



## **OFFICE OF INSPECTOR GENERAL**

### U.S. Agency for International Development

---

## **Statement on USAID's Top Management Challenges and OIG's Continuing Oversight**

---

*Thomas J. Ullom, Acting Inspector General  
U.S. Agency for International Development  
Statement for the Record Before the U.S. Senate Committee on Appropriations  
Subcommittee on State, Foreign Operations, and Related Programs  
"Review of the Fiscal Year 2022 U.S. Agency for International Development Budget Request"  
May 26, 2021*

Mr. Chairman, Ranking Member, and Members of the Subcommittee:

Thank you for the opportunity to provide a statement for the record on the major management challenges USAID faces in providing development and humanitarian assistance. The USAID Office of Inspector General's core mission is to strengthen and safeguard U.S. foreign assistance. We work across the agencies we oversee—and with oversight partners worldwide—to promote effectiveness, efficiency, and accountability in foreign assistance programs and operations and prevent and detect the fraud, waste, and abuse that can jeopardize their success.

USAID stands out among the agencies we oversee for the scale of its activities and the challenges it faces in their implementation. In fiscal year 2020, USAID managed \$30 billion in budgetary resources. The inherent complexity of coordinating and implementing this level of foreign assistance—especially in areas affected by crisis and conflict—and the urgency to respond to the COVID-19 pandemic create major challenges for USAID. As the Agency exercises flexibility to adapt to different country contexts and ensure beneficiaries receive the assistance they desperately need, it must maintain strong safeguards and risk management practices to confront these challenges.

Our independent oversight remains critical to helping USAID advance U.S. foreign assistance objectives during this challenging time. Our audits, investigations, and other oversight activities are designed to promote the overall effectiveness of agency programs and operations. Our focus on strategic, cross-cutting oversight enables us to drive actions that get at the root of significant problems affecting USAID's complex programs and operations. This approach also reflects our continued focus on emerging priorities. For example, last year we realigned work to elevate

oversight of agency responses to COVID-19. This year, we have formed a new taskforce within OIG to drive and inform oversight of aid and assistance programs in the Northern Triangle countries. We remain committed to addressing these and other current and emerging priorities and sharing the results of our work with you and other stakeholders.

Our report on top management challenges facing USAID in fiscal year 2021 demonstrates the impact of our work.<sup>1</sup> This statement highlights the top management challenges—including the COVID-19 response and other key risk areas—that need USAID’s attention now and into the foreseeable future.

## **Oversight of USAID’s COVID-19 Response**

The COVID-19 pandemic poses a significant public health crisis. More than a year after its emergence—and in the wake of 169 million confirmed cases and almost 3.5 million deaths as of the end of May 2021—COVID-19 has disrupted economies, strained democratic institutions, and deepened existing humanitarian crises. The pandemic also emerged in an international environment marked by increasing great power competition and disinformation campaigns by hostile actors.

USAID was tasked with responding to COVID-19 overseas, receiving additional appropriations beginning in March 2020 to do so. While the Agency leveraged its experience responding to other disease outbreaks such as Ebola and Zika, the rapid spread of COVID-19 worldwide exacerbated challenges USAID faces, especially in nonpermissive settings, and increased risks related to monitoring programs and global health supply chains. USAID had to respond to a multifaceted global emergency that forced almost all staff to shift to virtual work, while many overseas staff departed their posts. USAID began to program significant levels of COVID-19 funding as both implementers and beneficiaries also faced similar constraints caused by lockdowns, border closings, supply chain disruptions, and movement restrictions.

The pandemic required a whole-of-government effort. Our past work has identified interagency coordination, especially related to responding to public health emergencies, as a challenge for USAID.<sup>2</sup> Although our work has helped position USAID to better respond to COVID-19, the scope and scale of the pandemic and its impact have stretched the Agency, and competing interagency priorities remain a significant challenge area. For example:

- Our recent audit found that USAID’s ventilator donation program marked a significant departure from the Agency’s customary practices for responding to public health

---

<sup>1</sup> USAID OIG, “Top Management Challenges Facing USAID in Fiscal Year 2021,” November 13, 2020. As required by statute, we annually identify and report the top challenges facing the agencies we oversee and the progress made in managing them. Visit [our website](#) to view all OIG reports referred to in this statement.

<sup>2</sup> USAID OIG, “Lessons From USAID’s Ebola Response Highlight the Need for a Public Health Emergency Policy Framework” (9-000-18-001-P), January 24, 2018.

emergencies and its original pandemic plans.<sup>3</sup> While USAID initially focused on preventative measures to thwart the spread of COVID-19, the National Security Council directed the Agency to spend about half of its global health funding from the March 2020 supplemental funding on ventilators for the sickest patients. Directives from the National Security Council specified the recipient countries, how many ventilators to send, and which models to use, which did not align with USAID's initial response planning.

- This audit also found that USAID had limited control over ventilator donations and that monitoring mechanisms were not in place at the time of delivery. USAID had limited information about the location of ventilators within countries. The need to effectively track ventilators is underscored by the work of OIG special agents in recovering 191 USAID-procured ventilators that were stolen in Florida while en route to El Salvador. We plan to follow up on actions the Agency is taking to locate ventilators sent overseas and establish an asset management tracking platform.

When we analyzed the impact COVID-19 has had on USAID's ability to monitor its programs, we noted challenges to program monitoring efforts. Such challenges included movement restrictions and technology challenges that limited the Agency's ability to conduct in-person site visits, limited in-person verification of data from implementers, and kept staff from engaging directly with beneficiaries. USAID missions, nonetheless, adapted their approaches to monitoring and tapped into related policy flexibilities and guidance designed to help them. However, the extent to which these approaches and flexibilities have been effective remains unknown and will likely be seen through mechanisms such as program evaluations and independent financial and performance audits.<sup>4</sup>

Looking ahead, OIG remains committed to robust oversight of ongoing and new USAID pandemic response efforts and funding. Given U.S. commitments to support the international delivery of COVID-19 vaccines, we are focused on combatting potential fraud facing this effort and have forged relationships with oversight counterparts at leading international organizations involved in vaccine delivery. We are conducting an evaluation of USAID's efforts to develop and implement a COVID-19 vaccine strategy, and are planning work on USAID's efforts to address the second-order effects of COVID-19. This includes identifying new pandemic threats and preserving gains in the Agency's HIV, malaria, and tuberculosis programs in the wake of COVID-19.<sup>5</sup>

---

<sup>3</sup> USAID OIG, "USAID Had Limited Control Over COVID-19 Ventilator Donations, Differing From Its Customary Response to Public Health Emergencies" (4-936-21-002-P), February 24, 2021.

<sup>4</sup> USAID OIG, "USAID Adapted To Continue Program Monitoring During COVID-19, But the Effectiveness of These Efforts Is Still To Be Determined" (9-000-21-007-P), May 21, 2021.

<sup>5</sup> USAID OIG, "COVID-19 Oversight Plan for Fiscal Years 2021-2022," October 22, 2020.

## **Managing Risks Inherent to Humanitarian Assistance and Stabilization Activities Amid a Public Health Emergency of International Concern**

In fiscal year 2020, USAID spent approximately \$6.6 billion on humanitarian assistance activities. The United Nations estimated that 235 million people—1 in 33 people worldwide—would need humanitarian assistance and protection in 2021, the highest figure in decades.<sup>6</sup>

The inherent risks in crisis and conflict settings demand distinct approaches for planning, implementation, and monitoring that enable flexible but controlled responses. The flow of billions of dollars in aid and assistance also creates opportunities for fraud and diversion of U.S.-funded goods to the illicit market and terrorist or other sanctioned groups. Further, sexual exploitation and abuse has been a longstanding problem in the foreign aid sector given the inherent power imbalance between aid workers and vulnerable beneficiaries. USAID has taken steps to understand, evaluate, and mitigate risks to help prevent fraud and other abuses before they occur. Nevertheless, our work continues to identify vulnerabilities that inhibit USAID assistance from having the intended impact or reaching those who need it most. For example:

- USAID guidance and practices do not always encourage transitioning from humanitarian assistance, as we found in Iraq. Though the number of internally displaced Iraqis steadily declined following the territorial defeat of ISIS in 2017, USAID has yet to ensure transition planning was incorporated into its annual planning process, conduct forums for coordinating humanitarian assistance with longer-term stabilization efforts, and ensure implementers submitted complete transition plans for their projects when required.<sup>7</sup>
- In crisis settings, USAID often works through public international organizations (PIOs), like the World Food Program, to reach beneficiaries. Yet doing so limits USAID's control and visibility over U.S.-funded humanitarian assistance, and in turn, limits its ability to identify and mitigate risks.

Our recently completed and ongoing work highlights constraints on USAID awareness of threats to its programming. For example:

- Prior to making humanitarian assistance awards, USAID follows a range of due diligence measures to mitigate the risk of assistance inadvertently falling into hands of terrorist organizations. However, our work has identified vulnerabilities in USAID's vetting practices and limitations in accessing and monitoring national security information.<sup>8</sup> Certain USAID-

---

<sup>6</sup> United Nations Office for the Coordination of Humanitarian Affairs, "Global Humanitarian Overview 2021," December 10, 2020.

<sup>7</sup> USAID OIG, "Enhanced Guidance and Practices Would Improve USAID's Transition Planning and Third-Party Monitoring in Iraq" (9-266-21-003-P), February 19, 2021.

<sup>8</sup> USAID OIG, "Limits in Vetting and Monitoring of National Security Information Pose Risks for USAID Humanitarian Assistance and Stabilization Programs," Classified Advisory, January 15, 2020.

funded implementers have also concealed past ties to designated terrorist entities when bidding on USAID awards by falsifying a certification designed to reveal this information.

- USAID may contract third-party monitors—often hired locally, and who may have fewer access restrictions—to observe on-the-ground programming on USAID’s behalf. Our recent work in Iraq and Africa’s Lake Chad region illustrates how gaps in USAID management have limited the use and effectiveness of this monitoring technique.<sup>9</sup>

USAID has similarly faced challenges in managing acute risks related to fraud and criminal behavior in crisis settings. For example:

- Our multiyear investigation revealed bid rigging, contract steering, and invoicing schemes that compromised humanitarian assistance intended for displaced Syrians. As a result of our work, a major international, nongovernmental organization (NGO) paid \$6.9 million to settle a False Claims Act case related to grossly inflated invoices submitted to USAID, and an NGO procurement official was extradited to the United States and sentenced to 40 months in prison on a related bribery charge.
- A recent audit found that USAID lacked a framework for managing fraud risks in a humanitarian response. While USAID had taken initial actions to mitigate related risks in its Syria response, it did not sustain monitoring of cross-border activities susceptible to fraud.<sup>10</sup> Another recent audit on USAID’s response to the Venezuela regional crisis noted that while USAID’s humanitarian assistance operating units had incorporated practices to manage fraud risks, their guidelines for implementers lacked risk management requirements.<sup>11</sup>
- While USAID has increased its focus on protecting beneficiaries from sexual exploitation and abuse (SEA), the Agency still faces barriers in responding to allegations, preventing perpetrators from recirculating through the aid sector, and holding implementers accountable for failing to detect, report, or respond to allegations. Our audit of USAID’s approach to respond to and prevent SEA noted that the Agency had not built in consistent pre-award measures and did not monitor implementers’ efforts to prevent SEA or have related guidance in place to enable staff to effectively perform this function. USAID also lacked clearly defined roles and responsibilities and a centralized tracking mechanism for

---

<sup>9</sup> USAID OIG, “Enhanced Guidance and Practices Would Improve USAID’s Transition Planning and Third-Party Monitoring in Iraq” (9-266-21-003-P), February 19, 2021; “USAID Has Gaps in Planning, Risk Mitigation, and Monitoring of Its Humanitarian Assistance in Africa’s Lake Chad Region” (4-000-21-001-P), October 15, 2020.

<sup>10</sup> USAID OIG, “Weaknesses in Oversight of USAID’s Syria Response Point To the Need for Enhanced Management of Fraud Risks in Humanitarian Assistance” (8-000-21-001-P), March 4, 2021.

<sup>11</sup> USAID OIG, “Enhanced Processes and Implementer Requirements Are Needed To Address Challenges and Fraud Risks in USAID’s Venezuela Response” (9-000-21-005-P), April 16, 2021.

responding to and managing SEA allegations. The Agency plans to address the report's nine recommendations to improve USAID's controls for preventing and responding to SEA.<sup>12</sup>

USAID continues to make progress toward understanding and mitigating risks in crisis settings. Its recent actions include establishing three new bureaus to promote coordination and improve field support, regularly assessing new risks and evaluating approaches for strategically managing them, issuing new Agency guidance to codify vetting policies and procedures, and providing training and guidance for staff and implementers on when and how to use third-party monitors.

To help protect U.S. funding from malevolent actors, we will continue to prioritize addressing allegations of fraud and misconduct affecting humanitarian assistance, conduct fraud awareness briefings for USAID staff and implementers, and leverage new and existing relationships with oversight counterparts working in humanitarian assistance and stabilization settings. In addition, we have an audit underway that focuses on humanitarian response activities in Yemen.

## **Promoting Local Capacity and Improving Planning and Monitoring To Achieve Sustainability of U.S.-Funded Development**

USAID's development programs complement broader U.S. Government diplomacy and defense efforts to safeguard and advance U.S. national security and economic interests. USAID has recognized that the long-term success of international development depends on host country commitment and capacity to sustain gains. Yet our audits reveal ongoing challenges to achieving sustainability of U.S. foreign assistance programs, particularly when the imperative to achieve specific development outcomes competes with goals to develop local capacity. For example:

- USAID has recognized the importance of strengthening health systems to meeting overall health goals and improving countries' abilities to react to large-scale health emergencies. While USAID aimed to strengthen countries' overall health systems, programs instead prioritized gains tied to primary health goals—like achieving an AIDS-free generation—because of how those health goals were tracked and received designated funding.<sup>13</sup>
- Some USAID missions in Africa operated parallel supply chains alongside host government systems and hired consultants to do the work of government officials. The Agency took this approach to ensure global health goals were met and that beneficiaries had uninterrupted access to critical medicines for malaria, tuberculosis, and HIV/AIDS, but in doing so, missed opportunities to build local capacity.<sup>14</sup>

---

<sup>12</sup> USAID OIG, "USAID Should Implement Additional Controls To Prevent and Respond To Sexual Exploitation and Abuse of Beneficiaries" (9-000-21-006-P), May 12, 2021.

<sup>13</sup> USAID OIG, "More Guidance and Tracking Would Bolster USAID's Health System Strengthening Efforts" (4-936-20-001-P), October 21, 2019.

<sup>14</sup> USAID OIG, "USAID'S Global Health Supply Chain Would Benefit From More Rigorous Risk Management and Actions To Enhance Local Ownership" (4-936-20- 002-P), July 10, 2020.

USAID also continues to face challenges in providing effective oversight and conducting evaluations of the activities it implements. For example:

- USAID requires operating units to conduct at least one performance or impact evaluation during each Democracy, Human Rights, and Governance (DRG) project to help expand the Agency’s knowledge base. However, we found USAID focused primarily on less costly performance evaluations, with some missions in Europe and the Middle East lacking substantive impact evaluations.<sup>15</sup>
- Effective monitoring of large awards like USAID’s \$9.5 billion award to implement procurement and supply management activities for the Global Health Supply Chain Program is key to ensuring that health commodities such as medicines and supplies are delivered as planned. However, USAID could not determine the extent to which reported performance metrics of its largest supply chain project reflected actual improvements in performance.<sup>16</sup>
- USAID engages with the private sector to help achieve sustainability. In a recent audit, OIG identified six engagement approaches that USAID generally used in an effort to boost private sector investment in foreign development, but also found that insufficient Agency-wide guidance, data, and metrics limited USAID’s ability to conduct, manage, and oversee engagement with the private sector.<sup>17</sup>

Our recent and ongoing investigations further illuminate how gaps in effective oversight and monitoring of activities can result in shortfalls in USAID programs and fraud, waste, and abuse. For example:

- We found that a Ugandan implementer failed to report fraudulent activity on a social marketing health project and the implementer’s staff solicited bribes from USAID field staff to conceal the reporting of nonexistent activities. USAID terminated the implementer’s cooperative agreement based on an OIG referral and issued a \$4.9 million dollar bill of collection in April 2020.
- Another investigation similarly uncovered systemic mismanagement, inadequate internal controls, and insufficient financial accounting by a U.S.-based university, which affected a development project in Honduras. As a result of our investigation, USAID issued a \$4.4 million bill of collection to the university in July 2020.

---

<sup>15</sup> USAID OIG, “Additional Actions Are Needed To Improve USAID’s Democracy, Human Rights, and Governance Programs” (8-000-20-001-P), November 26, 2019.

<sup>16</sup> USAID OIG, “Award Planning and Oversight Weaknesses Impeded Performance of USAID’s Largest Global Health Supply Chain Project” (9-000-21-004-P), March 25, 2021.

<sup>17</sup> USAID OIG, “Improved Guidance, Data, and Metrics Would Help Optimize USAID’s Private Sector Engagement” (5-000-21-001-P), December 9, 2020.

- Lastly, a joint investigation we conducted with the Special Inspector General for Afghanistan Reconstruction identified a scheme to defraud the Government of Afghanistan of over \$100 million, which USAID had provided to Afghanistan to construct an electric grid through the country's national power utility. As a result of our joint investigative work, the individual responsible for the scheme pleaded guilty to wire fraud.

Despite these issues, USAID continues to take steps to improve sustainability, increase local capacity, and enhance oversight of its activities. For example, in response to our related audit recommendations, USAID revised its vision for strengthening health systems, outlining how countries can increase the capacity of their local health systems and shift the focus of investments from specific functions and disease areas to integrated approaches for strengthening health systems. USAID also updated country strategies to increase emphasis on sustainability and self-reliance and increased awards to local organizations in recipient countries. The Agency is still working to use data to better manage its engagement with the private sector.

We have numerous audits underway that further our oversight in the areas of program sustainability and monitoring activities. This includes audits that will assess how USAID is addressing risks associated with direction to increase President's Emergency Plan for AIDS Relief (PEPFAR) funding to local organizations in Africa, and how USAID missions are using third-party monitoring data to oversee programs in Asia.

## **Reconciling Priorities With External Stakeholders To Efficiently and Effectively Advance U.S. Foreign Assistance Objectives**

U.S. foreign assistance involves multiple Government agencies, donors, and local actors—each having its own priorities and strategies for advancing shared interests. Achieving development goals around the world often goes beyond unilateral efforts by USAID, depending on multilateral efforts where USAID may be the lead agency, a key partner organization, or a significant financial backer of responses. To further U.S. foreign policy and national security objectives, USAID must exercise its role and responsibility as the premier development agency by effectively navigating the divergent priorities and functions of multiple stakeholders to achieve complementary but distinct goals. Doing so is critical to enabling USAID to respond quickly to changing priorities even when decisions extend beyond its immediate control and authority.

Our work has examined USAID adaptations to external factors influencing its operations and work to coordinate with other agencies and international organizations to advance development objectives. USAID has frequently had to make strategic adjustments in response to policy developments outside of its control. For example:

- Decisions made outside of USAID have affected the Agency's staffing and impacted its ability to monitor programs and ensure their sustainability. Past quarterly reporting on Iraq has

highlighted the effects of posture adjustments and deteriorating security conditions on staff levels in Iraq, bringing USAID expatriate staff levels down by more than 75 percent as USAID's programs in the country grew. In Afghanistan, we found that while USAID made staffing cuts per State Department direction, it did not fully assess the risks that corresponding programming cuts could have on the sustainability of its investments, or properly prepare staff or stakeholders for risks associated with these staff reductions.<sup>18</sup>

- A recent OIG memo on lessons from the fiscal year 2019 budget process highlighted interagency constraints on budget execution, describing how outside factors—such as external reviews and differing opinions on the direction of foreign assistance programming— affect USAID's ability to obligate funds.<sup>19</sup>

Our work also addresses challenges USAID has encountered in coordinating with others to promote effective programming:

- In responding to the Venezuela regional crisis, USAID needed to coordinate with multiple stakeholders. However, our audit found USAID faced significant policy, coordination, and strategic planning challenges in responding to the crisis. Issues we identified stemmed from not having a process for documenting directives from the National Security Council, as well as not having developed joint strategic humanitarian response plans with the State Department.<sup>20</sup>
- Effective coordination between USAID and the State Department can help maximize resources and outputs and avoid redundancies in achieving U.S. foreign policy goals around DRG programs. Our audit found that this coordination primarily occurs in the field, but that not all missions had established or maintained DRG work groups—and therefore, the agencies may miss opportunities for strengthening DRG coordination in the field.<sup>21</sup>
- In some cases, legal requirements prevent USAID from supporting beneficiaries who would otherwise fit the profile of a targeted population. A recent audit found that this was the case with USAID's crime and violence prevention program in El Salvador, where U.S. and local laws prevented USAID from working with individuals at the highest risk of engaging in criminal and violent activity, including active gang members and chronic offenders associated with MS-13. While the Treasury Department granted USAID a 2-year license to include gang

---

<sup>18</sup> USAID OIG, "USAID Needs To Implement a Comprehensive Risk Management Process and Improve Communication As It Reduces Staff and Programs in Afghanistan" (8-306-21-002-P), March 19, 2021.

<sup>19</sup> USAID OIG, "Lessons From USAID's FY 2019 Budget Process Highlight Interagency Constraints and Areas That Require Continued Attention," Memorandum, March 2, 2021.

<sup>20</sup> USAID OIG, "Enhanced Processes and Implementer Requirements Are Needed To Address Challenges and Fraud Risks in USAID's Venezuela Response" (9-000-21-005-P), April 16, 2021.

<sup>21</sup> USAID OIG, "Additional Actions Are Needed To Improve USAID's Democracy, Human Rights, and Governance Programs" (8-000-20-001-P), November 26, 2019.

members as program beneficiaries, the authorization took about 2 years, delaying programs for the highest risk group.<sup>22</sup>

- USAID frequently relies on PIOs to implement key programs and activities. We reported in late 2018 that USAID’s insufficient oversight of PIOs put its programming at risk.<sup>23</sup> This work prompted USAID to include a standard award provision for PIO awards with a requirement to report fraud and misconduct allegations directly to OIG.

Maximizing partnerships with U.N. agencies and multilaterals and reconciling differences among Federal agencies are important to effectively and efficiently advance U.S. foreign assistance objectives. USAID continues to take steps to address challenges in doing so. For example, USAID now has a dedicated office to provide better oversight of PIOs.

To ensure USAID’s investments are safeguarded to the maximum extent possible, we coordinate extensively with oversight partners at the State Department and Defense OIGs on oversight of contingency operations. We also coordinate with the State Department, Department of Health and Human Services, and Peace Corps OIGs on oversight of international HIV/AIDS, malaria, and tuberculosis programs. Additionally, we worked with DFC OIG in a supporting and advisory role to assist in establishing that office as it builds internal capacity. We have established key relationships with counterpart oversight offices throughout the world—such as the European Anti-Fraud Office, the Integrity Vice Presidency of the World Bank Group, and Inspectors General of the World Food Program and the Global Fund—as well as equivalent units at UNICEF and Gavi, to ensure fraud and corruption risks are mitigated through joint investigations and information sharing.

## **Addressing Vulnerabilities and Implementing Needed Controls in Agency Core Management Functions**

To carry out its mission effectively and efficiently, USAID relies on a network of support functions for managing Agency awards, finances, information, and human capital. USAID has made progress in strengthening its controls over core management functions, but our recent audits and investigations show that gaps in USAID’s controls remain. These gaps are even more critical to address due to the additional operational challenges presented by the pandemic.

- **Award Management.** Our audit of USAID’s grant close-out process identified weaknesses in communication, procedures, award de-obligation, documentation, and employee training and certification—along with over \$178 million that USAID could de-obligate from expired

---

<sup>22</sup> USAID OIG, “USAID/EI Salvador’s Crime and Violence Prevention Programs Need to Focus More on High-Risk Individuals To Advance Security Goals” (9-598-21-001-P), November 30, 2020.

<sup>23</sup> USAID OIG, “Insufficient Oversight of Public International Organizations Puts U.S. Foreign Assistance Programs at Risk” (8-000-18-003-P), September 25, 2018.

awards and put to better use.<sup>24</sup> Our audit of USAID’s procurement and management of its \$9.5 billion award to implement procurement and supply management activities for its Global Health Supply Chain Program determined that weaknesses in planning and evaluation processes hindered USAID’s ability to fully support key decisions made in the design and award of the contract.<sup>25</sup>

- **Financial Management.** USAID must comply with financial management requirements to ensure the Agency maximizes its resources. While our audit of USAID’s financial statements for fiscal years 2020 and 2019 did not identify any material weaknesses in USAID internal control over financial reporting, we identified two significant deficiencies related to recording accrued expenses and account management.<sup>26</sup>
- **Information Management.** USAID depends on information systems for all facets of business. Our audit of USAID’s Development Information Solution system found that although USAID was making progress in the development and implementation of the system, its deployment was behind schedule and not on track to provide the Agency with advanced reporting to improve evidence-based decision making.<sup>27</sup> In addition, in the past year, the Agency’s expanded use of telework to protect the health and safety of staff during the pandemic has increased risks to the Agency’s information systems and calls for additional diligence. In June 2020, USAID’s Chief Information Officer reported a 400 percent increase in cyberattacks on the Agency since the start of the pandemic. Our most recent audit of USAID’s information security program identified needed improvements in risk management, configuration, and identity and access management; security training; information security continuous monitoring; and contingency planning.<sup>28</sup>
- **Human Capital Management.** USAID has faced challenges maintaining an adequately trained workforce at the staffing levels needed to accomplish its mission. In the last 10 years, about one-third of our performance audits identified staffing or training as a cause of or factor that contributed to reported shortcomings. While the Agency is making efforts to develop a strategic workforce plan to align its human capital with current and future goals, we have an ongoing audit that will look at USAID’s human capital hiring mechanisms.

---

<sup>24</sup> USAID OIG, “USAID Complied with the GONE Act but Still Has a High Risk of Delayed Grant Closeout” (0-000-20-002-C), March 31, 2020.

<sup>25</sup> USAID OIG, “Award Planning and Oversight Weaknesses Impeded Performance of USAID’s Largest Global Health Supply Chain Project” (9-000-21-004-P), March 25, 2021.

<sup>26</sup> USAID OIG, “Audit of USAID’s Financial Statements for Fiscal Years 2020 and 2019” (0-000-21-001-C), November 16, 2020.

<sup>27</sup> USAID OIG, “USAID Was Not On Track To Achieve Performance and Cost Savings Goals for the Development Information Solution System” (A-000-21-001-U), May 6, 2021.

<sup>28</sup> USAID OIG, “USAID Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA” (A-000-21-004-C), January 7, 2021.

In addition, whistleblower retaliation against employees of USAID implementers who report fraud or misconduct in the performance of a USAID award remains a concern. Between 2018 and 2020, we recorded a 21 percent increase in whistleblower retaliation allegations received by OIG.

### **Concluding Observations About Continued Oversight**

We appreciate your interest in our work and continuing support for our office's independent oversight mandate. We value opportunities like this to share our observations and keep Congress fully informed on our oversight of development and humanitarian assistance programs and operations.

USAID OIG remains committed to maintaining the highest levels of accountability, adding value, and ensuring that USAID prudently uses every dollar it receives. Our fiscal year 2020 audit and investigative returns amounted to nearly four times the amount we receive to support our operations. In addition to these financial returns, our recommendations have triggered foundational changes in policy and programming around global health and humanitarian assistance, Agency procurements, and accountability over awards to PIOs. Building on our recent accomplishments, we look forward to discussing with the Committee our priorities, plans, and anticipated resource requirements for ensuring effective oversight in fiscal year 2022. This includes rapidly responding to emerging oversight requirements, increasing our capacity to respond to whistleblower retaliation allegations, and addressing oversight requirements associated with increased investments in COVID-19 response efforts. We will continue to maximize our impact by taking a strategic approach to our work and leveraging key partnerships within the oversight community and with the agencies we oversee.