



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

USAID Has Gaps in Planning, Risk Mitigation, and Monitoring of Its Humanitarian Assistance in Africa's Lake Chad Region

AUDIT REPORT 4-000-21-001-P
OCTOBER 15, 2020

1300 Pennsylvania Avenue NW • Washington, DC 20523
<https://oig.usaid.gov> • 202-712-1150

The Office of Inspector General provides independent oversight that promotes the efficiency, effectiveness, and integrity of foreign assistance provided through the entities under OIG's jurisdiction: the U.S. Agency for International Development, Millennium Challenge Corporation, U.S. African Development Foundation, and Inter-American Foundation.

Report waste, fraud, and abuse

USAID OIG Hotline

Email: ig.hotline@usaid.gov

Complaint form: <https://oig.usaid.gov/complainant-select>

Phone: 202-712-1023 or 800-230-6539

Mail: USAID OIG Hotline, P.O. Box 657, Washington, DC 20044-0657



MEMORANDUM

DATE: October 15, 2020

TO: USAID Bureau for Humanitarian Assistance, Assistant to the Administrator, Trey Hicks

FROM: USAID OIG Africa Regional Office, Audit Director, Robert Mason /s/

SUBJECT: USAID Has Gaps in Planning, Risk Mitigation, and Monitoring of Its Humanitarian Assistance in Africa's Lake Chad Region (4-000-21-001-P)

This memorandum transmits the final report on our audit of USAID's oversight of its Lake Chad crisis response. Our audit objectives were to (1) assess USAID's planning to determine the need for a third-party monitor to oversee its humanitarian assistance activities in the Lake Chad region, (2) determine the extent to which USAID adopted and verified that measures to prevent the diversion of aid to terrorists are being followed in the Lake Chad region, and (3) determine the extent to which USAID monitored noncompetitive procurements in the Lake Chad region to assess and mitigate the associated risks. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in appendix B.

The report contains four recommendations to improve the Bureau for Humanitarian Assistance's monitoring and oversight of humanitarian assistance awards. After reviewing information you provided in response to the draft report, we consider recommendations 1, 2, and 3 resolved but open pending completion of planned actions and recommendation 4 open and unresolved. Please work with us to resolve recommendation 4 by providing a revised management decision within 30 days, copying the Audit Performance and Compliance Division.

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.

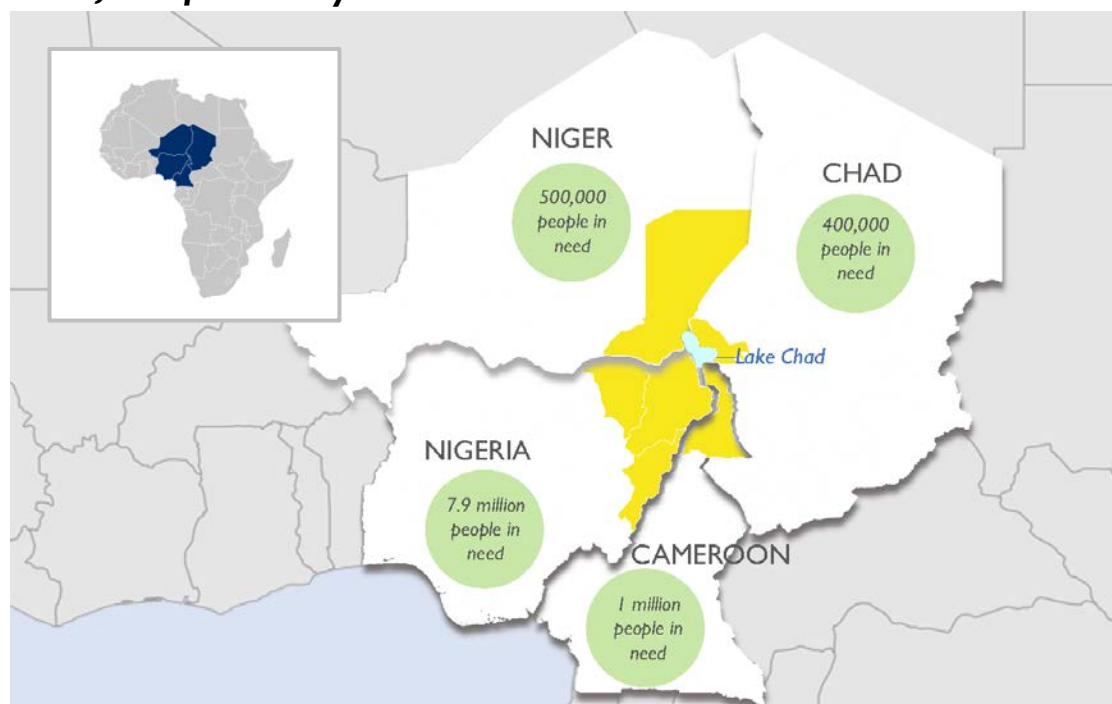
CONTENTS

INTRODUCTION.....	1
SUMMARY.....	2
BACKGROUND.....	4
USAID’S EXECUTION OF A THIRD-PARTY MONITORING CONTRACT WAS HINDERED BY THE LACK OF A FORMAL PLANNING PROCESS.....	7
USAID ADOPTED MEASURES TO PREVENT AID FROM BEING DIVERTED TO TERRORISTS BUT DID NOT ALWAYS VERIFY THAT IMPLEMENTERS FOLLOWED UP ON BENEFICIARIES’ USE OF COMMODITIES TO MITIGATE RISKS.....	9
USAID Established Requirements and Implemented a Due Diligence Process for Certain Activities To Prevent the Diversion of Aid to Terrorists.....	10
USAID Had Limited Involvement in Verifying That Implementers Followed Up on Beneficiaries’ Use of Commodities To Mitigate Associated Risks, Including Diversion to Terrorists.....	11
USAID DID NOT SYSTEMATICALLY MONITOR IMPLEMENTERS’ USE OF NONCOMPETITIVE PROCUREMENTS AND LACKED A POLICY FOR MONITORING THEM	13
CONCLUSION.....	16
RECOMMENDATIONS.....	16
OIG RESPONSE TO AGENCY COMMENTS.....	17
APPENDIX A. SCOPE AND METHODOLOGY.....	18
APPENDIX B. AGENCY COMMENTS.....	22
APPENDIX C. MAJOR CONTRIBUTORS TO THIS REPORT.....	29

INTRODUCTION

Insurgencies led by the terrorist group Boko Haram have fed a long-running humanitarian crisis in the Lake Chad region of central-west Africa. Boko Haram is one of the world's deadliest terrorist organizations, and the U.S. Government designated the group as a Foreign Terrorist Organization in 2013. The crisis broadened in 2014 as Boko Haram began launching attacks from Nigeria into Cameroon, Chad, and Niger. Regional offenses in early 2015 liberated a number of areas in Nigeria formerly controlled by Boko Haram. However, the international community's initial response to the humanitarian crisis was slow, stymied by several factors including simultaneous crises elsewhere in Africa and the Middle East that strained the global humanitarian system; ongoing clashes between insurgents and security forces; and the Government of Nigeria's initial reluctance to accept international assistance. As of February 2020, the United Nations (U.N.) estimated that in the Lake Chad region, an area slightly larger than California, there were 9.8 million people in need of humanitarian assistance, including 4.1 million who were expected to face food insecurity and close to 2.7 million who had fled their homes due to the effects of terrorist attacks. The yellow shaded areas in figure 1 indicate areas affected by the crisis.

Figure 1. Map of Areas Affected by the Lake Chad Humanitarian Crisis, as of February 2020



The boundaries and names used on this map do not imply official endorsement or acceptance by the U.S. Government.

Sources: U.N. Office for the Coordination of Humanitarian Affairs' "Lake Chad Basin Humanitarian Snapshot," February 24, 2020, and USAID's "Lake Chad Basin – Complex Emergency," Fact Sheet #2, fiscal year 2020.

USAID had 141 awards in the region that were active at some point during fiscal years 2015 through 2017, valued at over \$1.1 billion. These awards addressed the humanitarian crisis and contributed to the broader U.S. Government efforts to counter terrorism in Africa. However, the large amounts of aid given in response to humanitarian crises like Lake Chad create opportunities for fraud and diversion of U.S.-funded commodities to terrorists. This is especially true in insecure and unstable environments where short-term responses often evolve into a protracted presence. In such settings, access restrictions often constrain USAID's ability to directly observe program activities, and third-party monitors can be used as an alternative method of monitoring activities. Third-party monitoring, which is the practice of contracting with a third party to collect and verify information, is used in insecure environments where an organization's own staff face access restrictions. Additionally, to quickly purchase critical goods and services, implementers working in emergency situations such as the Lake Chad crisis can use noncompetitive procurements, which have been associated with fraud schemes involving humanitarian assistance in other conflict zones. Instances of fraud and diversion in similar environments in which USAID provides assistance, such as Syria and Iraq, highlight the importance of robust oversight to address heightened risks in the Lake Chad region.

The USAID Office of Inspector General (OIG) conducted this audit to (1) assess USAID's planning to determine the need for a third-party monitor to oversee its humanitarian assistance activities in the Lake Chad region, (2) determine the extent to which USAID adopted and verified that measures to prevent the diversion of aid to terrorists are being followed in the Lake Chad region, and (3) determine the extent to which USAID monitored noncompetitive procurements in the Lake Chad region to assess and mitigate the associated risks.

To conduct our work, we reviewed 16 of 141 awards, valued at \$395.4 million (36 percent of \$1.1 billion), from four judgmentally selected implementers who had active awards in the Lake Chad region at some point during fiscal years 2015-2017. We reviewed USAID and U.S. Government guidance, policies, and other documents pertaining to the Agency's oversight of humanitarian assistance activities in the Lake Chad region. We conducted work in South Africa, Senegal, Nigeria, and Washington, DC, and interviewed staff and officials from USAID, the State Department, implementers, U.N. agencies, and other foreign humanitarian donors. We conducted our work in accordance with generally accepted government auditing standards. Appendix A provides more detail on our scope and methodology.

SUMMARY

To address access restrictions and insecurity that limited their ability to directly observe program activities in the Lake Chad region, USAID's Office of U.S. Foreign Disaster Assistance (OFDA) and Office of Food for Peace (FFP) decided to pursue a third-party monitoring contract to augment their programmatic monitoring and oversight. However, the execution of a third-party monitoring contract was hindered by the lack of a formal planning process. Specifically, OFDA and FFP lacked criteria that would

trigger a joint assessment by which USAID could evaluate, early in its response, whether a third-party monitor was needed in the Lake Chad region, whether the contract should cover all four affected countries, and when the contract needed to be in place. Additionally, OFDA and FFP did not have a formal process for assigning responsibility for planning and procuring the third-party monitoring contract to staff with the necessary authority. Ultimately, it was not until April 2019—4 years after the need was first identified—that OFDA and FFP awarded a third-party monitoring contract that covered only Nigeria.

To prevent the diversion of aid to terrorists, USAID established requirements and implemented a due diligence process for activities with certain risks identified in the award proposals. Our analysis of 16 awards in the Lake Chad region found that the due diligence process was implemented as designed, and implementers adopted various risk mitigation measures for beneficiary selection, safeguarding commodities, and distribution and use of commodities, which were three key risk categories we identified. One risk mitigation measure taken by implementers was to follow up on the distribution and use of USAID-funded commodities. However, USAID had limited involvement in verifying that implementers took these actions because it did not require implementers to provide post-distribution monitoring (PDM) reports to USAID for its review. While OFDA and FFP relied on other implementer deliverables, such as quarterly and semiannual reports, to obtain this information, reviewing PDM reports would allow these offices to verify that commodities are reaching, and being used by, the intended beneficiaries. Reviewing these reports would also help identify and correct any misuse of program funds and reveal potential aid diversions to terrorists in a timelier manner. By not reviewing PDM reports, OFDA and FFP could miss out on critical, timely information regarding the implementation of USAID-funded activities.

While Federal regulations underscore the preference for full and open competition, in emergencies like the Lake Chad crisis, the regulations allow implementers to use noncompetitive procurements to avoid delays that could result from a competitive solicitation. While permitted in certain cases, noncompetitive procurements have been associated with fraud schemes involving humanitarian assistance in other conflict zones and are inherently riskier than competitive procurements because the solicitation process is less stringent. OFDA and FFP officials confirmed that implementers could use noncompetitive procurements in the Lake Chad region but did not require implementers to inform the offices when any noncompetitive procurements were used. As a result, OFDA and FFP did not know whether or how often noncompetitive procurements were used in the region, and this lack of information hindered OFDA's and FFP's ability to provide oversight of implementers' procurement activities. This issue is not unique to the Lake Chad crisis. Without a policy requiring periodic monitoring of noncompetitive procurements in humanitarian assistance operations, OFDA and FFP do not have the necessary data to know who is using noncompetitive procurements, how often, for what items, and how much money has been spent under them.

To help strengthen USAID's oversight of its response to the Lake Chad crisis, we are making four recommendations to USAID's Bureau for Humanitarian Assistance (BHA),

the new USAID bureau in which the functions previously performed by OFDA and FFP now reside.¹

BACKGROUND

Lake Chad Humanitarian Crisis and U.S. Government Response

Boko Haram began as an isolated Islamic sect in Nigeria in the early 2000s. After the death of its leader in 2009, Boko Haram launched a campaign of intimidation and violence in northeast Nigeria. Following escalating violence in 2013, the Government of Nigeria declared a state of emergency in the three northeastern states of Adamawa, Borno, and Yobe that were most affected. In 2014, Boko Haram launched attacks into neighboring Cameroon, Chad, and Niger, broadening the crisis. By 2015, Boko Haram controlled roughly 20,000 square miles of northeast Nigeria and had killed approximately 15,000 people. In March 2015, Boko Haram leadership pledged allegiance to the Islamic State and renamed itself as the Islamic State's West Africa Province (ISIS-WA). The group split into two factions the following year—Boko Haram and ISIS-WA—and plagued the region with terrorist attacks, suicide bombings, and kidnappings continuing into 2020.² As of February 2020, 9.8 million people in the region were in need, with the majority, 7.9 million, in northeast Nigeria; 1 million in northern Cameroon; 500,000 in southeast Niger; and 400,000 in western Chad.

The growth of Boko Haram and other terrorist groups in west and central Africa stoked fears that a convergence of such groups could create a significant regional menace and threaten the stability of Nigeria, a major oil producer with the largest economy and population in Africa. In 2015, the U.S. Government began pursuing a multifaceted regional strategy to counter Boko Haram. As counter-insurgency operations started to drive Boko Haram out of northeast Nigeria, the Government of Nigeria requested international humanitarian assistance. In response, U.S. Government humanitarian assistance to Nigeria jumped from roughly \$17 million in June 2015 to over \$94 million by September. In November 2016, the growing humanitarian crisis prompted USAID to activate a Disaster Assistance Response Team (DART) to lead the U.S. Government's response, which consisted of USAID officials from OFDA and FFP.³ By the end of the year, five U.N. agencies had declared the crisis a Level 3 emergency,

¹ In February 2020, USAID established the Bureau for Humanitarian Assistance which consolidated and merged the offices of OFDA and FFP. Prior to this change, and during the scope of the audit, OFDA and FFP resided as separate offices in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA).

² Boko Haram and ISIS-WA were designated by the U.S. Government as Foreign Terrorist Organizations in 2013 and 2018, respectively.

³ When the scope or size of a disaster requires it, OFDA will send a DART to a crisis-affected area. The team is composed of humanitarian experts and technical advisors who are placed on the ground to provide a firsthand assessment of the situation, identify the most urgent needs, and coordinate the U.S. Government response to the crisis. When a DART is stood up, a Response Management Team is activated in Washington, DC, to provide operational support and leadership.

and the Government of Nigeria allowed the U.N. to establish humanitarian hubs in Borno State in northeast Nigeria to assist with relief efforts.⁴

USAID continued to ramp up its response and ultimately made awards active at some point during fiscal years 2015-2017 valued at \$1.1 billion in the Lake Chad region. This region comprises Cameroon's Far North Region, Chad's Lac Region, Niger's Diffa Region, and three states in northeast Nigeria—Adamawa, Borno, and Yobe. The funding provided cash and food vouchers to internally displaced persons and vulnerable host community members; emergency supplies such as hygiene kits, bedding, and kitchen sets; and shelters, sanitation facilities, and clean water to camps and conflict-affected people.⁵



Left: A registered beneficiary receiving a cash distribution from a USAID implementer in Maiduguri, the capital of Borno state in Nigeria. Right: Inventory of an onsite vendor available if beneficiaries want to use the cash to purchase goods. Photos: OIG (March 5, 2018)

USAID Monitoring in the Lake Chad Region

To oversee its awards in the Lake Chad region, USAID's strategy was to utilize several monitoring tools. These included meeting monthly with implementers to strengthen

⁴ U.N. agencies either individually or as an organization activate a Level 3 emergency in the most severe and large-scale humanitarian crises that require a high level of mobilization.

⁵ According to the U.N. Guiding Principles on Internal Displacement (1998), internally displaced persons are "persons or groups of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence, in particular as a result of or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or human-made disasters, and who have not crossed an internationally recognized State border."

relationships and discuss technical guidance; reviewing implementer reports to track progress and monitor compliance; working with other donors, government counterparts, nongovernmental organizations (NGOs), public international organizations (PIOs), and other organizations to coordinate activities and triangulate information; and conducting site visits to review activities in person and monitor activity outputs and outcomes. However, USAID's ability to conduct site visits was constrained by the State Department's implementation of security restrictions in the four affected countries due to the ongoing threat of violence and insurgency. These restrictions significantly limited USAID's ability to directly observe program activities. For example, USAID's ability to travel in northeast Nigeria was limited to once or twice a month and sometimes only once a quarter to Maiduguri, the capital of Borno State, when conditions permitted. Security personnel were also present during site visits to camps for internally displaced persons in northeast Nigeria and limited the ability of USAID employees to interact with beneficiaries. Additionally, planned site visits to Chad, Niger, and Nigeria were canceled due to insecurity and the threat of violence.

The Nigeria DART Response Strategy, first drafted in December 2016, listed site visits as a key component of its program monitoring action plan. However, access restrictions and insecurity in the Lake Chad region limited OFDA's and FFP's ability to directly observe program activities and made monitoring and oversight challenging. The need for a third-party monitor first became apparent to OFDA and FFP after trips to Niger and Nigeria in early 2015, with staff reporting that monitoring program activities was challenging and that a third-party monitor might be needed. A third-party monitor provides access to independent data on the progress of programs and allows USAID to make real-time programmatic adjustments to improve the quality of assistance. The development of a joint OFDA-FFP third-party monitoring contract was also part of the Nigeria DART Response Strategy as it would help ensure the continuity and sustainability of USAID's humanitarian work.

During fiscal years 2015-2017, USAID also had a smaller presence in Cameroon, Chad, and Niger.⁶ USAID did not have missions in these countries, and the management of humanitarian programs was handled by regional offices—which meant that limited in-country staff were available to conduct site visits. For example, over a 3-year period (fiscal years 2015-2017), FFP staff visited Chad three times to conduct site visits, while OFDA staff traveled there once.

⁶ In late 2019 Congress approved USAID's request to upgrade Cameroon to a USAID office and its office in Niger to a full USAID mission.

USAID'S EXECUTION OF A THIRD-PARTY MONITORING CONTRACT WAS HINDERED BY THE LACK OF A FORMAL PLANNING PROCESS

According to USAID policy and guidelines, OFDA and FFP are responsible for providing administrative and programmatic oversight of their assistance awards.⁷ Conducting site visits, where staff can directly observe program activities, is an important part of this oversight as it allows for a more effective review of a project.⁸ OFDA and FFP have used third-party monitors in settings where site visits are not feasible, such as Iraq, Somalia, Syria, and Yemen, and other international actors such as the United Nations and the United Kingdom's Department for International Development have used third-party monitors as part of their monitoring and oversight efforts.

OFDA and FFP officials first identified the need for a third-party monitor for the Lake Chad region in 2015, to ensure oversight of the continuity and sustainability of USAID's humanitarian work. However, a third-party monitoring contract was not awarded for the region until April 2019—nearly 4 years later.

The main reason for the delay in executing a third-party monitoring contract was that OFDA and FFP did not have an established planning process regarding the initiation of third-party monitoring mechanisms. Specifically, OFDA and FFP lacked:

- Criteria that would trigger a joint assessment, early in their response, of whether a third-party monitor was needed in the Lake Chad region, whether there was a need for the contract to cover all four affected countries, and when the contract should be awarded in order to address the limitations in OFDA's and FFP's oversight and monitoring.
- A formal process that would have established timelines for issuing the contract and assigned the work to staff who had the authority to plan and procure the contract.

Without a trigger for a joint assessment early in the response, OFDA's and FFP's initial efforts to procure a third-party monitor were uncoordinated. The determination to use a third-party monitor was left to the discretion of the OFDA and FFP Lake Chad teams. As a result, OFDA and FFP started the process to procure a third-party monitor separately and at different times. FFP officials said that they started working on a third-party monitoring contract in April 2016. OFDA officials said they began working on their own contract in March 2017, even though the December 2016 Nigeria DART Response Strategy included mention of developing a joint OFDA and FFP third-party monitoring contract. OFDA and FFP officials said that FFP initiated its process earlier because that office was already scaling up its work in Nigeria due to reported severe malnutrition levels, while OFDA did not scale up its efforts until the DART was

⁷ USAID's Automated Directives System (ADS) 303, "Grants and Cooperative Agreements to Non-Governmental Organizations."

⁸ ADS 303, "Grants and Cooperative Agreements to Non-Governmental Organizations," and USAID's Performance Monitoring and Evaluation TIPS, "Using Direct Observation Techniques," Number 4, 2011.

established in late 2016. OFDA and FFP officials stated that the need for a third-party monitor was assessed through iterative conversations between staff but did not provide substantiating documentation to OIG.

FFP officials said they stopped working on their third-party monitoring contract in August 2017 and shifted their efforts to pursue a joint third-party monitoring contract with OFDA. At this time, OFDA and FFP officials in USAID headquarters discussed expanding the scope of the contract from Nigeria, where it was originally planned, to the Lake Chad region—something several DART and technical staff told us they thought would be beneficial. However, OFDA’s and FFP’s discussions focused on the logistical challenges of extending the third-party monitoring contract’s coverage, rather than determining the need for the additional oversight mechanism in the region. For example, OFDA and FFP staff and officials stated that expanding the scope to Cameroon, Chad, and Niger would cause additional significant delays, as the potential increase in cost would have required a review by the Contract Review Board.⁹ Furthermore, OFDA and FFP had not done a regional third-party monitoring contract before and were unwilling to pilot one. Both offices stated that implementing a regional contract would have strained their staff resources. Consequently, OFDA and FFP decided to exclude Cameroon, Chad, and Niger, which collectively were the site of over \$275 million, or 25 percent, of USAID awards active at some point during fiscal years 2015-2017 in the Lake Chad region.¹⁰

Since OFDA and FFP also lacked a formal process to assign responsibility for planning and procuring the contract to staff with the necessary authority, both offices had challenges related to competing priorities and insufficient staff resources. Sixteen employees we interviewed—including DART staff, technical staff in the field and at headquarters, agreement officer’s representatives who handle DCHA awards, and USAID officials from OFDA, FFP, and the Office of Acquisition and Assistance (OAA)—cited several examples of challenges that precluded a contract from being issued expeditiously.¹¹ For example:

- OFDA and FFP did not have access to contract specialists, nor did they have staff dedicated to work on procuring a third-party monitoring contract. Instead, the work was assigned to staff on the OFDA and FFP Lake Chad teams who worked on the process to award the contract in addition to their regularly assigned duties and responsibilities. These staff were also more familiar with assistance awards than contracts, which have a different award process.
- While OFDA and FFP staff were responsible for the administrative planning for the contract, all OFDA and FFP contracts go through several document reviews and

⁹ According to ADS 302, “Direct Contracting,” the Contract Review Board “is responsible for reviewing solicitations and award documents exceeding \$25 million for acquisitions.”

¹⁰ The \$275 million does not include six Lake Chad regional awards made by FFP and the USAID/West Africa mission which covered all four countries and totaled \$238 million during the period.

¹¹ OAA oversees the procurement function of USAID. OAA consists of four contract divisions that provide operational support and professional advisory relating to developing and managing various procurement instruments. The DCHA division is one of these, and it provided acquisition and assistance services for offices in that bureau.

clearances with DCHA's OAA division, a process OFDA and FFP staff found time-consuming and challenging.

- According to OFDA and FFP, OAA usually limits OFDA's contract procurements to three or four per fiscal year, and priorities shifted based on humanitarian assistance needs, such as OFDA's and FFP's awards in Syria—a longstanding and high-profile humanitarian crisis.
- During fiscal years 2015-2017, there were multiple, simultaneous USAID DARTs and Response Management Teams in other parts of the world. This meant OFDA and FFP had to prioritize tasks and allocation of limited resources. Some staff working on the Lake Chad response were transitioned to support other responses, like the Ebola outbreak that began in 2014.

Ultimately, it was not until April 2019—4 years after the need was first identified and after USAID significantly increased its funding to the Lake Chad region in response to the humanitarian crisis—that OFDA and FFP awarded a third-party monitoring contract that covered only Nigeria. The results and information from the third-party monitor's site visits were expected to start in September 2019.¹²

With a defined and formal planning process, OFDA and FFP may have been able to avoid the issues that delayed their procurement of a third-party monitoring contract in response to the Lake Chad crisis. A joint assessment, at the start of OFDA's and FFP's response, would have better positioned the offices to undertake a more cohesive planning process that included assessing the need for a third-party monitor across the region, establishing timelines for issuing the contract, and assigning the work to staff who had the authority to plan and procure the contract in coordination with OFDA, FFP, and OAA.

USAID ADOPTED MEASURES TO PREVENT AID FROM BEING DIVERTED TO TERRORISTS BUT DID NOT ALWAYS VERIFY THAT IMPLEMENTERS FOLLOWED UP ON BENEFICIARIES' USE OF COMMODITIES TO MITIGATE RISKS

To prevent the diversion of aid to terrorists, USAID established requirements and implemented a due diligence process for activities with certain risks identified in the award proposals. One risk mitigation measure taken by USAID implementers operating in the Lake Chad region was to follow up on the distribution and use of USAID-funded commodities. However, USAID had limited involvement in verifying that implementers took these actions because it did not require implementers to provide post-distribution monitoring reports to USAID for its review.

¹² Our audit work did not include confirming that USAID began receiving the monthly monitoring summary reports in September 2019.

USAID Established Requirements and Implemented a Due Diligence Process for Certain Activities To Prevent the Diversion of Aid to Terrorists

On September 23, 2001, the U.S. President issued Executive Order 13224, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism. This Executive order requires that all U.S. Government agencies take appropriate measures to carry out the order's objectives, which includes combating the financing of terrorism.¹³ To implement the Executive order, USAID incorporated a provision on preventing terrorist financing into the list of standard provisions for all Agency awards. This provision states that a recipient of USAID funds cannot engage in transactions with or provide resources to people and organizations associated with terrorism.

In December 2016, as USAID's programming in the Lake Chad region began to move into areas previously controlled by Boko Haram, OFDA and FFP began the process of conducting additional due diligence for U.S.-funded activities in the region. This due diligence process allowed OFDA and FFP to assess each implementer's proposed award activities based on the perceived risk of aid being diverted due to the presence of terrorists. Where such risks appeared to be heightened, the due diligence process required implementers to analyze the risks associated with the proposed award and develop risk mitigation measures to prevent diversion. Based on our analysis, we grouped the risk areas into three key categories that were potential entry points for terrorists to access USAID-funded assistance: beneficiary selection, safeguarding commodities, and distribution and use of commodities.

We judgmentally selected a sample of 16 of 141 awards valued at \$395.4 million (36 percent of \$1.1 billion), based on: (1) total estimated cost, (2) number of USAID funding offices, (3) breadth of representation across the four affected countries, and (4) type of implementer. We examined the 16 awards to test OFDA's and FFP's compliance with the requirement for implementers to develop risk mitigation measures designed to prevent diversion and found that the due diligence process was implemented as designed. For the three key risk categories, implementers adopted various risk mitigation measures, as described in table 1 below.

Table 1. Examples of Risk Mitigation Measures Proposed by Selected Implementers To Prevent Aid Diversion to Terrorists

Key Risk Category	Potential Risk	Examples of Implementers' Risk Mitigation Measures^a
Beneficiary Selection	Current or former members of Boko Haram or ISIS-WA could be among the identified beneficiary group.	Working only in liberated areas; ^b screening and vetting by military and police authorities; screening and

¹³ The Executive order is not limited to the named groups and individuals in the order, but includes additional individuals and entities as designated by the U.S. Government. These individuals and entities include those who provided assistance to or are associated with terrorist groups.

Key Risk Category	Potential Risk	Examples of Implementers' Risk Mitigation Measures ^a
		validation by implementers; involvement of community leaders and members.
Safeguarding Commodities	Theft, looting, or hijacking of commodities during transporting and warehousing.	Utilizing armed escorts for transportation or transporting commodities by flight; limiting the quantity of rations; using only warehouses in capital cities, in secure locations; using warehouse hubs managed by NGOs.
Distribution and Use of Commodities	Current or former members of Boko Haram or ISIS-WA could be given commodities.	Verifying the list of beneficiaries before distribution; using beneficiary ID cards registered through biometric fingerprinting; completing post-distribution monitoring; using third-party monitors.

^a The examples provided are meant to be illustrative only.

^b Liberated areas refer to those that have been secured by the Nigerian military or members of the Multinational Joint Task Force and are free of Boko Haram.

Source: OIG analysis of key risk mitigation areas identified by implementers.

To further ensure that terrorists did not benefit from U.S. Government assistance, in May 2017, OFDA and FFP introduced a new provision to be included in all their awards in the Lake Chad region. This provision required that implementers get written approval from the award's agreement officer before assistance could be given to former affiliates or members of Boko Haram or ISIS-WA who may have been kidnapped and held captive for more than 6 months. USAID acknowledged that in the Lake Chad region some beneficiaries could be former affiliates and this provision would allow USAID to conduct additional risk assessments and evaluations.

In our sample of 16 awards, we reviewed the 7 awards issued after the Boko Haram special provision was adopted. We determined that the provision was included as required.

USAID Had Limited Involvement in Verifying That Implementers Followed Up on Beneficiaries' Use of Commodities To Mitigate Associated Risks, Including Diversion to Terrorists

Federal internal control standards state that managers may design internal controls, including verifications, that address risks.¹⁴ For one of the three key risk categories we identified, we determined that USAID did not adequately verify that implementers executed the associated risk mitigation measures. Specifically, USAID had limited involvement in verifying that implementers followed up on the distribution and use of commodities.

¹⁴ U.S. Government Accountability Office (GAO), "Standards for Internal Control in the Federal Government" (GAO-14-704G), September 2014, Principle 10, "Design Control Activities."

With two known terrorist groups in the Lake Chad region, OFDA and FFP wanted to mitigate the risk that USAID-funded commodities could end up in the hands of terrorists after they were distributed to USAID beneficiaries. To address this risk, OFDA and FFP implementers identified post-distribution monitoring (PDM) as the mitigation measure that would allow implementers to assess if assistance was diverted. PDM is widely used by implementers to collect and understand beneficiaries' feedback on the sufficiency, utilization, effectiveness, and quality of the assistance provided, to inform their programming decisions. Because PDM also collects information on the end users of commodities, OFDA and FFP officials concluded that PDM was one of the appropriate mitigation measures to reduce the risk of aid being diverted or ending up in the hands of terrorists.

Typically, implementers conduct PDM shortly after distribution of commodities. Once PDM has been conducted, an implementer compiles a PDM report. In the Lake Chad region, these PDM reports contained detailed findings and recommendations and provided insight on beneficiaries' experiences, such as their ability to access distribution sites, their interaction with staff at distribution points, and if they shared or sold the commodities. These reports are especially critical in the Lake Chad region where there are known terrorist groups and access restrictions limited USAID's ability to conduct site visits as frequently as desired.

In the PDM reports, implementers included information gathered through PDM visits and surveys. In our review of seven PDM reports with distributions occurring between fiscal years 2015 and 2017, five reports identified instances of beneficiaries not using their commodities as intended.¹⁵ For example, one of the PDM reports we reviewed reported that 48 percent of surveyed beneficiaries sold and/or gave away items to people in need. In another PDM report, 73 percent of those surveyed gave away items to a friend or neighbor who was in need. Some beneficiaries reported that they had shared some of the commodities received from USAID with "others" who might not be OFDA and FFP beneficiaries such as family members, neighbors, and other people in need—unintended beneficiaries who may not have been screened and verified. Some of the beneficiaries confirmed that they also sold USAID-funded commodities to purchase other items that they needed.

OFDA and FFP did not maximize the use of PDM reports. Though PDM reports contain valuable information on the end users of USAID distributed commodities, OFDA and FFP did not require implementers in the Lake Chad region to provide PDM reports to them. Instead, OFDA and FFP officials said they relied on other implementer products such as quarterly and semiannual reports, which they stated usually included information from the PDM reports. FFP officials also stated they relied on implementers to carry out PDM as agreed during the due diligence process because of the established working relationship between FFP and its implementers. OFDA and FFP noted that Federal

¹⁵ Of the 16 sampled awards, we determined that 10 had a distribution element. Of these 10 awards, 9 noted that PDM would be conducted. Implementers did not define or establish the frequency of PDM, and it was not clear if PDM was conducted after each distribution. We requested the PDM reports for those nine awards, for distributions that occurred between fiscal years 2015 and 2017. We received seven reports for three awards from OFDA and FFP.

regulations specify the frequency of program performance reports as no less frequent than annually and no more frequent than quarterly. However, the regulations allow for more frequent reporting when necessary for the effective monitoring of a program, or when it could significantly affect a program's outcome.¹⁶ Furthermore, by their very definition, PDM reports are monitoring reports, not performance reports. USAID award language and standard provisions specify what must be included in a performance report, which includes data on program metrics, reasons why established goals were not met, success stories if available, and other information. PDM reports, on the other hand, collect beneficiaries' feedback such as their satisfaction with the assistance, how they used the assistance, and if they were threatened before, during, or after a transaction. Requesting implementers to submit PDM reports immediately after completion should not pose an undue burden on implementers, OFDA, or FFP, especially when measured against the value of additional information to protect commodities funded by U.S. taxpayers.

Reviewing PDM reports would allow OFDA and FFP to take any necessary corrective actions in a timelier manner than waiting on quarterly and semiannual reports. By not reviewing PDM reports, OFDA and FFP could miss out on critical, timely information regarding the implementation of USAID-funded activities. For example, an October 2016 PDM report for an FFP-funded activity noted that 48 percent of beneficiaries surveyed sold or gave away USAID-funded items to a family member, friend, or someone else, or sold the items they did not need to purchase other items their family needed. However, FFP would not have knowledge of these issues until January 31, 2017, when the corresponding quarterly report was due to be submitted. Timely reviews of PDM reports could help OFDA and FFP verify that commodities are reaching and being used by the intended beneficiaries, and not being diverted to terrorists.

USAID DID NOT SYSTEMATICALLY MONITOR IMPLEMENTERS' USE OF NONCOMPETITIVE PROCUREMENTS AND LACKED A POLICY FOR MONITORING THEM

Federal internal control standards stress the importance of ongoing monitoring to help managers prevent, detect, and respond to potential fraud.¹⁷ Leading practices compiled by GAO suggest that managers should employ a risk-based approach to monitoring based on internal and external factors as well as emerging fraud risks.¹⁸ This is especially important in high-risk environments like the Lake Chad region, where terrorist groups operate and USAID has limited staff overseeing its operations. However, a USAID official said the Agency did not monitor, on an ongoing basis, implementers' use of

¹⁶ Title 2 of the Code of Federal Regulations (CFR), Part 200, Section 328(b)(1).

¹⁷ GAO's "Standards for Internal Control in the Federal Government" (GAO-14-704G), September 2014, Monitoring, Principle 16, "Perform Monitoring Activities," and "A Framework for Managing Fraud Risks in Federal Programs" (GAO-15-593SP), July 2015.

¹⁸ GAO's "A Framework for Managing Fraud Risks in Federal Programs" (GAO-15-593SP), July 2015.

noncompetitive procurements—an activity associated with fraud schemes involving humanitarian assistance in other conflict zones.

Federal procurement regulations and USAID policy are designed to help ensure that a recipient of U.S. Government funding uses it to advance the purpose of the award and that the funds are spent wisely.¹⁹ Most procurements are done by competitive proposals, which includes publicizing the proposals, obtaining proposals from an adequate number of qualified vendors, conducting a technical evaluation, reviewing proposals against established criteria, justifying vendor selection, and ensuring vendors have not been identified as excluded parties from bidding. In addition, recipients are required to ensure their procurement policies and processes comply with Federal requirements. However, there are instances where procurements are allowed through noncompetitive proposals. In emergencies like the Lake Chad crisis, Federal regulations allow implementers to use noncompetitive procurements, in lieu of competition, to avoid any delay that could result from a competitive solicitation.

Although this audit neither identified the use of noncompetitive procurements nor was informed of specific instances of fraud associated with their use in the Lake Chad region, use of noncompetitive procurements has been associated with fraud in similar operating environments. In Syria, for example, OIG investigators identified a number of noncompetitive proposal practices that provided avenues for fraud schemes perpetrated by implementer staff and vendors.²⁰ These included implementers telling only certain known vendors about proposals; using preferred vendor lists which were not independently reviewed and where the existence of vendors was not verified; and not having strong technical panels for large awards. Some schemes resulted in multiple contracts worth over \$1 million each being awarded to a single person.

To evaluate risk and assess an implementer's capacity to implement activities, USAID conducts a pre-award assessment for new, first-time implementers.²¹ This assessment includes reviewing an implementer's accounting and operational controls, logistics plan, procurement policies and procedures, and procurement system. However, USAID does not re-evaluate the assessment when subsequent awards are made to implementers that received positive initial assessments. Instead, USAID relies on financial audit reports, history of performance, and implementers' internal policies and procedures to ensure

¹⁹ 2 CFR 200.318, "General Procurement Standards;" ADS 303, "Grants and Cooperative Agreements to Non-Governmental Organizations;" and "Standard Provisions for Cost-Type Awards for Public International Organizations (PIOs)," mandatory reference for ADS 308.

²⁰ "Fraud Investigations Expose Weaknesses in Syria Humanitarian Aid Programs," Statement of Ann Calvaresi Barr, USAID Inspector General, Before the Subcommittee on Middle East and North Africa, House Committee on Foreign Affairs, July 2016. OIG's "Oversight in Challenging Environments: Lessons for the Syria Response," November 2017.

²¹ For pre-award assessments, PIOs are subject to different USAID policies than NGOs and their pre-award assessment is not necessarily done by the awarding USAID operational unit (e.g., OFDA or FFP). However, USAID's pre-award assessment of a PIO includes reviewing the organization's policies and procedures, including those related to procurement.

compliance with Federal procurement regulations, including the regulations on using noncompetitive procurements.

Implementers working in the Lake Chad region are not required to inform OFDA and FFP of their use of any noncompetitive procurement. Therefore, OFDA and FFP may not be aware of a situation in which an implementer might be using the same vendor for multiple years without undergoing the competitive procurement process—creating a heightened potential for fraud and abuse. Requiring this information to be reported to USAID would provide OFDA and FFP with information useful to their oversight of implementers' activities.

OFDA and FFP officials confirmed that implementers could use noncompetitive procurements in the Lake Chad region. However, they did not know if noncompetitive procurements were used and did not have current information on their use. OFDA did not know if their implementers planned to use noncompetitive procurements, as implementers were not required to disclose that information in their proposal. In contrast, FFP's guidelines were structured such that implementers were required to submit a detailed budget along with a procurement plan in their proposal. While this provided some relevant information, it did not go beyond an implementer's planned use of noncompetitive procurements. According to OFDA and FFP officials, once an award is made, implementers are not required to inform the offices when they use noncompetitive procurements. An OFDA official stated that the office's monitoring process did not include obtaining and verifying data on implementers' use of noncompetitive procurements. FFP officials said that implementers were not required to inform FFP how often they were making noncompetitive procurements or if their use extended beyond situations identified in their proposal.

While this audit focused on the monitoring of noncompetitive procurements in the Lake Chad region, our work identified policy gaps that affect USAID's ability to monitor their use in all of USAID's humanitarian assistance activities.²² Without a policy requiring periodic monitoring of noncompetitive procurements, OFDA and FFP do not have the necessary data to know who is using noncompetitive procurements, how often, for what items, and how much money has been spent under them. Such information would help USAID assess any associated fraud risks and develop plans for mitigating them.²³

²² Pursuant to the recommendations in the OIG audit report "Insufficient Oversight of Public International Organizations Puts U.S. Foreign Assistance Programs at Risk" (8-000-18-0003-P), September 25, 2018, USAID has since revised ADS 308, "Awards to Public International Organizations," to enhance USAID oversight rights and establish requirements for fraud reporting.

²³ In 2018, OFDA updated its proposal guidelines. The updated guidelines stated that OFDA recognized that certain operating environments, like the Lake Chad region, present a heightened risk of fraud, waste, abuse, and diversion due to the presence of terrorist groups and the limited ability of OFDA to directly monitor program implementation. The guidelines also stated that OFDA would review its portfolio at least annually to determine whether the operating conditions make it necessary for implementers to provide additional information on their risk mitigation strategies and programmatic safeguards. The updated guidelines, however, did not explicitly extend to implementers' use of noncompetitive procurements.

CONCLUSION

The oversight of awards in insecure and unstable environments like the Lake Chad region has been a longstanding challenge for the Agency. These environments require robust oversight to address the heightened risks of fraud and diversion of aid to terrorists, yet their very insecurity and instability make oversight challenging. USAID has taken steps to improve controls and measures designed to mitigate known risks and better ensure its critical aid is reaching intended beneficiaries. However, gaps remain related to formal assessment and planning for third-party monitoring, verifying that implementers' risk mitigation measures are in place and operating effectively, and systematically monitoring noncompetitive procurements that have been susceptible to fraud in other humanitarian crises that USAID has worked in. By further strengthening its planning and oversight in these areas, the Agency will be well positioned to improve the timeliness and impact of humanitarian assistance in the Lake Chad region and thwart any bad actors seeking to exploit vulnerabilities. Doing so may also better position USAID to provide effective oversight in other ongoing or emerging crises.

RECOMMENDATIONS

We recommend that the USAID Bureau for Humanitarian Assistance:

1. Establish criteria that trigger a joint assessment by the Bureau for Humanitarian Assistance and any other relevant USAID offices, at the start of an Agency response to a humanitarian crisis, to determine whether a third-party monitor is necessary. This assessment should include determining a timeline for issuing the contract and assignment of responsibility to the appropriate employee(s) with the authority to plan and procure third-party monitoring contracts.
2. Conduct a comprehensive and documented assessment to determine whether a third-party monitor is necessary to oversee current USAID-funded activities in Cameroon, Chad, and Niger related to the Lake Chad crisis.
3. For humanitarian assistance awards in the Lake Chad region, update documented policies to (1) require implementers that prepare post-distribution monitoring reports to submit them when completed to the agreement officer's representative and (2) require the awarding USAID office to review the reports and take any appropriate corrective action.
4. For all humanitarian assistance awards under the Bureau for Humanitarian Assistance's control in high-risk environments, update documented guidelines to require periodic monitoring of noncompetitive procurements by non-public international organization implementers that include collecting information on the nature and extent of their use to help identify, assess, and mitigate fraud risks.

OIG RESPONSE TO AGENCY COMMENTS

We provided our draft report to USAID on August 24, 2020, and received its response on September 24, 2020, which is included as appendix B. The report included four recommendations, and we acknowledge management decisions on all of them. We consider recommendations 1, 2, and 3 resolved but open, pending completion of planned actions, and recommendation 4 open and unresolved for the following reason.

USAID disagreed with recommendation 4, stating that OIG's concerns regarding noncompetitive procurements were not limited to BHA's programming and requesting OIG to redirect the recommendation to the Acting Administrator. However, we disagree with USAID's management decision on recommendation 4 because the scope of this audit was BHA's humanitarian activities in the Lake Chad region, and redirecting the recommendation to the Acting Administrator implies that the recommendation has broader applicability, which is not our intent. Therefore, after subsequent discussions with BHA officials, we adjusted recommendation 4 language slightly to clarify that recommendation 4 applies only to awards under BHA control in high-risk environments.

APPENDIX A. SCOPE AND METHODOLOGY

We conducted our work from October 2017 through August 2020 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.

We conducted this audit to (1) assess USAID's planning to determine the need for a third-party monitor to oversee its humanitarian assistance activities in the Lake Chad region, (2) determine the extent to which USAID adopted and verified that measures to prevent the diversion of aid to terrorists are being followed in the Lake Chad region, and (3) determine the extent to which USAID monitored noncompetitive procurements in the Lake Chad region to assess and mitigate the associated risks.

The audit scope was limited to USAID awards active at any point during fiscal years 2015–2017 (October 1, 2014, to September 30, 2017). We selected this period because the U.S. Government's and USAID's response to the crisis scaled up during this timeframe. During fiscal year 2015, the U.S. Government increased humanitarian funding fivefold to Nigeria, and USAID started publishing regular fact sheets on the crisis. In November 2016, USAID stood up a DART in Nigeria. We determined that reviewing awards that were active at any point during fiscal years 2015–2017 would allow us to assess USAID's oversight of awards that had been ongoing for at least 1 year. We reviewed additional information after this period as necessary to determine the extent to which observations were still valid.

We requested and received from USAID a list of all awards with activities conducted in the Lake Chad region for this period. We determined that there were 141 assistance awards active at some point during fiscal years 2015–2017, valued at \$1.1 billion, in the Lake Chad region. These awards were made by USAID's OFDA, FFP, and Office of Transition Initiatives (OTI); USAID/West Africa Regional Mission; USAID/Nigeria Mission; and USAID's Sahel Regional Office, as shown in table 2 below.

Table 2. Assistance Awards in the Lake Chad Region, Active At Some Point During Fiscal Years 2015-2017, by USAID Office

USAID Office	Award Count	Total Estimated Costs (in millions)	Percentage of Total Dollars
FFP	34	\$474.7	43
OTI	5	\$231.9	21
OFDA	88	\$214.8	19
USAID/West Africa	4	\$89.3	8
USAID/Nigeria	7	\$71.4	6
USAID/Sahel Regional Office	3	\$31.5	3
Total	141	\$1.11 billion	100

Source: OIG analysis of USAID awards.

To address the audit objectives, we first reviewed USAID information on the Lake Chad humanitarian crisis and interviewed USAID and State Department officials to obtain an understanding of the response. We identified, reviewed, and analyzed key USAID strategy and policy documents such as the Nigeria DART Response Strategy, USAID/West Africa Regional Development Cooperation Strategy (2015-2020), OFDA proposal guidelines, and FFP annual program statements (relevant for fiscal years 2015–2017). We reviewed Executive Order 13224 as well as Federal procurement regulations. We also reviewed relevant past reports from USAID OIG and GAO. For the list of awards received from USAID, we verified data by tracing budget amounts to computer-processed data contained in Phoenix, the Agency’s financial management system, and award documents. Based on this test, we determined the data were sufficiently reliable to use for sample selection.

To conduct audit procedures, we judgmentally selected a sample of 4 out of 42 implementers from the list of USAID awards based on: (1) total estimated cost, (2) number of USAID funding offices, (3) breadth of representation across the four affected countries, and (4) type of implementer. We then reviewed 16 of the sampled implementers’ awards, valued at \$395.4 million, as depicted in table 3 below. The results from this sample cannot be used to make inferences about the population. However, we determined that our method for selecting these 16 awards was appropriate for our audit objectives and that this selection would generate valid, reliable evidence to support our findings and conclusions.

Table 3. Sampled Awards by Implementer

Selected Implementer	Total Estimated Costs (in millions)	Funding Offices	Number of awards	Countries of implementation
Action Against Hunger – NGO	\$46.8	FFP	2	Nigeria
Catholic Relief Services – NGO	\$21.5	FFP, USAID/Nigeria	2	Nigeria
International Rescue Committee – NGO	\$18.4	FFP, OFDA	6	Nigeria, Niger, Chad, Cameroon
World Food Programme – PIO	\$308.7	FFP, OFDA, USAID/Nigeria	6	Nigeria, Niger, Chad, Cameroon
Total	\$395.4		16	

Source: OIG analysis of USAID awards.

The team conducted audit procedures in Pretoria, South Africa, and site visits to Dakar, Senegal; Abuja, Nigeria; and Washington, DC, where we interviewed staff and officials from USAID, the State Department, implementers, U.N. agencies, and other foreign humanitarian donors.

To answer the first objective, we reviewed OFDA and FFP guidance on programmatic monitoring and oversight to determine what actions those offices have taken to oversee humanitarian assistance activities in the Lake Chad region. We interviewed various

USAID and State Department staff and officials to identify challenges with conducting site visits in the region. We interviewed State Department regional security officers and examined travel policies for all four affected countries to confirm the existence of restrictions on accessing certain areas in the Lake Chad region. In addition, we interviewed key staff from the DART, the corresponding Response Management Team, and OAA to identify alternative monitoring methods and obtain information on the process and timeline to establish a third-party monitoring contract. We also met with staff from other foreign humanitarian donors, specifically the United Kingdom's Department for International Development and the European Union's European Civil Protection and Humanitarian Aid Operations, to learn about their oversight methods and travel capabilities in the Lake Chad region. Audit techniques were limited due to security concerns and travel restrictions, and the audit team determined that it was not feasible to make comprehensive site visits to observe activities in the region. However, one auditor accompanied USAID staff to northeast Nigeria to observe USAID's oversight of implemented activities and interactions with beneficiaries. We did not assess whether USAID's implementation of activities was successful.

To answer the second objective, we reviewed U.S. Government regulations and USAID's provision on preventing terrorist financing. We also analyzed OFDA's and FFP's due diligence process to review implementers' risk assessment and mitigation measures in the Lake Chad region to comply with the preventing terrorist financing provision. To further enhance our understanding of the process, we met with OFDA's and FFP's general counsel.

We conducted a detailed analysis of OFDA's and FFP's due diligence process, which required implementers to analyze risks associated with the proposed award and develop risk mitigation measures to address those risks prior to receiving funding. We then narrowed and refined the risk areas the two offices used to evaluate the due diligence process, which resulted in three categories that we used to analyze the due diligence process: (1) beneficiary selection, (2) safeguarding commodities, and (3) distribution and use of commodities.

We interviewed OFDA and FFP staff and officials to determine the process they followed to verify that the implementers' risk mitigation measures were carried out as intended. We requested, from OFDA and FFP, PDM reports for the four implementers of selected awards, for distributions that occurred during fiscal years 2015–2017. We received and reviewed seven reports, five of which identified incidences of aid being sold and/or given away to other people who might be unintended beneficiaries of USAID commodities.²⁴ The results from these reports cannot be used to make inferences about all PDM reports. However, we determined that our method for selecting these PDM reports was appropriate for our audit objectives and that the selection would generate valid, reliable evidence to support our findings and conclusions. The team relied on documentary evidence for this technique, as security restrictions limited direct

²⁴ The other two PDM reports were for a cash transfer and food voucher distributions. In these cases, the PDM survey conducted by the implementer sought to determine what the cash was used for but did not inquire who the end users of the items purchased were, i.e., who benefited from the items purchased with USAID funds.

observation of distributions. In addressing the second audit objective, our audit techniques were limited to interviews and review and analysis of USAID documents, policies, and processes; we did not seek to determine whether aid had been diverted to terrorists.

To answer the third objective, we met with USAID OIG investigators to obtain an understanding of risks associated with using noncompetitive procurements for humanitarian assistance in insecure and unstable environments such as the Lake Chad region. We reviewed a previously issued USAID OIG investigative report on procurement fraud, waste, and abuse in insecure countries; USAID pre-award assessment guidelines; and OFDA and FFP policies and proposal guidelines related to monitoring implementers' use of noncompetitive procurements. Informed by our review of these materials, we interviewed staff from OFDA's Award, Audit, and Risk Management Team to better understand the procurement process, and interviewed OFDA and FFP agreement officer's representatives to understand implementers' use of noncompetitive procurements and agreement officer's representative involvement in the process. In addressing the third objective, our audit techniques were limited to interviews and review and analysis of USAID processes and policies, and we did not seek to determine whether fraud related to noncompetitive procurements occurred in the Lake Chad region.

We assessed controls that were significant in the context of our audit objectives, including OFDA's and FFP's due diligence process to prevent the diversion of aid to terrorists. We also reviewed USAID fiscal year 2017 evaluations of internal controls required by the Federal Managers' Financial Integrity Act of 1982 from DCHA, the USAID/Nigeria Mission, and the USAID/West Africa Regional Mission.

We did not rely on computer-processed data to determine audit findings, results, or conclusions. Instead, we relied largely on testimonial and documentary evidence from USAID staff and officials to support our findings, results, and conclusions. We performed tests and traced information from award files received to data in Phoenix, USAID's financial management system. Because OIG separately reviews related internal controls as part of the mandated audits of the Agency's consolidated fiscal year-end financial statements, we determined the data to be reliable for our purposes.

APPENDIX B. AGENCY COMMENTS



MEMORANDUM

TO: USAID OIG Africa Regional Office, Audit Director, Robert Mason

FROM: USAID Bureau for Humanitarian Assistance, Assistant to the Administrator, Trey Hicks /s/

DATE: September 23, 2020

SUBJECT: Management Comments to Respond to the Draft Audit Report Produced by the Office of the Inspector General titled, “USAID Has Gaps in Planning, Risk Mitigation, and Monitoring of Its Humanitarian Assistance in Africa’s Lake Chad Region” (Task No. 44100117, Report No. 4-000-20-00X-P)

The U.S. Agency for International Development (USAID) would like to thank the Office of the Inspector General (OIG) for the opportunity to provide comments on Draft Report No. 4-000-20-00X-P. USAID agrees with Recommendations One, Two, and Three in the draft report, and requests the redirection of Recommendation Four. USAID herein provides plans for implementing these recommendations and our justification for disagreement, and reports on significant progress already made.

USAID notes with pride that, over the course of a two-and-a-half-year audit of post-distribution monitoring (PDM) reports filed by our implementing partners in the Lake Chad Basin and the procurements they undertook, the OIG did not find or provide any evidence to indicate that fraud was occurring in programs funded by the components that now make up our Bureau for Humanitarian Assistance (BHA). In addition, the OIG did not present any evidence that our partners were failing in their responsibility to report waste, fraud, and abuse to the Agency and the OIG. This is a testament to BHA’s existing internal-control measures, including pre-award risk-assessments, strengthened application requirements, and revised standards for logistics and procurement.

USAID recognizes the importance of ensuring that we monitor our humanitarian-assistance programs appropriately, including in situations in which security restrictions prohibit our staff from conducting site visits. In line with the OIG's recommendations, BHA plans to develop new guidance on the use of third-party-monitoring (TPM) contracts for humanitarian assistance. This guidance will cover assessing the need for TPM; identifying appropriate monitoring strategies that will include (but not be limited to) TPM; and, if needed, developing a timeline and planning to procure a TPM contract. As the OIG suggests in Recommendation Two of Draft Report No. 4-000-20-00X-P, BHA will pilot the new guidance for activities in the Republics of Cameroon, Chad, and Niger related to the ongoing crisis in the Lake Chad Basin.

USAID appreciates the work of the OIG's auditing team and the opportunity to improve our internal controls and risk-management systems to ensure BHA is appropriately safeguarding U.S. taxpayer dollars and reaching beneficiaries with needed humanitarian assistance. Given the significant staff time and resources required to implement the new processes recommended by the OIG, it is critical that BHA balance these considerations against an accurate assessment of the risks posed to the Agency when contemplating the establishment of new internal-control measures. Accordingly, USAID provides further responses below to the OIG's recommendations regarding PDM reports and monitoring non-competitive procurements.

**COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
(USAID) ON THE DRAFT REPORT RELEASED BY THE USAID OFFICE OF
THE INSPECTOR GENERAL TITLED, “USAID HAS GAPS IN PLANNING,
RISK MITIGATION, AND MONITORING OF ITS HUMANITARIAN
ASSISTANCE IN AFRICA’S LAKE CHAD REGION” (4-000-20-00X-P)**

Please find below the management comments from the U.S. Agency for International Development (USAID) on Draft Report No. 4-000-20-00X-P produced by the Office of the USAID Inspector General (OIG), which contains four recommendations:

Recommendation 1: Establish criteria that trigger a joint assessment by the Bureau for Humanitarian Assistance (BHA) and any other relevant USAID offices, at the start of an Agency response to a humanitarian crisis, to determine whether a third-party monitor is necessary. This assessment should include determining a timeline for issuing the contract and assignment of responsibility to the appropriate employee(s) with the authority to plan and procure third-party monitoring contracts.

- **Management Comments:** USAID agrees with the OIG’s recommendation.

BHA will develop assessment criteria and guidance for use by our program staff to determine whether third-party monitoring (TPM) is necessary and appropriate for a response to a humanitarian crisis. As the successor operating unit to both the Offices of Food for Peace (FFP) and U.S. Foreign Disaster Assistance (OFDA), BHA will draw from existing documents [Tabs 1 and 2] to develop new, standardized guidance for use across BHA to determine the appropriateness of TPM as one of several tools for monitoring the performance of awards made during a given response. The guidance will include roles and responsibilities for the Division of Acquisition and Assistance in BHA’s Office of Humanitarian Business and Management Operations and the Division of Design, Monitoring, Evaluation, and Applied Learning in BHA’s Office of Technical and Program Quality. The document will advise our program staff on how to ensure the involvement of a Contracting/Agreement Officer with the authority to plan and procure TPM mechanisms and how to determine a timeline for issuing a contract.

The decision to pursue TPM should involve the following factors: the specific requirements for humanitarian assistance in a given situation; the anticipated timeframes for the humanitarian response; the specific nature and extent of risks in the operating environment; other methods of monitoring, including remote monitoring, that are available for the response; the complexity of the activity/project; the viability of TPM mechanisms in the country concerned; the staffing footprint needed to procure and manage a TPM contract; the timeline for procurement; and implementing partners’ capacities to implement and monitor humanitarian-assistance activities.

- **Target Completion Date:** June 24, 2021.

Recommendation 2: Conduct a comprehensive and documented assessment to determine whether a third-party monitor is necessary to oversee current USAID-funded activities in Cameroon, Chad, and Niger related to the Lake Chad crisis.

- **Management Comments:** USAID agrees with the OIG's recommendation.

Upon completion of the guidance mentioned in the response to Recommendation 1 above, BHA will conduct a pilot assessment to determine whether TPM is necessary and appropriate to monitor USAID-funded assistance activities in the Republics of Cameroon, Chad, and Niger related to the ongoing crisis in the Lake Chad Basin. BHA will provide documentation of the assessment to the OIG upon completion.

As the OIG noted in the draft report, FFP and OFDA conducted an assessment in 2017 and decided not to pursue a regional or country-specific TPM contract for Cameroon, Chad and Niger. OFDA's Africa Division and Senior Management Team decided to focus their resources on TPM in the Federal Republic of Nigeria, given that the humanitarian response there was significantly larger than that in the other countries. Managing either multiple TPM contracts or one TPM for multiple countries within a single contract would have required significantly more staff, which would have outstripped OFDA and FFP's management capacity at that time, given competing humanitarian priorities. In the absence of a regional TPM contract, FFP and OFDA teams used additional management tools for monitoring awards in Cameroon, Chad, and Niger.

- **Target Completion Date:** April 30, 2021.

Recommendation 3: For humanitarian assistance awards in the Lake Chad region, update documented policies to (1) require implementers that prepare post-distribution monitoring reports to submit them when completed to the agreement officer's representative; and, (2) require the awarding USAID office to review the reports and take any appropriate corrective action.

- **Management Comments:** USAID agrees with the OIG's recommendation, although proposes to implement it with the modifications described below.

BHA acknowledges the importance of post-distribution monitoring (PDM) and already uses it as an important tool for managing awards and tracking the performance of our partners.

Based on the OIG's recommendation, BHA will take the following steps to strengthen our oversight of PDM. First, BHA's emergency awards will require implementing partners to conduct PDM surveys as a method of data-collection to report on the required indicators for specific activities that involve the distribution of food, non-food items, in-kind assistance, cash, or vouchers. Second, BHA will

require our implementers to include PDM as a section in their semi-annual, annual, and final reports, which Agreement Officer's Representatives (AORs) will review. Finally, BHA will develop a systematic testing process to sample selected PDM reports produced by our partners that are implementing humanitarian awards in the Lake Chad Basin.

The first two new requirements will build on the programmatic reporting requirements in FFP's Annual Program Statement (APS) for Fiscal Year 2020 [Tab 3]. For activities that conduct PDM, BHA will require the following components in applicants' plans for monitoring and evaluation (M&E): indicators to collect; survey design (if the activity will use a survey); sampling design, including defined sampling frame; sample-size calculation; sample selection; and data-analysis plan. PDM often tracks the uptake of household food or non-food assistance; the timeliness of the assistance; participants' perception about gender and protection considerations; safety and security; access to, and the effectiveness of, participant feedback loops; and other factors associated with the transfer of the assistance. The applicants will propose the timing, frequency, and content of PDM, depending on the design of the activity.

USAID tracks the adherence of our implementing partners to the terms of their awards from BHA by requiring them to report regularly on beneficiary data; mandatory-indicator data; and programmatic progress, results, and constraints; We also mandate that our partners report on any developments that might have a significant impact on programmatic activities, including instances of waste, fraud, abuse, and loss; and problems, delays, and adverse conditions that impair their ability to meet an award's objectives. In addition to these more formal reports, BHA's AORs and Activity Managers meet frequently with our implementing partners in the Lake Chad Basin to discuss programmatic reporting, including PDM, other required indicator data, the findings of monitoring visits, implementation challenges, and overall performance issues, to identify ways to improve the effectiveness of our awards.

As the OIG points out, PDM can lead to the identification of waste, fraud, abuse, and the diversion of resources to terrorist entities; however, that is not the primary purpose of the technique. USAID already requires all our award recipients and their sub-recipients to report any fraud in our programs as soon as possible, including any fraud discovered through PDM. BHA's awards to non-governmental organizations include USAID's mandatory standard provisions that require implementers and sub-recipients to "disclose, in a timely manner, in writing to the USAID OIG, with a copy to the cognizant Agreement Officer, all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award." BHA's awards also include a mandatory standard provision that prevents transactions with, or the provision of resources or support to, sanctioned groups and individuals [Tabs 4 and 5].

To mitigate any unintended consequences of USAID's humanitarian assistance in

the Lake Chad Basin, BHA will develop a systematic testing process to review a random sampling of PDM reports created by our partners that are implementing humanitarian awards in the region. The new testing process will enable BHA staff to compare a sample of PDM reports with other types of reporting submitted by the same partner in the same timeframe, including informal reports and mandatory reporting in line with the award requirements listed above, to identify programmatic issues not otherwise reported to the Bureau.

- **Target Completion Date:** June 30, 2021

Recommendation 4: For all humanitarian assistance awards, develop and implement policies and procedures requiring periodic monitoring of noncompetitive procurements by non-PIO implementers that include collecting information on the nature and extent of their use to help identify, assess, and mitigate fraud risks.

- **Management Comments:** USAID disagrees that the OIG’s recommendation is the responsibility of BHA alone, and requests that the final report redirect this recommendation to the Agency as a whole.

BHA stresses that it follows the Agency’s pre-award risk-management processes, as outlined in Chapters 303 and 591 of USAID’s Automated Directives System (ADS). The Bureau notes that when the Agency and the OIG identified fraud in our Syria programs in 2017, OFDA and FFP took significant steps to prevent their recurrence. In 2018, OFDA updated its proposal guidelines to strengthen pre-award risk-management requirements significantly. For example, OFDA’s Application Guidelines for 2018 included a new section called “Logistics Requirements,” which mandated that applicants submit a procurement plan, a procurement policy, a transport plan, a warehousing plan, and a fleet-management policy. The Application Guidelines also included requirements for assessing and managing risks for all applicants that were operating in complex, high-risk environments, including the Lake Chad Basin. In line with the Agency’s pre-award risk-management policy, OFDA hired additional grant auditors in 2018 and 2019 to perform pre-award surveys of new applicants and complete pre-award risk assessments of every award, as required by Part 200.205 of Title 2 of the Code of Federal Regulations (CFR), and ADS Chapters 303 and 591. FFP already had required risk-assessments for all emergency awards and adopted OFDA’s additional high-risk provisions.

All recipients of funding from USAID must comply with the requirements in their awards. For non-governmental organizations, these include the procurement and contracting requirements under Part 200 of Title 2 of the CFR and USAID’s standard provision “USAID Eligibility Rules for Goods and Services.” Part 200 of Title 2 of the CFR allows implementers to use sole-source procurements subject to their internal processes and procedures, which BHA assesses during the pre-award survey and risk-assessment process. Pre-award surveys focus on the organizational capacity of potential implementing partners to carry out and

manage USAID-funded programs, including their existing internal controls, procurement policies, and methodology for selecting vendors. Pre-award risk-assessments consider factors such as an organization's financial stability; the quality of its management systems; its history of performance; reports and findings from annual single audits and recipient-contracted audits (RCAs); and the applicant's ability to implement statutory, regulatory, or other requirements effectively. The external single audits or RCAs flag any procurement-related findings or recommendations, such as the extended or unsubstantiated use of sole-source contracts, which often trigger the Agency to impose special award conditions.

While BHA recognizes the concern expressed in Draft Report No. 4-000-20-00X-P that non-competitive procurements could lead to increased fraud, waste, and abuse, the OIG itself admits, "[T]his audit neither identified the use of non-competitive procurements nor was informed of specific instances of fraud associated with their use in the Lake Chad region." Rather, the OIG points to the association of non-competitive procurements with fraud schemes perpetrated by the staff of USAID's implementing partners and vendors in other non-permissive operating environments, such as Syria, as the basis for issuing this recommendation.

The OIG's concerns are not limited to BHA's programming, and would require that the Agency as a whole assess whether additional control measures and/or guidance are necessary regarding non-competitive procurements by implementers in challenging operational contexts. Therefore, USAID asks that the OIG redirect this recommendation to the Acting Administrator.

- **Target Completion Date:** USAID requests the redirection of this recommendation to the Acting Administrator.

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

Attachments:

- Tab 1— Third-Party Monitoring Guide for FFP's Africa Divisions
- Tab 2— OFDA's Policy on Monitoring, Evaluation, Adaptation, and Learning
- Tab 3— FFP's APS for FY 2020
- Tab 4— USAID ADS Chapter 303maa
- Tab 5— USAID ADS Chapter 303mab

APPENDIX C. MAJOR CONTRIBUTORS TO THIS REPORT

The following people were major contributors to this report: Robert Mason, audit director; Louis Duncan Jr., assistant director; Susannah Holmes, auditor; Tanner Horton-Jones, senior counsel; Saifuddin Kalolwala, associate counsel; George Kum, auditor; Jennisa Paredes, forensic auditor; Laura Pirocanac, writer-editor; Lady Rammutla, auditor; and John Vernon, auditor.