



**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 Fiscal Year (FY) 2025 Budget Request for USAID***

**April 9, 2024**

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 FY 2025 budget request. The USAID Office of Inspector General's (OIG) mission is to safeguard U.S. foreign assistance through timely, relevant, and impactful oversight. We appreciate the opportunity to share our views on the top challenges facing USAID's programs and operations.

USAID is the primary government agency providing nonsecurity assistance in evolving, complex emergencies, including Ukraine and Gaza, while continuing to provide humanitarian and development assistance in more than 100 countries on behalf of the American people. USAID OIG's independent audits, evaluations, inspections, and investigations help identify and address USAID's challenges in administering its programs and operations in often inhospitable environments.

This statement draws from our annual [Top Management Challenges](#) report and aligns with our priority oversight areas.<sup>1</sup> We identified the following four top Agency challenges in November 2023:

1. Curbing corruption, abuse, and fraud that degrade U.S. foreign assistance;
2. Mitigating programming risks, increasing accountability, improving stakeholder awareness, and strengthening Agency documentation;
3. Optimizing the workforce to deliver on USAID's mission; and
4. Implementing financial and information technology (IT) controls to safeguard taxpayer resources.

We expand on each of these challenges below.

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<sup>1</sup> USAID OIG, [Top Management Challenges Facing USAID in Fiscal Year 2024](#), November 16, 2023.

## **Challenge 1: Curbing Corruption, Abuse, and Fraud That Degrade U.S. Foreign Assistance**

Corruption, fraud, and sexual exploitation and abuse undermine the effectiveness of U.S. foreign assistance, erode public trust, and impede sustainable development. Opportunities for misuse or abuse of USAID programming, including diversion of aid, are particularly prevalent in humanitarian assistance programs. In recent years, OIG has responded to allegations concerning the diversion of humanitarian aid, including cash assistance, food, medicine, blankets, and winter clothing. Diversion can occur before delivery to beneficiaries or when beneficiaries are coerced into giving up aid. It not only deprives those in need of assistance but also weakens the very purpose of aid initiatives, exacerbating the challenges of communities already facing dire circumstances. Furthermore, diversion can prolong conflicts by increasing the resources of combatants or terrorist organizations.

In November 2023, following USAID's announcement of additional humanitarian assistance to Gaza in the wake of Israel's response to Hamas' October 7 attack, OIG issued an alert identifying Gaza as a high risk for potential diversion and misuse of U.S.-funded assistance. Our office prioritized helping USAID ensure that assistance does not fall into the hands of foreign terrorist organizations including, but not limited to, Hamas. Moving forward, oversight of U.S. assistance to support the Palestinian people in Gaza will continue to be a priority.

Our recent work has identified USAID's programming in East Africa as particularly susceptible to diversion schemes.

- In Ethiopia, OIG identified multiple fraud schemes, including corruption in the beneficiary selection process and exploitation by vendors purchasing food from beneficiaries. OIG also responded to allegations that beneficiaries were compelled to give a portion of their assistance to local officials and armed groups.
- In Somalia, OIG continues to investigate allegations of humanitarian aid reaching affected populations who were then coerced into giving up part of that assistance.

The examples above involve USAID programs implemented through UN agencies and other public international organizations (PIOs). A significant amount of USAID programming, including \$22.9 billion in direct budget support to Ukraine administered through the World Bank, is implemented by PIOs. Thus, it is vital that both USAID and OIG have access to detailed information pertaining to this funding, as is the case when contractors or nongovernmental organizations administer funding. Unfortunately, despite USAID's award agreements requiring PIOs to disclose all allegations of fraud and sexual exploitation and abuse to OIG, we have not received the number of PIO reports expected regarding potential misconduct affecting Agency funds. We welcome the recent FY 2024 appropriations language requiring USAID to establish written agreements with PIOs receiving U.S. funding that:

provide timely access to the Inspectors General of the Department of State and [USAID] and the Comptroller General of the United States to such organizations' financial data and other information relevant to United States contributions to such organization, as determined by the Inspectors and Comptroller General.<sup>2</sup>

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<sup>2</sup> Public Law 118-47, enacted March 2024.

OIG is hopeful that this provision will enhance its ability to conduct independent audit, evaluations, and investigative oversight of USAID awards funded through PIOs. That work, in turn, will serve to provide USAID, the U.S. Mission to the United Nations, and Congress with timely insights that can strengthen these programs while holding those who corrupt or abuse them accountable. We hope that expanded access rights, established by USAID funding agreements with PIOs, will help overcome longstanding access challenges.

## **Challenge 2: Mitigating Programming Risks, Increasing Accountability, Improving Stakeholder Awareness, and Strengthening Agency Documentation**

Managing fraud and diversion risks and communicating clear expectations in Agency guidance is critically important for assistance to quickly reach those who need it most. As noted above, such assistance comes with increased risks, including those posed by sanctioned groups and criminal organizations. Our May 2023 audit found that USAID did not consistently follow guidance to assess the risks posed by sanctioned groups in El Salvador, Guatemala, and Honduras before implementing programming.<sup>3</sup> The Agency also missed opportunities to further strengthen the documentation of risk assessments and data sharing pertaining to cash assistance. Accordingly, we recommended that USAID clarify for staff and applicants its processes for assessing and mitigating fraud and diversion risks.

Our work has also identified that USAID managers and staff need more support, including training and detailed guidance, to fully understand their roles. For example, our September 2023 audit of USAID's counter-trafficking in persons (C-TIP) efforts in Asia made recommendations to strengthen the Agency's ability to combat human trafficking.<sup>4</sup> Specifically, we recommended that USAID's missions improve their processes for implementing programming objectives and enforcing awardee compliance with prevention and detection requirements.

Implementing more comprehensive documentation practices within the Agency will also help stakeholders better understand the effectiveness of programs by detailing award performance, risk management, and evaluation of award recipients and applicants. Our September 2023 audit of USAID/West Bank and Gaza found that the Agency did not identify security, legal, fiduciary, or IT risks after the resumption of funding and programming to the Palestinian people.<sup>5</sup> We have also alerted USAID of opportunities to enhance its pre-award certification documentation to determine whether prospective award recipients have engaged with actors sanctioned by the U.S. government due to corrupt activity and human rights abuses.<sup>6</sup>

## **Challenge 3: Optimizing the Workforce to Deliver on USAID's Mission**

Staffing and hiring at USAID has been a persistent challenge, and the continued reliance on personal services and institutional support contractors is an impediment to the Agency's core

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<sup>3</sup> USAID OIG, [Northern Central America Humanitarian Response: USAID Took Steps to Mitigate Fraud Risks, but Opportunities Exist to Clarify Guidance on Assessing Sanctioned Group Risk](#), May 22, 2023.

<sup>4</sup> USAID OIG, [Counter-Trafficking in Persons: Improved Guidance and Training Can Strengthen USAID's C-TIP Efforts in Asia](#), September 11, 2023.

<sup>5</sup> USAID OIG, [West Bank and Gaza: USAID Did Not Document Its Deliberative Process for Identifying and Assessing Risks in Programming \(8-294-23-003-P\)](#), September 18, 2023.

<sup>6</sup> USAID OIG, [Vulnerabilities in USAID's Ability to Assess Award Applicants' Relationships with Corrupt Actors](#), January 3, 2022.

business and response functions. In May 2022, an OIG audit recommended that the Agency increase support staff and strengthen guidance on recruitment, onboarding, strategic workforce planning, and skill-gap tracking. The recommendations from that audit remain open.<sup>7</sup>

Staffing caps on U.S. government personnel in Ukraine have also inhibited USAID's ability to properly oversee programming. After Russia's full-scale invasion in February 2022, USAID's staffing presence in Ukraine decreased significantly while the Agency's development and humanitarian funding for the country increased 224 percent by April 2023. Staffing constraints have also limited the Agency's ability to fully address and oversee key development priorities. For example:

- Our September 2023 audit of USAID's C-TIP efforts in Asia<sup>8</sup> noted that updated guidance on the roles and responsibilities of C-TIP coordinators and a rollout of survivor-informed training had not been completed due to a lack of staffing resources in the Agency's Bureau for Democracy, Human Rights, and Governance. As a result, USAID staff were not properly equipped to engage with trafficking survivors or obtain valuable insight on the quality of shelters, legal advice, and other improvements to service delivery.
- Our September 2023 inspection of USAID/South Sudan found issues related to understaffing, an absence of essential guidance and procedures, and partially untrained Foreign Service Nationals performing support functions.<sup>9</sup>
- Our January 2024 audit of USAID's response to the Rohingya crisis<sup>10</sup> found that staffing levels in Bangladesh and Burma did not appear sufficient to adequately monitor—or thereby support directly funding—local partners. Although USAID's use of surge staff to cover gaps as early as possible has mitigated significant staffing transitions and rotations at its Bureau for Humanitarian Assistance, this is not a sustainable model for proper support and oversight of activities, particularly if using local organizations that may require more oversight.

#### **Challenge 4: Implementing Financial and Information Technology Controls to Safeguard Taxpayer Resources**

The effective design and implementation of internal controls are critical to USAID's ability to protect its assets against loss from fraud, corruption, diversion, or unauthorized disclosure. OIG's work has identified weaknesses in USAID's internal controls that could adversely impact the Agency's financial management capabilities.

- Our November 2022 audit of USAID's financial statements identified a significant deficiency related to calculating and recording accrued expenses.<sup>11</sup> The report made

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<sup>7</sup> 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.

<sup>8</sup> USAID OIG, *Counter-Trafficking in Persons: Improved Guidance and Training Can Strengthen USAID's C-TIP Efforts in Asia*, September 11, 2023.

<sup>9</sup> USAID OIG, *Inspection of USAID/South Sudan's ICASS Service Provision in Juba*, September 28, 2023.

<sup>10</sup> USAID OIG, *Rohingya Crisis: Ongoing Challenges Limit USAID's Ability to Move From Humanitarian to Development Assistance*, January 19, 2024.

<sup>11</sup> USAID OIG, *Audit of USAID's Financial Statements for Fiscal Years 2022 and 2021*, November 12, 2022.

seven recommendations to address identified internal control deficiencies, two of which specifically pertained to accrued expenses. One recommendation is still open.

- Our audit of USAID’s FY 2022 transactions found that management did not enforce USAID’s policies and procedures to adequately monitor cardholders for compliance with purchase card policies.<sup>12</sup> Accordingly, we recommended that the Agency implement controls to ensure cardholders maintain documentation for purchase transactions. All three recommendations from this audit remain open.

Gaps in USAID’s IT practices also present security risks.

- Our September 2023 report on USAID’s information security program<sup>13</sup> identified two vulnerabilities related to the tracking of IT equipment and implementation of event-logging requirements. We found that USAID did not consistently inventory the physical location of IT assets with the specificity necessary for tracking and reporting. Consequently, there was an increased risk of misplaced or stolen IT equipment, resulting in the loss of control of USAID data.

### **Concluding Observations**

As this committee considers USAID’s FY 2025 budget request, OIG pledges to conduct oversight that (1) is helpful to Agency management and contains practical recommendations for improvement; (2) provides substantive, timely, and relevant information to Congress and the public; and (3) ensures transparency and accountability about how USAID and the agencies under the OIG’s oversight purview spend taxpayer dollars. Thank you for the opportunity to provide this written statement.

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<sup>12</sup> USAID OIG, [\*Assessment of USAID’s Purchase Card Program Showed Low Risk of Improper Purchases and Payments in Fiscal Year 2022\*](#), August 9, 2023.

<sup>13</sup> USAID OIG, [\*USAID Generally Implemented an Effective Information Security Program for Fiscal Year 2023 in Support of FISMA\*](#), September 8, 2023