

# Audit and Investigative Oversight Plan

**2017-2018**



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



# Message From the Inspector General

I am pleased to present the U.S. Agency for International Development (USAID) Office of Inspector General (OIG) oversight plan as of August 2017. This plan highlights audits ongoing and planned, as well as our investigative priorities. Our audit and investigation plans assess risk, respond to stakeholders' needs for information to inform decision making, and follow high-dollar and crosscutting initiatives. In prioritizing our audits and investigations, we are identifying and targeting weaknesses that affect all the agencies we oversee in areas such as human capital management and training; vetting and promoting coordination among implementers; and strengthening financial and IT management. This approach will help us recommend solutions that link headquarters-based approaches to field-level implementation. We have anchored our efforts in our past body of work, but have turned to a more strategic, risk-based approach designed to provide broad oversight through both audits and investigations.



Ann Calvaresi Barr  
Inspector General

In preparing our plans, we shared information and coordinated with others overseeing and delivering foreign assistance. For example, we continue to work with the OIGs for the Departments of State and Health and Human Services on a yearly coordinated audit plan for HIV/AIDS, Tuberculosis, and Malaria. OIG also coordinates with the Departments of Defense and State OIGs on overseas contingency operations in Syria, Iraq, and Afghanistan. We started the Syria Investigations Working Group so that representatives from the investigative oversight bodies of USAID and the Department of State as well as public international organizations and bilateral donors could share investigative leads, coordinate oversight activities, and identify trends in the region. More recently, we established a multidisciplinary, interagency investigations task force bringing together agents, investigative analysts, auditors, and technical staff in headquarters and the field to root out fraud in USAID and Department of State programs in the Middle East.

We also built in flexibility to respond to administration and congressional priorities, hotline tips, and results from investigations. Some examples are planning for an audit of USAID's efforts to counter violent extremism, which aligns with the administration's top foreign aid priority of defeating the Islamic State of Iraq and Syria (ISIS); starting an audit at the request of a Member of Congress to look into balance in democracy and governance programming; pursuing hotline leads; and opening investigations that have led to debarments of implementers and employees—as well as to millions of dollars in savings and recoveries.

We consider this a living document that will enable us to continue to weigh the interests of key stakeholders and be responsive to emerging oversight requirements during a time of rapid change and organizational transition.

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# Introduction

The Inspector General Act authorizes the Inspector General to conduct and supervise audits and investigations. Our mission is to provide independent oversight that promotes the efficiency, effectiveness, and integrity of foreign assistance delivered by the entities under our jurisdiction: the U.S. Agency for International Development (USAID), U.S. African Development Foundation (USADF), Inter-American Foundation (IAF), and Millennium Challenge Corporation (MCC).<sup>1</sup> OIG also maintains some oversight authority over the Overseas Private Investment Corporation (OPIC).<sup>2</sup>

Some of our work is mandated by statute or other requirements; other work is performed at OIG's discretion. Through our oversight mandates, we help ensure accurate and transparent financial reporting, the security of information technology assets, and the proper use of travel and purchase cards. We verify that agencies are doing the accounting that is required for certification and upholding the tenets that allow agencies to stand.

When identifying and prioritizing discretionary audit and investigative activity, we consider many factors:

- OIG's strategic goals and agencies' top management challenges
- stakeholders' needs and requests, gathered through outreach within OIG and with agency officials, congressional committees, board members, and others
- the source and amount of funds going to key programs, countries, regions, or implementers
- risks associated with the agencies' programs, including potential vulnerabilities in internal controls
- results of prior audit and investigative work

We also analyze program areas and operations where we could potentially have the biggest impact.

Through our discretionary work, we isolate the underlying causes of fraud, waste, and abuse in foreign aid and development programs and make sound recommendations for eliminating these vulnerabilities. Our ongoing and planned audits and investigations cover a broad range of high-risk, high-dollar programs and projects. They include large-scale programs and initiatives that respond to international public health emergencies; provide assistance to host governments for reconstruction, development, and self-reliance; aim to expand access to electricity across a continent; and provide innovative approaches to development investment such as public-private partnerships. This document features our plans for audit and investigative work in these and other high-priority areas.

Although specific audit objectives are mentioned, once an audit is initiated on a topic, objectives may change based on what we learn from intensive research, what weaknesses we note, and where the OIG believes it can focus limited resources to provide the most meaningful and timely work for agency officials and other stakeholders.

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<sup>1</sup> USAID's Office of Inspector General (OIG) was established on December 16, 1980, by Public Law 96-533, an amendment to the Foreign Assistance Act of 1961. On December 29, 1981, the International Security and Development Cooperation Act of 1981 brought the USAID Inspector General under the purview of the Inspector General Act of 1978.

<sup>2</sup> USAID OIG maintains limited authority over OPIC under 22 U.S.C. 2199(e).

USAID acknowledges that monitoring and evaluating its programs in nonpermissive and overseas contingency environments—fragile states characterized by conflict, government instability, or cataclysmic natural events—is a longstanding challenge. Knowing that, we focus our investigative work to complement our audits. Audit and investigative efforts will target Syria and its neighboring countries, as well as Afghanistan, Pakistan, South Sudan, Iraq, the West Bank and Gaza, and Yemen, and the African countries confronting Boko Haram.

## Audit

### *Ongoing Work*

#### **USAID/Afghanistan's New Development Partnership**

OIG is conducting an audit of USAID/Afghanistan's New Development Partnership to determine if USAID/Afghanistan has adopted internal policies and procedures to adequately verify the achievement of indicators contained in the July 2015 Partnership's results framework. The audit will also examine whether USAID/Afghanistan has adequately verified the achievement of completed indicators under the New Development Partnership for any payments made to date.

#### **USAID's Assistance to Public International Organizations (PIOs)**

This audit will determine what assessment of risks USAID's offices are conducting before awarding funds to PIOs and how the offices mitigate risks they identify. The audit will also determine how PIO programs and funds are overseen by USAID's offices and whether other vulnerabilities exist with this type of assistance.

#### **Followup Audit of USAID/West Bank and Gaza's Peace and Reconciliation Programs**

In a 2013 audit, OIG made seven recommendations to improve USAID/West Bank and Gaza's Peace and Reconciliation Programs. OIG is conducting this follow-up audit to assess the mission's implementation of them.

#### **USAID/Pakistan's Education Portfolio**

This audit will determine how USAID/Pakistan selected and designed its education interventions, and if it managed the education portfolio to maximize its impact in improving the state of education in Pakistan.

#### **Followup Audit of USAID's Strategy for Monitoring and Evaluating Projects Throughout Afghanistan**

A prior OIG audit found USAID needed to improve its multitiered monitoring strategy for Afghanistan through better information on how it is being used, standards on how to measure effective oversight, and more centralized and rigorous data monitoring. This audit will examine the use of the monitoring strategy on select projects.



## **Planned Work**

### **Countering Violent Extremism**

This audit will assess the extent to which USAID has developed and provided policy guidance, direction, and resources to bureaus and offices working in countries affected by violence, terrorism, and political instability in countering extremism. It will also determine the extent to which USAID is following the guidance and implementing projects that target the main drivers of violent extremism.

### **Followup Audit of Implementers Delivering Humanitarian Assistance in the Syria Crisis**

This audit will follow up by evaluating USAID's oversight of implementers delivering humanitarian assistance and assessing whether USAID has taken action to address problems identified by OIG investigations.

### **USAID's Response to the Lake Chad Basin Complex Emergency**

This audit will examine the coordination and monitoring of USAID's response, as well as the vetting of partner organizations and recipients in this high-risk area.

### **USAID/Bureau for Democracy, Conflict, and Humanitarian Assistance's Oversight During a Humanitarian Crisis**

This audit will analyze the roles of the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) and other USAID offices in conducting oversight of humanitarian relief operations like the one in Syria. It will assess the extent to which USAID offices are identifying, monitoring, and addressing program implementation vulnerabilities—in particular, whether they are considering reports, concerns, recommendations, suggestions, and other feedback from the field. It will also determine if DCHA's Offices of U.S. Foreign Disaster Assistance (OFDA) and Food for Peace (FFP) have policies and procedures for effective planning, approval, and oversight of humanitarian relief and whether alternative approaches exist for chronic, long-term humanitarian disasters.

### **Future USAID Iraq Programming**

This audit will analyze USAID's strategy for providing bilateral and emergency assistance to Iraq, including its staffing for assistance efforts. It will also examine how USAID is monitoring, evaluating, and adapting to the challenges of implementing projects in Iraq.

## **Investigations**

### **Planned Work**

#### **Proactive Outreach in Iraq**

The violence and instability in Iraq and Syria will necessitate a response by OFDA to the resulting humanitarian concerns, including a Syrian refugee population of more than 240,000 persons as of May 2017.<sup>3</sup> In line with OFDA's expected response, OIG will intensify its outreach activities, proactively engaging with regional partners supporting USAID operations in Iraq and Syria. OIG will provide fraud awareness

<sup>3</sup> Syria Regional Refugee Response, Inter-agency Information Sharing Portal, <http://data.unhcr.org/syrianrefugees/country.php?id=103>, accessed on August 21, 2017.

training based on lessons from previous investigations related to implementers of OFDA's cross-border aid programs operating from Turkey and Jordan.

### **Growing Refugee Population in Northern Uganda**

Those fleeing famine, economic collapse, and conflict in South Sudan have made Uganda the largest refugee-hosting nation in Africa, with more than 800,000 refugees in numerous refugee settlements.<sup>4</sup> In December 2016, USAID/Uganda contributed \$40 million to assist refugees.<sup>5</sup> With the increase in aid activity, OIG is planning to increase tailored fraud awareness trainings and proactive outreach activities for USAID staff and implementer employees.

### **Planned Increase in Outreach in the Horn of Africa**

In May 2017, the U.S. Government announced more than \$64 million in new humanitarian assistance for drought and conflict-affected Somalis, \$36 million of it being provided by USAID, to meet the emergency food, nutrition, health, water, and sanitation needs of internally displaced people, refugees, and other vulnerable communities.<sup>6</sup> In line with the increase in assistance, OIG will increase its outreach by performing fraud awareness briefings and initiating contact with USAID and implementer staff in the region.

### **Neutralizing Fraud and Corruption in Critical Priority Countries**

OIG is focused on deterring, detecting, and neutralizing fraud and corruption involving high-priority USAID programs in South Sudan, Afghanistan, Pakistan, Iraq, the West Bank and Gaza, and Yemen. To demonstrate the priority it puts on them, OIG created an investigative and analytical team dedicated to countering fraud in these countries and their humanitarian operations, and a second team focused exclusively on Iraq and Syria.

4 UN Refugee Agency, 'Breaking Point' imminent: Government of Uganda, UNHCR say help for South Sudan refugee inflow urgently needed, Joint statement on behalf of the Government of Uganda and UNHCR, March 23, 2017, <http://www.unhcr.org/uk/news/press/2017/3/58d3abab4/breaking-point-imminent-government-uganda-unhcr-say-help-south-sudan-refugee.html>, accessed on August 21, 2017.

5 USAID, Press Release December 28, 2016, <https://www.usaid.gov/uganda/press-releases/us-mission-uganda-contributes-40-million-assist-refugees>, accessed on August 21, 2017.

6 USAID, "Horn of Africa – Complex Emergency," Fact Sheet #5, May 24, 2017, [https://www.usaid.gov/sites/default/files/documents/1866/hoa\\_ce\\_fs05\\_05-24-2017.pdf](https://www.usaid.gov/sites/default/files/documents/1866/hoa_ce_fs05_05-24-2017.pdf) pg. 1, accessed on August 21, 2017.



Besides playing a critical, long-running role in implementing programs for HIV/AIDS, tuberculosis, and malaria, USAID responds to public health emergencies of international concern and works to increase healthcare access and quality. OIG's audit and investigative priorities will converge on the global health supply chain. OIG will also focus on programs supported through the President's Malaria Initiative and the President's Emergency Plan for AIDS Relief (PEPFAR).

## Audit

### Ongoing Work

#### **USAID's Preparedness for Responding to International Public Health Emergencies**

To help USAID better prepare for and respond to international public health emergencies, this audit will evaluate the Agency's response to the Ebola outbreak and the other factors that influenced USAID's ability to respond. It will also evaluate whether USAID has established processes for effectively managing and coordinating responses to future international public health emergencies.

#### **USAID's Health Systems Strengthening Programs in Selected Missions**

This audit will examine whether selected USAID missions coordinated with other donors and host-country strategies in designing programs to strengthen health systems and whether the programs received the necessary resources, direction, and technical assistance.

#### **USAID's Response to the Zika Virus Outbreak in the Western Hemisphere**

This audit will examine the initial steps USAID took to respond to the Zika outbreak and prepare for expanded efforts in the Western Hemisphere.

#### **USAID/OFDA's Management of Medical Commodities, Ebola Treatment Units, and Community Care Centers Provided in Response to the Ebola Outbreak**

This audit will determine whether USAID/OFDA effectively assessed needs for Ebola treatment units, community care centers, and medical commodities to respond to the Ebola outbreak in Liberia, Guinea, and Sierra Leone. It will also determine if USAID/OFDA provided adequate oversight of what it funded as part of the response.

#### **Selected USAID/OFDA-Funded Training of Healthcare Workers in Ebola-Affected Countries**

The objective is to determine whether USAID/OFDA achieved its goal to train and prepare healthcare workers to prevent the spread of Ebola through proper healthcare practices. It will also assess the impact of USAID-funded training provided to healthcare providers on patient screening, hygiene, and waste management.

#### **USAID/ Ukraine's Efforts To Foster Country Ownership of HIV/AIDS Interventions**

This audit will assess the status of USAID/Ukraine's efforts to promote Ukraine country ownership for responding to HIV/AIDS and the mission's reporting on the efforts.

## **USAID/Cambodia’s HIV/AIDS Flagship Project**

The audit aims to assess whether the project is achieving its planned results and whether the results are sustainable.

## **Audit of USAID/Ethiopia’s Health Infrastructure Program**

The audit will determine whether USAID/Ethiopia’s construction and renovation of health centers are helping improve patient access to quality HIV-related public health and clinical services. It will also assess if USAID/Ethiopia addressed all recommendations from OIG’s 2014 audit on care and treatment.

## **Planned Work**

### **USAID Commodities and Supply Chain Management**

This audit will evaluate whether USAID missions effectively manage commodities and supply chains, mitigating risks of commodity spoilage, stockouts, overstocks, turnover, theft, and shrinkage. It will also determine if USAID mitigated risks in supply chain activities involving host-country governments.

## **Investigations**

### **Ongoing Work**

#### **Strengthening Global Health Supply Chains**

The Global Health Supply Chain - Procurement and Supply Management Project is a \$9.5 billion indefinite delivery, indefinite quantity contract awarded to Chemonics in January 2016.<sup>7</sup> Under the contract, Chemonics is responsible for making health commodities for HIV/AIDS, malaria, family planning, and maternal and child health readily available in more than 50 countries in a cost-effective manner, and for providing technical assistance in supply chain management.<sup>8</sup> In late 2016, OIG performed a review of the project, identifying potential vulnerabilities.<sup>9</sup> OIG plans to continue to closely monitor project activities and work with USAID and implementer staff to improve the project’s resilience to fraud, waste, and abuse.

### **Planned Work**

#### **Expansion of Fraud-Reporting Hotlines**

OIG’s Make a Difference campaign, aimed at providing actionable information about the theft, transport, resale, or counterfeiting of antimalarial commodities, has proven an effective tool for protecting the integrity of the President’s Malaria Initiative programs. During the first half of fiscal year 2017, this and other OIG initiatives led to 14 arrests in 3 countries related to the theft of medical commodities.<sup>10</sup> OIG plans to expand the campaign to additional countries in sub-Saharan Africa by launching hotlines and seeking to build strategic partnerships with local law enforcement in those countries.

7 “OIG Advisory Memorandums and Global Health Advisory on Internal Control Concerns,” June 7, 2017,” [https://oig.usaid.gov/sites/default/files/audit-reports/gh\\_advisory\\_memo\\_06072017.pdf](https://oig.usaid.gov/sites/default/files/audit-reports/gh_advisory_memo_06072017.pdf), accessed on August 21, 2017.

8 Chemonics, “Chemonics Launches New USAID Project to Provide Critical Health Products and Supplies,” <http://www.chemonics.com/OurStory/OurNews/Pages/Chemonics-Launches-New-USAID-Project-to-Provide-Critical-Health-Products-and-Supplies.aspx>, accessed on August 21, 2017.

9 “OIG Advisory Memorandums and Global Health Advisory on Internal Control Concerns,” June 7, 2017,” [https://oig.usaid.gov/sites/default/files/audit-reports/gh\\_advisory\\_memo\\_06072017.pdf](https://oig.usaid.gov/sites/default/files/audit-reports/gh_advisory_memo_06072017.pdf), accessed on August 21, 2017.

10 “Semiannual Report to Congress, October 1, 2016 – March 31, 2017,” [https://oig.usaid.gov/sites/default/files/other-reports/sarc\\_03312017.pdf](https://oig.usaid.gov/sites/default/files/other-reports/sarc_03312017.pdf) pg. 10, accessed on August 21, 2017.

# Building Capacity To Promote Sustainability

Building capacity is at the heart of sustained development. It allows institutions and individuals in developing countries to pursue and fund their own objectives. USAID embraces this idea through its Local Solutions initiative, including training, staffing assistance, education, and strengthening governance—which instills support for the rule of law so that host governments can resist attempts to roll it back. OIG’s work in this area will focus on the effectiveness of capacity building efforts.

## Audit

### *Ongoing Work*

#### **USAID’s Democracy, Human Rights, and Governance Programs**

OIG is looking at how USAID designs and implements these programs and how it measures their progress. The audit will also evaluate how USAID avoids the perception of interference in a country’s internal politics and its coordination with the U.S. Department of State. OIG is conducting this audit pursuant to a request from the Chairman of the Senate Foreign Relations Committee.

#### **USAID’s Local Solutions Initiative**

This worldwide audit will determine whether USAID is achieving its three initiative goals—strengthening local capacity, enhancing and promoting country ownership, and increasing sustainability—and implementing risk mitigation procedures for vetting and selecting government ministries, local nongovernmental organizations, and local for-profit firms to implement USAID-funded programs.

#### **Recruiting, Hiring, and Retaining Staff in Southern Africa**

This audit will examine whether select USAID operating units in Southern Africa recruited, hired, and retained qualified staff.

#### **USAID/Egypt’s Education Consortium for the Advancement of Science, Technology, and Mathematics Model Schools in Egypt Project**

This audit will determine if USAID/Egypt’s Education Consortium for the Advancement of Science, Technology, and Mathematics in Egypt Project is advancing targeted students’ studies in these fields and building the capacity of Ministry of Education staff, administrators, and teachers to replicate the model schools.

#### **MCC’s Georgia II Compact**

This audit will evaluate how MCC mitigated risks related to the Georgian government’s ability to rehabilitate schools.

### *Planned Work*

#### **MCC’s Implementation of the Threshold Program to Ensure Lasting Country Reforms**

This audit will determine whether investments in MCC’s Threshold Program resulted in lasting partner-country reforms and helped countries become compact eligible, as well as how MCC determines and measures the success of its investment in the program.

## **Local Capacity Building and Sustainability of Results**

This audit will analyze the effectiveness and efficiency of selected Asia Bureau missions' capacity-building activities at increasing the sustainability of project results, and how project design, activities, and monitoring and evaluation contribute to capacity building. It will also examine the challenges the missions encountered related to capacity-building activities, and how the challenges are being addressed.

## **USAID's Human Capital Management**

This audit will examine USAID's ability to hire and retain people with the right skill sets to carry out their responsibilities.

## **USAID/Haiti's Human Capital Challenges**

This audit will determine if USAID's Office of Human Capital and Talent Management (HCTM) and USAID/Haiti have met the human capital needs of the Haiti mission since the January 2010 earthquake, identified internal and external factors that affect the mission's ability to meet these needs, and made efforts to overcome them.

## **USAID/Nepal's Education Portfolio**

This audit will assess whether USAID/Nepal's education programs have contributed to improving the state of education in Nepal, including the state of education for marginalized groups. It will also examine how the mission allocates education resources, and ensures that education activities complement those in other sectors, such as health and democracy and governance.

# **Investigations**

## **Ongoing Work**

### **Opening of New West Bank and Gaza Office**

The West Bank and Gaza has become a growing priority for OIG oversight activities because of the more than \$760 million in infrastructure programs that USAID manages there.<sup>11</sup> In FY 2017, OIG began establishing an investigative team, consisting of two special agents, to staff a new office there. The office will enhance OIG's capacity to deter and detect fraud related to major infrastructure projects and the use of USAID funds to provide material support to designated terrorist organizations.

### **USAID Integrity Working Group (IWG)**

OIG established IWG to facilitate action and cooperation between USAID offices on lapses in employee integrity. Composed of five member offices—OIG, the Office of Human Capital and Talent Management, the Office of the General Counsel, the Office of Security, and the Office of the Chief Information Security Officer—IWG enhances accountability and continuity in the handling of employee case referrals. It convenes monthly meetings during which the deputy assistant inspector general for investigations updates the member offices on active investigations, and members discuss how to resolve outstanding cases.

11 "Audit of USAID/West Bank and Gaza Construction Programs" (8-294-16-001-P) , February 22, 2016, <https://oig.usaid.gov/sites/default/files/audit-reports/8-294-16-001-p.pdf>, accessed on August 21, 2017.

## **New Outreach Program**

OIG launched a new proactive outreach program (POP) in April 2017.<sup>12</sup> Through POP, investigators will work with implementers of high-priority USAID programs to improve implementers' resilience to fraud and enhance OIG's understanding of their program activities and related risks. OIG special agents and analysts will help implementer employees identify systemic weaknesses and vulnerabilities in each organization's internal controls and procurement, finance, staffing, and other processes. The engagements will provide opportunities for investigators to build relationships with implementer staff and provide information about actions they can take against fraud.

<sup>12</sup> "Semiannual Report to Congress, October 1, 2016 – March 31, 2017," [https://oig.usaid.gov/sites/default/files/other-reports/sarc\\_03312017.pdf](https://oig.usaid.gov/sites/default/files/other-reports/sarc_03312017.pdf) pg. 37, accessed on August 21, 2017.





# Advancing Economic Growth and Fostering Trade

USAID, MCC, and OPIC work to eliminate obstacles to trade and stimulate investment in developing countries with the belief that, as host governments trade more freely, their economies expand and they are better able to sustain gains in development. OIG's audit oversight focuses on the economy and efficiency of trade programming, and OIG investigations look at the management of funds for these complex, high-value activities.

## Audit

### *Ongoing Work*

#### **USAID/Haiti's Local Enterprise and Value Chain Enhancement Project**

This audit will determine if this project is facilitating more productive and inclusive value chains, which can contribute to broad-based economic growth and increased employment in Haiti.

#### **OPIC's Chile Energy Portfolio**

This audit will assess OPIC's effectiveness in supporting development and involving the U.S. private sector in Chile's energy sector. The audit will also determine how OPIC assessed and approved energy projects in Chile and what process it used to identify and mitigate selected risks in its portfolio.

### *Planned Work*

#### **Nigeria Expanded Trade and Transport Program (NEXTT)**

This audit will examine NEXTT's effectiveness at achieving policy reform, trade facilitation, and transport corridor improvements and its effect on agricultural productivity. It will also determine what factors the mission considers in deciding to extend the program's contract.

#### **USAID Trade Activities in Central Asia Region**

This audit will examine USAID's delivery of trade programs in Central Asia and compliance with applicable policies and guidelines.

#### **OPIC's Engagement of U.S. Partners**

This audit will look at how OPIC ensures compliance with its statutory and policy requirements to involve U.S. small businesses and ensure that investments do not harm the U.S. economy. It will also look at the extent to which OPIC benefits U.S. businesses.

#### **OPIC's Developmental Impact**

This audit will evaluate the impact OPIC-facilitated projects have had in developing countries and emerging economies after 5 years and the extent to which OPIC's projected impact correlates with actual impact. It will also examine how OPIC monitors its projects after they reach financial close.



# Developing Critical Local Infrastructure

Just as infrastructure has gained prominence as a U.S. domestic priority, USAID, OPIC, and MCC have made it a priority for developing countries, knowing that power, roads, and other public services can be transformative. OIG will conduct audits of infrastructure project design, monitoring, and sustainability, and will prioritize investigative efforts related to preventing, detecting, deterring, and neutralizing fraud and corruption in infrastructure projects.

## Audit

### Ongoing Work

#### **Sustainability of MCC Road Infrastructure Projects**

This audit will determine if MCC has sufficient policies, procedures, and guidance to meet sustainability goals for road infrastructure projects and whether MCC tracks and assesses activities to improve their sustainability.

#### **Select USAID Construction Activities**

This audit will determine what informs USAID decisions concerning its construction portfolio.

#### **Power Africa**

OIG is conducting an audit of four of the participating U.S. agencies—USAID, MCC, OPIC, and USADF—that OIG oversees to assess progress in meeting Power Africa initiative goals. The audit will also look at the coordination and transaction model, as well as challenges, constraints, and risks to Power Africa.

#### **USAID/Haiti's Pilot Project for Sustainable Electricity Distribution**

This audit will determine whether the project is helping the Government of Haiti modernize the electricity sector and expand the generation, transmission, and distribution of electricity in targeted areas.

#### **USAID/Pakistan's Gomal Zam Multipurpose Dam Project, Irrigation Component**

This follow-on audit to OIG's Audit of USAID/Pakistan's Gomal Zam Multipurpose Dam Project will determine if the irrigation component of the project is on track to meet the irrigation needs of local farmers

#### **USAID/Pakistan's Satpara Development Project**

This audit will determine if the Satpara Development Project activities are on schedule and if USAID-funded improvements are sustainable.

#### **USAID/Ukraine's Municipal Energy Reform Project**

This audit will determine if this project is reducing and mitigating greenhouse gas emissions as intended.

## **Planned Work**

### **USAID/Afghanistan’s Sustainability Strategy for the Power Transmission Expansion and Connectivity Project**

OIG will conduct an audit examining the planning of the Power Transmission Expansion and Connectivity Project and other similar projects in Afghanistan and USAID’s strategy for helping ensure a viable, long-term electric grid.

## **Investigations**

### **Ongoing Work**

#### **Fraud and Corruption Involving MCC Infrastructure Projects**

Infrastructure projects represent a significant portion of MCC’s portfolio, with roads and other transportation projects alone representing 27 percent of MCC’s cumulative funding as of June 2016.<sup>13</sup> Given their magnitude, OIG established an investigative and analytical team devoted exclusively to investigating allegations of fraud, waste, and abuse in MCC projects and will continue closely monitoring projects dealing with infrastructure.

#### **Fraud and Corruption in Energy Infrastructure Project in Afghanistan**

OIG is continuing to investigate allegations of collusion and contract steering related to two projects, totaling approximately \$55 million, funded by USAID to rehabilitate the Kajaki Dam in Afghanistan.

#### **Fraud Involving an Education Infrastructure Project in Afghanistan**

OIG is continuing its investigation into allegations of program fraud related to a \$45 million education infrastructure project funded by USAID for the American University of Afghanistan.<sup>14</sup>

<sup>13</sup> Curt Tarnoff, Congressional Research Service, “Millennium Challenge Corporation,” CRS Report RL32427, January 11, 2017, <https://fas.org/sgp/crs/row/RL32427.pdf> pg. 10, accessed on August 21, 2017.

<sup>14</sup> USAID, “American University of Afghanistan, August 2013 – July 2019,” Fact Sheet, <https://www.usaid.gov/sites/default/files/documents/1871/American%20University%20of%20Afghanistan%20%28AUA%29.pdf> pg. 1, accessed on August 21, 2017.

# Managing Risk and Securing Funds, Information, and Personnel

Performance, financial, and IT auditors seek to help the agencies under our jurisdiction manage risk of all kinds, but particularly risk stemming from uncertain security settings, a lack of transparency, and inadequate controls over computer systems.

Complementing the audit work, OIG investigators provide targeted briefings and materials on internal controls and fraud prevention. OIG will continue to carefully document and share with appropriate Agency personnel any systemic weaknesses identified through investigative activities. OIG will also encourage and support efforts to develop standardized processes for handling fraud and corruption complaints that we refer to the agencies.

## Audit

### Ongoing Work

#### **USAID's Award Management**

This audit will determine if implementers are delivering results as initially intended and what correlations exist between USAID's award management activities and award performance.

#### **World Vision Review of Incurred Costs**

Auditors will perform a review of selected incurred costs of World Vision to determine if they were reasonable, allocable, allowable, and supported.

#### **Selected Expenditures and Obligations for Ebola, Iraq and Syria Initiatives**

Our auditors are reviewing a sample of obligations and reported expenditures on the Ebola initiatives and assistance provided in response to the complex humanitarian crises in the Middle East.

#### **Audit of Selected Controls Over USAID's Mobile Devices and Personally Owned Devices**

OIG will conduct an audit of selected controls to prevent the loss of information when staff access USAID's Google Apps remotely with their own devices. The audit will seek to determine whether USAID implemented key internal controls to reduce the risk of that loss.

#### **Audit of Selected Application Controls Over USAID's Phoenix and GLAAS Systems**

We have contracted with an independent firm to do this audit. Conducted in support of OIG's audit of USAID's compliance with the Digital Accountability and Transparency Act of 2014, this audit will determine whether USAID implemented selected application controls in its Phoenix Financial Management System (Phoenix) and Global Acquisition and Assistance System (GLAAS) in accordance with standards and industry best practices.

#### **Followup on Recommendations From the Audit of USAID User Profiles for Applications**

The audit will determine if USAID implemented the six recommendations from a prior audit of USAID user profiles for applications hosted by the National Finance Center to address control deficiencies.

## **USAID’s Implementation of Key Internal Controls Over the General Ledger Posting Models in the Phoenix Accounting System**

The audit will determine whether USAID implemented key internal controls over general ledger posting models in Phoenix to mitigate the risk of unauthorized and undocumented changes.

## **Implementation of Logical Access Controls as Required by Homeland Security Presidential Directive 12**

The audit will determine whether USAID implemented logical access controls for its information system as required by “Homeland Security Presidential Directive (HSPD) 12: Policy for a Common Identification Standard for Federal Employees and Contractors.”

## **USAID and MCC’s Progress in Implementing the Requirements of the Federal Information Technology Acquisition Reform Act**

The audit will determine whether agencies established a framework for managing and overseeing their information technology as required by the Federal Information Technology Acquisition Reform Act (FITARA) of 2014. An independent public accounting firm is conducting the work.

## ***Planned Work***

### **Central America Regional Security Initiative (CARSI) Oversight**

This audit will examine whether USAID has developed a strategy to improve citizen security, whether missions in the region implemented programs or projects that advance CARSI’s key objectives, and whether USAID is ensuring that Central American Governments have taken congressionally mandated steps to sustain regional improvements in security.

### **USAID Counternarcotic Activities in Latin America**

Our audit will examine the extent of USAID’s support for counternarcotic activities in Central and South America and whether USAID has assessed and applied lessons from them. It will also determine if USAID has a strategy in place to implement and coordinate its counternarcotic activities in Latin America.

### **USAID/Pakistan’s Risk Management Process**

This audit will examine the effectiveness of the mission’s process for identifying and mitigating risks to its development programs.

## Non-Federal Audit Program

The non-Federal Audit Program includes audits conducted by independent public accounting (IPA) firms, supreme audit institutions (SAI), or the Defense Contract Audit Agency (DCAA) for which the OIG provides oversight. For U.S. recipients and IPAs, oversight is done by our External Financial Audits (EFA) division or our MCC division. For SAIs, overseas recipients, and IPAs, oversight is done by our regional inspectors general or the MCC division.

### Office of Management and Budget (OMB) Circular A-133 Audits

These are performed by IPAs hired by U.S.-based not-for-profit organizations to audit funds provided by USAID. The Code of Federal Regulations (2 CFR Part 200, which replaced OMB Circular A-133) requires these audits for not-for-profit organizations that expend \$750,000 or more of USAID's funds during a single fiscal year. Currently, OIG reviews and processes all reports for the USAID cognizant recipients.

### DCAA Audits

These are incurred-cost audits performed by DCAA almost exclusively of for-profit organizations funded by USAID. On request, DCAA also may conduct special audits such as contract terminations, closeouts, and accounting system reviews. These audits are paid for by USAID. Currently, OIG reviews and processes the reports and manages the payments and billings for these audits.

### Incurred-Cost Audits

These audits are performed by IPAs almost exclusively of for-profit organizations (EFA oversees). The firms are selected and paid by USAID. This category arose because of DCAA's inability to meet USAID's needs for incurred-cost audits of for-profit contractors. Currently, all incurred-cost audits are reviewed and processed by OIG.

### Agency Contracted Audits

These are incurred-cost audits of U.S. and foreign not-for-profit and for-profit organizations that receive USAID funds. They are performed by U.S.-based and foreign IPAs selected and paid by USAID. The audits are requested primarily at the Agency's discretion. Reasons for performing an Agency-contracted audit may include concern with the accountability of the recipient and may support current OIG investigations. OIG reviews the draft reports and workpapers to varying degrees, depending on the risk and nature of the audited program or recipient.

### Recipient-Contracted Audits

These are incurred-cost audits of foreign, not-for-profit organizations' fund accountability statements. They are for non-U.S. recipients that expend \$750,000 or more of USAID funds within a single fiscal year. The auditors are selected and paid by the recipient. OIG currently reviews 100 percent of the auditors' reports to determine if they were performed in accordance with generally accepted government audit standards. A similar program was implemented at MCC. There is no external requirement for OIG to review these audits.



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### **Quality Control Reviews**

These are reviews of an IPA's or SAI's workpapers in support of a report issued by that firm on behalf of USAID, MCC, or their recipients or contractors. The objective is to ensure that the scope of the nonfederal auditor's examination was sufficient. We also want to make certain that any material errors, deficiencies, or irregularities detected were properly reported. This kind of review also should confirm that the nonfederal auditor complied with professional standards and applicable guidelines governing the audit and that the work performed supports the report.

## Appendix: Mandatory Audit Products

The following table describes products that OIG is required to conduct on a regular or repeating basis to meet statutory requirements.

Mandatory Audit Products			
Audit Name	Description	Authority	Agency Covered
<i>Financial Audits</i>			
Financial Statement Audits	Requires OIG to perform an independent audit of the annual financial statements for the agencies under its jurisdiction. OIG must render an opinion on whether the financial statements are presented fairly in all material aspects, report on internal control, and report on compliance with laws, regulations, contracts, and grant agreements pertaining to the statements. Except for USAID, OIG outsources this requirement but maintains an oversight and management role.	GMRA OMB Bulletin 15-02 Sec 7 Accountability of Tax Dollars Act of 2002 (ATDA)	USAID, MCC, USADF, IAF
Closing Package Financial Statements	The GMRA requires the Secretary of the Treasury, in coordination with the Director of the OMB, to annually prepare and submit to the President and the Congress an audited financial statement for the preceding fiscal year for the executive branch of the United States Government, namely the Consolidated Financial Statements (CFS).  The Department of the Treasury's Fiscal Service prepares the CFS using financial data received from the closing package submitted via Governmentwide Financial Report System (GFRS) by the significant entities.	OMB Bulletin 15-02 Sec 13	USAID, MCC
Digital Accountability and Transparency Act Compliance	Requires OIG to review implementation of the act by its respective agencies and issue three reports in 2-year intervals.	Digital Accountability and Transparency Act of 2014 (DATA Act)	USAID, MCC

## Mandatory Audit Products

Audit Name	Description	Authority	Agency Covered
Monitoring and Reporting on the Improper Payments Elimination and Recovery Act	Requires OIG to determine if agencies under its jurisdiction are complying with IPERA and submit a report each fiscal year to the head of the agency, the Committee on Homeland Security and Governmental Affairs, the Committee on Oversight and Governmental Reform, and the Comptroller General.	Improper Payments and Recovery Act of 2010 (IPERA), as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)	USAID, MCC USADF, IAF
Assessment of (Agency) Management of Purchase and Travel Cards	Requires OIG to conduct a risk assessment of agency purchase cards, travel cards, fleet cards, and convenience checks. It also requires OIG to submit a status report on purchase and travel card audit recommendations to the Director of OMB 120 days after the end of each fiscal year.  OIG must also conduct periodic audits or reviews of travel programs of those of its agencies with more than \$10 million in travel card spending.	Government Charge Card Abuse Prevention Act of 2012	USAID, MCC, USADF, IAF, OPIC
Adherence to the Grants Oversight and New Efficiency Act	Requires OIG to report to Congress on the numbers of grants, challenges leading to delays in grant closeout, and reasons why the 30 oldest Federal grants have not been closed out. For all agencies with more than \$500 million in annual grant funding, OIG must conduct a risk assessment to determine whether an audit of the agency's grant closeout process is warranted. We will determine when to do risk assessments after the agencies we oversee issue their initial reports, which may not start until FY 2018. OIG plans to contract out these audits.	Grants Oversight and New Efficiency (GONE) Act of 2016	USAID, MCC

## Mandatory Audit Products

Audit Name	Description	Authority	Agency Covered
Review of the Accounting and Authentication of the FY 2016 Drug Control Funds and Related Performance Report	Requires USAID to submit its report to the Office of National Drug Control Policy. OIG reviews the information in USAID's submission and provides an attestation report that USAID includes in its submission.	21 U.S.C. 1704, Office of National Drug Control Policy Circular, "Accounting of Drug Control and Performance Summary," dated January 18, 2013	USAID
<i>Information Technology Audits</i>			
Compliance With the Federal Information Security Modernization Act (FISMA)	Requires OIG to perform an annual evaluation of its agencies' information security programs. OIG contracts out these audits.	Federal Information Security Management Act of 2002, amended by the Federal Information Security Modernization Act of 2014	USAID, MCC, USADF, IAF, OPIC



# COMMON ABBREVIATIONS

DCAA	Defense Contract Audit Agency
FY	fiscal year
HIV/AIDS	human immunodeficiency virus, acquired immunodeficiency syndrome
IAF	Inter-American Foundation
ISIS	Islamic State of Iraq and Syria
MCC	Millennium Challenge Corporation
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
PEPFAR	President's Emergency Plan for AIDs Relief
PMI	President's Malaria Initiative
SAI	supreme audit institution
USADF	U.S. African Development Foundation
USAID	U.S. Agency for International Development



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