, BHA obligated \$1.47 billion in humanitarian assistance to Yemen through 25 implementers, \$1.1 billion of which was channeled through a public international organization (PIO), the U.N. World Food Programme (WFP).

Audits by OIG and other oversight bodies have highlighted weaknesses in USAID's monitoring, oversight, and risk mitigation for humanitarian assistance. According to a 2018 OIG audit of humanitarian assistance awards to PIOs, USAID did not identify, assess, or manage PIO risks, and USAID's PIO award management policies did not align with internal control standards.<sup>5</sup> Further, since 2019, OIG has identified risk management in humanitarian assistance as a top management challenge, noting that the Agency must balance speed and flexibility for humanitarian assistance with strategic planning and risk mitigation.

OIG conducted this audit to assess BHA's risk management for the Yemen humanitarian response. Our audit objectives were to assess the extent to which BHA (1) designed mitigation measures to address risks in providing humanitarian assistance in Yemen and (2) implemented risk measures to help ensure that activities contributed to achieving humanitarian objectives in Yemen.

To answer our audit objectives, we reviewed the design of risk management practices by BHA's Yemen Response Team (BHA/Yemen). To conduct our work, we reviewed BHA's risk management documents, strategic plans, and guidance to determine the extent to which BHA identified and assessed risks to develop its Risk Mitigation Plan for humanitarian assistance in Yemen. We also interviewed BHA and U.S. Department of State officials, implementers, and European Union and United Kingdom government officials to understand risks impacting

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<sup>1</sup> U.N. Office for the Coordination of Humanitarian Affairs (OCHA), *Humanitarian Response Plan Yemen*, March 2021.

<sup>2</sup> U.N. World Food Programme, *Yemen Situation Report #08*, August 2020.

<sup>3</sup> OCHA Yemen, *Humanitarian Update*, March 2020.

<sup>4</sup> OCHA Yemen, *Humanitarian Update*, January 2021.

<sup>5</sup> USAID OIG, *Insufficient Oversight of Public International Organizations Puts U.S. Foreign Assistance Programs at Risk* (8-000-18-003-P), September 2018. The report contains six recommendations to improve the Agency's processes for risk management and strengthen oversight of PIO awards. USAID took corrective actions, and the recommendations were closed in 2020.

humanitarian assistance in Yemen. Additionally, we selected a judgmental sample, primarily based on award size, of two BHA awards—one with an international non-governmental organization (INGO), and the other with a PIO, WFP—and tested compliance with the risk mitigation measures developed in BHA/Yemen’s Risk Mitigation Plan for Humanitarian Assistance in Yemen. We conducted our work in accordance with generally accepted government auditing standards. Appendix A provides more detail on our scope and methodology.

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## Summary

**BHA/Yemen’s Risk Mitigation Plan missed opportunities to incorporate key practices in risk management.** BHA/Yemen developed a Risk Mitigation Plan outlining 14 risk mitigation measures to help maintain a comprehensive risk mitigation system for humanitarian assistance in Yemen. BHA/Yemen reported that this plan played a key role in organizing its overall approach to monitoring programming in Yemen but did not provide evidence that staff used a systematic process to identify, assess, and document related risks to develop the plan. Specifically, BHA/Yemen did not have a standardized process for staff to identify risks and did not meet certain U.S. Government Accountability Office (GAO) best practices for risk assessment. BHA/Yemen also did not develop a process to determine whether existing controls had reduced risks to an acceptable level. BHA/Yemen did not update its Risk Mitigation Plan on a regular basis to incorporate all relevant risk mitigation measures and evaluate the effectiveness of its risk responses.

**BHA/Yemen implemented most of its risk mitigation measures, but gaps in documentation existed for some measures implemented, and one key measure was not implemented throughout Yemen.** BHA/Yemen documented actions in implementing most of the 14 risk mitigation measures outlined in its Risk Mitigation Plan, but for 4 measures, BHA/Yemen did not provide evidence of implementation. Specifically, BHA/Yemen did not provide support that staff (1) reviewed the PIO’s risk assessment and management plan; (2) determined how the PIO would manage risks of fraud, waste, abuse, or other misuse of U.S. government resources when reviewing the PIO’s funding proposal; (3) continuously analyzed risks based on coordination with other stakeholders to make risk determinations; and (4) reviewed the PIO’s proposed risk mitigation efforts on potential sanctions violations in a timely manner. Additionally, BHA/Yemen did not ensure that its key mitigation measure designed to monitor and improve the operating environment applied to all humanitarian assistance program activities across Yemen.

**Recommendations.** We made four recommendations to improve BHA’s processes for risk management and mitigation. BHA agreed with all four recommendations.

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## Background

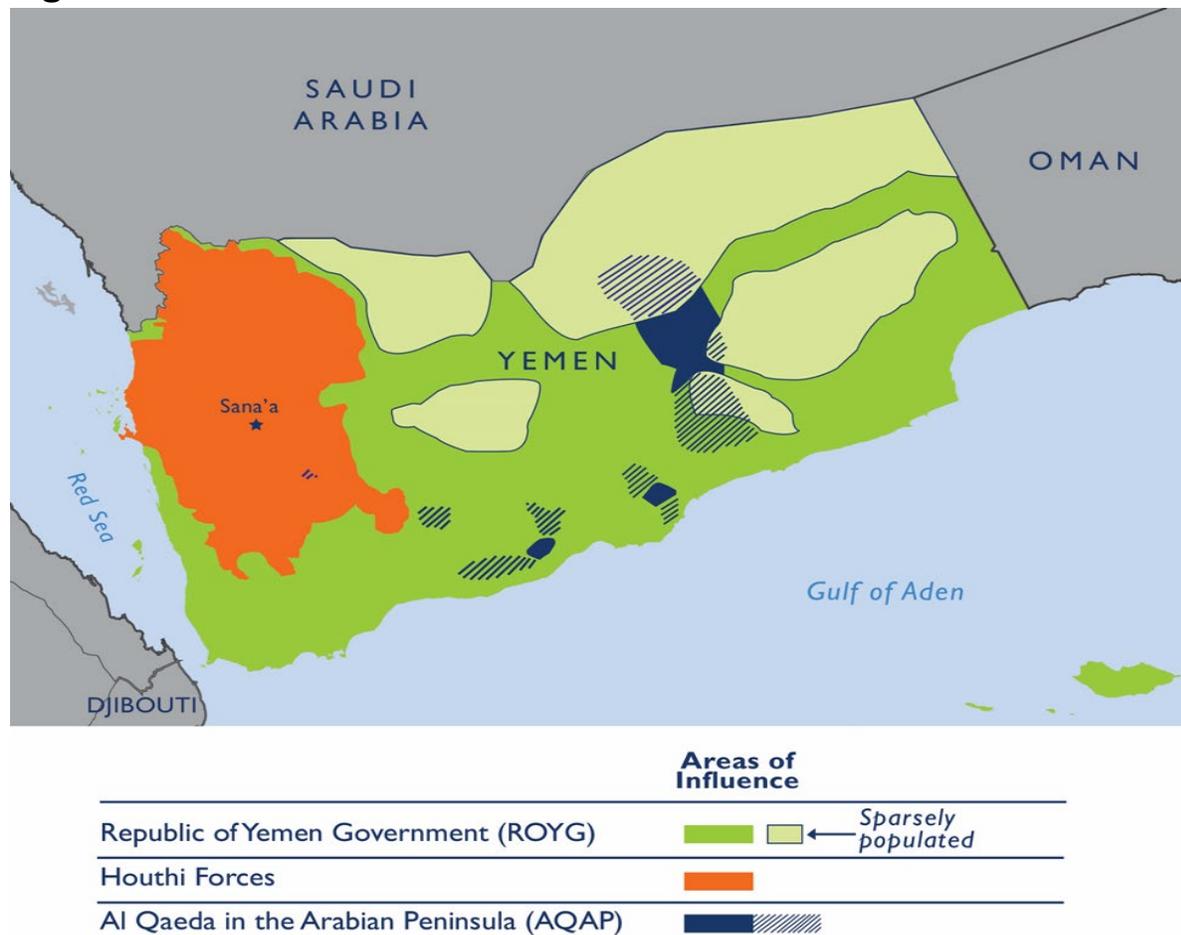
Since 2004, armed conflicts have fragmented control and eroded Yemen’s central governance. These conflicts escalated in 2015, after Houthi forces took over Yemen’s capital city of Sana’a and began moving southward.<sup>6</sup> In response, a coalition of Arab states began conducting military

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<sup>6</sup> Also referred to as Ansar Allah and the de facto authorities in the north, we refer to this group throughout the report as “the Houthis.”

operations to halt expansion of Houthi control and restore the rule of the internationally recognized Republic of Yemen Government (ROYG). In recent years, in addition to this conflict, other separatist groups have also challenged the rule of the ROYG in the south. Figure I shows territorial control in Yemen as of October 2020.<sup>7</sup>

**Figure I. Territorial Control in Yemen as of October 2020**



Note: The depiction and use of boundaries and geographic names used on this map do not imply official endorsement or acceptance by the U.S. government.

Source: Adapted from Congressional Research Service *Yemen: Civil War and Regional Intervention*, March 2021.

Fragmented systems of local control have created numerous constraints for humanitarian organizations in Yemen. Houthi authorities have periodically blocked aid and obstructed humanitarian access since 2008.<sup>8</sup> The United Nations reported growing access challenges throughout 2019 across the north of Yemen driven by increased Houthi directives hindering the assessment, delivery, and monitoring of assistance.<sup>9</sup> At that time, the United Nations considered 5 million Yemenis in need of humanitarian assistance hard to reach for humanitarian organizations. By 2020, this number increased to 16.5 million due to bureaucratic impediments, conflict, insecurity, and logistical constraints. While access challenges predominantly manifested

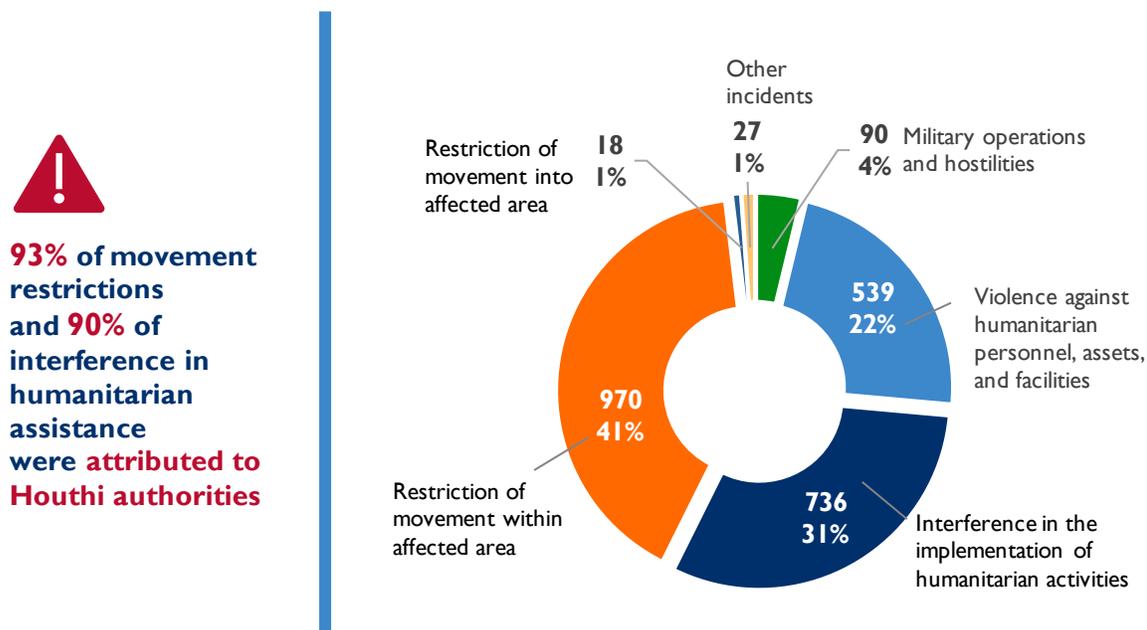
<sup>7</sup> Congressional Research Service, *Yemen: Civil War and Regional Intervention*, R43960, March 2021.

<sup>8</sup> Human Rights Watch, *Deadly Consequences Obstruction of Aid in Yemen During COVID-19*, September 2020.

<sup>9</sup> OCHA Yemen, *2019 Humanitarian Response Plan End of Year Report*, June 2020.

in northern Yemen, the United Nations reported increasing challenges throughout southern Yemen as well.<sup>10</sup> Figure 2 shows a breakdown of humanitarian access incidents in Yemen in 2019 by type.

**Figure 2. Humanitarian Access Incidents in Yemen in 2019**



Source: Adapted from U.N. Office for the Coordination of Humanitarian Affairs (OCHA) reporting.

In response to these increasing access challenges throughout 2019, BHA and other donors communicated examples of unacceptable interference in humanitarian operations to the Houthi authorities. Throughout the year, the donor community, including USAID, reiterated its position on unacceptable actions through outreach to the U.N. Humanitarian Coordinator. Despite this outreach, USAID reported that the operating environment had not improved by January 2020. As a result, in March 2020, USAID suspended assistance to INGOs operating in Houthi-controlled territories in the north of Yemen.<sup>11</sup>

In March 2020, BHA and the other donors established a technical monitoring group (TMG) to monitor Houthi progress on negotiations to reduce access issues and bureaucratic constraints. The donors collectively used benchmarks developed by the TMG to make funding decisions; however, USAID was the only donor to implement a blanket suspension of aid to INGOs. USAID faced media, congressional, and INGO attention which urged the lifting of the suspension. Following a BHA review of progress on operational constraints, BHA lifted its blanket suspension of aid to INGOs in the north of Yemen in March 2021, resuming funding on an individual award basis, subject to special conditions.

<sup>10</sup> OCHA, *Humanitarian Response Plan Yemen*, March 2021.

<sup>11</sup> BHA's suspension allowed a subset of programs to continue delivering services in the north in three programmatic categories: acute malnutrition programming, cholera treatment, and limited food assistance.

## USAID's Organizational Response to the Complex Emergency in Yemen

USAID has provided humanitarian assistance continuously in Yemen since 2009, when the U.S. government first issued a disaster declaration for the Yemen complex emergency. Since 2014, USAID has remotely managed the Yemen humanitarian response. BHA has served as the lead coordinator for U.S. government humanitarian assistance since the merger of USAID's Offices of U.S. Foreign Disaster Assistance (OFDA) and Food for Peace (FFP) in June 2020. In fiscal year (FY) 2020, BHA/Yemen included 15 staff in headquarters and 7 field staff,<sup>12</sup> including a dedicated risk management advisor.<sup>13</sup>

BHA's Audit Risk and Performance Management Division (ARPM), preceded by teams within the legacy offices OFDA and FFP, has provided a dedicated risk management advisor to the Yemen humanitarian response since March 2019. Among other duties, risk management advisors are responsible for developing the humanitarian response's strategic approach to risk management and internal controls.

In 2019, OFDA and FFP developed a Risk Mitigation Plan for humanitarian assistance in Yemen, which they described as their joint approach to assess and mitigate risk throughout the proposal and post-award process and identify and address allegations of fraud, waste, and abuse. In November 2020, BHA/Yemen released an updated Risk Mitigation Plan detailing 14 risk mitigation measures for its humanitarian response in Yemen.

## Federal Principles of Risk Management

### Key Practices in Federal Risk Management

**Identification**—Using a structured and systematic approach, management assembles a comprehensive list of risks, categorized by type, and linked to strategic objectives.

**Assessment**—Management considers the likelihood and impact of the risks on the mission to prioritize response and determines if the risk requires mitigation, in line with the agency's risk appetite.

**Response**—Agency leaders review the prioritized risks and select a treatment strategy considering the costs and benefits of that strategy.

**Monitoring**—Management monitors how risks are changing and if responses are successful.

**Reporting**—Risks and the status of mitigation are communicated with stakeholders.

Source: OIG summary of OMB A-123, GAO Standards for Internal Control, and GAO 17-63

Effective risk management is integral to improving the accountability and effectiveness of Federal programs. Federal guidance including Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and GAO's

<sup>12</sup> In FY 2020, BHA/Yemen's response included field staff based out of Amman, Jordan; Budapest, Hungary; and Riyadh, Saudi Arabia.

<sup>13</sup> BHA/Yemen had three different risk management advisors during the audit period. The advisors rotate among the different worldwide humanitarian responses as needed.

*Standards for Internal Control in the Federal Government* prescribe an iterative approach to risk management including identification, assessment, response, monitoring, and reporting (see sidebar).

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## **BHA/Yemen’s Risk Mitigation Plan Missed Opportunities to Incorporate Key Practices in Risk Management**

BHA/Yemen has taken steps to organize its risk management process and strategies for humanitarian assistance in Yemen. In 2019, staff from legacy offices OFDA and FFP developed a Risk Mitigation Plan for humanitarian assistance in Yemen outlining joint strategies to assess and mitigate risk throughout the proposal and post-award process and address allegations of fraud, waste, and abuse. BHA/Yemen updated this plan in November 2020 and included specific measures to help maintain a comprehensive risk mitigation system for humanitarian assistance in Yemen. BHA/Yemen reported that this plan played a key role in organizing its overall approach to monitoring programming in Yemen. However, opportunities exist for BHA/Yemen to further strengthen the plan by incorporating key Federal practices for risk management.

BHA/Yemen staff described using a coordinated and deliberative approach to develop the Risk Mitigation Plan for humanitarian assistance in Yemen. The 14 risk mitigation measures in BHA/Yemen’s November 2020 plan primarily summarized existing BHA and Agency-wide policies and procedures on risk mitigation (see Appendix B for these measures). However, BHA/Yemen lacked a systematic process to identify, assess, and document related risks to develop the plan in accordance with key practices in Federal risk management. BHA/Yemen also did not update the plan to include all risk responses and lacked a system to evaluate whether its responses successfully reduced risks. As a result, BHA/Yemen missed the following opportunities to implement best practices for risk management (see sidebar on page 5 for a description of Federal risk management best practices):

- *Risk Identification:* BHA/Yemen identified risks to some extent across its annual strategic plans for the Yemen humanitarian response and in its 2019 Yemen Risk Mitigation Plan, but it did not have a standardized process for staff to identify and document risks. Additionally, it did not maintain a comprehensive list of risks, commonly referred to as a risk register, to document and manage risks to humanitarian assistance in Yemen.<sup>14</sup>
- *Risk Assessment:* BHA/Yemen completed one targeted risk assessment of potential courses of action in response to the increased bureaucratic conditions and interference from the Houthi authorities in 2019. However, BHA/Yemen did not have any additional Yemen-specific risk management documents assessing other risks in Yemen, including in areas outside the control of Houthi authorities. The 2019 assessment also did not meet certain GAO best practices for risk assessment, including establishing which risks required mitigation and assigning responsible parties for each risk. BHA/Yemen provided no

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<sup>14</sup>GAO 17-63, *Enterprise Risk Management: Selected Agencies’ Experiences Illustrate Good Practices in Managing Risk*, recommends maintaining a comprehensive list of risks in a comprehensive format, such as a risk register, which identifies the relevant source as well as a risk owner to manage the treatment.

documentation linking its risk mitigation measures with the risks to programming identified in the 2019 risk assessment.

- *Risk Response:* BHA/Yemen explained that its November 2020 Risk Mitigation Plan primarily served as a repository for existing USAID and BHA policies and procedures on risk mitigation. We found that the majority of the measures in the plan reiterated BHA and Agency-wide policies and guidance for award management. The other measures contained elements specific to the Yemen context, such as incremental funding for projects in some areas, the formation of a joint donor TMG, and Yemen-specific reporting requirements. BHA/Yemen did not have documentation on the design process for these Yemen-specific mitigation measures.<sup>15</sup>
- *Risk Monitoring:* In alignment with USAID's low risk appetite for fiduciary risk, BHA/Yemen reported that there is no acceptable level of fraud, waste, or abuse in its Risk Mitigation Plan. However, BHA/Yemen did not develop a process to determine whether mitigation measures had reduced risks to an acceptable level or when additional measures would be needed.<sup>16</sup> BHA/Yemen's risk management advisor stated that risk management advisors do not evaluate the plan's effectiveness.
- *Risk Reporting:* BHA/Yemen did not update its Risk Mitigation Plan to incorporate all relevant risk mitigation measures. BHA/Yemen officials described bureaucratic delays and access issues in the north of Yemen as significant risks to programming in Yemen and reported that BHA's March 2020 decision to suspend aid to INGOs in the north of Yemen was made based on analysis of this risk. However, BHA did not include the suspension as one of its risk mitigation measures in the Risk Mitigation Plan and did not update the plan in FY 2021 to include post-suspension policies for award management. Consequently, BHA/Yemen has not ensured the continued relevance and effectiveness of its measures to address related risks.<sup>17</sup>

We determined that BHA/Yemen did not follow these best practices for risk management because staff did not consider a formal enterprise risk management aligned process applicable to the development of its Risk Mitigation Plan. USAID's enterprise risk management guidance delegates authority to bureaus to establish their own governance structure for risk management. BHA does not require humanitarian response teams to develop a risk profile or risk mitigation plan and does not have formal guidance on the development of such plans.

Absent such guidance, several of BHA's humanitarian response teams have developed risk management strategies on an ad hoc basis.<sup>18</sup> BHA noted that other humanitarian response

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<sup>15</sup> Per GAO's *Standards for Internal Control in the Federal Government* Principle 6, management should define risk tolerances. Per Control Principle 7, management should design risk responses so that risks are within the defined risk tolerance.

<sup>16</sup> GAO 17-63, *Enterprise Risk Management: Selected Agencies' Experiences Illustrate Good Practices in Managing Risk*, recommends that agencies monitor how risks are changing and if risk responses are successful. Monitoring can involve regular checks as well as periodic risk reviews to determine if the risk response has the desired effect.

<sup>17</sup> Per GAO's *Standards for Internal Control in the Federal Government* Principle 12, USAID's management should periodically review policies, procedures, and related control activities for continued relevance and effectiveness in addressing related risks.

<sup>18</sup> BHA explained that three BHA responses have developed a risk management strategy in addition to the Yemen response: the Venezuela Regional Crisis response, the Northern Triangle response, and the Haiti Earthquake 2021 response.

teams have also incorporated risk management into their strategic planning processes. However, we found that BHA/Yemen's risk management advisors lacked clear guidance on the development of a response-specific risk mitigation plan and evaluation of mitigation measures.

BHA has taken steps to improve their risk management process such as releasing a Fraud Risk Management Framework in September 2021. This Framework listed a response-specific risk profile and fraud risk profile modeled on the Agency's enterprise risk management process as a best practice for teams with a dedicated risk management advisor, such as the Yemen response. However, this Framework did not provide additional guidance on the development of a response-specific risk profile. BHA's strategic planning guidance also does not include specific direction on the identification, assessment, and response to risk. BHA/Yemen's risk management advisors noted that the Agency-level risk management guidance was broad, and that additional BHA-level guidance could support the bureau.

If BHA's humanitarian response teams continue to develop response-specific Risk Mitigation Plans without a structured process, teams may not incorporate all Federal risk management practices, and BHA may not be able to ensure consistency in its risk management across complex and high-risk operating environments. Additionally, without a systematic process in place, BHA/Yemen may miss opportunities to assess and respond to significant risks such as diversion to sanctioned groups, environmental hazards, and partner staff safety and security. For example, the United Nations has noted that a spill from an abandoned oil tanker located on the Yemeni coast could close ports in Yemen for a period of weeks to months. According to a 2021 public health review, this could disrupt the delivery of food aid to up to 8.4 million people, creating catastrophic environmental and humanitarian consequences.<sup>19</sup>

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## **BHA/Yemen Implemented Most of Its Risk Mitigation Measures, but Gaps in Documentation Existed for Some Measures Implemented, and One Key Measure Was Not Implemented Throughout Yemen**

BHA/Yemen released an updated Risk Mitigation Plan in November 2020 detailing 14 risk mitigation measures for its humanitarian response in Yemen and documented actions in implementing most of those measures. However, for 4 of the 14 risk mitigation measures, we noted a lack of documentation supporting the implementation of those measures due to the lack of a structured risk management process, and a lack of guidance and training on the requirements in the plan. In addition, although BHA/Yemen conducted reviews of the operating environment, they did not implement a key risk monitoring measure across the entire country.

### **BHA/Yemen Implemented Most of Its Risk Mitigation Measures, but Gaps in Documentation Existed for Some Measures Implemented**

BHA/Yemen has documented actions in implementing most of the risk mitigation measures outlined in its Risk Mitigation Plan. For instance, BHA/Yemen included mandatory reporting

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<sup>19</sup> Huynh, B.Q., Kwong, L.H., Kiang, M.V. et al. *Public Health Impacts of an Imminent Red Sea Oil Spill*, October 2021.

language on fraud, waste, and abuse in award documents and maintained a tracker of program irregularities reported by implementers. Moreover, BHA/Yemen developed, along with other major donors, a set of protocols that outline international practices on humanitarian operations that donors and implementers should adhere to in Yemen. BHA/Yemen has coordinated on challenges and risks to the implementation of operations with both selected implementers and established a third-party monitoring and evaluation system to increase access to independent verifiable information on their programs in Yemen.

Our analysis of 2 of the 59 active awards, representing 27 percent of the total obligated funding, showed that BHA/Yemen did not meet documentation requirements for 4 of the 14 measures. Documentation is a necessary part of an effective internal control system and managers are required to show some level of evidence that planned actions were taken to mitigate risks.<sup>20</sup> In Table I, we noted instances where BHA/Yemen did not show evidence of how they implemented the plan’s risk mitigation measures for the selected awards.<sup>21</sup>

**Table I. Comparison of the Risk Mitigation Plan Requirements with BHA/Yemen Implementation of Risk Mitigation Measures**

BHA/Yemen Risk Mitigation Measures	Requirements	Implementation Issues Identified Through OIG Analysis
1. Requirements for implementer applications	Potential implementers must submit a risk assessment and management plan to protect foreign assistance against violations of applicable sanctions.	The selected PIO provided some information on its risk management strategies in December 2019.  However, there was no documentation of BHA/Yemen’s review of these strategies prior to the award issuance. For instance, we noted the PIO’s proposed risk management strategies had limited information on policies and procedures for fraud, waste, and abuse and did not include specific risk mitigation measures for protection of beneficiaries against sexual exploitation and abuse.
2. Application for funding risk review	BHA must review applicant’s funding proposal to determine how the applicant would manage risks of fraud, waste, and abuse.	BHA/Yemen said the funding proposal submitted for the PIO award was reviewed for risk mitigation based on the implementer’s proposed risk management strategies. However, BHA/Yemen did not document their review of the PIO’s proposed risk management strategies in their action memo.
3. Continuous analysis of contextual changes and risk environment	BHA must continuously analyze contextual changes that could affect their current risk strategy.	BHA/Yemen’s annual strategic plans and assessment of sanctioned groups’ interference to support its programming efforts and risk determinations did not have evidence of continuous analysis of risks based on coordination with other stakeholders.

<sup>20</sup> GAO’s *Standards for Internal Control in the Federal Government* and OMB Circular A-123 establish that documentation is required for the effective design, implementation, and operating effectiveness of an entity’s internal control system.

<sup>21</sup> Specifically, all four instances of implementation issues identified were related to the selected PIO and one was related to the selected INGO.

<b>BHA/Yemen Risk Mitigation Measures</b>	<b>Requirements</b>	<b>Implementation Issues Identified Through OIG Analysis</b>
4. Documentation of specific reviews	BHA to document that it has reviewed the implementer's proposed risk mitigation efforts on potential sanctions violations.	BHA/Yemen documented its review of the implementer's proposed risk mitigation efforts four months after the issuance of the award in December 2019.

Source: OIG analysis of USAID information.

While the Risk Mitigation Plan plays a key role in organizing the bureau's overall approach to monitoring Yemen programs, the plan does not include documentation requirements for the implementation of all risk mitigation measures. As previously stated, BHA/Yemen considers the Risk Mitigation Plan a repository of existing Agency policies and procedures and BHA does not require risk mitigation plans for humanitarian response at the response level.

Moreover, we determined that another contributing factor for gaps in documentation supporting the implementation of risk mitigation measures is that BHA lacked comprehensive guidance on how to review implementers' risk information. For example, ARPM noted a lack of clear guidance on BHA's guidelines and related requirements for completing the risk assessment and management plans.<sup>22</sup> ARPM also noted that there is a need to clarify the requirements for implementers' staff to provide adequate and sufficient information on risk to streamline BHA's review process. In addition, implementers reported a need for clear guidance on the applicability of certain rules and regulations such as how to mitigate risk related to designation of Foreign Terrorist Organizations and how to comply with USAID's antiterrorism requirements in Yemen.

Similarly, ARPM noted a lack of training on BHA's award applications requirements, and that implementers working for the legacy offices were unfamiliar with the combined BHA requirements. As of September 2021, 1 year after releasing its award applications requirements, BHA had not held any trainings for implementers on the combined requirements.<sup>23</sup> In addition, the selected PIO implementer stated that BHA and its field offices often provided contradictory input during the review of award applications, and that better direction was needed from the offices during that process.

As of October 2021, BHA's public website included a virtual tutorial to orient potential applicants on its application guidelines and award process. However, results of a BHA-initiated survey issued in January 2022 showed major challenges multiple NGOs encountered with completing BHA funding applications. Specifically, 83 percent of survey respondents reported an increase in mandatory annexes and noted redundancy of required information. Additionally, 42 percent of survey respondents reported a lack of templates and/or guidance from BHA, 33 percent reported receiving contradictory guidelines from BHA, and 21 percent reported confusing wording in the award applications requirements. Survey respondents also amplified

<sup>22</sup> The requirements for risk assessment and management plans are included in an annex to BHA's Emergency Application Guidelines. The guidelines were released in October 2020 and integrated the spectrum of technical approaches to humanitarian programming previously used by OFDA and FFP before the offices merged.

<sup>23</sup> According to BHA, given the global pandemic and USAID's restriction on travel that precluded in-person training, BHA instead held online webinars introducing various topics within the new guidelines.

the need for training to clarify BHA's expectations and reduce redundancy in the guidelines and review processes.

Without complete documentation, clear guidance, and training on the implementation of risk mitigation measures, BHA/Yemen may miss opportunities to evaluate the level of risks for organizations implementing humanitarian response programs with USAID funding and may not effectively prevent the misuse of U.S. government resources for humanitarian assistance awards in high-risk environments. There is also an increased risk of confusion among implementers and BHA/Yemen staff implementing mitigation measures. Consequently, this could negatively impact implementers' ability to expedite their humanitarian assistance where needed, hindering USAID's ability to respond rapidly to the humanitarian crisis and fulfill its humanitarian assistance objectives.

## **BHA/Yemen Reviewed the Operating Environment but Did Not Implement a Key Monitoring Measure Across Yemen**

BHA/Yemen included a key monitoring measure in its Risk Mitigation Plan requiring staff to review, on an ad hoc basis, implementers' risk measures and oversight plans they have in place to monitor and improve the operating environment. Specifically, the measure requires BHA/Yemen to gather formal and informal data on the risk environment to help ensure that its implementers adapt appropriately to changing conditions on the ground. As part of this monitoring measure, BHA/Yemen conducted a review of Yemen's operating environment in January 2021 and reviewed access benchmarks developed through donor coordination to monitor access issues and make funding decisions.<sup>24</sup>

As required by OMB Circular A-123, gathering risk information on changes to the risk environment provides management the opportunity to detect risks that would negatively impact its ability to meet its objectives.<sup>25</sup> We noted an inconsistency in BHA/Yemen's application of this mitigation measure addressing risk environment changes. Specifically, BHA/Yemen did not ensure that this monitoring measure applied to all humanitarian assistance program activities across Yemen. The reviews conducted by BHA/Yemen only provided information on the operating environment in the north of Yemen, despite known worsening access in the south as referred to in BHA/Yemen's strategic plans for FYs 2020 and 2021.

There were no benchmarks developed for the south of Yemen at the time of those reviews; therefore, BHA/Yemen only monitored the benchmarks for activities affected by BHA's suspension of aid for operational challenges encountered in the north of Yemen in March 2020. According to BHA/Yemen, they had more leverage to support implementers on access issues in the south of Yemen because of diplomatic relations between the U.S. government and the ROYG there, so they did not consider developing benchmarks for activities in the south necessary. Per BHA/Yemen's strategic plan for FY 2021, a more permissive operating environment existed in the south of Yemen at the time of the suspension.

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<sup>24</sup> BHA/Yemen used benchmarks developed by the TMG to monitor Houthi progress on negotiations to reduce access issues and bureaucratic constraints, and to make funding decisions.

<sup>25</sup> Per OMB Circular A-123, management is responsible for implementing management practices assessing risks arising from changes in the environments that would negatively impact its ability to meet its objectives.

However, without consistent implementation of this monitoring measure, BHA/Yemen may not have formal and informal data on the changing conditions on the ground to make evidence-based decisions on the significant risks that may affect its programs across the country.

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## Conclusion

As managing risk in humanitarian assistance continues to be one of USAID's top management challenges, it is critical that BHA improve its risk management process for emergency responses such as Yemen to improve the Agency's ability to provide timely humanitarian assistance and meet its objectives. While USAID has developed a Risk Mitigation Plan to help maintain a comprehensive risk mitigation system in Yemen, without incorporating key risk management practices and consistently implementing mitigation measures, USAID may miss the opportunity to respond to and mitigate significant risks, such as environmental hazards, diversions to sanctioned groups, or continued access challenges within the operating environment that could affect the delivery of humanitarian aid to millions of Yemenis in need of humanitarian assistance.

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## Recommendations

We recommend that the USAID Bureau for Humanitarian Assistance take the following actions:

1. Establish and implement guidance, in accordance with key Federal risk management practices, on how to identify and assess response-specific risks, document risk responses, conduct regular reassessments of risks, and update risk mitigation plans accordingly for humanitarian responses with a dedicated risk management advisor.
2. Update the Bureau for Humanitarian Assistance's Emergency Application Guidelines to clarify risk management requirements for implementers and update Bureau for Humanitarian Assistance-wide guidance to establish mandatory review and documentation requirements.
3. Develop a plan to provide regular training to the Bureau for Humanitarian Assistance and potential applicants on the Bureau for Humanitarian Assistance's risk management requirements during the award application process and the implementation of humanitarian assistance activities.
4. Consult externally with key humanitarian actors in Yemen and document a plan to analyze and assess the operating environment across both the north and south of Yemen and determine whether benchmarks should be developed for humanitarian activities in the south of Yemen.

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## OIG Response to Agency Comments

We provided our draft report to USAID on June 8, 2022. On July 11, 2022, we received the Agency's response, which is included as Appendix C of this report. The Agency also provided technical comments which we considered and incorporated as appropriate.

The report included four recommendations. We acknowledge management decisions on all four recommendations. We consider one of them closed (recommendation 4) and the

remaining three resolved but open pending completion of planned activities (recommendations 1, 2, and 3). For recommendation 3, the Agency provided a revised target completion date of August 15, 2023.

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## Appendix A. Scope and Methodology

We conducted our work from March 2021 to June 2022 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 the extent to which BHA (1) designed mitigation measures to address risks in providing humanitarian assistance in Yemen and (2) implemented risk measures to ensure that activities contributed to achieving humanitarian objectives in Yemen.

In planning and performing the audit, we designed and conducted procedures related to internal control principles under all five components of internal control as defined by GAO.<sup>26</sup> Specifically, we designed and conducted procedures related to the Control Environment (principles 2-3), Risk Assessment (principles 6-9), Control Activities (principles 10 and 12), Information and Communication (principles 13-15) and Monitoring (principles 16-17).

To address our audit objectives, we conducted 17 interviews with USAID officials from BHA, including staff from the Audit Risk and Performance Management division, as well as both Washington, D.C., and field-based staff working on the Yemen response. Additionally, we conducted interviews with officials from two of BHA's implementers; BHA's third-party monitor in Yemen; the State Department; the UK's Foreign, Commonwealth, and Development Office; and the Directorate-General for European Civil Protection and Humanitarian Aid Operations to understand their identification of risks to humanitarian assistance in Yemen. We relied on computer-processed Agency data for BHA's award information to make our sample selection. We determined that these data elements are sufficiently reliable for the purposes of this audit.

To answer the first objective, we interviewed BHA officials and external stakeholders to document the risks that BHA faced in delivering humanitarian assistance in Yemen and determine the process followed by BHA to identify risks to its humanitarian assistance programming. We reviewed available documentation used by BHA/Yemen to analyze risks and develop risk mitigation measures, including plans, strategies, and guidance documents. We also analyzed testimonial evidence from BHA to understand their level of involvement in the risk assessment process and document the process used by BHA staff to design risk mitigation measures.

To answer the second objective, we developed data collection instruments to evaluate BHA's implementation of the 14 risk mitigation measures outlined in the November 2020 Risk Mitigation Plan. Based on information gathered, we conducted detailed testing of BHA's implementation of its risk mitigation measures for two awards—one to an INGO, and one to a public international organization, WFP—chosen primarily based on award size. From a total population of \$1.47 billion obligated across 59 awards to 25 individual implementers from January 2019 to January 2021, we selected two awards for our sample representing 27 percent

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<sup>26</sup> GAO, *Standards for Internal Control in the Federal Government*, September 2014.

of the total obligated funding. Our findings cannot be used to make inferences about BHA's implementation of its risk mitigation measures across all awards in Yemen. However, we determined that our method for selecting these awards was appropriate for our audit objectives and that the selection would generate valid, reliable evidence for our audit findings and conclusions.

We conducted interviews with staff from the two selected implementers, prepared questionnaires on their compliance with risk mitigation measures, and corroborated their response with documentation provided by BHA to determine whether they had complied with applicable policies and guidance. Additionally, we conducted interviews with BHA's risk management and monitoring and evaluation staff and reviewed BHA/Yemen's program strategies and mitigation planning documents to understand how BHA monitors and evaluates its risk mitigation measures.

## Appendix B. BHA/Yemen Risk Mitigation Measures

Pre-Award Measures	
1. Requirements to receive USAID funding	<p>An evaluation of prospective applicants is required prior to receiving any USAID funding. All awardees, except those receiving Fixed Award Agreements, go through a pre-award survey per USAID's Automated Directives System (ADS) 303 - <i>Grants and Cooperative Agreements to Non-Governmental Organizations</i> and ADS 591 - <i>Financial Audits of USAID Contractors, Recipients, and Host Government Entities</i> in line with the principles in Title 2 Code of Federal Regulations Section 200.205 - <i>Federal Awarding Agency Review of Merit of Proposals</i>.</p>
2. Requirements for implementers applications	<p>As part of BHA's Emergency Application Guidelines, potential implementers are required to submit a Risk Assessment and Management Plan with additional questions for high-risk environments such as Yemen. Applicants should specifically address how they will mitigate and manage the risks associated with the potential misuse of U.S. government resources in proposed activities in areas such as staff safety and security; procurement integrity; sexual exploitation and abuse; risk assessment and mitigation strategies related to sanctioned groups; policies and procedures concerning fraud, waste, and abuse; and oversight of inventory.</p> <p>Under the FFP's (BHA's legacy office) annual program statement issued in February 2019, all applicants for emergency assistance Title II<sup>a</sup> awards were required to complete an assessment of risk for fraud, waste, and abuse, and describe how the organization proposes to reduce and manage such risks within proposed interventions.</p>
3. Application for funding risk review	<p>BHA/Risk Management Advisory Team should review all Yemen applications for funding to determine if the applicant has addressed the requirements included in the application guidelines' Risk Assessment and Management Plan to prevent misuse or diversion of U.S. government resources.</p> <p>Risk Management Officers and Risk Management Advisors are required to review award proposals, clear Issues Letter comments, and track proposals</p>

## Pre-Award Measures

	review. An Issues Letter is the format used by BHA to discuss issues with emergency applications for funding.
4. Pre-award risk assessment	USAID/BHA auditors should undertake a pre-award risk assessment to review the recipient's most recent single audit or recipient-contracted audit. Weaknesses are noted and corrective actions must be completed prior to issuing the award.
5. Documentation of specific reviews	USAID/BHA to document its review of the implementer's proposed risk mitigation efforts on potential sanctions violations.

## Post-Award Measures

6. Third-Party Monitoring	The third-party monitor should provide oversight that cannot be provided by BHA staff directly due to security restrictions that prohibit any travel to Yemen. It should perform remote and physical site visits and produce monthly monitoring reports which are shared with BHA and the implementers.
7. Continuous analysis of contextual changes and risk environment	BHA should analyze risk based on information gathered from implementers, U.N. agencies, coordination meetings, and other public sources. Risk Management Officers and Risk Management Advisors are required to analyze risks in the operating environment and maintain deep knowledge of factors affecting the response, including the review of formal and informal reports to flag and track risk issues.
8. Mandatory reporting on fraud, waste, and abuse	Awards made to INGOs should include mandatory reporting on program irregularities including fraud, waste, abuse, and sanctioned group activity to the Agreement Officer's Representative, Agreement Officer, and OIG. Awards made to PIOs should also include mandatory reporting to OIG. BHA/Yemen should ensure that all incidents reported by implementers are directed to the correct individuals and that all incident reports are followed up. Also, USAID/BHA should maintain a tracker of all reported program irregularities.
9. Use of award provisions to increase implementer accountability	Special provisions should be included in BHA/Yemen award language for better monitoring and accountability.

## Post-Award Measures

10. USAID/OIG fraud awareness briefings	Implementers and USAID/BHA team members working in Yemen should receive USAID OIG's training on best practices for fraud risk as well as training on what to do if implementers are aware of credible allegations of program irregularities.
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## Other Ad hoc and Specific Implementer Measures

11. Ad hoc review of implementer oversight and mitigation measures	If the risk environment changes, USAID should gather and analyze formal and informal data to adapt to risk environment changes appropriately.
12. Regular implementer meetings and additional reporting requirements	The USAID/BHA field team should meet with implementers every 4-6 weeks. Implementers are also required to provide monthly operational updates, which are reviewed by USAID/BHA Yemen team members.
13. Enhanced risk mitigation measures with WFP <sup>b</sup>	WFP and BHA should coordinate and work toward improving risk mitigation since incidents of diversion were reported by WFP in late December 2018.
14. Donor Protocols for Humanitarian Assistance	USAID/BHA has agreed with all other major donors on a set of protocols to establish clear guidelines and aid implementers in negotiation with authorities or other groups seeking to influence assistance.

<sup>a</sup> Title II of the FFP Act authorizes USAID to establish programs to provide agricultural commodities to foreign countries and provide assistance to address famine and food crises and respond to emergency food needs.

<sup>b</sup> This measure is specific to WFP.

Source: OIG analysis of BHA/Yemen Risk Mitigation Plan (November 2020) and related guidance.

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## Appendix C. Agency Comments



### MEMORANDUM

**TO:** Office of Inspector General Middle East and Eastern Europe Regional Office,  
Acting Audit Director, Ryan Werner

**FROM:** USAID/Bureau for Humanitarian Assistance, Assistant to the Administrator,  
Sarah Charles /s/

**DATE:** July 11, 2022

**SUBJECT:** Management Comments to Respond to the Draft Audit Report Produced by the  
Office of Inspector General titled, *Humanitarian Assistance in Yemen:  
Opportunities Exist for USAID to Further Strengthen its Risk Management  
Process* (8-199-22-00X-P) (Task No. 88100320)

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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 recommendations herein, provides plans for implementing them, and reports on significant progress already made.

USAID places high importance on risk management to safeguard the use of U.S. Government funds and ensure that our partners delivering humanitarian assistance have strong internal controls in place to prevent fraud, waste, and abuse. USAID/Bureau of Humanitarian Assistance (BHA) appreciates the work of the OIG's auditing team and the opportunity to improve our key practices in risk management, ensure appropriate documentation of risk mitigation measures, and improve implementation of key monitoring measures for the provision of humanitarian assistance programming for the BHA/Yemen Enhanced Bureau Response (EBR).

**COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
(USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE  
INSPECTOR GENERAL (OIG) TITLED, *Humanitarian Assistance in Yemen: Opportunities  
Exist for USAID to Further Strengthen its Risk Management Process* (8-199-22-00X-P) (Task  
No. 88100320)**

Please find below the management comments from USAID on the draft report produced by the USAID OIG, which contains four recommendations for BHA:

**Recommendation 1:** Establish and implement guidance, in accordance with key Federal risk management practices, on how to identify and assess response-specific risks, document risk responses, conduct regular reassessments of risks, and update risk mitigation plans accordingly for humanitarian responses with a dedicated risk management advisor.

- **Management Comments: USAID/BHA agrees with this recommendation.**

BHA will develop internal guidance for Risk Management Advisors and Officers (RIMA/RIMOs) based on U.S. Government Accountability Office's good practices and standards for internal control as referenced in the audit report. This guidance will focus on tools to identify, assess, document, and update risks and risk mitigation plans specific to each humanitarian response with a dedicated RIMA/RIMO.

Under the proposed guidance, RIMA/RIMOs will coordinate with response teams on at least an annual basis to identify, assess, document, and update risks and risk mitigation measures specific to the response context. The internal guidance will outline the RIMA/RIMO role in strategic planning, in coordination with the response team, of identifying and documenting risks through tools such as a stand-alone risk profile or risk mitigation plan as an annex to the strategy. The guidance will also provide recommendations on how to reassess risks through regularly scheduled meetings with response teams and partners, reviews and trend analyses of reported incidents to OIG/Investigations, and annual reviews and updates to the profile or plan.

- **Target Completion Date: March 24, 2023**

**Recommendation 2:** Update the Bureau for Humanitarian Assistance's Emergency Application Guidelines to clarify risk management requirements for implementers and update Bureau for Humanitarian Assistance-wide guidance to establish mandatory review and documentation requirements.

- **Management Comments: USAID/BHA agrees with this recommendation.**

BHA will update its Emergency Application Guidelines in Fall 2022; this guidance will include a revised Risk Assessment and Management Plan (RAMP) requirement. In addition, BHA developed two modules of Managing BHA Awards training (Tab 2). This training notes that BHA's RIMA/RIMOs review RAMPs from applicants proposing activities in high-risk environments. It also notes that the RIMA/RIMOs are available to provide guidance to Review Leads (the individual coordinating the review of an

application) on using BHA's internal RAMP Review Checklist for non-high-risk environments (Tab 3). The attached RAMP Review Checklist corresponds to the current June 2020 version of the Emergency Application Guidelines; BHA will produce an updated checklist to correspond to the revised Emergency Application Guidelines.

- **Target Completion Date:** November 30, 2022

**Recommendation 3:** Develop a plan to provide regular training to the Bureau for Humanitarian Assistance and potential applicants on the Bureau for Humanitarian Assistance's risk management requirements during the award application process and the implementation of humanitarian assistance activities.

- **Management Comments:** USAID/BHA agrees with this recommendation.

BHA is developing internal Application Management training for BHA staff and external Application Guidelines training for potential applicants. The internal training will incorporate reference to BHA's risk management requirements during both the award application process and the implementation of humanitarian assistance activities. The external training will incorporate reference to BHA's risk management requirements during the application development, submission, and review process. Internal training will be delivered on a regular basis and will commence in FY 2023. External training for potential applicants will be delivered on a regular basis and is anticipated to commence in FY 2024.

- **Target Completion Date:** September 30, 2024

**Recommendation 4:** Consult externally with key humanitarian actors in Yemen and document a plan to analyze and assess the operating environment across both the north and south of Yemen and determine whether benchmarks should be developed for humanitarian activities in the south of Yemen.

- **Management Comments:** USAID/BHA agrees with this recommendation.

Beginning in February 2021, BHA's Yemen EBR team, through the Technical Monitoring Group (TMG), expanded its scope of analyzing trends and assessing the operating environment for humanitarian activities in Yemen government-controlled areas (also referred to as southern Yemen) using the same benchmarks used for Houthi-controlled areas. This country-wide approach ensures a common assessment of the humanitarian operating environment, which donors, agencies, and organizations may use in their individual analysis and planning (See Tab 4).

- **Target Completion Date:** BHA requests closure of this recommendation upon the OIG's issuance of its Final Report.

In view of the above, we request that the OIG inform USAID when it agrees or disagrees with a management comment.

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## Appendix D. Major Contributors to This Report

Members of the audit team include:

- David Thomanek, Audit Director
- David Clark, Assistant Director
- Alicia T. Pegues, Lead Auditor
- Leila Doulali, Auditor
- Eve C. Joseph, Auditor
- Alexandra Morgan, Program Analyst

The audit team would also like to acknowledge contributions from Joanne Howard, Calista MacHarrie, Karla Robinson, Andrian Smith, and Mary Vanagas.



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