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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 Fiscal Year 2024 Budget Request for the
United States Agency for International Development (USAID)
April 19, 2023

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 USAID's fiscal year 2024 budget request. The USAID Office of Inspector General's (OIG) mission is to safeguard and strengthen U.S. foreign assistance through timely, relevant, and impactful oversight. We appreciate the opportunity to share our views on challenges facing USAID's programs and operations.

USAID is called upon more than ever to deliver worldwide support on behalf of the American people. It has been the primary agency providing non-security assistance to Ukraine, while continuing its mission of providing humanitarian and development assistance in over 100 countries across five continents. In fiscal year 2022, USAID processed grants and contracts with \$36.4 billion obligated through more than 22,000 acquisition and assistance actions.

USAID OIG's independent audits, evaluations, inspections, and investigations help identify USAID's current challenges in administering programs and operations. This statement draws from our annual [Top Management Challenges report](#) and aligns with our priority oversight areas.¹ The following four Top Management Challenges that we identified for USAID in November 2022 ring true today:

1. Establishing optimal conditions for Agency staff and programs to succeed;
2. Mitigating risk in Agency operations;
3. Countering corruption, abuse, and malign influence; and
4. Maximizing the impact of monitoring and quality data.

Each of these challenges is expanded upon below.

¹ USAID OIG, [Top Management Challenges Facing USAID in Fiscal Year 2023](#), November 16, 2022.

Establishing Optimal Conditions for Agency Staff and Programs to Succeed

Strategic workforce planning is a challenge for USAID and has been noted by the U.S. Government Accountability Office (GAO) as a high-risk issue across the U.S. government.² Our recent oversight work highlights constraints within USAID operations that inhibit adequate staffing and workforce support for humanitarian and development assistance programming. These constraints include hiring impediments, increased reliance on contractors, and various skills gaps among staff. USAID faces a critical shortage of contracting and agreement officers that adds risk to awards management. In addition, our work has shown that the Agency lacks guidance and tools for a comprehensive approach to human capital management and needs an effective central mechanism to track and close skills gaps.³

USAID's reliance on short-term, limited-capacity contract staff is of particular concern in the Bureau for Humanitarian Assistance and Office of Transition Initiatives.⁴ While the Agency has expanded its humanitarian assistance programming in recent years to respond to disasters and other catastrophes worldwide, USAID's staffing levels have not kept pace with the shift. The long-lasting nature of the crises these offices respond to would benefit from staffing stability and longer-term personnel. Still, efforts to address these staffing challenges are hindered by budget constraints, lack of data, and the absence of human capital metrics for managing contractors.

Another aspect of strategic workforce planning is initiatives to improve diversity. USAID's diversity, equity, inclusion, and accessibility efforts aim to improve diversity in its workforce, but current processes do not include data on contract staff. The required diversity reporting only includes civil service and Foreign Service staff, making up just 40 percent of USAID's workforce. Capturing additional data could inform efforts to improve diversity in the Agency's workforce and cultivate more positive outcomes for its staff and beneficiaries around the world.

We have provided the Agency with recommendations to improve its strategic workforce planning, contract staff management, and diversity efforts, including the need for USAID to conduct an assessment and develop a comprehensive plan to create a sustainable workforce. In response to this audit, the Agency has provided a multi-year plan to address our recommendations in strategic workforce planning.

Mitigating Risk in Agency Operations

Our oversight work has highlighted the importance of USAID identifying, documenting, and responding to risks to its programming. This is particularly relevant as the Agency attempts to provide more funds through local organizations and respond to complex emergencies. In addition, continued vigilance is required to address risks tied to information technology (IT) and further supply chain management.

² GAO, *Priority Open Recommendations: USAID* (GAO-22-105799), May 18, 2022.

³ USAID OIG, "[Strategic Workforce Planning: Challenges Impair USAID's Ability to Establish a Comprehensive Human Capital Approach](#)" (9-000-22-001-P), May 25, 2022.

⁴ USAID OIG, "[Contractor Use for Disaster and Stabilization Responses: USAID Is Constrained by Funding Structure but Better Data Collection Could Improve Workforce Planning](#)" (E-000-22-002-M), September 29, 2022.

While localization remains a top priority for USAID, the pool of capable, eligible local partners must grow for the Agency to achieve its goals. For example, our recent audit of the U.S. President’s Emergency Plan for AIDS Relief (PEPFAR) programs found that only a limited number of local partners were ready to implement USAID programs, which delayed the benefits of transitioning HIV programming to these partners.⁵ Bureaucratic hurdles, budget cuts in capacity development for local partners, and inconsistent compliance with award provisions are also challenges to localization efforts. In addition, managing risks in localization requires metrics for tracking success, increased staff capacity, and more oversight and support than currently provided via large and established international nongovernmental organizations (NGOs).⁶

USAID must also address risk from the outset of complex emergencies. Our oversight work on USAID’s humanitarian responses highlights the need for greater attention to planning for and managing risks in its programming. Past audits of programming in Yemen⁷ and the response to the Venezuela migrant crisis⁸ found the Agency lacked a process to respond to diversions to sanctioned groups, environmental hazards, partner safety and theft, and misuse of cash assistance. Time and again, we have seen new and dynamic complex emergencies and conflict environments pose challenges for USAID, including in Afghanistan and recently in Ukraine, where lessons learned from previous complex emergencies should better prepare USAID to plan for continuity of operations in the complex environments in which they operate with small, rotational staff.

IT and supply chain management pose other risks to the Agency that require further vigilance. Our previous audit work points to issues such as the use of unauthorized applications on mobile devices.⁹ GAO noted that risks of reliance on IT include attacks by foreign adversaries and the introduction of counterfeit products in the supply chain.

Countering Corruption, Abuse, and Malign Influence

Corruption, sexual exploitation and abuse, and malign influence threaten to undermine USAID’s objectives as it provides assistance in challenging environments. This is especially relevant as the Agency increasingly uses multi-donor mechanisms, such as UN agencies, with fewer safeguards than traditional assistance programming. The Agency can address these threats by tightening controls, strengthening processes that facilitate reporting of possible criminal activity, and ensuring accountability of Agency partners, whether NGOs, contractors, or multilateral organizations.

⁵ 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.

⁶ USAID OIG, [*Despite Optimism About Engaging Local Organizations, USAID Had Challenges Determining Impact and Mitigating Risks*](#) (5-000-19-001-P), March 21, 2019.

⁷ USAID OIG, [*Humanitarian Assistance in Yemen: Opportunities Exist for USAID to Further Strengthen its Risk Management Process*](#) (8-199-22-003-P), August 23, 2022.

⁸ 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.

⁹ 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.

Corruption and abuse by bad actors are a risk in USAID programs with a large outflow of assistance, such as in Ukraine. To safeguard programming, USAID can improve its pre-award certification process¹⁰ to capture whether prospective award recipients have engaged with actors sanctioned by the U.S. government for corrupt activity. In a recent audit, USAID made progress in mechanisms to prevent the risk of sexual exploitation and abuse in their development activities but has yet to take action on several related recommendations.¹¹

USAID increasingly relies on UN agencies and other international organizations to furnish assistance to beneficiaries. To date, the Agency has appropriated \$22.9 billion in direct budget support via the World Bank's multi-donor trust fund to the government of Ukraine to support non-security general budget expenses, including salaries for civil servants, teachers, health care workers, and other government employees, and social spending needs, including pension expenses and payments to internally displaced persons. Our January and March evaluations found that the agreement between the World Bank and the Ukrainian government contained provisions enabling the World Bank to respond to credible and material allegations of fraud and corruption and to request reimbursement for expenditures that were used in a manner inconsistent with the grant agreement.¹² We will continue to test the effectiveness of these established mechanisms.

To ensure accountability and prevent criminal activity and abuse, USAID needs to improve its processes for obtaining timely and transparent reporting by its implementing partners, including UN agencies. Inconsistent and infrequent reporting of allegations of fraud and abuse despite increases in Agency support in high-risk areas indicate the need for more oversight and additional outreach to educate partners about reporting tools. Additionally, the Agency should take actions to strengthen the government's ability to prosecute foreign-based NGOs; particularly by creating a forum consent clause in its awards that enhance USAID's ability to recover taxpayer funds misused or fraudulently obtained.¹³

USAID also faces challenges within its programming to UN agencies. USAID OIG's access rights to UN documents, records, and other information extend only so far as USAID's contractual agreements. Access limitations to information held by the UN can delay or restrict our audit and investigative work and preclude USAID from making informed decisions regarding ongoing or future funding to UN agencies. With one quarter of USAID's program funds going to the UN World Food Programme, and significant funding through other UN agencies, such programs must be subject to oversight by my office.

Finally, USAID is challenged to counter influence from foreign actors such as Russia and the People's Republic of China. From our audit work in countering malign Kremlin influence, we recommended the Agency implement a process for monitoring risks and engaging with relevant

¹⁰ USAID OIG, "[Key Considerations to Inform USAID's Response in Ukraine](#)," Advisory, July 22, 2022

¹¹ 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.

¹² USAID OIG, "[Direct Budget Support: Ukraine Supplemental Appropriations Act, 2023, Mandated Assessment](#)" (8-000-23-001-M), January 5, 2023.

¹³ United States ex rel. TZAC v. Christian Aid, No. 21-1542 (2d Cir. June 16, 2022).

stakeholders.¹⁴ USAID continues efforts to counter increasing levels of China’s influence in developing countries, given concerns of conflict with U.S. values. We have an ongoing audit that will assess the extent that the Agency has shifted programming to counter China’s influence in Africa.

Maximizing the Impact of Monitoring and Quality Data

Gathering, reporting, and acting on reliable data represents an ongoing challenge for USAID, particularly in locations with access limitations. Improving data quality is critical to keeping programs on track and ensuring top-notch, data-driven decision-making.

USAID can address vulnerabilities by monitoring programming throughout the development lifecycle, particularly in complex operating environments. Monitoring helps USAID track progress towards meeting the development goals of its programs, but the process is constrained and sometimes not as effective as intended. Recent oversight work highlights shortfalls with third-party monitors, such as concerns with the quality of their products and lack of guidance on how to use their services. Additionally, USAID access to sites in non-permissive environments, such as Ukraine, Afghanistan, and Iraq, constrains the capacity to monitor effectively.

Recent audit work also illustrates the need for USAID to ensure reliable financial and performance data. Specifically, the reports noted weaknesses with reporting data to USAspending.gov and PaymentAccuracy.gov, and the need to take corrective action related to validating data between its Development Information System (DIS) and the State Department’s foreign assistance data system.¹⁵ Additionally, we noted weaknesses in quality control measures in PEPFAR’s data system in select African missions.

Concluding Observations

As this Committee considers USAID’s fiscal year 2024 budget request, USAID OIG remains committed to briefing Congress on its independent oversight of USAID’s programming. Our planned and ongoing audits, evaluations, inspections, and investigations are designed to improve efficiency, effectiveness, and accountability in USAID’s foreign assistance programs, and deter fraud, waste, and abuse that can jeopardize program success. We appreciate the opportunity to provide this statement.

¹⁴ USAID OIG, [Countering Malign Kremlin Influence: USAID Can Do More to Strengthen Its CMKI Development Framework](#) (8-199-22-002-P), January 26, 2022.

¹⁵ USAID OIG, [USAID Complied in Fiscal Year 2021 With the Digital Accountability and Transparency Act of 2014](#) (0-000-22-002-C), November 6, 2021; USAID OIG, [USAID Complied in Fiscal Year 2021 With the Payment Integrity Information Act of 2019](#) (0-000-22-013-C), June 10, 2022; USAID OIG, [USAID Was Not On Track To Achieve Performance and Cost Savings Goals for the Development Information Solution System](#) (A-000-21-001-U), May 6, 2021.