Key Considerations to Inform USAID’s Engagement in the Northern Triangle Countries

USAID Office of Inspector General
August 26, 2021
ADVISORY NOTICE

DATE: August 26, 2021
TO: USAID Northern Triangle Task Force Executive Director, Michael Camilleri
FROM: Acting Inspector General, Thomas J. Ullom
SUBJECT: Key Considerations to Inform USAID’s Engagement in the Northern Triangle Countries

This advisory is designed to provide considerations for USAID as it implements expanded programming to address irregular migration from countries in Central America’s Northern Triangle region: El Salvador, Guatemala, and Honduras.¹ The issues we have identified are drawn from our past oversight work and build on the top management challenges we reported to the Agency in November 2020.² They fall into four broad areas:

1. Managing risks inherent to humanitarian assistance;
2. Ensuring efforts to plan, monitor, and sustain U.S.-funded development;
3. Maximizing stakeholder coordination for effective region-wide response; and
4. Addressing vulnerabilities and implementing needed controls in Agency core management functions.

In developing this advisory, we drew upon our prior audit, investigative, and other oversight work on a range of USAID efforts, as well as our oversight work on overseas contingency operations that we conduct jointly with OIGs for the Departments of Defense and State. In addition, we reviewed related work from other oversight

¹ The International Organization for Migration defines irregular migration as the movement of persons that takes place outside the laws, regulations, or international agreements governing the entry into or exit from the State of origin, transit, or destination.
² As required by statute, through OIG’s Top Management Challenges reports, we identify and report the most daunting challenges facing the agencies we oversee and the progress made in managing them.
Background

The Northern Triangle—El Salvador, Guatemala, and Honduras—is a significant source of irregular migration. According to the Congressional Research Service (CRS), an estimated 311,000 migrants left the region annually between fiscal years (FYs) 2014 and 2020, with most bound for the United States. A range of factors have been identified as driving this migration in the region, including:

- Poverty and limited economic opportunity;
- Inequality and social exclusion;
- Low investment in education;
- Insecurity stemming from the expansion of gangs and organized crime groups; and
- Corruption.

Map of the Northern Triangle

Map created by USAID OIG.
Note: The depiction and use of boundaries and geographic names used on this map do not imply official endorsement or acceptance by the U.S. government.

These factors have been exacerbated by the impact of natural disasters, climate change, rapid population growth, political instability, and social and economic disruptions related to migration. In recent years, the region has experienced an ongoing drought and was further impacted by hurricanes during the 2020 Atlantic hurricane season, with hurricanes Eta and Iota alone impacting over 7 million people across Guatemala and Honduras. While economic reforms in the 1980s and 1990s had a positive impact on the economies in the region, living conditions remain challenging for many, and the International Monetary Fund estimates that COVID-19 and the recent hurricanes had a significant negative impact on the region’s economic gains. On the security front, homicide rates remain high by global standards despite having fallen significantly since 2014, and the presence of transnational criminal organizations (TCOs)—including gangs such as Mara Salvatrucha (MS-13)—are pervasive in the region.

Given the levels of irregular migration from the Northern Triangle and the challenges that drive this migration, the region has historically been a policy focus for the U.S. government but has experienced significant shifts in funding and focus areas over multiple administrations. With the development of the U.S. Strategy for Engagement in Central America (CEN Strategy) in 2014, the U.S. government focused on efforts targeting prosperity, governance, and security in the Northern Triangle. Between FYs 2016 and 2021, over $3.6 billion was appropriated to advance the CEN Strategy.

In March 2019, the Trump administration suspended most foreign aid to the Northern Triangle, reprogramming approximately $396 million in FY 2018 appropriated funding and holding the remaining funding as it negotiated migration agreements with the governments in the region. While some funding restarted in October 2019, the suspension affected programs, including decreasing the number of beneficiaries impacted by USAID programming. In Honduras, for example, the total beneficiaries of USAID’s activities fell from 1.5 million in March 2019 to 700,000 in March 2020. Further, the suspension forced some U.S. agencies to begin canceling planned program activities and closing programs.

In February 2021, with a renewed focus on the region and efforts to address the root causes of irregular migration, President Biden issued Executive Order 14010, which laid out a multipronged approach to irregular migration, including establishing a comprehensive strategy designed to address the root causes of migration from Central America; build, strengthen, and expand the asylum systems; and enhance legal pathways for migration. This strategy, along with the U.S. Collaborative Migration Management

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5 USAID’s “Latin America - Storms” Fact Sheet #9, December 30, 2021.
8 Ibid.
9 Executive Order 14010 “Creating a Comprehensive Regional Framework to Address the Causes of Migration, to Manage Migration Throughout North and Central America, and to Provide Safe and Orderly Processing of Asylum Seekers at the United States Border,” February 2, 2021.
Strategy, was issued in July 2021. Consistent with the executive order, the strategy includes efforts to address root causes of migration by combating corruption, strengthening democratic governance, and advancing the rule of law, among other things. The White House also announced a $4 billion, 4-year effort to tackle this issue. Toward this goal, the administration requested $861 million in FY 2022, including $405 million for USAID-led efforts.

A range of USAID operating units are engaged in the Northern Triangle. In April 2021, the Agency activated a Northern Triangle Task Force focused on the region. At USAID headquarters, both the Bureau for Latin America and the Caribbean (LAC) and the Bureau for Humanitarian Assistance (BHA) are actively involved in the response. Within the region, USAID’s missions in El Salvador, Guatemala, and Honduras are also actively engaged in the response.

Managing Risks Inherent to Humanitarian Assistance

Given the challenges in the region, USAID’s humanitarian assistance activities have historically played a key role in meeting basic needs in El Salvador, Guatemala, and Honduras. As of June 2021, USAID estimated that 10 million people across the three countries needed humanitarian assistance, with 5.5 million in need of urgent food assistance. Building on its past responses—and given the levels of food insecurity resulting from recurrent drought, natural disasters, and COVID-19, as well as increased displacement due to criminal group activity—the U.S. government issued disaster declarations for all three countries in February and March 2021. In April 2021, Vice President Harris announced $310 million in additional assistance to the region, including $125 million for USAID’s humanitarian response efforts. Within USAID, BHA is the lead for international disaster assistance response and has worked in the region for quite some time.

As USAID ramps up its humanitarian assistance response in the Northern Triangle—including food, water, shelter, sanitation, and healthcare—our past audit and investigative work, both in Latin America and globally, has identified issues related to fraud and diversion risks, monitoring of assistance efforts, and transitioning from emergency response to development programming.

Fraud Risk and Identified Fraud and Diversion Issues

A recent audit of USAID’s response to the crisis in Syria identified challenges posed by the lack of an Agency-wide framework to manage fraud risks in humanitarian assistance.
In this response, a fraud risk management framework could have guided how the Agency committed resources to combat fraud, determined a fraud risk profile, designed and implemented an anti-fraud strategy, and evaluated outcomes to adapt responses as needed. Further, the Venezuela response audit work determined that, while the Agency’s implementers focused on security and diversion risks, they failed to consistently use the U.S. Government Accountability Office’s (GAO) planning and risk assessment activities to manage fraud. In response, BHA incorporated references to GAO guidance into its guidelines for implementers on the risk assessment and management plans that are a required component for nongovernmental organization award applications. USAID is currently taking steps to target management and mitigation issues through the development of a fraud risk framework for BHA, as we recommended. However, until this framework is finalized, these risks remain and may be seen in the Northern Triangle response.

OIG audit and investigative work has also identified a range of issues related to the targeting of beneficiaries and the risk of diversion in humanitarian and cash assistance programs. In the Venezuela response, investigative work identified fraud targeting beneficiaries at multiple points in humanitarian cash-based assistance programs, including at program inception. These schemes charged the potential beneficiaries fees to access programs. Fraud continued at the point of funds disbursal, when beneficiaries were again at times charged fees to access funds or received only a portion of the intended disbursements.

In terms of risk of diversion in humanitarian assistance, similar to the risks posed by terrorist organizations seen in other USAID humanitarian responses, the widespread presence of TCOs could pose a risk to aid in the Northern Triangle as well as pose challenges to the Agency’s ability to monitor its assistance. Past work has flagged vulnerabilities in USAID’s humanitarian assistance vetting and interagency constraints on USAID’s access to national security information. This impacted the Agency’s ability to fully assess, mitigate, and respond to threats to its humanitarian assistance efforts. Our audit work on crime and violence prevention programs managed by the USAID mission in El Salvador noted that the Agency developed procedures to screen beneficiaries through collaboration with other U.S. government agencies. However, as USAID moves forward in the regional response, continued efforts in this area will continue to be key to ensuring USAID resources do not reach members of prohibited groups, given the TCO presence.

Additionally, our investigative work, in coordination with the Department of Justice, has resulted in civil monetary recoveries under the False Claims Act against implementers that have concealed past material support to designated terrorist entities. Receiving

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14 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 04, 2021.
complete and accurate information from implementers at the pre- and post-award stages concerning their relationship with parties sanctioned by the U.S. Treasury’s Office of Foreign Assets Control (including TCOs) will be critical to ensuring compliance with U.S. law and preventing loss, diversion, or reputational damage to Agency programming.

**Humanitarian Assistance Monitoring Challenges**

Beyond ensuring processes are in place to manage fraud risks, USAID has also experienced challenges to monitoring its humanitarian assistance to ensure best use of taxpayer dollars, achieve intended results, minimize fraud, and protect vulnerable beneficiaries. For example, as part of the Venezuelan humanitarian response, Agency-funded implementers used information systems to manage beneficiary data. However, the implementers did not initially use data analytics control activities, such as pursuing data-sharing agreements or developing procedures to conduct data matching, which would have allowed the implementers and USAID to both monitor for and prevent duplication of beneficiaries. This also would have improved implementers’ ability to safeguard Federal funds. The Agency is now taking steps to address this issue in the Venezuela response and can use these efforts as it considers how to move forward in the Northern Triangle.

Further, security risks and endemic corruption in environments in which USAID works—including the Northern Triangle—as well as limitations on movement posed by COVID-19 are challenges to USAID’s monitoring ability. Audit work on the impact of COVID-19 on program monitoring noted that, while the Agency had taken significant steps to continue its monitoring efforts, staff in the field still faced increased restrictions on movement and technological challenges. There was also widespread agreement on the need for in-person engagement by USAID staff with implementers and beneficiaries. In regions with security risks and systemic corruption, third-party monitors self-disclosed in reports that the data produced may be compromised. In Syria, OIG investigators received information that known or suspected terrorists accompanied USAID third-party monitors on site visits to Agency-funded programs. Further, under the guise of ensuring their safety, employees from USAID, implementers, and third-party monitors have encountered “curated trip planning.” These outside efforts cast a particular view of the programs and diminish the benefit of objective third-party monitoring.

**Transition From Emergency Response Efforts to Ongoing Development Programming**

As USAID responds in the Northern Triangle—an area in which the Agency has both humanitarian assistance efforts and long-term development programming—our past work has flagged the importance of early planning for the transition of efforts from an

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17 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.
18 USAID OIG, “USAID Adapted To Continue Program Monitoring During COVID-19, But the Effectiveness of Its Efforts Is Still To Be Determined” (9-000-21-007-P), May 21, 2021.
19 Curated trip planning is when preselected sites and beneficiaries are scheduled and there is no allowable deviation from the interviews, trip plan, or destinations.
emergency response to development programming, given identified weaknesses in this area. While USAID’s guidance emphasizes the importance of designing humanitarian activities with “an end in mind,” our recent audit of USAID’s activities in Iraq determined that the transition planning from short-term humanitarian assistance to long-term development assistance was a challenge for the Agency and its implementers. The audit found that USAID had not defined conditions that would trigger the reduction or end of humanitarian assistance. In this case, USAID staff noted that they focused on responding to immediate needs versus how to plan for a shift away from humanitarian assistance. Further, the audit identified challenges to coordination between the Agency’s humanitarian and development assistance efforts. Our audit of USAID’s Ebola response also identified challenges to transitioning between response and recovery, including a lack of procedures for the transition process and a delayed transition strategy.

While the Agency has taken steps to address these issues, given the past challenges in this area, it will be important for the Agency to ensure early coordination and planning for the eventual transition of efforts away from a humanitarian response—focused on urgent needs—and toward supporting the missions’ existing development assistance efforts to address the root causes of irregular migration. The Agency has started considering moving in this direction with the transition from the Northern Triangle Response Disaster Assistance Response Team to an Elevated Bureau Response structure on July 1, 2021. This shift is designed to allow USAID to support further response efforts at both the headquarters and field level as needed.

Ensuring Efforts to Plan, Monitor, and Sustain U.S.-Funded Development

USAID’s development efforts in the Northern Triangle have historically focused on, and continue to focus on, the key areas of governance, security, and prosperity. From October 2015 through May 2021, USAID obligated approximately $1.4 billion for development assistance in the region, with the largest program areas in the three countries and at the regional level focused on democracy, human rights, and governance and economic growth. However, as the Agency moves forward on development efforts to address the root causes of irregular migration, past audit and investigative work has identified issues related to strategic planning, challenges to monitoring and sustainability of development efforts, and challenges related to working in environments with high-risk populations, corruption, and governance concerns.

22 For the purposes of this document, a high-risk population is a person and/or group of persons that could be engaged with or related to a TCO, based on their geographic location. TCOs are defined in Executive Order 13581, which was released on July 24, 2011.
Effective Strategic Planning

Past audit work has identified challenges to USAID’s ability to ensure effective strategic planning when implementing programming. Recently, our audit of USAID’s Venezuela response determined that, while the Agency allocated resources to design and implement projects and awards, it did not develop an overarching strategic framework to guide USAID’s development response to that regional crisis. This negatively impacted the Agency’s ability to execute plans and showed the importance of strategic planning when prioritizing and utilizing available resources. Similarly, audit work on crime and violence prevention programming in El Salvador identified the need for a clear plan at the Agency level that would provide a framework to ensure country-level efforts supported the larger U.S. government strategy related to security efforts in the region.

As it responds to the renewed focus on the Northern Triangle, USAID is positioned to set up a strategic response to programming. All three countries in the region have recently approved Country Development Cooperation Strategies (CDCS) and the activation of the Agency’s Northern Triangle Task Force in May 2021 was designed to help the Agency ensure a coordinated approach to the issue. Further, based on Executive Order 14010, a government-wide “Root Causes Strategy” was released on July 29, 2021, and the Agency has started to ensure that its programming is aligned to the new strategy. This effort will give the Agency an additional opportunity to ensure that its development programming efforts are guided by a clearly delineated strategic framework to help ensure clear goals and objectives, prioritization of resources, and congruence of foreign policy goals and development objectives.

Monitoring and Sustainability of Development Efforts

USAID has also faced challenges in effectively monitoring program implementation and ensuring that the impact of its programming is sustained over the long-term. Multiple audits have identified issues in the Agency’s efforts to monitor program activities, including audits of programs in El Salvador, Guatemala, and Honduras. These challenges related to unclear indicators designed to measure progress, poor data quality and validity, or limited support for the reported data. All of these weaknesses inhibit the Agency’s ability to understand program progress and to make evidence-based programming decisions. For example, an audit of a program supporting small- and medium-sized enterprises in Guatemala found that data for multiple program indicators were lacking.

23 USAID defines a strategic framework as outlining “a multi-year approach for a country’s Journey to Self-Reliance” and notes that these frameworks “use a customized approach to planning agreed upon by the missions/operating units, relevant regional bureau, and [the Bureau for Policy, Planning, and Learning]...” 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.


25 All three missions issued their CDCS in 2020, covering a 5-year period. El Salvador and Honduras further amended and updated their CDCS in March 2021.

had discrepancies or errors. Further, missions did not always ensure that implementers tracked outcome targets and achieved performance goals, met performance monitoring standards, and developed security and sustainability plans.

As USAID seeks to ensure sustainability of its development efforts, it has continued to try to work with a range of partners, including host governments, new and underutilized partners, local entities, and the private sector. However, our audit work has identified challenges and a range of risks that come with working with new partners, including reputational risk, limited partner capacity to implement programming and measure success, and limited USAID capacity to manage these efforts and effectively assess their impact. For example, audit work on USAID’s private sector engagement efforts determined that the Agency’s approach lacked a clear process for assessing risk when approving partnerships, exposing the Agency to potential reputational risk. USAID has taken steps to help mitigate this risk, offering resources to support due diligence efforts. As efforts proceed in the Northern Triangle, these types of resources may help the Agency as it considers potential partners, including the private sector—which will be particularly important given the levels of corruption and presence of TCOs in the region.

Multiple audits have also flagged the challenges of working with small local partners who may be unfamiliar with USAID requirements and procedures and may not have the capacity to easily comply with them. Our audit work noted that local engagement also often increased the burden on mission staff working with these partners. As the Agency looks to increase programming in the region, planning for this possible increase in workload may be an important consideration. Further, in the past, the Agency has been unable to determine the actual impact of its efforts to work with local partners, with both OIG and GAO audits flagging USAID’s inability to measure success in this area. As the Agency moves forward in carrying out its Northern Triangle response, engagement with local partners may entail consideration of ways to ensure that the impact of its work is effectively collected and measured and that it has adequately identified and managed risks associated with these partners.

29 See, for example, USAID OIG, “Despite Optimism About Engaging Local Organizations, USAID Had Challenges Determining Impact and Mitigating Risks” (5-000-19-001-P), March 21, 2019, and “Working in Politically Sensitive Countries With Limited Resources Stymied Monitoring and Evaluation Efforts of Selected Middle East Missions” (8-000-16-003-P), September 30, 2016.
Environments With High-Risk Populations, Corruption, and Governance Concerns

Working in countries with high-risk populations, such as those in the Northern Triangle; legal restrictions associated with engaging those populations; and pervasive corruption and governance issues all pose challenges to development programming. Our recent audit on crime and violence prevention efforts in El Salvador determined that both U.S. and Salvadoran government restrictions related to working with high-risk populations affected the mission’s ability to implement prevention programs working with youth and adults in conflict with the law, specifically current and former gang members.31 In this case, through collaboration with other U.S. agencies working in El Salvador, the mission developed vetting procedures in line with the U.S. Department of Treasury’s Office of Foreign Assets Control requirements. However, the mission still faced challenges related to the Salvadoran government’s restrictions on engaging gang members.

The impact of TCO presence in the region on development programming can also be seen in prior investigative work. Specifically, our investigation identified close ties between government officials and TCOs in the Northern Triangle region. These relationships impacted USAID-funded financial transactions, personnel security, and program implementation. Based on open-source reporting and ongoing interagency coordination, these relationships continue and will impact future USAID-funded programs and operations.

As noted in President Biden’s June 2021 “Memorandum on Establishing the Fight Against Corruption as a Core United States National Security Interest,” corruption poses a threat to global development efforts, democracy, and U.S. national security.32 As USAID moves forward with increased engagement in the Northern Triangle, it faces a challenge in navigating how best to implement programming, given pervasive government corruption and ongoing challenges to democratic institutions. In the past few years, there have been threats to progress made in anticorruption efforts in the Northern Triangle, along with an increase in threats to democratic and transparent governance. For example, in May 2021, the Salvadoran Legislative Assembly voted to remove magistrates from the Supreme Court’s Constitutional Chamber and the Attorney General. In response, USAID redirected its assistance from certain Salvadoran government institutions to civil society groups, citing significant concerns regarding rule of law, transparency, and accountability.33 The flexibility USAID demonstrated in adapting and shifting programming in El Salvador will likely be key as the Agency continues to work in the region.

33 USAID press release, “USAID Redirects Assistance for Salvadoran Government Institutions to Civil Society Groups” Statement by Administrator Samantha Power, May 21, 2021. In addition to actions in El Salvador, in July 2021, the U.S. government temporarily paused programmatic cooperation with Guatemala’s Attorney General’s office, following the decision of that office to remove the head of an anticorruption entity.
Maximizing Stakeholder Coordination for Effective Region-Wide Response

Executive Order 14010 directs a whole-of-government approach to addressing irregular migration from the Northern Triangle, including the creation of the government-wide “Root Causes Strategy” as well as a strategy for collaboratively managing migration in the region.\(^{34}\) USAID is an important player in this response, with a key role in addressing the drivers of migration within the Northern Triangle. To effect change in the areas within its span of control, USAID reports working closely with other Federal agencies, civil society, U.S. and private sector partners, faith-based groups, and reform-minded officials in local governments as it responds in the region.\(^ {35}\) However, as the Agency seeks to effectively engage stakeholders and bring its expertise to bear, reconciling divergent priorities of multiple stakeholders continues to be a challenge.\(^ {36}\) Past audit work has identified coordination issues, particularly related to working at the U.S. government-wide level, as well as at a regional and country level, that USAID may want to keep in mind.

**Government-Wide Stakeholder Coordination**

Working in the interagency sphere—particularly when decisions extend beyond USAID’s immediate control and authority—has been identified by OIG as a top management challenge for USAID for multiple years. Working at a government-wide level, including with the National Security Council (NSC) and in response to State Department foreign policy guidance, is integral to USAID’s strategic and tactical decisions and risk management. However, our recent audits of the Agency’s Venezuela response and COVID-19 ventilator donation effort identified continued challenges working at these levels.\(^ {37}\) For example, in the case of the Venezuela response, when USAID’s Office of the Administrator, on behalf of the NSC and State Department, directed the Agency to pre-position humanitarian commodities along the Venezuela border, our audit found that this directive was not driven by technical expertise or fully aligned with humanitarian principles, which increased operational risks and contributed to the destruction of USAID commodities. In this case, senior USAID officials stated that the Agency’s programming was subject to foreign policy guidance from the NSC and the State Department, including guidance impacting USAID’s ability to adhere to humanitarian principles and mitigate operational risks. Similarly, our audit work on the COVID-19 ventilator donation effort found that decisions for donating ventilators

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\(^ {34}\) Executive Order 14010, “Creating a Comprehensive Regional Framework to Address the Causes of Migration, to Manage Migration Throughout North and Central America, and to Provide Safe and Orderly Processing of Asylum Seekers at the United States Border,” February 2, 2021.


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abroad—including NSC’s decisions for determining recipient countries, how many ventilators to send, and which suppliers and models to use—did not align with the Agency’s initial COVID-19 response planning. USAID ultimately obligated $204 million on ventilators, leaving less funds available for preventative measures that were the cornerstone of USAID’s initial plans.

As noted by Administrator Power, development “has often taken a backseat to defense and diplomacy as a means of advancing U.S. national security objectives.” However, as USAID moves forward in the Northern Triangle, it can benefit from the elevation of USAID’s role as a standing member of the NSC. This role provides an opportunity for the Administrator to actively participate in interagency deliberations, articulating USAID’s essential role in advancing U.S. national security interests and achieving foreign policy objectives, while also reinforcing the importance of humanitarian principles and the technical expertise offered by the Agency.

Regional and Country-Level Coordination
At the regional and country level, our work has identified coordination challenges both with other Federal agencies and within USAID itself. Failure to coordinate at the interagency level can potentially weaken the achievement of U.S. government foreign policy goals. Our audits of the Agency’s response to the Venezuela regional crisis and the 2014 Ebola outbreak in West Africa demonstrate the importance of effective and efficient coordination. In the case of the Venezuela response, coordination between USAID and the State Department’s Bureau of Population, Refugees, and Migration (PRM)—also involved in the current Northern Triangle response—was described as “difficult,” and USAID and State Department officials identified concerns regarding authority, while straying from their respective humanitarian mandates. In that response, USAID and PRM did not develop joint strategic humanitarian response plans to coordinate strategy and programming at the country or regional level, impeding progress in delivering humanitarian assistance. Of note, based on preliminary discussions with USAID on its efforts in the Northern Triangle, Agency officials report coordinating with PRM, building on their ongoing relationship to avoid these types of issues as it responds in the region.

Efforts to address challenges in the region have hinged on coordinated efforts across the focus areas of prosperity, governance, and security. While the State Department possesses the ultimate responsibility to coordinate U.S. government personnel overseas, USAID participation in, and advocacy for, country-level working groups is a best practice to foster interagency coordination—and could be beneficial in the Northern Triangle missions. Further, while country-level interagency coordination efforts, such as

working groups, are a best practice, our audit work has identified situations where these working groups lapsed, contributing to policy and programming conflicts. For example, an audit of Agency democracy, human rights, and governance activities identified cases in which the lapse of interagency working groups resulted in diverging positions being taken by USAID and the relevant Embassy on a proposed draft law in one case and, in another case, an overlap in programming that caused dissention among the relevant agencies’ partners.\textsuperscript{40}

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

USAID’s ability to carry out its mission and to safeguard Federal funds is dependent on the integrity and reliability of its core business practices and systems. Our past audits and investigations demonstrate that the Agency recognizes the importance of sound controls but faces a variety of challenges in implementing them. Moving forward in its programming in the Northern Triangle, USAID may face challenges in relation to a substantial increase in funding and focus, in addition to ongoing challenges it faces in relation to human capital management.

**Increased Funding and Focus**

Agency efforts to ensure sound controls over its programs and processes have been complicated by both recent fluctuations in funding for the Northern Triangle and COVID-19. The March 2019 suspension of most foreign assistance to the Northern Triangle resulted in some agencies, including USAID, scaling back programming. As a result, mission directors in El Salvador, Guatemala, and Honduras have noted that, while their missions are being asked to quickly ramp up efforts, they are starting these efforts from an already challenging position. Further, our past audit work has identified challenges to USAID’s ability to manage its awards, including insufficient time dedicated to award oversight and poor record-keeping practices. For example, we identified numerous records that were missing in USAID’s electronic filing system, ASIST, which raised significant concerns about the extent to which USAID can manage performance or hold implementers accountable for results.\textsuperscript{41} While the Agency has taken steps to address these issues, the speed with which the Northern Triangle missions are being asked to move forward makes it important for the Agency to remain cognizant of these issues in order to ensure appropriate oversight and record keeping and to avoid repeating past mistakes. It is worth noting that changing policy priorities, staffing constraints, and significant funding increases in a short period of time create a similar confluence of priorities to that seen during the response to the Syria crisis from 2015 to 2018.

Our oversight of USAID’s non-Federal audits conducted on local implementers has also identified potential financial management practices that could put USAID funds at risk in

\textsuperscript{40} USAID OIG, “Additional Actions Are Needed To Improve USAID’s Democracy, Human Rights, and Governance” (8-000-20-001-P), November 26, 2019.

\textsuperscript{41} USAID OIG, “USAID’s Award Oversight Is Insufficient To Hold Implementers Accountable for Achieving Results” (9-000-19-006-P), September 25, 2019.
its Northern Triangle programs.42 Between October 2016 and May 2021, we issued 50 non-Federal audit transmittal memos covering USAID programs in El Salvador, Guatemala, and Honduras. These memos included 63 recommendations addressing significant deficiencies and material weaknesses in USAID implementers’ internal controls and identified $2.3 million in questioned costs. Further, these memos identified other control issues, including implementers charging expenses over budget and unsupported expenses, failing to reconcile expenses to bank statements, using USAID funds to pay for non-USAID expenses, failing to properly account for cost-sharing funds, and overstating indirect costs. To ensure effective stewardship of funds as it continues to work with local implementers to respond in the Northern Triangle, the Agency may consider reviewing the common themes and potential future issues identified in these past memos.

**Human Capital Management and Training Challenges**

Our audit work has also identified human capital management as an ongoing challenge for the Agency.43 USAID’s missions face staffing posture adjustments in response to State Department determinations, funding availability, and foreign policy priorities. While the Northern Triangle missions did not lose staff during the suspension of funding in the region, the missions have reported strains on their staff from both the funding suspension and due to the challenging operating environment created by COVID-19. As the missions prepare to receive potentially significant funding increases and move forward in trying to quickly design, fund, and roll out new programs, this increase in funding and programming may pose a challenge to staff capacity on the ground. Missions have already indicated that they are seeking additional short-term staff support from USAID headquarters to handle the increase in funding and activities and boosting staffing capacity to support mission operations. Continued attention to staffing levels and the strain on existing staff may be needed to ensure staff are able to execute their work appropriately and in a timely manner.

In addition to staffing, ensuring that staff have the right skills, training, and understanding to be able to effectively design and monitor is integral to ensure effective program implementation. Past audits have identified challenges the Agency has faced in ensuring staff have the necessary skill sets to perform their work. For example, our audit on crime and violence prevention programming in El Salvador determined that staff knowledge of the subject was limited. Staff reported that they were learning as they implemented programs and, in some cases, were either not aware of or were not able to attend relevant training.44 Similarly, our work on USAID’s efforts to engage the

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42 Non-Federal audits are typically financial audits of acquisitions and assistance awards conducted by U.S. or foreign audit firms. OIG determines whether USAID-mandated audits of contractors and grantees meet professional standards for reporting and other applicable laws, regulations, and requirements. OIG meets this by performing desk reviews and quality control reviews.


private sector found that there was a need for additional skills and experience to help Agency staff in this area. Of note, the Agency itself has also identified this need. In both these cases, USAID is working to increase staff skills, including the June 2021 release of a new curriculum on preventing youth violence. Continuing to actively focus on ensuring that its staff have the right set of skills and abilities will be key as the Agency seeks to implement creative and effective programming that targets the root causes of irregular migration in the region.

**Concluding Observations**

As the U.S. government’s lead international development agency and a world leader in providing humanitarian assistance, USAID has the experience and expertise to support the U.S. government’s efforts to reduce irregular migration in the Northern Triangle. As it responds in the region, USAID will need to take necessary steps to safeguard the funding entrusted to it by Congress and the American taxpayer, while also being timely and flexible in its efforts. This advisory notice serves to inform USAID of key issues identified through past audits and investigations that it can consider as it continues to define and execute its engagement in the Northern Triangle. Doing so can better ensure the significant influx of funding is used effectively, efficiently, and with appropriate oversight.

OIG will continue to monitor USAID’s efforts in the region to tailor our oversight efforts based on risks, emerging issues, and stakeholder interests. We will also continue to carry out audit, investigative, and other oversight activities, and refine our oversight plans based on new and emerging administration and congressional priorities.

We appreciate your ongoing commitment to cooperation with our office. Please continue to encourage your staff and USAID implementers to report fraud, waste, and abuse through our OIG Hotline, which remains fully staffed through the pandemic.

If you have any questions or comments about this advisory, you may reach me at 202-712-1150.

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