WHAT ARE TOP MANAGEMENT CHALLENGES?

In accordance with the Reports Consolidation Act of 2000, we are reporting on the top management and performance challenges facing USAID (the Agency) in the upcoming fiscal year (FY). Our report also addresses the Agency’s progress managing previously reported challenges, as called for in the Act.

This report is organized around four crosscutting challenge areas that reflect key outcomes of our recent oversight work and USAID’s current and emerging priorities. In preparing this report, we drew upon our oversight activities to include audits, evaluations, and investigations; the work of other oversight agencies, including the U.S. Government Accountability Office (GAO) reports and GAO’s High Risk List; and our general knowledge of Agency programs and operations.
This page is intentionally blank.
Message From Acting Deputy Inspector General

At a time of global turmoil, from the dire effects of Russia’s invasion of Ukraine, to the catastrophic flooding in Pakistan, to corruption and democratic backsliding in regions across the globe, USAID is called upon more than ever before to deliver support across the world on behalf of the American people.

During FY 2022, USAID managed $50 billion in budgetary resources to provide life-saving assistance, drive development results, and strengthen democracies, all while advancing U.S. national security and economic prosperity. Further, an unprecedented amount of U.S. assistance is flowing to Ukraine, with billions of dollars in aid supporting both humanitarian needs of the Ukrainian people and Ukraine’s government through direct budgetary support. The scale and complexity of these issues underscore the importance of USAID Office of Inspector General’s (OIG’s) role and the need for continued oversight.

This report identifies four management challenges confronting USAID in FY 2023:

1. Establishing optimal conditions for Agency staff and programs to succeed;
2. Mitigating risk in Agency operations;
3. Countering corruption, abuse, and malign influence; and
4. Maximizing the impact of monitoring and quality data.

Our independent and objective oversight of USAID, through our audits, evaluations, and investigations, informed these challenges and guides the responsible stewardship of U.S. funds dedicated to foreign aid and development. While this report meets the requirements of the Report Consolidation Act, it also informs our oversight work and frames our dialogue with Congress. Ongoing oversight continues to improve U.S. foreign assistance programs and prevent and detect malicious activities that could reduce program impact or harm those the Agency intends to help.

We remain committed to working with all stakeholders, within USAID, Congress, the OIG community, and the international aid sector, in our efforts to provide timely and informative oversight that improves USAID’s programs and operations, while working to hold accountable those who seek to compromise the Agency’s vital work.

Nicole Angarella
Acting Deputy Inspector General
Challenge 1:

Establishing Optimal Conditions for Agency Staff and Programs to Succeed

USAID faces several constraints that inhibit adequate staffing and workforce support for humanitarian and development assistance programming. The constraints include hiring impediments, an increased reliance on contractors, and various skills gaps.

ENSURING STRATEGIC WORKFORCE PLANNING AND FILLING CRITICAL STAFFING NEEDS

Overcoming friction points in hiring is a continued challenge for USAID. Bringing on new staff through various mechanisms is critical to the Agency’s strategic workforce planning. USAID is not alone in confronting this challenge; GAO identified improving strategic human capital management as a high-risk issue across the U.S. government.¹

Further, USAID has acknowledged risks associated with a heavy reliance on contract staff. In FY 2020, U.S. personal services contractors comprised nearly 12 percent of USAID’s overall workforce, according to the Agency’s Annual Financial Report.²

The Agency lacked staff, guidance, and tools to establish and implement a comprehensive approach to human capital management.³

- USAID had a hard time filling existing positions. The Agency did not reach FY 2020 congressionally-funded staffing levels due to reduced human capital positions, short hiring timelines, and pandemic-related restrictions. USAID subsequently reported to us meeting FY 2020 targets in FY 2022, nearly two years later than intended.

- USAID adjusted processes to reach hiring targets but did not develop formal guidance or disseminate a clear communication strategy to help staff navigate changes in the hiring process or in addressing the limitations generated by the COVID-19 pandemic.

- The Agency also lacked a centralized tool to track and close skills gaps and had not provided sufficient workforce planning guidance to sampled operating units.

- Recently, USAID provided a multi-year plan to address our five recommendations for improved strategic workforce planning.

² The report did not include institutional support contractors as part of the Agency’s workforce assessment.
Heavy reliance on short-term contract staff for humanitarian and stabilization responses provides flexibility but creates retention and safety concerns.

- USAID’s Bureau for Humanitarian Assistance (BHA) and Office of Transition Initiatives (OTI) are comprised primarily of contract staff hired for short-term, limited capacity services. Yet, Agency leadership observed that the nature of disasters that the bureau and office are mandated to support has shifted from temporary responses to protracted crises that would benefit from longer-term personnel.

- Obstacles with recruiting and retaining personal services contractors include a lengthy hiring process and exclusion from certain benefits. Some contract staff are also subject to different safety protocols than USAID’s direct hires. For example, while serving overseas, some support contractors fall under Chief of Mission authority and are provided similar considerations as government employees while other contract staff are excluded from such authority. This can cause confusion and create challenges with coordination when developing security plans and managing evacuations.

- USAID’s efforts to address these challenges have been hindered by operating expense budget constraints, a lack of data on the program funding being used for administrative costs, and lack of human capital metrics for managing contractors.

- We made recommendations to improve the Agency’s contract staff management, including for USAID to conduct an assessment and develop a comprehensive plan with options and actionable steps for how to create a sustainable humanitarian and stabilization workforce.

Critical staffing gaps threaten to impede financial management.

- USAID staffing levels have not kept pace with shifts in the Agency’s funding streams. One such shift is the rapid growth of funds devoted to humanitarian assistance, which comprised nearly 39 percent of USAID’s overall programming in FY 2021 (see Figure 1).

Figure 1. Changes in USAID Funding Streams, FY 2016-2021

Source: OIG analysis of USAID Agency Financial Reports, Net Cost of Operations by Categories
The shortage of contracting and agreement officers for USAID award management and, specifically, for humanitarian assistance awards has sounded alarm in Congress.⁴

- We plan to issue our financial statement audit for fiscal years 2021 and 2022, which will identify and address deficiencies in the internal controls over financial reporting and information technology general controls. Absent Agency action to address these recommendations, the gap between staff, budget, and mission could jeopardize sound financial management of USAID programs and operations.

**ADVANCING DIVERSITY, EQUITY, INCLUSION, AND ACCESSIBILITY PRIORITIES**

By strengthening efforts to improve diversity, equity, inclusion, and accessibility (DEIA) in its workforce, USAID can cultivate more positive outcomes for its staff and beneficiaries around the world. The Agency is currently implementing nine executive orders and five presidential memorandums related to DEIA issued by the Biden administration.⁵ USAID also maintains a zero-tolerance stance on discrimination in the workplace. However, gaps remain in data and metrics on contractors that would help promote diversity among institutional support and personal services contractors.⁶

**USAID aims to improve diversity in its workforce and reported achievements,**⁷ but **Office of DEIA processes do not include data on contractors.**

- In February, USAID submitted its Agency Equity Action Plan, which outlines its process to integrate equity into its policies, strategies, and practices; prevent discrimination in its programs; and strengthen its capacity to advance inclusive development.⁸⁹

- USAID only reports diversity information on its civil service and foreign service staff, which makes up about 40 percent of its workforce. While Federal law requires annual diversity reporting from all agencies, the law excludes contract staff. Further, no procurement requirements related to diversity and inclusion exist for contractors.

- Acknowledging this concern, a senior agency official stated that USAID aims to capture additional data to improve diversity in its workforce.

- We recommended that the Agency develop a strategy to identify opportunities to build on diversity efforts in the contractor procurement process.

---

⁴ According to a July 2022 letter from 13 U.S. Senators to USAID Administrator Samantha Power, BHA had fewer than five full-time contracting officers to manage more than 1,200 awards, about ten times the workload of other USAID bureaus, on average. A year prior, Administrator Power told the Senate Foreign Relations Committee that the funding levels and complexity of USAID’s programs have expanded at a rate that significantly outpaces the Agency’s staffing. She further noted that each USAID contracting officer “has managed over $65 million annually over the past four years, more than four times the workload of their colleagues at the Department of Defense.”


Challenge 2:
Mitigating Risk in Agency Operations

Our oversight work has highlighted the importance of USAID identifying, documenting, and responding to risks to its programming. This is particularly relevant for the Agency’s efforts to provide more funds through local organizations and respond to complex emergencies. Continued vigilance is needed to address risks tied to information technology (IT) and supply chain management.

ADDRESSING RISKS IN USAID’S LOCALIZATION EFFORTS

Localization of aid remains a top priority for USAID under the Biden administration. The Agency has issued new policies and strategies aimed at empowering local civil society and public and private sector organizations, intending to streamline the award process and adapt its risk appetite to further support them. Failure to adequately address risks with local partners could jeopardize USAID’s finances, reputation, and ability to achieve intended results.

Notably, USAID has committed to providing 25 percent of assistance to local partners by 2025, and 50 percent of assistance in programs that place local communities in the lead on co-design, priority setting, implementation, or evaluation by the end of the decade. This follows the example set by the U.S. President’s Emergency Plan For AIDS Relief (PEPFAR), which previously aimed to channel 70 percent of HIV funding to local partners, such as host country governments and local organizations, by 2020 and an even earlier initiative by USAID to award 30 percent of program funds to local organizations by 2015.

A limited number of local partners are ready to implement USAID programs.

- Our recent audit of PEPFAR programs found that USAID missions in Nigeria, Tanzania, Uganda, Zambia, and Zimbabwe required more time to develop their local partner base given the limited number and low starting point of existing local organizations ready to manage USAID funds.

- Five of the eight critical missions assessed in the audit reported challenges balancing the risks of using local partners with meeting PEPFAR programmatic goals. Some missions mitigated the risks to achieving PEPFAR results by delaying new awards to local partners and extending existing awards to international partners.

- The pool of capable, eligible local partners may need to grow for the Agency to achieve its new funding goals by 2030.

Local organizations may lack the financial and managerial capacity needed to ensure effective stewardship of U.S. taxpayer dollars.

- GAO noted “bureaucratic hurdles” cited by USAID as preventing the Agency from partnering with small or local organizations, including navigating the requirements for funding eligibility or understanding government terminology.\(^\text{12}\)

- For some USAID missions in Africa, budget cuts hindered capacity development for local partners to successfully implement PEPFAR programs, as reported in our recent audit.

- Financial audits of local partners have highlighted inconsistent compliance with award provisions and maintaining documentation of significant transactions and events.\(^\text{13}\)

**Past oversight work highlights the importance of metrics and staff capacity for tracking success and managing risks related to localization.**

- USAID reported a high-risk appetite for programmatic and development outcomes, which encompasses localization efforts. This means USAID has determined that the potential opportunities and/or upside benefits outweigh potential threats or downside costs.\(^\text{14}\)

- Balancing opportunities for localization against fiduciary and reputational risks is necessary to help mitigate the likelihood of corruption, fraud, waste, abuse, and funds diversion.

- Past OIG and GAO reports on USAID’s earlier localization efforts\(^\text{15}\) flagged concerns related to metrics for tracking success and staff capacity to effectively manage and monitor local partners that may require more oversight and support than other well-established non-governmental organizations (NGOs).\(^\text{16}\)

---

**Spotlight: Risk Management in Local Partner Procurements**

To help expand its use of local organizations, USAID committed to pursuing internal reforms, behavior changes, and actions to be more responsive and accessible to local partners. These commitments follow the Agency’s 2019 rollout of the New Partnerships Initiative, intended to diversify its partner base and improve collaboration with new, nontraditional, and local actors.

However, the pursuit of new award mechanisms to new local partners presents unique challenges for USAID. For example, USAID may need more diverse skills and resources to issue the awards, and the organizations that receive the awards may require more capacity to manage them effectively.

Our ongoing oversight work will examine the New Partnerships Initiative, specifically the extent to which USAID has established guidance and policies for how the initiative is being measured. Another engagement will look at Fixed Amount Awards (a common funding mechanism for new partners) and determine whether USAID assesses and addresses risks and ensures that milestones are completed in accordance with the award terms.

---

\(^{12}\) GAO, “Foreign Assistance: State and USAID Are Taking Actions to Advance Equity Abroad and Mitigate Challenges” (GAO-22-105112), July 19, 2022.

\(^{13}\) For fiscal year 2022, OIG issued 240 audit reports covering over $1 billion in funds expended by foreign, local recipients. OIG also issued 145 recommendations and questioned about $28 million.


\(^{15}\) Prior initiatives include the Journey to Self-Reliance (2017) and USAID Forward/Local Solutions (2010).

ADDRESSING RISKS DURING COMPLEX EMERGENCIES

USAID is encountering a challenge identifying and documenting its analysis of risk from the outset of its response efforts in complex emergency contexts. Federal internal control standards and guidance from the Office of Management and Budget require government agencies to identify and respond to risks throughout the development life cycle. USAID has policies in place that implement these requirements. However, recent oversight work on USAID’s humanitarian responses highlighted the need for greater attention to managing risk to its programming.

Past audits of USAID’s emergency responses found gaps in the Agency’s approach to risk mitigation.

- For example, in Yemen the Agency did not update its risk mitigation plan on a regular basis, document and incorporate all relevant risk mitigation measures, and evaluate the effectiveness of its risk responses.\(^\text{17}\) The Agency lacked a systematic process to assess and respond to significant risks such as diversions to sanctioned groups, environmental hazards, and partner staff safety and security.

- While the Agency has taken action to address many of these issues, as of October, multiple recommendations remained open, including establishing and implementing guidance to better identify and respond to risks with humanitarian assistance activities.

Incorporating lessons from recent oversight work into current and future cash assistance programs is critical to overcoming vulnerabilities.

- Cash assistance from USAID partners can provide beneficiaries with crucial flexibility to meet their needs during and after emergencies, but this type of intervention has a different risk and benefit profile than other forms of assistance and requires deliberate program design to address risks of theft and misuse.

- Our 2021 audit of USAID’s Venezuela regional humanitarian response noted the use of cash assistance and the need for additional attention to fraud risk management.\(^\text{18}\)

- Vulnerabilities affecting cash assistance for Venezuelan migrants in Colombia include local partners requesting fees or local authorities trying to gain political support from beneficiaries in exchange for program enrollment; theft by beneficiaries and use of stolen identification cards to access benefits; and fraud committed by the service providers facilitating cash disbursements.\(^\text{19}\)


\(^\text{18}\) 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.

\(^\text{19}\) USAID OIG, “Referral Memorandum—Vulnerabilities in Cash Assistance Programming for Venezuelan Migrants in Colombia” July 1, 2022.
As USAID responds to humanitarian needs generated by Russia’s invasion of Ukraine in February 2022, it is confronting risks that can be managed through controls over program design and procurement. External factors, such as corruption, require robust program oversight.

The Agency’s Ukraine response is funded largely through awards to U.N. agencies and other public international organizations, which calls for diligent attention:

- By late September 2022, USAID had contributed $8.5 billion to the World Bank to support non-security general budget expenses in Ukraine, primarily supporting salaries for government workers and social spending needs.
- Our recent advisory noted that World Bank-administered funding mechanisms can present challenges for USAID, and that the Agency can draw on past lessons to improve risk management for such awards in Ukraine.
- Our 2017 audit of a World Bank-managed trust fund in Afghanistan found that USAID had not conducted an evaluation of trust fund activities which could have helped identify poorly performing projects and trigger performance improvement plans.

We are committed to monitoring the Agency’s Ukraine response through audits, evaluations, and other oversight efforts. For example, USAID has statutory and policy requirements related to reporting and due diligence for funds provided through the World Bank funding mechanisms. The World Bank and the Government of Ukraine also have monitoring and reporting requirements designed to inform USAID and ensure accountability.

ADDRESSING RISKS IN USAID’S INFORMATION TECHNOLOGY AND SUPPLY CHAIN RISK MANAGEMENT

USAID needs secure and effective IT and supply chain risk management systems. In May 2022, GAO noted that IT and cybersecurity are high-risk areas for the Agency. Several of our recent audits reinforce the need for further vigilance in these areas.

Unresolved recommendations related to IT underscore risks to USAID.

- While our most recent audit found that the Agency’s information security program reached a maturity level considered to be effective, further action is required for USAID to address recommendations raised in four prior reports related to IT.
- Recommendations from prior reports lay out a variety of issues related to IT risk management, such as the installation of unauthorized applications on mobile devices and ensuring that supporting documentation is uploaded to USAID’s documentation management system.

---

23 USAID OIG, "USAID Implemented a Managed and Measurable Information Security Program for Fiscal Year 2022 in Support of FISMA” (A-000-22-009-C), September 14, 2022.
Risks remain within USAID’s supply chain risk management system.

- GAO noted the risks Federal agencies, including USAID, encounter due to their reliance on information and communication technology such as computing systems, software, and networks. The risks noted include attacks by foreign adversaries and introducing counterfeit products and services in the supply chain.

- The management of system components requiring repair or service remains an outstanding challenge in the Agency’s supply chain risk management procedures.\textsuperscript{28,29}

\textsuperscript{28} GAO, “Information Technology, Federal Agencies Need to Take Urgent Action to Manage Supply Chain Risks” (GAO-21-171), December 2020.

\textsuperscript{29} USAID OIG, “USAID Implemented an Effective Information Security Program for Fiscal Year 2021 in Support of FISMA” (A-000-22-005-C), December 7, 2021.
Challenge 3:
Countering Corruption, Abuse, and Malign Influence

Corruption, sexual exploitation and abuse, and malign influence threaten to undermine USAID’s objectives as it provides assistance in increasingly challenging environments. The Agency can address these threats by tightening controls, strengthening processes that facilitate reporting of possible criminal activity, and ensuring accountability of Agency partners.

REMAINING VIGILANT AGAINST CORRUPTION AND ABUSE

In certain operating contexts, particularly those with large outflows of assistance at an increased pace, USAID programs are susceptible to corruption and abuse by bad actors. Increased vigilance against forms of corruption and abuse is required while providing timely aid to those in need. No system of controls is perfect, though program design can address some risks associated with chaotic operating environments.

An audit of USAID’s approach to preventing and responding to sexual exploitation and abuse (SEA) in Agency awards and monitoring processes found that additional controls were needed.30

- USAID has made progress refining prevention and monitoring mechanisms. The Agency’s policy on protection from SEA builds upon its effort to “do no harm” with its development activities.

- SEA continues to threaten the safety of beneficiaries and partner staff, as well as the Agency’s reputation. As of early October, USAID had yet to take final action on several audit recommendations related to issuing guidance and tracking SEA.

Recent oversight work suggests that small business set-aside awards are susceptible to being awarded to pass-through companies with no presence in the United States, contrary to the Small Business Act.

- Based on a review of a list of 200 small business firms interested in working with USAID under small business award mechanisms, we noted evidence that some businesses were “inactive” in the states where they purported to operate, and multiple businesses appeared to operate primarily outside of the United States.31

- We also noted situations where home-based businesses had a relatively large number of employees operating out of a residence, suggesting the existence of a fictitious location.

30 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.

• These findings underscore the need for continuous monitoring to stave off potential schemes affecting small business set-asides.

Two settled False Claims Act cases highlight risks of organizations disregarding accounting standards and misappropriating USAID funds.

• In one case, an organization’s former chief executive officer submitted at least 55 invoices that contained false or speculative labor hours for staff. The former executive paid $100,000 to settle the false claim allegations.\textsuperscript{32}

• In another case, a global health NGO submitted false invoices to USAID for work they did not perform, including billing time to their USAID award while not actually supporting the program.\textsuperscript{33} The organization agreed to pay $537,500 to settle the matter.

---

Spotlight: Boosting Accountability in USAID’s Response to the Conflict in Ukraine

As USAID continues to respond to the conflict in Ukraine, addressing corruption and increasing reporting and accountability continue to challenge the Agency. Our recent advisory highlighted these difficulties, as well as previous oversight work, to inform the Agency’s response.\textsuperscript{34}

To safeguard USAID programming in Ukraine from corrupt actors, USAID can improve its pre-award certification process to capture information about whether prospective award recipients have engaged with actors sanctioned by the U.S. government for corrupt activity.\textsuperscript{35}

We are conducting proactive, strategic outreach and engagement in Ukraine, as well as within the surrounding countries implementing cross-border USAID programs, to promote effective oversight and encourage reporting of fraud, corruption, and sexual exploitation and abuse.

---

CHECKING GLOBAL MALIGN INFLUENCE WITH ADDITIONAL MONITORING AND ENGAGEMENT

USAID leadership have increasingly highlighted the negative influence of foreign actors on Agency partners and programs in some countries where USAID operates. In Europe and Eurasia, for example, USAID programs are increasingly tied to countering malign Kremlin influence. The malign influence is characterized by forms of subversive tactics such as election interference, disinformation, corruption, and organized crime to interfere in the domestic political affairs of partner countries. In addition, USAID has increasingly sought to counter economic leverage and influence from the People’s Republic of China (PRC).

---

\textsuperscript{32} U.S. Department of Justice, “Former CEO of Souktel, Inc. Agrees to Pay $100,000 to Settle False Claims Act Allegations,” September 1, 2022.


\textsuperscript{34} USAID OIG, “Key Considerations to Inform USAID’s Response in Ukraine,” July 22, 2022.

An audit of USAID’s Countering Malign Kremlin Influence (CMKI) development framework found the need for additional monitoring and engagement.\textsuperscript{36}

- In July 2019, USAID released its CMKI Framework, aiming to increase the resilience of partner countries against Government of Russian Federation influence.

- USAID applied risk management principles in the framework design but did not adequately monitor whether the risk responses were succeeding, assess conditional changes, or update the framework.

- USAID also did not engage with all stakeholders, such as USAID regional bureaus and members of the European Union’s Eastern Partnership Program, when designing the framework. Some missions identified implementation challenges such as limited financial and staffing resources.

- Prior to Russia’s February 2022 invasion of Ukraine, we made three recommendations to strengthen the CMKI development framework, including implementing a process to monitor risks and consulting with CMKI stakeholders both internal and external to USAID.

Even with the global focus on Ukraine, USAID continues efforts to counter China’s influence.

- In May 2022, Secretary of State Antony Blinken reiterated the Biden administration’s stance that the most serious long-term challenge to international order is posed by the PRC.

- USAID seeks to counter increasing levels of PRC influence in developing countries. In the past year, Agency leadership has highlighted concerns with the growing influence of China that conflicts with U.S. values.

- For example, a senior USAID official noted that PRC companies have invested more than $130 billion in countries in Latin America over the past two decades, which provides China with greater leverage that may not accord with U.S. values in partner countries.

- In sub-Saharan Africa, Chinese investments, loans and foreign aid have increased steadily over the past two decades, with the PRC providing close to a reported $199 billion in funding for projects since 2001, based on data from the Johns Hopkins Chinese Africa Research Initiative. For example, a 2021 report from Johns Hopkins noted that Chinese financiers have committed $153 billion in loans to Africa public sector borrowers between 2000 and 2019. The report further noted that Chinese foreign direct investment in the continent, which reached $4.2 billion in 2000, has exceeded U.S. investment in the region since 2013.\textsuperscript{37}

- We are conducting an audit assessing USAID’s efforts to counter PRC influence in Africa, focusing on the Democratic Republic of the Congo, Liberia, South Africa, and Tanzania.


\textsuperscript{37} Johns Hopkins China Africa Research Initiative, Data: Chinese Investment in Africa, accessed on October 12, 2022; Johns Hopkins China Africa Research Initiative, Twenty Years of Data on China’s Africa Lending, accessed on October 12, 2022.
IMPROVING REPORTING AND ACCOUNTABILITY

To ensure accountability and prevent criminal activity and abuse, USAID needs to improve its processes for reporting allegations of illicit behavior, as well as taking action to strengthen protections for funding provided to non-U.S.-based NGOs.

We are not consistently receiving timely reporting related to allegations of fraud and abuse.

- Our investigators conduct inquiries into allegations of criminal, civil, and administrative violations worldwide, with the goal of identifying, investigating, prosecuting, and deterring fraud, corruption, and other misconduct within USAID programs and operations.

- USAID-funded partners are required to promptly report allegations of misconduct affecting USAID awards to both the Agency and to us, though recent reporting trends suggest that more attention is needed to reinforce this requirement.

- We received only 10 allegations related to the Ukraine response as of late September 2022, despite the rapid mobilization of Agency resources, including $1 billion for humanitarian assistance and more than $8.5 billion in direct budgetary support.38

- Recently, we informed the Agency of a declining trend in the number of complaints and disclosures we received in Yemen, despite an increase in cash outlays. This may indicate the need for more oversight and additional outreach efforts to educate implementers about our reporting tools.39

Improving fraud protections in awards for non-U.S.-based NGOs is an ongoing challenge.

- As noted in our prior Top Management Challenges report, a Federal judge dismissed a False Claims Act case against an NGO based in the United Kingdom that allegedly submitted false certifications to USAID regarding past support to terrorist organizations. The judge determined, on jurisdictional grounds, that the NGO could not be sued in U.S. court, and that USAID lacked a clause to that extent in its awards.

- That decision has now been affirmed by the Second Circuit,40 creating additional precedent that may obstruct USAID’s ability to recover taxpayer funds misused or fraudulently obtained by non-U.S.-based organizations.

- The agency has noted the risk but to date has not taken action to address the concern, such as establishing a forum consent clause.

---

38 Just one of these reports was from a U.N. agency, which was only forwarded to us via USAID, contrary to USAID’s own reporting requirements.
40 United States ex rel. TZAC v. Christian Aid, No. 21-1542 (2d Cir. June 16, 2022).
Challenge 4:
Maximizing the Impact of Monitoring and Quality Data

Gathering, reporting, and acting on reliable data represents an ongoing challenge for USAID, particularly in locations with access limitations. Improving data quality is critical to keeping programs on track and ensuring top-notch, data-driven decision making.

ADDRESSING VULNERABILITIES WITH MONITORING

Monitoring helps USAID track progress towards meeting the development goals of its programs, but the process is constrained and sometimes not as effective as intended, particularly in complex operating environments. Agency policy incorporates monitoring requirements throughout the development life cycle, from strategy and design to implementation, allowing USAID to be nimble, adapt when necessary, and learn from mistakes as well as successes. Recent OIG oversight highlights areas where USAID can improve monitoring.

Shortfalls with quality and use of information limit the utility of USAID’s third-party monitors.

- Under certain conditions, third party monitors can be a critical oversight tool to supplement the Agency’s oversight of partner compliance, controls, and whether programs are on track to achieve their goals.

- Our audit of USAID’s use of third-party monitors in Bangladesh, Nepal, and Pakistan noted that the missions did sometimes track and resolve issues identified by third-party monitors, but the resolution was not always timely or backed with supporting documentation. In Bangladesh, mission officials disclosed concerns with the quality of products and services provided by these contractors, as well as a lack of guidance on how to use their services.41

Access constraints continue to limit monitoring.

- Ongoing hazards impede USAID access to sites in insecure environments, including Ukraine.

- In Afghanistan, some organizations are required to sign memorandums of understanding prior to commencing activities, and female aid staff participation is limited. These agreements with aid organizations stipulate Taliban participation in planning and monitoring activities.42

• In Iraq, the government has requested limits on expatriate staff included in site visits and monitoring trips, constraining the capacity for effective monitoring.\textsuperscript{43}

Select Asia missions needed additional training and guidance to properly monitor cost sharing.

• USAID often includes a cost share requirement to incentivize partners to mobilize additional resources to programs. Agency staff are responsible for monitoring awards, including ensuring that cost share requirements are met.

• In Asia, our audit found that four of six missions (Bangladesh, Indonesia, Nepal, and Pakistan) had gaps in monitoring due to insufficient guidance and training on how to monitor cost share.\textsuperscript{44}

**Spotlight: Enhancing Monitoring of USAID Programs Amid the COVID-19 Pandemic**

Previous oversight work highlighted specific monitoring challenges USAID bureaus and missions encountered during the COVID-19 pandemic, including movement restrictions and technology challenges. We found that USAID provided selected missions with flexibilities in monitoring policy and other helpful guidance, allowing staff to adapt monitoring efforts accordingly.\textsuperscript{45}

Furthermore, GAO found that improved documentation and increased reporting frequency could enhance USAID’s monitoring of humanitarian response efforts amid the pandemic.\textsuperscript{46} GAO noted that though USAID switched to remote monitoring of humanitarian assistance awards in response to pandemic-related constraints, the Agency did not consistently document field-level oversight.

In the coming fiscal years, we are planning additional oversight of USAID’s COVID-19 response activities and the Agency’s reactions to related operational challenges and the pandemic’s second order effects, including USAID’s monitoring vulnerabilities.

**ENSURING DATA QUALITY TO INFORM DATA-DRIVEN DECISIONS**

Recent OIG audits illustrate the need for USAID to ensure reliable financial and performance data. As prescribed by policy and federal internal control standards, quality data informs Agency decisions, risk management, and program efficacy. USAID policy requires that data meet quality standards through regular data quality assessments. Financial audits are performed to demonstrate the accuracy of Agency financial statements.

Selected African missions lacked key documentation supporting data quality.

• High quality data helps support effective, impactful programs combatting HIV/AIDS, and data quality has been a focus of global HIV/AIDS monitoring.


\textsuperscript{44} USAID OIG, “Cost Sharing: USAID’s Asia Bureau Should Enhance Guidance and Training to Ensure Missions Verify Awardees’ Contributions” (5-000-22-002-P), November 26, 2021.

\textsuperscript{45} 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.

• Our audit of USAID-implemented PEPFAR programs in Kenya, Malawi, and South Africa found that these missions generally adhered to controls.

• The audit noted weaknesses in quality control measures in PEPFAR’s official data system, data quality assessments, and the adoption of recommended best practices for validating results.47

**Stronger controls are required to improve the quality of externally reported data.**

• We found that the Agency had complied with requirements related to reporting financial and payment data, as well as information on improper payments.

• However, the reports noted control weaknesses with reporting data externally to USAspending.gov and PaymentAccuracy.gov.48,49

**USAID has yet to take corrective action related to the validation of data between its Development Information Solution System (DIS) and the State Department’s system.**

• USAID developed DIS 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.

• Our 2021 audit of DIS found the risk of inconsistent data between DIS and State Department’s system that also collects data on foreign assistance because of a lack of two-way synchronization between the systems.50

• To address this risk, we recommended that USAID develop a process to validate the data between the two systems. In September 2022, USAID responded to the recommendation and OIG is reviewing the Agency actions prior to closing the recommendation.

**Spotlight: USAID’s Use of Data in Tracking Climate Change Funding and Results**

Over the past ten years, USAID has programmed billions of dollars on interventions designed to mitigate greenhouse gas emissions and help partner countries adapt to climate change. However, the Agency has experienced challenges with tracking climate change funding.

A GAO audit of the Agency’s climate change adaptation efforts recommended improved mission and bureau level reporting of funding data related to programming that supports climate adaptation indirectly.51 USAID leadership noted that such data would allow the Agency to better track and report on its contributions.

In April 2022, USAID launched a new climate change strategy through 2030. We are undertaking oversight work of USAID’s climate change mitigation efforts, with a focus on whether the Agency has developed, communicated, and utilized quality data to inform decision making and key stakeholders.

---

49 USAID OIG, “USAID Complied in Fiscal Year 2021 With the Payment Integrity Information Act of 2019” (0-000-22-013-C), June 10, 2022.
USAID’s Progress on Addressing the Top Management Challenges Identified for FY 2022

USAID has made progress addressing challenge areas identified in last year’s Top Management Challenges report. Below is a list of examples. We also report on Agency progress addressing open recommendations in our Semi-Annual Reports to Congress.52

Afghanistan Spotlight:

- USAID reported implementation of risk mitigation processes to address the risks of diversion, fraud, waste, and abuse.
- USAID helped relocate personnel from Afghanistan to safe locations in coordination with other agencies.

COVID-19 Spotlight:

- The Agency noted actions supporting vaccine rollout, including setting up mechanisms to improve coordination in the Bureau for Global Health and with external agencies.
- USAID also reported a return to normal operations with staff returning to Washington, DC, offices in May 2022 and fewer restrictions on monitoring.

Managing Risks to Humanitarian Assistance:

- USAID reported significant action: to mitigate fraud and corruption risks with humanitarian assistance programming; adding additional oversight steps to the pre-award risk assessment process; reviewing noncompetitive procurements; and releasing an internal BHA Fraud Risk Management Framework for Humanitarian Assistance.
- The Agency reported issuing internal guidance designed to help staff assess whether third-party monitoring is appropriate in a humanitarian assistance context and clarifying roles and responsibilities.
- In response to concerns regarding monitoring and evaluation with the Resilience in the Sahel Enhanced II project, USAID reported developing indicators and targets to better manage performance. USAID also incorporated an evaluation and survey tracking table to help prevent delays and allow the mission to take corrective actions when necessary.

Sustaining International Development Gains:

- USAID reported progress with planning, monitoring, and private sector engagement. Of note, USAID is working to close a recommendation related to developing a process for implementing foreign policy guidance in exceptional cases when Administrator guidance could be viewed as affecting humanitarian assistance principles and risk appetite.
- USAID also reported making inroads with its private sector engagement capacity, including staffing, building a relationship management enterprise system that will track relationships across the Agency, and rolling out indicators for private sector engagement.

52 Prior Top Management Challenges and Semi-Annual Reports to Congress are available on oig.usaid.gov.
Advancing Coordination with Stakeholders:

- USAID reported progress with coordination, both within the Agency and with the State Department. USAID reported taking steps to improve coordination between the Office of the Administrator and BHA, as well as the risk tolerance threshold, should BHA deviate from recognized humanitarian principles.

- USAID also reported working externally, with both the State Department and Congress, to address funding delays and managing the earmark process.

Implementing Core Management Functions:

- USAID reported progress with managing awards and information systems, finances, cybersecurity, and human capital. Of note, the Agency reported progress enhancing efforts around protection from SEA in global programs, including establishing enhanced responsibilities for SEA protection and progress developing a case management system for tracking SEA allegations.

- USAID reported launching a government-wide working group to share best practices to safeguard the vulnerabilities around the Afghanistan evacuation and Ukraine humanitarian assistance response.

- Regarding delays with grant closure, the Agency noted a decline in unliquidated obligations of the third quarter of FY 2022, from $178 million to $34.2 million.
Report fraud, waste, and abuse

USAID OIG Hotline
Email: ig.hotline@usaid.gov
Complaint form: https://oig.usaid.gov/complainant-select
Phone: 202-712-1023 or 800-230-6539
Mail: USAID OIG Hotline, P.O. Box 657, Washington, DC 20044-0657

Follow USAID OIG on LinkedIn and Twitter.