

# TOP MANAGEMENT CHALLENGES

*Facing USAID in Fiscal Year 2022*



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

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# Message From the Acting Inspector General



Thomas J. Ullom  
Acting Inspector General

In accordance with the Reports Consolidation Act of 2000, we submit our annual statement summarizing the top management and performance challenges USAID faces in providing development and humanitarian assistance.

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 2021, USAID managed \$40.1 billion in budgetary resources to help save lives, reduce poverty, and strengthen democracies while advancing U.S. national security and economic prosperity. The direct and second-order effects of the COVID-19 pandemic continued to impact the Agency's programs and operations during the year and contributed to an increase in extreme global poverty for the first time in decades. Amid this backdrop, the rapid fall of the Afghan government marked a pivotal change in USAID's decades-long relationship with the country, culminating in an urgent mobilization effort to ensure the safety of personnel and leaving many questions about the future of U.S. engagement.

This report contextualizes four long term challenges for USAID: managing humanitarian assistance, sustaining development gains, coordinating with stakeholders, and implementing core management functions. This year, we include two spotlight sections relating crosscutting challenges to Afghanistan and COVID-19. We also, where relevant, connect challenges to the Millennium Challenge Corporation (MCC), the Inter-American Foundation (IAF), and the U.S. African Development Foundation (USADF). USAID's progress made addressing prior year challenges is summarized in the final section.

In preparing this report, we considered the outcomes of our audits, evaluations, investigations, and other oversight work, as well as relevant work by other oversight agencies and input from USAID. In addition to meeting the requirements of the Reports Consolidation Act, this document will help inform our work and frame our dialogues with Congress and the administration to pursue stakeholder priorities for effective stewardship of U.S. funds dedicated to foreign aid and development.

We are committed to providing timely oversight of USAID's programs and operations in line with our core mission to strengthen and safeguard U.S. foreign assistance. If you have any questions about top management challenges facing USAID, MCC, IAF, or USADF, please contact me at (202) 712-1150.

# Challenge Spotlight: Crisis in Afghanistan

In August 2021, the Afghan government fell to the Taliban, President Ashraf Ghani fled the country, and the United States withdrew its military forces and all diplomatic personnel. After 20 years of sustained support and over \$24 billion in humanitarian assistance and development programs, USAID's presence in Afghanistan impacted the lives of millions of Afghans and thousands of USAID and implementer staff, including Afghans whose lives may now be at risk for their work with the U.S. government. Responding to a rapidly evolving crisis of this magnitude cuts across the core challenge areas we have identified for the Agency, as noted in the following examples.

**Targeting humanitarian assistance and protecting it from Taliban diversion.** As of September 2021, USAID had provided more than \$197 million in humanitarian assistance for programs in Afghanistan in fiscal year 2021. Prior Overseas Contingency Operations (OCO) reporting highlighted constraints delivering humanitarian aid in-country due to fighting between the Taliban and Afghan security forces and at least two instances where the Taliban diverted or co-opted assistance from a USAID implementer.<sup>1</sup> Our office issued a situational alert in September 2021 to the Agency noting that the Taliban takeover and continued interference in the provision of foreign assistance will pose significant challenges as USAID programming resumes. Despite the risks, USAID has committed to expanding humanitarian assistance efforts, with \$157.5 million in funding announced in June 2021 and an additional nearly \$40 million in September 2021, distributed primarily through the United Nations and non-governmental organizations (NGOs), many of whom remain on the ground. USAID has strengthened controls with public international organizations (PIOs) in recent years but remains in a challenging position of determining how best to respond to and oversee the prevailing humanitarian needs in Afghanistan, particularly given the evolving conditions for women and girls.

**Determining the future of development assistance and sustaining past gains.** USAID provided over \$22 billion in development assistance for a peaceful, stable Afghanistan since 2002. USAID's long-term plan, outlined in the Country Development Cooperation Strategy for 2019-2023, focused on working with the Afghan government to "help Afghanistan become a more inclusive, economically viable, and self-reliant country" that would be a better national security partner for the U.S. government. USAID must now navigate the collapse of the Afghan government as well as uncertainties about the viability of development programs given broader U.S. government restrictions pertaining to the Taliban. Moreover, the participation of women and girls in Afghan society and sustainability of prior investments in health, education, democracy, infrastructure, and other areas are now under threat. Adding to the challenge is the evacuation of the U.S. Embassy and USAID mission in Kabul, which limits the Agency's ability to monitor programming and engage stakeholders in Afghanistan.

## OIG Oversight of USAID Activities in Afghanistan

Since 2003, OIG has issued over 300 reports on Afghanistan, covering awards valued at close to \$6.4 billion. This oversight resulted in nearly 800 recommendations to strengthen U.S. foreign assistance and identified close to \$373 million in questioned costs. In addition, our office, along with OIGs at the Departments of State and Defense, has reported quarterly since 2015 on the status of Operation Freedom's Sentinel, the OCO in Afghanistan. We have also coordinated with the Special Inspector General for Afghanistan Reconstruction (SIGAR) on audits and investigations and maintained staff in Kabul until August 2021.

<sup>1</sup> Lead Inspector General Report to United States Congress, Operation Freedom's Sentinel, October 1, 2020-December 31, 2020, and April 1, 2021-June 30, 2021.

***Supporting the transition of Afghans in the United States.*** A top priority of Agency leadership has been the evacuation of staff from Afghanistan. USAID worked with other agencies to evacuate its American team and relocate Afghan personnel to the United States and other safe locations. To support this effort, USAID organized volunteers from across the Agency to help process visas for and assist with the arrival of Afghan colleagues, aid workers, and refugees. The Agency also reported coordinating with other agencies to provide technical support to address the protection needs of Afghans as part of their relocation, including assisting unaccompanied minors and improving accessibility at ports of entry. In addition, press reports have highlighted challenges with the visa process, which applies differing criteria to Afghans who worked on different types of projects for USAID.

As we continue to monitor the evolving situation in Afghanistan, we will adapt our approach to provide timely and relevant oversight that is responsive to our mandate and stakeholder needs.

# Challenge Spotlight: USAID's COVID-19 Response

The ramifications of COVID-19 continue to affect USAID programming and operations nearly 2 years after the pandemic began. USAID obligated approximately \$7.7 billion and disbursed \$5.3 billion toward COVID-19 efforts by July 31, 2021, according to the Agency. As new cases and deaths continue worldwide, our targeted COVID-19 oversight efforts reflect the crosscutting impacts on the Agency, identifying both complex challenges and innovative practices rising out of the pandemic.

**Supporting vaccine rollout.** USAID has contributed \$2 billion to the COVID-19 Vaccines Global Access Facility (COVAX) to support the procurement and distribution of vaccines. Our recent evaluation noted that, as of May 2021, USAID was still finalizing a strategy that would include international assistance for COVID-19 vaccination programs, with some delays in funding and strategy development caused by the change in administration.<sup>2</sup> In addition, we reported that USAID may need to enhance oversight to mitigate risks with vaccine procurement and distribution performed by the global Vaccine Alliance (Gavi), which reported that COVID-19 vaccines may be associated with a higher risk of theft and diversion than traditional Gavi-supported vaccines. The Agency agreed with our recommendation to determine whether future contributions to Gavi for COVID-19 vaccines should include additional oversight-related clauses to mitigate the higher risk for fraud, waste, and abuse.

## Monitoring in a pandemic environment.

USAID missions saw a reduction in their ability to monitor programs, citing challenges with movement restrictions and technology that limited in-person visits, verification of data, and engagement with beneficiaries. According to the Agency, the inability to use its traditional project monitoring tools resulted in vulnerabilities to fraud, waste, and abuse. The Agency took a range of actions to adapt its monitoring, including providing additional guidance and flexibilities, equipping staff with the tools to enable telework to continue operations, and using remote monitoring techniques suitable to their operating environments. The impact of these efforts will likely be assessed later through program evaluations and independent financial and performance audits.<sup>3</sup>

## Implementing the whole-of-government pandemic response.

While past international public health emergencies like Ebola underscored complications of interagency work, the whole-of-government response to COVID-19 surfaced unique challenges

### OIG Oversight Related to COVID-19

Our targeted oversight efforts since the pandemic began in January 2020 resulted in the following publications:

- [Key Questions to Inform USAID's COVID-19 Response](#), May 2020
- COVID-19 Fraud Awareness and Reporting [Fact Sheet](#)
- COVID-19 Information Briefs, issued in [September 2020](#), [December 2020](#), [June 2021](#), and [October 2021](#)
- [USAID Had Limited Control Over COVID-19 Ventilator Donations, Differing From Its Customary Response to Public Health Emergencies](#), February 2021
- [USAID Adapted to Continue Program Monitoring During COVID-19, But the Effectiveness of These Efforts Is Still To Be Determined](#), May 2021
- [U.S. COVID-19 Vaccine Contributions: USAID Should Consider Enhancing Oversight to Mitigate Risk of Fraud, Waste, and Abuse](#), September 2021

<sup>2</sup> USAID OIG, "[U.S. COVID-19 Vaccine Contributions: USAID Should Consider Enhancing Oversight to Mitigate Risk of Fraud, Waste, and Abuse](#)" (E-000-21-002-M), September 1, 2021.

<sup>3</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.

for USAID. For example, under the previous administration, the National Security Council (NSC) directed USAID's \$200 million ventilator donation program, marking a significant departure from the Agency's customary practices for responding to public health emergencies.<sup>4</sup> USAID continues to meet with interagency partners and international organizations and has established internal units to help coordinate and implement its portion of the whole-of-government response.<sup>5</sup> In October 2021, USAID published its COVID-19 response plan to support implementation.

### ***Normalizing operations under prolonged pandemic conditions.***

USAID submitted its reentry plan for domestic facilities in July 2021 and, in August 2021, began badging and IT processes for staff hired during the pandemic. Formal reopening plans, however, remain fluid, with much depending on local conditions. Overseas operating status is determined and managed on a country-by-country basis by the State Department. While overseas USAID staff and implementers report effective adaptations and improvements to operations, they also identified concerns with vaccine access and program monitoring. Our letter to Congress on USAID's plans for reentry highlighted U.S. Government Accountability Office (GAO) considerations for ensuring a safe domestic workforce, including making decisions based on local conditions, communicating with employees, and implementing protection and social distancing measures.<sup>6</sup> As the Agency moves toward its new normal, USAID must balance the need to protect the health and safety of staff, recruit and retain an effective workforce, and achieve its broad international development objectives.

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<sup>4</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>5</sup> To include, from the White House, "National Strategy for the COVID-19 Response and Pandemic-Preparedness," January 21, 2021, and "U.S. COVID-19 Global Response and Recovery Framework," July 1, 2021.

<sup>6</sup> USAID OIG, "[OIG Letter to Chairman Connolly on USAID Reopening Plans](#)," August 6, 2020.



# Challenge Area I.

## Managing Risks to Humanitarian Assistance

In fiscal year 2020, USAID spent \$6.6 billion on humanitarian assistance and stabilization activities to help people in need around the world. The need is great: 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. Additionally, humanitarian crises are growing longer, with the average lasting 9 years.<sup>7</sup> USAID recognizes the complex constraints of operating in crisis settings, including the inherent difficulty accessing program sites to deliver and oversee assistance. USAID also makes efforts to evaluate—and, in some cases, accept—risks that accompany the decision to act. However, our work continues to flag challenges in mitigating fraud and corruption risks and monitoring activities to ensure that lifesaving U.S.-funded assistance reaches those who need it most.

“Corruption corrodes public trust; hobbles effective governance; distorts markets and equitable access to services; undercuts development efforts; contributes to national fragility, extremism, and migration; and provides authoritarian leaders a means to undermine democracies worldwide.”

From President Joe Biden’s “Memorandum on Establishing the Fight Against Corruption as a Core United States National Security Interest,” June 3, 2021.

### Mitigating Fraud and Corruption Risks

Federal internal control standards require the Agency to identify and respond to fraud risks.<sup>8</sup> USAID policies reflect these principles, which staff and implementers strive to implement and strengthen. For example, informed by our audits and investigations, in January 2021 USAID agreed to develop a fraud risk management framework for humanitarian assistance responses. Our recent work underscores the importance of identifying risks and preventing fraud and corruption in humanitarian settings. These examples reinforce and complement the Biden administration’s national security agenda and USAID’s

<sup>7</sup> European Commission Science Hub, “Humanitarian crises around the world are becoming longer and more complex,” November 20, 2020.

<sup>8</sup> The Comptroller General issues standards of internal control in the Federal government. Standards for Internal Control in the Federal Government, also known as the Green Book, provides the overall framework for establishing and maintaining an effective internal control system. The Office of Management and Budget provides requirements for establishing, assessing, and reporting on internal controls in the Federal government (Circular A-123).

new Anti-Corruption Task Force, established in June 2021, to elevate, strengthen, and integrate anticorruption work across the Agency. Related challenges facing USAID include:

- *Anti-Fraud and Procurement Controls.* While USAID designed corrective actions to enhance anti-fraud controls in programming to support those displaced by the conflict in Syria, the Agency did not follow through on commitments made by a major implementer to establish sufficient controls over USAID funding. We identified \$11.6 million in questioned costs stemming from the implementer's noncompliance with related procurement policies and procedures.<sup>9</sup> In Africa's Lake Chad region, Federal regulations allowed implementers to use noncompetitive procurements, which have been associated with fraud schemes elsewhere. Despite heightened risks, USAID did not require implementers to inform the awarding offices of their use for awards in Africa's Lake Chad region.<sup>10</sup>
- *Bribery.* In December 2020, our multiyear investigation resulted in the extradition and guilty plea of a former NGO official who paid bribes to influence the procurement of food and supplies intended for those affected by various humanitarian crises, including refugees displaced by the conflict in Syria.
- *False Claims.* In March 2021, an international NGO agreed to pay \$6.9 million under the False Claims Act<sup>11</sup> to settle allegations that it submitted inflated invoices to USAID while implementing humanitarian assistance awards to deliver aid to refugees and displaced persons in Syria.
- *Ineligible Beneficiaries.* While USAID incorporated fraud risk management leading practices into the Agency's humanitarian response to the Venezuela regional crisis, the Agency did not require implementers to do the same for planning, risk assessment, or data analytics activities.<sup>12</sup> Control weaknesses enabled one implementer to enroll ineligible individuals for assistance who were affiliated with a municipal government agency in Colombia.
- *Currency Exchange.* Some USAID implementers in designated Complex Emergency areas, such as Yemen and Syria, convert U.S. dollars into local currency using informal currency exchange systems. In April 2021, we alerted USAID to vulnerabilities—including lack of documentation, unregulated rates, and inhibited oversight—that expose the Agency to increased risks of embezzlement, funds diversion, and fraudulent invoicing.

In August 2021, we issued an advisory highlighting key considerations for USAID to consider as it supports programming in the Northern Triangle, including risks that transnational criminal organizations could pose to humanitarian assistance.<sup>13</sup> Our ongoing audit of USAID's efforts in the Northern Triangle is assessing USAID's application process for prospective implementers and the design of cash transfer activities.

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<sup>9</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>10</sup> USAID OIG, "[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>11</sup> The False Claims Act (31 U.S.C. §§ 3729 – 3722) provides that any entity that submits false claims to the U.S. government is liable for treble damages and an accompanying fine for each false claim submitted.

<sup>12</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>13</sup> USAID OIG, "[Key Considerations to Inform USAID's Engagement in the Northern Triangle Countries](#)," August 26, 2021.

## Monitoring Humanitarian Assistance and Stabilization Activities

Effectively monitoring humanitarian assistance and stabilization activities is inherently difficult given the crisis conditions in which USAID operates. Insufficient monitoring can jeopardize the effectiveness of activities as well as the safety and security of personnel working to implement them. Our recent work speaks to ongoing monitoring challenges USAID is working to overcome, such as the following:

- *Third-Party Monitoring.* USAID uses third-party monitors to directly observe program activities in difficult scenarios, but our work has identified varied challenges with how the Agency implements this technique. For example, in Africa’s Lake Chad region, lack of a formal planning process hindered third-party monitoring. Ultimately, USAID issued a third-party monitoring contract for just one of four countries in the region, about 4 years after first identifying the need for this monitoring support. In Iraq, we found that USAID’s management of its third-party monitor left some observations without timely follow-up or resolution. Weak tracking systems increased the risk that significant third-party monitor findings would be left unaddressed, particularly with frequent staff rotations in and out of Iraq.
- *Performance Indicators and Evaluations.* Information from performance indicators and evaluations helps USAID measure progress and adapt programs as needed, but using these tools effectively is an ongoing challenge. For example, USAID developed but did not fully implement a monitoring and evaluation plan for its resilience and food security activities in Africa’s Sahel region, which is home to some of the poorest and most fragile countries in the world. As a result, USAID’s monitoring and evaluation contractor did not complete all work as planned, and some performance indicators could not be used to make appropriate course corrections. Further, while USAID supplemented routine monitoring with periodic performance evaluations, the Agency did not always track recommendations to resolution as USAID’s policy calls for, leading to gaps in monitoring that may persist in subsequent programs.<sup>14</sup>
- *Access Constraints.* Among differing country contexts, USAID-funded humanitarian operations are impacted by similar access challenges, including constraints related to transportation, insecurity, and bureaucracy. We found that within USAID, information-sharing practices are largely informal. Though, flexibilities for branding and marking improved operational safety for implementers.

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<sup>14</sup> USAID OIG, “[USAID’s RISE Program in the Sahel Aligned With Resilience Policies but Lacked Robust Monitoring](#)” (4-000-21-003-P), September 25, 2021.



## Challenge Area 2.

### Sustaining International Development Gains

USAID identifies commitment from host governments, the private sector, and other partners as fundamental to enabling host-country ownership and sustaining gains made through the Agency’s international development investments. The Agency champions planning and monitoring throughout the program cycle to advance development goals and tailor activities to the local country context for quantifiable, sustainable results. Yet, our work highlights challenges that the Agency faces in enhancing planning and monitoring, broadening local capacity and private sector commitment, and preventing and detecting fraud, waste, and abuse—factors that will remain critical as USAID pivots to supporting the priorities of the current administration and helping countries rebound from second-order impacts of COVID-19.

“Lasting solutions to development challenges require local organizations that have the insights to develop tailored solutions and the credibility to implement them.”

—USAID Administrator Samantha Power, July 2021 testimony to Congress

### Enhancing Planning and Monitoring

Sustainable development is informed, in part, by robust planning and monitoring that aligns development goals with resources. When planning and monitoring fall short, the sustainability of USAID’s programs is affected. The following examples from our recent work illustrate these challenges:

- *Planning.* In its response to the Venezuela regional crisis, the Agency lacked a strategic framework to guide its development response, instead prioritizing project and award planning requirements.<sup>15</sup> In El Salvador, USAID did not develop a plan to operationalize U.S. strategies and initiatives in the region or lay out specific steps to achieve the Agency’s security goals related to crime and violence prevention programs. Without the plan, it was unclear what USAID was seeking to achieve in support of its security goals under the U.S. Strategy for Engagement in Central America.<sup>16</sup> In Iraq, USAID lacked formal guidance for staff to transition away from humanitarian assistance programming, making it difficult

<sup>15</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>16</sup> USAID OIG, “[USAID/El 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.

to ascertain when the humanitarian need has ended and conditions for a transition to longer term development are met.<sup>17</sup> A GAO report noted a similar example with USAID’s Feed the Future program, where the Agency did not fully follow the process it had developed to graduate countries toward more targeted assistance due to the COVID-19 pandemic and bureau restructuring. As a result, key stakeholders faced challenges with making informed decisions to help target countries advance toward graduation from Feed the Future assistance.<sup>18</sup>

- *Monitoring.* 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 reflected actual improvements in performance. USAID also did not monitor the use of regional distribution centers, which left USAID and the implementer without key information to ensure effective and efficient distribution of commodities or to make adjustments as needed.<sup>19</sup> As in humanitarian contexts, USAID uses third-party monitors for a wide range of monitoring services for development activities. Three missions we reviewed in Asia—Bangladesh, Nepal, and Pakistan—benefited from third-party monitors for independent verification of activity performance and oversight in remote locations but lacked a systematic and centralized process to ensure that issues identified by third-party monitors were resolved and documented in a timely manner—similar to issues we found in humanitarian contexts.<sup>20</sup>

## Broadening Local Capacity and Private Sector Commitment

Our recent oversight work illustrates the importance of—and challenges associated with—obtaining support and leveraging resources from local and private sector partners to sustain development gains. For example:

- *Local Partner Capacity.* Meeting internal control standards to safely manage U.S. foreign assistance can be a challenge for local partners, who have varying levels of experience and capability implementing USAID-funded programs. In the last 10 years, financial audits that we oversee of local organizations have resulted in 3,502 recommendations to correct internal control and compliance issues and \$1.1 billion in questioned costs. Related to PEPFAR programming specifically, since 2018 USAID has been working to meet a notional goal of channeling 70 percent of funding through host-country governments or local organizations by September 2020. USAID made gains but fell short of the mark with a reported 44 percent of PEPFAR funding going directly to local partners by that point. We are concluding an audit that is assessing USAID’s progress toward meeting PEPFAR local partner funding goals and mission-specific approaches for implementing Agency guidance in preparing funding strategies and meeting targets while addressing risks.
- *Private Sector Engagement.* USAID engages with the private sector to maximize development in target sectors. This engagement includes supporting host-government reforms, providing technical assistance on new business opportunities, and giving financial assistance to minimize private sector investment risks. However, insufficient Agency-wide guidance, data, and metrics have hindered missions’ ability to design,

<sup>17</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>18</sup> U.S. Government Accountability Office, “Global Food Security: Improved Monitoring Framework Needed to Assess and Report on Feed the Future’s Performance” (GAO-21-548), August 2021.

<sup>19</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>20</sup> USAID OIG, “Improved Guidance and Processes Would Strengthen the Use of Third-Party Monitors in Bangladesh, Nepal, and Pakistan” (5-000-22-002-P), draft report issued October 23, 2021.

manage, and oversee private sector engagement and maximize such engagement, as USAID's private sector engagement policy calls for.<sup>21</sup> With more comprehensive guidance, USAID has an opportunity to open more avenues to engage with the private sector and further support countries' self-reliance.

- **Cost Sharing.** USAID may share costs with host governments and implementers to leverage resources and build commitment and sustainability. Yet, due to limited guidance and training, USAID staff lacked clarity regarding how cost sharing should be monitored. As a result, Asia missions we reviewed may lack assurance on the accuracy of reported contributions, potentially leaving USAID short of accruing intended benefits of cost sharing.<sup>22</sup>

### Related Challenges at the Millennium Challenge Corporation

MCC has faced similar risks to sustainability and challenges with assessing the capacity and ability of partner countries to institute policy and institutional reform. Under the Threshold Program, MCC has committed \$172 million to help countries implement difficult reforms that would enable them to be eligible for a future compact. However, we found that MCC did not have a process in place to assess the overall impact of this program. In addition, the transparency of MCC's Economic Rate of Return (ERR) analyses—cost-benefit analyses to indicate whether a potential project's economic benefit will exceed its costs by MCC's required 10 percent threshold over 20 years—has caught the interest of Congress, which requires MCC to report the economic justification of a proposed compact program. MCC relies on a peer review process to ensure that ERRs are objective and reliable. We are concluding an audit that is assessing the extent to which MCC's guidance and procedures for developing and reviewing ERR analyses address identified risks and how MCC used the peer review process to inform investment decisions in select compacts.

Source: USAID OIG, "[MCC Should Do More to Assess the Threshold Program's Progress in Achieving Its Overall Objectives](#)" (M-000-21-001-P), September 2, 2021.

## Preventing and Detecting Fraud, Waste, and Abuse

Our recent and ongoing investigations reiterate risks of fraud, waste, and abuse in the context of supporting local partners, who may lack the requisite systems and will to ensure accountability of U.S. government funds. A salient example relates to the Kenya Medical Supplies Authority (KEMSA), a Kenyan state-run corporation and recipient of a \$650 million, 5-year award to store and distribute medical commodities donated to the country by USAID. Our investigations found evidence suggesting corruption at the highest levels of the organization, severely compromising KEMSA's ability to (1) manage the purchase and distribution of life-saving health commodities intended for the most vulnerable Kenyans and (2) USAID's investment in the program.

<sup>21</sup> USAID OIG, "[Improved Guidance, Data, and Metrics Would Help Optimize USAID's Private Sector Engagement](#)" (5-000-21-001-P), December 9, 2020.

<sup>22</sup> USAID OIG, "[Cost Sharing: USAID's Asia Bureau Should Enhance Guidance and Training to Ensure Missions Verify Awardees' Contributions](#)" (5-000-22-002-P), draft report issued September 29, 2021.



## Challenge Area 3.

### Advancing Coordination With Stakeholders

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, or a significant financial backer. To further U.S. foreign policy and national security objectives, USAID exercises its role and responsibility as the U.S. government's premier development agency by navigating the divergent priorities and functions of multiple stakeholders to achieve complementary but distinct goals. Within the U.S. government, USAID is a member of the NSC and works closely with several Federal agencies, including the Department of State and the Department of Health and Human Services' Centers for Disease Control and Prevention (CDC) in developing shared strategic priorities, allocating resources, and executing programs. The Agency also works with other U.S. development organizations, including MCC and the recently established U.S. International Development Finance Corporation (DFC).

Our oversight work has found coordination to be a longstanding challenge for USAID, as the Agency strives to respond quickly to changing priorities even when decisions extend beyond its immediate control and authority. Our recent work speaks to particular challenges reconciling interagency policy decisions and adapting to external budget considerations.

#### Reconciling Interagency Policy Decisions

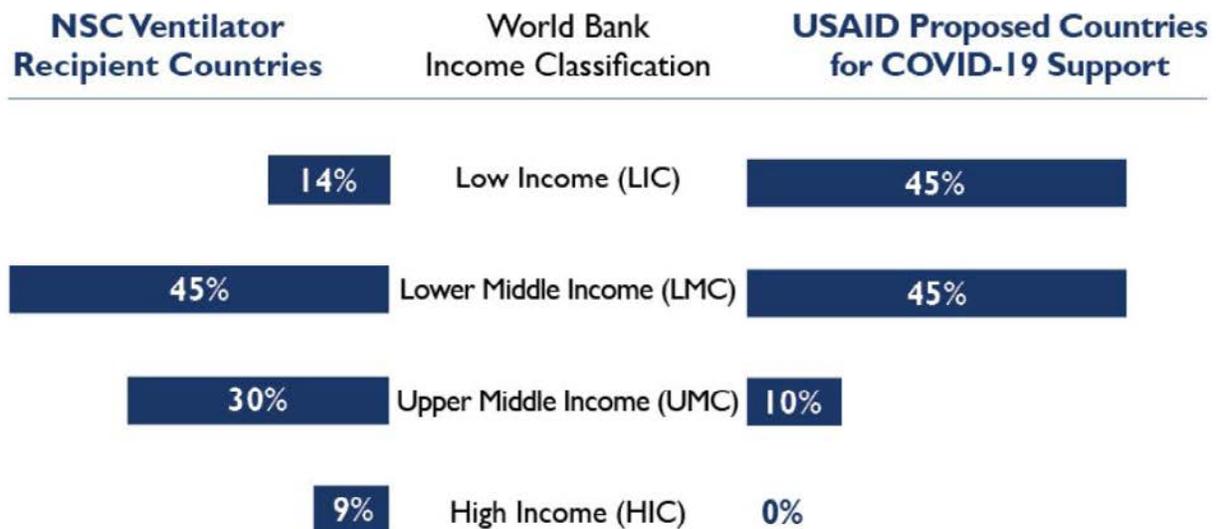
While USAID is an independent agency, it receives overall policy guidance from the Secretary of State and the NSC. Reconciling ongoing Agency programs with broader U.S. government objectives creates challenges for USAID, which responds by redirecting priorities, accepting risks, and adjusting staff. However, at times, the Agency has lacked policies and processes for responding to external decisions.

- *Priority Redirection.* In responding to the COVID-19 pandemic, USAID provided ventilators to over 40 countries through the \$200 million ventilator donation program. However, this program did not align with the Agency's initial COVID-19 response planning nor customary practices for responding to public health emergencies. Instead, the NSC made decisions for determining recipient countries, how many ventilators to send, and which suppliers and models to use.<sup>23</sup> As shown in the following figure, the countries that the NSC prioritized and USAID ultimately supported differed from

<sup>23</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.

USAID’s initial proposal. With limited control over ventilator donations, USAID did not ensure monitoring mechanisms were in place at the time of delivery and had limited information about the location of ventilators within countries. The work of our special agents in recovering 191 stolen USAID-procured ventilators en route to El Salvador underscores this oversight challenge. The differing priorities of ventilator allocation between USAID and the NSC may have contributed to wasted resources and efforts and reduced impact as countries without the most critical need for them received ventilators.

## Ventilator Distribution: Comparison of Prioritized Countries by Income Classification



Source: 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.

- Risk Acceptance.** In responding to the Venezuela regional crisis, USAID partnered with the State Department to prioritize the delivery of assistance to the Venezuelan people and to neighboring countries supporting and aiding Venezuelan migrants.<sup>24</sup> However, USAID did not have a process for documenting NSC and State Department directives that at times led USAID to support priorities beyond its general risk appetite. USAID also did not have a joint strategic humanitarian response plan with the State Department to coordinate the response. Officials at both agencies commented that time and resources dedicated to deconflicting coordination challenges could have been used more effectively to direct humanitarian assistance in the region. We found these challenges were not unique to the Venezuela regional crisis, and addressing them could improve USAID’s future humanitarian assistance operations.
- Staffing Adjustments.** Following direction from the Vice President, USAID increased its religious and ethnic minority (REM) portfolio in Iraq to be in line with a policy change to directly support persecuted communities. However, while the Agency ramped up these activities, the State Department conducted two staffing reviews to reduce in-country U.S. personnel. Ultimately, USAID reduced its team from 26 to 6 expatriate staff, which strained award management as monitoring requirements increased for REM programs. To mitigate the staffing challenges, USAID shifted to managing its most recent awards

<sup>24</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.

from Washington, DC.<sup>25</sup> Similar staff reduction decisions affected USAID’s Afghanistan team prior to recent events, prompting the Agency to make programmatic changes without first accounting for the impact of those changes on the sustainability of its development activities. In that case, USAID agreed with our recommendation to do more to ensure comprehensive risk assessments are completed in consultation with key stakeholders and Congress as the Agency reduced staff and programs.<sup>26</sup>

## Adapting to External Budget Considerations

The process of executing the foreign assistance budget is central to USAID’s ability to deliver on its mandate. Our recent work illustrates how USAID must adapt to external considerations that can lead to delays obligating funding and restrictions on how funding is spent.

- *Funding Delays.* In examining USAID’s fiscal year 2019 budget process, we found that reviews by other offices and agencies, as well as differences of opinion between the administration and Congress on the direction of foreign assistance programming, hindered USAID’s ability to obligate funds in a timely manner. USAID’s Office of Budget and Resource Management (BRM) conducted an internal after-action review to identify challenges affecting the obligation of funds and drafted conclusions and recommendations to improve the process.<sup>27</sup> As of September 2021, BRM continued efforts to streamline and manage the obligation process—for example, by issuing an Agency Notice on obligation expediency and tracking COVID redirections and obligations, as well as streamlining processes with the State Department.
- *Earmarks.* Congress may apply earmarks, or conditions in the appropriation that direct the use of the funds provided. When earmarks apply globally and affect multiple accounts administered by both USAID and the State Department, both agencies must coordinate to ensure that earmark requirements are met. When the requirements of earmarks do not align with USAID’s technical priorities, the earmarks take precedence.<sup>28</sup> We found that accounting for earmarks in appropriated funds contributed to some of USAID’s mission budgets being out of alignment with their country-specific strategies for self-reliance. The Agency updated policy to clarify roles and responsibilities for producing budget scenarios and updated guidance to help deconflict differing instructions.<sup>29</sup> In February 2021, the Center for Strategic and International Studies relatedly reported that the uptick in earmarks and directives for foreign assistance in the past three decades has made it difficult to meet the country-ownership principle. Additional practical implications for USAID include constrained ability to quickly reallocate development funding to address new threats and unforeseen opportunities; reduced availability of development funding for sectors and programs without earmarks; and limited ability to produce long-term, country-specific strategic plans.<sup>30</sup> USAID said that it recently developed a historical analysis of directives to present options to the Administrator to work with Congress to provide more flexibility in the fiscal year 2022 appropriations. We are concluding an audit related to USAID’s compliance with the Senator Paul Simon Water for the World Act of 2014 in which Congress directs USAID to prioritize countries for water, sanitation, and hygiene (WASH) assistance based on needs-

<sup>25</sup> USAID OIG, “[U.S. Assistance Strategy in Iraq: Significant Events Surrounding USAID’s Iraq Religious and Ethnic Minority Portfolio and Award Management Challenges](#)” (E-000-22-001-M), November 1, 2021.

<sup>26</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>27</sup> USAID OIG, “[Lessons From USAID’s FY 2019 Budget Process Highlight Interagency Constraints and Areas that Require Continued Attention](#),” March 2, 2021.

<sup>28</sup> USAID OIG, “[Lessons From USAID’s FY 2019 Budget Process Highlight Interagency Constraints and Areas that Require Continued Attention](#),” March 2, 2021.

<sup>29</sup> USAID OIG, “[USAID Updated Guidance To Address Inconsistent Use of Journey to Self-Reliance Metrics and Misalignment of Missions’ Budgets](#)” (9-000-21-002-P), December 23, 2020.

<sup>30</sup> Center for Strategic and International Studies, “[Earmarks and Directives in the Foreign Operations Appropriation](#),” accessed October 2021.

based criteria and opportunity indicators to designate high-priority countries. The audit specifically assesses the extent to which USAID has designated high-priority countries with the criteria and indicators in the Act and complied with related Congressional reporting requirements. Additionally, the audit assesses the challenges USAID faced in allocating funding to high-priority countries.



## Challenge Area 4.

### Implementing Core Management Functions

To carry out its mission effectively and efficiently, USAID relies on a network of support functions for the management of Agency awards, finances, information systems, and human capital. USAID continues to strengthen controls over core management functions, but our recent audits and investigations show that gaps remain.

#### Managing Awards

Award management remains a top challenge for USAID. In July 2021, the USAID Administrator testified to Congress that “the funding levels and complexity of our programs has expanded at a rate that significantly outpaces our staffing.” She further noted that each USAID contracting officer has managed over \$65 million annually over the past four years, compared to about \$15 million annually for each contracting officer at the Department of Defense. Examples of recent challenges include:

- *Pressure.* Agreement officers felt pressure to use a certain type of award or move through due diligence procedures without adequate time or resources.<sup>31</sup> Contracting officers reported pressure to terminate contracts despite raising adverse cost implications of doing so.<sup>32</sup> We identified a need for improved tools, guidance, and training to supplement steps taken to address a related recommendation we made in September 2019.<sup>33</sup>
- *Award Planning and Evaluation.* Weaknesses in planning and evaluation processes hindered USAID’s ability to fully support key decisions made in the design and award of its \$9.5 billion Global Health Supply Chain award. Lack of guidance on expected timeframes of the procurement process delayed implementation by about 3 years. We also found that the contracting officer had limited involvement and raised concerns about the decision process despite Federal regulations requiring the officer’s approval on acquisition planning. Also, the Agency did not sufficiently document its choice of a single implementer or strategies to address the risk associated with that arrangement. In addition, USAID

<sup>31</sup> USAID OIG, “[Observations on Risk in the Pre-Award Process for Assistance Awards](#),” June 24, 2021.

<sup>32</sup> USAID OIG, “[USAID Has Contract Termination Guidance That Aligns With Federal Contracting Requirements, but Employees Could Benefit From Additional Resources](#)” (9-000-21-009-P), September 23, 2021.

<sup>33</sup> USAID OIG, “[USAID’s Award Oversight Is Insufficient to Hold Implementers Accountable for Achieving Results](#)” (9-000-19-006-P), September 25, 2019.

did not sufficiently evaluate the winner's past performance or management information system capabilities during bidding. As USAID designs its next award to continue this supply chain work, it must improve policy and guidance to effectively design, procure, and manage that award and optimize the use of future global health investments.<sup>34</sup>

- *Sexual Exploitation and Abuse.* As the Agency began assessing its existing policies and procedures related to sexual exploitation and abuse (SEA), we undertook an audit that found variances in how USAID applied SEA prevention measures, such as requirements for implementer codes of conduct and implementation plans across award types (assistance versus acquisition) and response types (humanitarian assistance versus ongoing development assistance). USAID also lacked clearly defined roles and responsibilities and a centralized tracking mechanism for responding to and managing SEA allegations.<sup>35</sup> Preventing SEA perpetrators from circulating throughout the aid sector is a related challenge; in July 2021, we issued a present responsibility determination referral to USAID after we found evidence to support allegations of SEA by an individual who moved from one USAID-funded organization to another. In August 2021, we issued a memorandum to USAID flagging concerns about lack of cooperation from the World Health Organization (WHO) in providing information in response to our investigative inquiry into SEA allegations against WHO aid workers operating in the Democratic Republic of Congo (DRC).
- *Screening Requirements.* USAID has inconsistently implemented screening requirements that serve to prevent the diversion of aid to terror organizations and other groups barred from receiving assistance. In the last 2 fiscal years, our non-Federal audits reported 24 instances in Africa where local USAID partners did not perform required due diligence checks, including verifying whether potential employees and suppliers are restricted from receiving U.S. government funds. In contrast—in the Lake Chad region, specifically—USAID established requirements and implemented a due diligence process for certain activities to prevent the diversion of aid to terrorists.
- *Holding Implementers Accountable.* Absent further action from USAID, non-U.S.-based NGOs accused of fraud may continue to evade accountability under the full scope of U.S. law. Earlier this year, a Federal judge dismissed a False Claims Act case against an NGO based in the United Kingdom that had allegedly submitted false certifications to USAID regarding past support to terrorist entities. The judge determined that the NGO could not be sued in U.S. court, despite multiple direct awards with USAID. Had USAID wanted to ensure that foreign awardees could be held accountable in U.S. court, the court suggested that the Agency should have included a clause to that extent in its awards.

### Sexual Exploitation and Abuse Prevention

In the foreign aid sector, SEA has been a longstanding challenge given the inherent power disparity between aid workers and beneficiaries. USAID issued a SEA policy in March 2020, and the topic remains a priority for USAID and our office.

<sup>34</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>35</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.

## Managing Finances

In recent years, USAID has worked to address previously identified weaknesses, and our audits of USAID's financial statements for fiscal years 2019 and 2020 did not identify any material weaknesses in the Agency's internal control over financial reporting. Given the importance of proper stewardship of taxpayer funds and the risk to the Agency's reputation, continued vigilance is critical. Areas for continued attention include:

- Fiduciary and reputational risks related to the importance of maintaining an internal control environment to ensure proper stewardship of taxpayer funds.
- Risks for delayed grant closeout based on weaknesses in closeout communication, procedures, deobligation of awards, documentation, and employee training and certification. The Agency addressed our recommendations, including conducting an analysis to close out, deobligate, and put to better use the \$178 million in expired awards our audit identified. USAID said that as of the second quarter of fiscal year 2021, unliquidated obligations had been reduced to \$7.8 million, and that it continues to implement additional monitoring measures.

### Related Challenges at the Millennium Challenge Corporation

For MCC's financial statements for the same period, we did not identify any instances of noncompliance, but we did note one significant deficiency related to oversight and controls over financial reporting. In addition, although MCC complied with requirements tied to legislation preventing improper payments, our assessment of MCC's charge card program found a moderate risk of illegal, erroneous, or improper payments or purchases. We made three recommendations to MCC to improve controls over the charge card program.

Sources: USAID OIG, "[Audit of MCC's Fiscal Years 2020 and 2019 Financial Statements](#)" (0-MCC-21-002-C), November 14, 2020, and "[MCC Complied in Fiscal Year 2020 With the Payment Integrity Information Act of 2019](#)" (0-MCC-21-006-C), May 14, 2021, and "[Assessment of MCC's FY 2020 Charge Card Programs Identified a Moderate Risk of Illegal, Improper, or Erroneous Purchases and Payments](#)" (0-MCC-21-008-C), July 29, 2021.

## Managing Information Systems and Bolstering Cyber Security

USAID depends on sound information systems for all facets of business, including ensuring that information is secure, controls are in place to protect privacy, and the Agency has effective controls over its use of information and communication equipment. Recent work illustrates some of the challenges USAID has encountered managing its information systems. These challenges call for additional diligence with the Agency's expanded use of telework during the pandemic.

- *Information Security.* USAID generally implemented an effective information security program, though the Agency faced challenges in a number of areas, including account management, security training, and contingency planning.<sup>36</sup> A prior year report noted an increased risk of a breach because USAID had not implemented key internal controls to protect information accessed in the cloud system by staff on their personal devices.<sup>37</sup> The Agency has taken final corrective action on three of the report's recommendations. For the third recommendation—to "Conduct a risk assessment for Agency staff

<sup>36</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.

<sup>37</sup> USAID OIG, "[USAID Needs To Improve Policy and Processes To Better Protect Information Accessed on Personal Devices](#)," (A-000-20-006-P), June 19, 2020.

using personal devices to access the external cloud system and determine what actions Agency officials need to take to mitigate any identified risks”—USAID has postponed its planned completion date twice. Its current plan is to take final action by July 2022, citing “impacts to long-term information technology (IT) architecture planning resulting from unforeseen changes in the workplace arising from the worldwide reaction to COVID-19.” Until USAID completes the recommended risk assessment, the Agency will lack assurance that its information and the external cloud system are secure.

- *Privacy Program.* USAID implemented some key elements of an effective privacy program, but additional controls are necessary to protect personally identifiable information (PII) and reduce the risk of a privacy breach and related financial loss.<sup>38</sup> Specifically, the Agency needs to implement key privacy controls previously reported in a 2014 audit, such as role-based training and measures to prevent data loss to protect PII and provide the public with sufficient information about records containing their information. More recent, amid the urgency of the Afghanistan response, the Agency protected the PII of Afghans arriving in the United States by minimizing the collection and restricting the sharing of their PII.
- *Consolidated Systems.* USAID developed the Development Information Solution (DIS) system to help missions manage performance monitoring and budgeting across program areas by collecting data from financial and procurement systems, as well as program data, to allow for a more holistic view on the Agency’s portfolio. Although USAID was making progress developing and implementing some aspects of DIS, we found that the Agency’s full deployment of the system was behind schedule. USAID agreed with our four recommendations to help fully achieve performance goals and is working to revise cost-savings plans, processes for validating data, and plans to validate participation and adoption of DIS across the agency.<sup>39</sup>
- *Supply Chain Threats.* The complex web of suppliers throughout the world that supports information and communication technology (ICT) poses risks to government agencies, including USAID. ICT solutions are particularly vulnerable to threats posed by foreign actors that might seek to exploit vulnerabilities in the supply chain. A recent GAO report covering 23 Federal agencies, including USAID, noted that few Federal agencies had implemented practices to manage ICT risks, including establishing executive-level oversight or agency-wide assessments of supply chain risks.<sup>40</sup> USAID indicated that it plans to take action to respond to concerns raised in the GAO report. Our audit mandated by the Federal Information Security Modernization Act of 2014 (FISMA) includes a related finding that reinforces concerns raised by GAO.

<sup>38</sup> USAID OIG, “[USAID Needs to Improve Its Privacy Program to Better Ensure Protection of Personally Identifiable Information](#)” (A-000-21-001-P), August 11, 2021.

<sup>39</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>40</sup> GAO, “[Information Technology, Federal Agencies Need to Take Urgent Action to Manage Supply Chain Risks](#)” (GAO-21-171), December 2020.

## Related Challenges in Foreign Assistance Agencies

We audit the information security programs of MCC, IAF, and USADF annually as part of our mandated FISMA work. We have also performed the audit on behalf of DFC until the nascent organization’s Inspector General is fully functioning. While each organization generally implemented an effective security program in fiscal year 2020, our audits identified weaknesses.

MCC	IAF	USADF	DFC
Repeated weaknesses related to data protection and privacy, security training, and contingency planning.	Weaknesses with 13 controls and 2 open recommendations from prior FISMA audit reports.	Weaknesses with four controls and one open recommendation from a prior FISMA audit report.	Weaknesses with nine controls and nine open recommendations from prior FISMA audit reports.

Sources: USAID OIG, “[MCC Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA](#)” (A-MCC-21-001-C), November 5, 2020, and “[IAF Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA](#)” (A-IAF-21-002-C), December 4, 2020, and “[USADF Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA](#)” (A-ADF-21-003-C), December 21, 2020, and “[DFC Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA](#)” (A-DFC-21-005-C), January 28, 2021.

## Managing Human Capital

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 pointed to staffing or training as a challenge for the Agency. For example, we found that USAID/EI Salvador staff had specialized technical expertise but lacked sufficient knowledge and work experience in crime and violence prevention<sup>41</sup>—a new area for USAID which has received increased attention from the administration, especially in the Northern Triangle. In 2019, Congress appropriated funding to USAID to hire more Civil Service and Foreign Service staff following the 2017 Federal hiring freeze. USAID has previously acknowledged staffing challenges and developed an interim strategic workforce plan in February 2020 to guide the Agency through fiscal year 2022. We are concluding an audit that is determining the extent to which USAID has met congressionally mandated staffing targets, identified skills gaps, and measured progress toward assessing those gaps. Also, Congress has requested specific oversight of USAID staffing, including a GAO audit of the alignment of staffing, resources, mission, and priorities of USAID’s Global Health Bureau and an evaluation we are initiating on key aspects of USAID’s Africa Bureau human capital management.

<sup>41</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.

## USAID Progress Made in Addressing Prior Challenges

USAID has made progress in addressing challenge areas noted in last year's Top Management Challenges. In addition to addressing recommendations as reported in our [Semiannual Report to Congress](#), USAID reported the following areas of progress.

### Addressing Challenges With Humanitarian Assistance

To address the COVID-19 pandemic in the humanitarian assistance context, USAID's Bureau for Humanitarian Assistance established a COVID-19 working group to coordinate, plan, and establish systems to enable the bureau to program supplemental funding. In addition, the working group developed a strategic framework to provide guidance to staff on policy and priorities of funding received as part of the American Rescue Plan (ARP) legislation. USAID reported additional progress in the following areas:

- *Vetting Constraints.* In response to an OIG classified advisory notice, USAID's Office of Security (SEC) reported implementing a number of actions to address challenges with vetting and access to national security information. Specifically, SEC entered into an agreement with the Joint Interagency Task Force-National Capital Region to access their space and information and is pursuing a similar arrangement with the National Counterterrorism Center. SEC is also planning to increase staffing and has instituted a review process to shorten access time to Sensitive Compartmented Information (SCI). In January 2021, USAID issued policy to codify partner vetting governance, policies, and procedures. In addition, USAID reported that the Bureau for Humanitarian Assistance has a dedicated Vetting Support Unit that has expanded vetting of humanitarian programs.
- *Oversight.* USAID reported that the Bureau for Humanitarian Assistance developed internal guidance on monitoring humanitarian assistance in nonpermissive environments, including best practices for monitoring and the use of third-party monitors. The Agency also reported launching an online training course to improve staff capacity on third-party monitoring.
- *Fraud Risk.* The Agency reported progress with detecting and preventing fraud in complex environments. For example, USAID reported suspending a partner that paid an armed opposition group in a conflict zone. In another case, USAID requested information from a partner in response to an OIG referral indicating that the partner did not disclose credible allegations of fraud. Also, USAID updated its awards policy for grants and cooperative agreements to require non-U.S.-based NGOs to provide USAID OIG timely access to any reward-related information or material. In addition, the Agency reported actions to mitigate the risk of fraud and aid diversion involving public international organizations (PIOs) supporting humanitarian assistance, including standardizing applications, reporting requirements, and working directly with PIOs on oversight issues, such as audit reports, disclosure policies, and assurance statements.

## Improving Sustainability and Oversight

USAID reported making progress on improving local capacity and development outcomes. For example:

- *Health Systems.* The Agency reported progress addressing challenges with health systems strengthening activities. Specifically, the Bureau for Global Health worked to close an OIG recommendation to identify and disseminate a set of indicators for missions to track progress with health systems strengthening activities. In addition, the Agency noted progress building local capacity, including enhancing and tracking country ownership of supply chains and improving the end-to-end visibility of information systems. USAID reported establishing a Supply Chain Risk Management team at the headquarters and country levels to identify, monitor, and mitigate supply chain risks, with mission teams reporting quarterly to headquarters. The Agency developed best practices to address supply chain risks and awarded a contract in August 2020 to perform market assessments to identify stolen or counterfeit products in local markets, identify supply chain vulnerabilities, and provide technical assistance to strengthen local capacities and enforce local laws.
- *Monitoring and Evaluation.* USAID reported progress addressing concerns related to site visits and evaluations. The Agency reported updating policy to clarify the purpose of site visits and expectations for documentation in response to a 2020 OIG report on education programming in Pakistan, where the mission is relying on third-party monitors to conduct site visits.<sup>42</sup> In response to a 2019 OIG report on USAID's Democracy, Human Rights, and Governance (DRG) programming that noted Agency challenges conducting and disseminating impact evaluations, USAID reported launching training courses in DRG technical areas, holding quarterly regional calls to disseminate information on impact evaluations,<sup>43</sup> and establishing the Bureau for Development, Democracy, and Innovation to support missions.
- *Preventing Fraud, Waste, and Abuse.* USAID reported progress addressing a challenge noted in a prior Top Management Challenge report, in which a Rwandan partner was subject to procurement fraud when a subcontractor sought to bribe a USAID employee to procure sensitive information. Following the incident, according to USAID, the U.S.-based implementer reviewed procurement files, conducted refresher training for its workforce on business conduct and disclosure of conflicts of interest, and took a more active role in larger procurements.

## Addressing Coordination Challenges

USAID reported progress coordinating with other agencies on its response to Ebola and COVID-19. Specifically, USAID reported working closely with the CDC on the Ebola outbreaks in the DRC and Guinea, as well as on the COVID-19 pandemic. For the Ebola response, USAID coordinated planning and weekly leadership meetings with the CDC and deployed CDC staff on Agency response teams. USAID also reported convening an Interagency After-Action Review on the DRC Ebola response, which found that USAID and the CDC must continue to work on coordination related to international public health emergencies that occur in humanitarian settings. For the COVID-19 response, USAID reported working with the CDC to coordinate technical and financial assistance overseas and reengage with WHO on vaccination support for low-income countries. The Agency also reported progress on coordinating with the State Department and the Office of Management and Budget on supplemental COVID-19 funding. This includes working on the U.S. government's COVID-19 Global Response and Recovery Framework and establishing technical working groups.

<sup>42</sup> USAID OIG, "USAID's Pakistan Education Program Aligned With U.S. Strategy, But Insufficient Oversight Could Impede Accountability for Results" (5-391-20-001-P), July 22, 2020.

<sup>43</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.

## Strengthening Management Functions

The Agency reported the following progress addressing concerns related to awards management, financial management, and human capital:

- *Award Management.* USAID reported making progress in response to two multiyear investigations noted in the 2020 Top Management Challenges that resulted in \$17.3 million in questioned costs incurred between 2009 and 2014 for the funding of lavish, off-site retreats; unallowable public relations costs; and large, year-end bonuses. USAID issued a settlement offer that is now with the Department of Justice.
- *Financial Management.* To address a recommendation from the fiscal year 2019 financial statements audit regarding \$32 million in obligations for which no disbursement had been made in over 3 years, the USAID Chief Financial Officer implemented a quarterly dashboard to monitor and address unliquidated obligations. As of the second quarter of fiscal year 2021, the Agency reported that unliquidated obligations had decreased to \$7.8 million. Related to internal control and compliance standards for charge card spending, USAID reported conducting annual reviews of government charge card programs at headquarters and at missions in Morocco and Uganda.
- *Human Capital.* USAID reported progress implementing a strategic workforce plan, developing plans to guide the reentry of domestic staff, completing structural reform, mitigating the consequences of staffing vacancies, and addressing concerns related to whistleblower retaliation. In addition, the Agency reported working on developing a Future of Work plan focused on maximizing remote work, flexibility, and adapting to the hybrid environment, while trying to accomplish the Agency's mission and satisfying national security needs.

## Related USAID OIG Products

“Assessment of MCC’s FY 2020 Charge Card Programs Identified a Moderate Risk of Illegal, Improper, or Erroneous Purchases and Payments” (0-MCC-21-008-C), July 29, 2021.

“Assessment of USAID’s Purchase Card Program Showed Low Risk of Improper Purchases and Payments in Fiscal Year 2020” (0-000-21-007-C), July 16, 2021.

“Audit of MCC’s Fiscal Years 2020 and 2019 Financial Statements” (0-MCC-21-002-C), November 14, 2020.

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

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

“Cost Sharing: USAID’s Asia Bureau Should Enhance Guidance and Training to Ensure Missions Verify Awardees’ Contributions” (5-000-22-002-P), draft report issued September 29, 2021.

“COVID-19 Information Brief: USAID COVID-19 Activity Update,” September 21, 2020.

“COVID-19 Information Brief #2: USAID COVID-19 Activity Update,” December 23, 2020.

“COVID-19 Information Brief #3,” June 9, 2021.

“COVID-19 Information Brief #4,” October 28, 2021.

“DFC Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA” (A-DFC-21-005-C), January 28, 2021.

“Enhanced Guidance and Practices Would Improve USAID’s Transition Planning and Third-Party Monitoring in Iraq” (9-266-21-003-P), February 19, 2021.

“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.

“IAF Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA” (A-IAF-21-002-C), December 4, 2020.

“Improved Guidance and Processes Would Strengthen the Use of Third-Party Monitors in Bangladesh, Nepal, and Pakistan” (5-000-22-001-P), draft report issued October 23, 2021.

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

“Key Considerations to Inform USAID’s Engagement in the Northern Triangle Countries,” August 26, 2021.

Lead Inspector General Report to United States Congress, Operation Freedom’s Sentinel, October 1, 2020-December 31, 2020, and April 1, 2021-June 30, 2021.

“Lessons From USAID’s FY 2019 Budget Process Highlight Interagency Constraints and Areas that Require Continued Attention,” March 2, 2021.

“MCC Complied in Fiscal Year 2020 With the Payment Integrity Information Act of 2019” (0-MCC-21-006-C), May 14, 2021.

“MCC Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA” (A-MCC-21-001-C), November 5, 2020.

“MCC Should Do More to Assess the Threshold Program’s Progress in Achieving Its Overall Objectives” (M-000-21-001-P), September 2, 2021.

“Observations on Risk in the Pre-Award Process for Assistance Awards,” June 24, 2021.

“U.S. Assistance Strategy in Iraq: Significant Events Surrounding USAID’s Iraq Religious and Ethnic Minority Portfolio and Award Management Challenges” (E-000-22-001-M), November 1, 2021.

“U.S. COVID-19 Vaccine Contributions: USAID Should Consider Enhancing Oversight to Mitigate Risk of Fraud, Waste, and Abuse” (E-000-21-002-M), September 1, 2021.

“USADF Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA” (A-ADF-21-003-C), December 21, 2020.

“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.

“USAID Communicated and Enforced Branding and Marking Policies but Could Further Clarify Waiver Requirements and Monitoring Responsibilities” (9-000-21-008-P), July 23, 2021.

“USAID Complied in Fiscal Year 2020 With the Payment Integrity Information Act of 2019” (0-000-21-005-C), May 14, 2021.

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

“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.

“USAID Has Contract Termination Guidance That Aligns With Federal Contracting Requirements, but Employees Could Benefit from Additional Resources” (9-000-21-009-P), September 23, 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.

“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.

“USAID Needs to Improve Its Privacy Program to Better Ensure Protection of Personally Identifiable Information” (A-000-21-001-P), August 11, 2021.

“USAID Should Implement Additional Controls To Prevent and Respond To Sexual Exploitation and Abuse of Beneficiaries” (9-000-21-006-P), May 12, 2021.

“USAID Updated Guidance To Address Inconsistent Use of Journey to Self-Reliance Metrics and Misalignment of Missions’ Budgets” (9-000-21-002-P), December 23, 2020.

“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.

“USAID/El 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.

“USAID’s RISE Program in the Sahel Aligned With Resilience Policies but Lacked Robust Monitoring” (4-000-21-003-P), September 25, 2021.

“USAID’s Travel Card Program Complied with the Government Charge Card Abuse Prevention Act in Fiscal Year 2020” (0-000-21-009-C), August 5, 2021.

“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.

# Report fraud, waste, and abuse

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

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

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