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

Assessment of USAID's Oversight Policies to Prevent the Diversion of Assistance to Hamas and Other Terrorist Organizations

July 25, 2024

Advisory Notice

Introduction

On April 24, 2024, the President signed into law the Israel Security Supplemental Appropriations Act (the Supplemental), 2024 (P.L. 118-50), which provided more than $9 billion for global humanitarian assistance programs.[1] In remarks at the passage of the Supplemental, the President stated that the bill included $1 billion for additional humanitarian aid in Gaza.[2]

The Supplemental also required USAID and the Department of State to provide:

> … a written description of the oversight policies, processes, and procedures for funds appropriated by the Act that are made available for assistance for Gaza, including responses should such assistance be diverted, misused, or destroyed, and the role of the assistance.

On May 20, 2024, the attached "Memorandum of Justification Oversight Policies, Processes, and Procedures to Prevent the Diversion of Assistance to Hamas and other Terrorist and Extremist Entities in Gaza" (Memorandum) was transmitted to Congress by the Department of State and USAID, along with a certification that oversight policies, processes, and procedures are established and in use to prevent diversion, misuse, or destruction of USAID-funded assistance, including through international organizations.

The USAID Office of Inspector General (USAID OIG) provides independent oversight of USAID's programs, operations, and personnel and has previously identified USAID-funded assistance to Gaza as being at high risk for diversion and misuse. After reviewing the USAID and State submission to Congress describing oversight mechanisms for aid to Gaza, and based on our past oversight work, we offer the following insights on the challenges and vulnerabilities that exist within several of USAID's stated controls.

Self-Reporting by USAID-Funded Implementing Organizations:

In their oversight plan to Congress, USAID and State wrote the following:

> To mitigate the risk that U.S. taxpayer dollars will be diverted to Hamas or other U.S.-designated terrorist entities, U.S. Government [USG] award recipients [implementing organizations] are required to promptly report any suspected incidents of diversion, fraud, waste, and abuse to USAID or State and their respective OIGs.

Current U.S. Embassy travel restrictions continue to prevent USG personnel from traveling to Gaza; as a result, USAID staff cannot monitor first-hand programming paid for by the Agency. Therefore, with respect to the reporting of alleged misconduct affecting its programs, USAID relies on reporting from aid organizations themselves. According to USAID, these organizations utilize Complaint and Feedback Response Mechanisms such as feedback boxes at health facilities

[1] The Israel Security Supplement Appropriations Act, 2024 (Pub. L. No. 118–50, Div. A) provided USAID OIG with $3 million to oversee and monitor USAID's assistance to Gaza.
[2] White House, "Remarks by President Biden on the Passage of H.R. 815, the National Security Supplemental," April 24, 2024.

and distribution sites, toll-free hotlines, and access to field staff to encourage the reporting of fraud, waste, and abuse. However, beneficiary reporting to outside sources (including USAID OIG) is complicated by communication challenges such as internet connectivity[3] and language barriers. Additionally, a branding waiver[4] is currently in place for certain activities in Gaza eliminating the standard requirement to include USAID's highly visible insignia (i.e., USAID—From the American People) on packaging or at distribution sites, exacerbating challenges to reporting (and investigating) misconduct allegations that may be connected to USAID-funded awards. USAID states that branding waivers for Gaza were approved "for safety and security reasons and to protect partners and program participants from being harmed or targeted as a result of a USAID-funded activity."

Receiving allegations of misconduct affecting USAID-funded awards in Gaza becomes more challenging with the Agency programming more than $100 million in humanitarian assistance funding through United Nations (UN) organizations. USAID's award agreements require the UN and other public international organizations (PIOs) to disclose to USAID OIG allegations of prohibited conduct involving USAID funds. However, as the table below shows, despite requirements in their awards, most UN agencies are generally only reporting a small percentage of allegations directly to USAID OIG compared with the disclosures we receive directly from USAID.

USAID Obligations to United Nations Entities and Corresponding Disclosures to USAID OIG of Potential Misconduct; November 1, 2020, to July 9, 2024 (worldwide programming)

United Nations Entity	USAID Obligation	Disclosures received by USAID OIG (Total)	Disclosures received from USAID	Disclosures received from UN agencies
World Food Programme	$13,851,193,039.01	493	473	20
United Nations Children's Fund (UNICEF)	$2,187,744,988.71	111	48	63
International Organization for Migration	$1,574,395,221.44	57	39	18
World Health Organization	$790,372,701.39	9	8	1
Food and Agriculture Organization	$ 752,204,452.06	12	6	6
United Nations Office for the Coordination of Humanitarian Affairs	$391,909,962.74	2	2	0
United Nations Development Programme	$312,928,965.42	6	5	1
United Nations Office for Project Services	$290,288,005.87	9	5	4

[3] Hadeel Al-Shalchi, "Destruction from the war with Israel has cut Gaza off from the outside world," NPR, March 23, 2024.
[4] USAID, Automated Directives System (ADS), Chapter 320, "Branding and Marketing," March 15, 2022.

United Nations Entity	USAID Obligation	Disclosures received by USAID OIG (Total)	Disclosures received from USAID	Disclosures received from UN agencies
Joint United Nations Program on HIV/AIDS	$261,013,976.00	1	1	0
United Nations Population Fund	$221,738,977.80	0	0	0
Pan American Health Organization	$54,368,773.86	0	0	0
International Union for the Conservation of Nature	$29,912,885.29	0	0	0
United Nations Women	$21,765,668.11	0	0	0
United Nations Office for Disaster Risk Reduction	$18,999,505.00	0	0	0
United Nations Office on Drugs and Crime	$9,961,468.56	0	0	0
United Nations Human Settlements Program	$8,645,323.93	0	0	0
International Institute for Democracy and Electoral Assistance	$7,355,000.00	0	0	0
United Nations Industrial Development Organization	$6,195,039.72	0	0	0
United Nations Office of the High Commissioner for Human Rights	$5,564,255.00	0	0	0
International Trade Centre	$2,500,242.00	0	0	0
United Nations International Training and Research Center	$1,105,831.57	0	0	0
International Fund for Agricultural Development	$870,000.00	0	0	0
United Nations Economic and Social Commission for Asia and the Pacific	$303.60	0	0	0
United Nations Office of the High Commissioner for Refugees	$ -	1	0	1

Source: USAID. Table includes sexual exploitation and abuse disclosures.

Reporting by UN organizations operating in Gaza also has been limited. Since USAID expanded humanitarian assistance programming following the onset of Israel's military actions in Gaza in October 2023, our office has received 17 reports of alleged misconduct from 5 USAID-funded implementers and 1 complaint from a nonaffiliated individual. Of these 17 reports, only 2 have

come from UN organizations even though over 50 percent of USAID's Gaza programming is obligated to UN organizations.

During this same time period, we issued alerts reminding implementers providing assistance in Gaza of their responsibility to (1) report allegations of fraud and diversion and (2) report instances where USAID funds were transmitted to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) which was also translated into Arabic. However, reports to OIG of potential misconduct from UN agencies performing USAID awards in Gaza remain sparse, underscoring shortcomings in USAID's reliance on self-reporting.

Partner Vetting:

In the May 2024 Memorandum to Congress, USAID references its vetting policy (ADS Chapter 319) and procedures including USAID/West Bank and Gaza's Mission Order 21 (MO 21) and Addendum #1 as part of its oversight efforts. Additionally, on its website, USAID describes partner vetting as an effort to

> … ensure that American taxpayer funds do not benefit terrorists and their supporters. The process is an enhanced risk mitigation tool that requires prospective and current partners to submit information about their organization and its directors, officers, and other key individuals to USAID for vetting. USAID then checks this information against public and non-public databases to determine their eligibility for an award, and continued eligibility once an award is made.

Before the Agency awards a contract, grant, or cooperative agreement, the proposed awardee must submit to USAID the data needed to vet the organization and a list of its key individuals. The same vetting must be undertaken before a USAID-funded implementing partner makes a subaward. Per USAID's MO 21, vetting requirements for non-U.S.-based organizations apply to only the following "key individuals":

1. Principal officers of the organization's governing body (e.g., chairman, vice chairman, treasurer, or secretary of the board of directors or board of trustees);
2. The principal officer and deputy principal officer of the organization (e.g., executive director, deputy director, president, vice president);
3. The program manager or chief of party for the USAID-financed program; and
4. Any other person with significant responsibilities for administration of USAID-financed activities or resources.

The requirement for U.S. organizations is different with only "field based staff" subject to vetting.[5]

Accordingly, when an organization is subject to partner vetting, the only individuals subject to USAID's procedures are those whose implementing partners and their subawardees *self-identify*

[5] Additionally, MO 21 affords for a review of organizations under certain categories by the U.S. Embassy in Jerusalem.

as "key individuals." USAID reports that it provides training and written guidance to ensure that its implementing partners submit the correct individuals for vetting. USAID commented that trained agency staff review all submissions for completeness and accuracy and conduct open-source research (including but not limited to public websites and social media sites) to validate that the correct key individuals have been submitted and regularly request additional information from implementing partners.[6] Further, prospective USAID-funded awardees certify that

> …in submitting this form [the organization] has taken reasonable steps in accordance with sound business practices to verify information included in this form and understands that the U.S. government may rely on the accuracy of such information to process this request.

Notably, USAID's MO 21 exempts UN organizations from USAID's partner vetting process. Subawardees of UN organizations are, however, subject to partner vetting. The lack of U.S. government partner vetting for UN agency personnel creates risks to USAID's programs. Regarding the UN's processes for vetting their own staff, USAID Administrator Samantha Power noted—following allegations that officials working for UNRWA engaged in the October 7, 2023 attacks in Israel—"obviously the vetting is something that has to be significantly strengthened."[7] USAID asserts that vetting of awards to UN organizations is distinct from vetting of awards to other types of implementing organizations due to the UN agencies' "international character, privileges & immunities, and the special nature of our relationship, including presence on certain UN agency boards to influence their policies and procedures."

Anti-Terrorism Certification

In describing the Agency's oversight mechanisms, the May 2024 Memorandum to Congress cites USAID's "mandatory anti-terrorism clauses in grants and contracts." MO 21 requires organizations (excluding public international organizations) seeking USAID funding in the West Bank and Gaza to sign an anti-terrorism certification before they are awarded a grant or sign a cooperative agreement. The pre-award certification in USAID's Automated Directives System[8] requires organizations seeking USAID grants or cooperative agreements to attest that the organization

> did not, within the previous three years, knowingly engage in transactions with, or provide material support or resources to, any individual or entity who was, at the time, subject to sanctions administered by the Office of Foreign Assets Control (OFAC) within the U.S. Department of Treasury pursuant to the Global Terrorism Sanctions Regulations (31 CFR Part 594), and the Foreign Terrorist

---

[6] U.S. Government Accountability Office (GAO), West Bank and Gaza Aid: USAID Generally Ensured Compliance With Anti-terrorism Policies and Addressed Instances of Noncompliance (GAO-24-106243), December 7, 2023.

[7] Administrator Samantha Power's interview with Al Jazeera's Salma Aljamal, June 18, 2024.

[8] Mission Order 21 contains a different version of the certification requiring the applicant to certify that it "did not provide within the previous ten years and will take all reasonable steps to ensure that it does not and will not knowingly provide material support or resources to any individual or entity that commits, attempts to commit, advocates, facilitates, or participates in terrorist acts." It only applies to prospective grant recipients, not contractors.

> Organizations Sanctions Regulations (31 CFR Part 597), or sanctions established by the United Nations Security Council, collectively, "U.S. or U.N. sanctions."

This certification is intended to enhance USAID's ability to make informed decisions regarding awards to prospective grantees. It also provides an enforcement mechanism in the form of criminal, civil, and administrative remedies for those awardees who conceal ties to terrorist organizations.

Examples of efforts to conceal such prior relationships in other non-permissive environments are evident in closed investigations involving two USAID-funded implementers, the American University of Beirut (AUB) and Norwegian People's Aid (NPA). Both organizations reached False Claims Act settlements with the U.S. Department of Justice (DOJ) for $700,000 and $2,025,000, respectively. AUB settled allegations that it falsely certified that it had not provided past material support to U.S.-designated terrorist entities, some of which were affiliated with Hezbollah. NPA settled allegations that it concealed prior and continued support to Iran, Hamas, the Popular Front for the Liberation of Palestine, and the Democratic Front for the Liberation of Palestine. By certifying that such support had not occurred, AUB and NPA denied USAID the opportunity to fairly assess whether their awards should be granted or denied. Presently, USAID OIG and DOJ are conducting investigations into similar false certification matters.

Notably, this pre-award anti-terrorism certification only applies to prospective grantees, not contractors. As USAID OIG first informed USAID in 2018, the lack of a certification requirement for prospective contractors concerning past assistance to terrorist organizations places the Agency at risk. At the time, USAID committed to attempting to address this vulnerability via the regulatory process, but to date, there has been no regulatory change. Consequently, the absence of a required certification for USAID-funded contractors that may operate in Gaza continues to leave USAID's programming vulnerable.

Third-Party Monitoring

In its May 2024 Memorandum to Congress, USAID states that:

> Monitoring of both State and USAID programs in Gaza continues as security conditions allow and includes direct monitoring by partners, third-party monitoring, post-distribution monitoring, and/or remote monitoring.

While third-party monitors (TPMs) are often the Agency's "eyes and ears" in the field, USAID OIG's work has identified challenges in relying upon these entities to monitor USAID programs, particularly in nonpermissive environments.

- During a February 2021 audit of TPMs in Iraq, USAID OIG found that USAID staff had not received guidance, templates, or best practices on developing systems to track TPM findings and related actions. USAID staff later developed ad hoc tracking systems that

resulted in incomplete records. Moreover, informal spreadsheets detailing follow-up actions for TPMs in Iraq were missing information or not regularly updated.[9]

- Similarly, a November 2021 audit of TPM activities in Bangladesh, Nepal, and Pakistan found that the three missions lacked a systematic and centralized process to ensure that TPM-identified issues were addressed by the technical offices or implementers and resolved with supporting documentation and in a timely manner.

Our audit work in other regions has identified that weak tracking systems increase the risk that findings of TPM will remain unaddressed, particularly given the rotation of USAID personnel into and out of foreign countries. Effective monitoring of programming in Gaza is critical given the risks of diversion and prevalence of designated terrorist organizations such as Hamas; however, the dangerous operating environment in Gaza has impeded the work of the USAID TPM. Recently, the Government Accountability Office (GAO) reported that while USAID's Bureau for Planning, Learning, and Resource Management has provided Agency-wide guidance and online training on the use of TPMs in nonpermissive environments, "the guidance does not discuss how bureaus and missions can use monitoring to detect fiduciary, counterterrorism or sanctions-related, or security risks into the scope of work of TPM contracts." The GAO report also stated that more comprehensive, agency wide guidance on using TPM and other remote monitoring methods would help USAID bureaus and missions ensure that they implement all appropriate available controls to mitigate potential misuse or diversion of assistance.

Conclusion

In USAID's May 2024 Memorandum to Congress regarding the oversight mechanisms for Gaza programming, USAID and the Department of State noted that they consider "the responsible use of all taxpayer funds to be of the utmost importance." Addressing the shortcomings and vulnerabilities in its oversight mechanisms highlighted in this advisory will help ensure that USAID-provided assistance to Gaza is not diverted or misused.

USAID OIG will continue to provide independent oversight and monitoring of USAID's Gaza response.

On the cover: Humanitarian aid reaches Gaza via the temporary Trident Pier, June 11, 2024. U.S. Army photo by Staff Sgt. Mikayla Fritz.

[9] USAID OIG notes that the Agency addressed all five recommendations for the findings in the Iraq report, and all recommendations are closed.

Memorandum of Justification
Oversight Policies, Processes, and Procedures to Prevent the Diversion of Assistance to Hamas and other Terrorist and Extremist Entities in Gaza Section 7073 of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2024 (Div. F, P.L. 118-47) and Section 309 of the Israel Security Supplemental Appropriations Act, 2024 (Div. A, P.L. 118-50)

Consistent with section 7073(a) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2024 (Div. F, P.L. 118–47) (SFOAA) and section 309(a) of the Israel Security Supplemental Appropriations Act, 2024 (Div. A, P.L. 118-50), the Secretary of State has certified that—

> (1) oversight policies, processes, and procedures are established and in use by the Department of State and the United States Agency for International Development (USAID), as appropriate, in order to prevent the diversion to Hamas and other terrorist and extremist entities in Gaza and the misuse or destruction by such entities of assistance, including through international organizations; and
> (2) such policies, processes, and procedures have been developed in coordination with other bilateral and multilateral donors and the Government of Israel, as appropriate.

Consistent with section 7073(b) of the FY 2024 SFOAA and section 309(b) of the Israel Security Supplemental Appropriations Act, 2024 (Div. A, P.L. 118-50) this Memorandum of Justification provides a written description of the oversight policies, processes, and procedures for funds appropriated by the

Act that are made available for assistance for Gaza, including responses should such assistance be diverted, misused, or destroyed, and the role of the Government of Israel in the oversight of such assistance.

The U.S. government (USG) considers the responsible use of all taxpayer funds to be of the utmost importance. U.S. economic and humanitarian assistance programs in Gaza are designed to bolster stability for both Palestinians and Israelis through the provision of life-saving assistance and by improving the lives of millions of Palestinians, with the ultimate goal of promoting a negotiated two-state solution.

Both before and after the October 7 attacks, USAID and the Department of State have sought to mitigate the risk of diversion or benefit from U.S. assistance to Hamas, Palestinian Islamic Jihad, or other U.S. designated foreign terrorist organizations by conducting due diligence measures as outlined below. Coordination with the Israeli government is central to successful and safe delivery of our assistance.

The Department of State and USAID, with our implementing partners, undertake a wide range of precautions and robust oversight of USG programming. Parties involved in USG-funded program implementation in both the West Bank and Gaza (WBG) are subject to extensive counterterrorism partner vetting and oversight procedures to help prevent assistance from flowing to individuals or organizations affiliated with any U.S. designated foreign terrorist organizations. The Department of State and USAID have robust response measures in place to respond to detection or discovery or any diversion, misuse, or destruction of funds. These measures are implemented in close cooperation with relevant Israeli authorities.

Oversight Policies and Procedures for USG Assistance

All USG assistance in Gaza adheres to a common framework for counter-terrorism principles, parameters, and procedures for project management and oversight. These baseline standards apply to all USG programs

operating under Chief of Mission authority. Implementing agencies continuously assess risks that U.S. sanctioned groups or foreign terrorist organizations could benefit from a particular assistance program, and adapt, as appropriate, these baseline standards with additional oversight to respond to program-specific risks. Below is a summary of oversight policies and procedures common to USG programs, as well as examples of specific adaptations of the USAID bilateral mission, the USAID Bureau for Humanitarian Assistance (BHA), and Department of State Bureau of Population, Refugees, and Migration (PRM).

USG Baseline Standards

To mitigate the risk of diversion to Hamas or other terrorist entities, USG implementing partners are required to promptly report and respond to any suspected incidents of diversion, fraud, waste, and abuse to USAID or State and the agency's respective Office of the Inspector General (OIG). USAID and State retain the right to disallow costs that may result in a violation of U.S. law.

The USG's oversight and risk mitigation measures for assistance to WBG include partner vetting for all contractor and non-governmental organization (NGO) awards, mandatory anti-terrorism clauses in grants and contracts, regular OIG and Government Accountability Office (GAO) audits, third-party monitoring as security conditions permit and as deemed necessary based on the individual organizational risk, and close cooperation with Israeli authorities, including the Office for Coordination of Government Activities in the Territories (COGAT). Prior to awards, the USG conducts necessary pre-award assessments of a partner's financial resources, technical capabilities, operational controls, integrity, and reliability to comply with these procedures to mitigate risk of benefit to terrorist entities.

Standard provisions in USG award agreements prohibit partners from engaging in unauthorized transactions with or providing resources or support to sanctioned groups or individuals on any of the following lists:

- Department of Treasury, Office of Foreign Assets Control's (OFAC) Specially Designated Nationals and Blocked Persons (SDN) List;
- Department of State's Foreign Terrorist Organizations (FTOs) list; or
- the United Nations Security Council (UNSC) Consolidated List.

Both State and USAID ensure implementing partners are not listed as excluded parties on the System for Award Management (SAM), which includes the official USG database of people and entities that are ineligible to receive federal funding due to connections to terrorist organizations or other exclusions. Additionally, prior to approval of any funding, State identifies and assesses existing threats to program implementation, including but not limited to, the potential for aid to be diverted or to unintentionally support terrorists or other sanctioned individuals and groups. After these risks have been assessed, State and its partners implement controls that include avoidance/prevention of risk, mitigation of risk, transfer of risk, or acceptance of risk.

Monitoring of both State and USAID programs in Gaza continues as security conditions allow, and includes direct monitoring by partners, third-party monitoring, post-distribution monitoring, and/or remote monitoring. In addition to applying risk mitigation measures highlighted within their risk assessments or frameworks, all USG humanitarian partners are also required to undertake standard risk mitigation protocols, including adhering to established internal controls, safety and security plans for staff movements and transport of cash and program materials, and numerous reporting requirements.

USG humanitarian partners use robust feedback and complaint mechanisms through a range of channels, such as WhatsApp, toll-free hotlines, and dedicated email accounts, and receive information from all project stakeholders, both directly and indirectly. These mechanisms allow partners to make iterative improvements to programs while safeguarding beneficiaries and community members and deterring fraud.

The application and implementation of these standard procedures are adapted to the specific missions and operating constraints of departments and agencies providing assistance in Gaza. For instance, as an adaptation of a standard pre-award risk assessment, all organizations applying for USG funding to implement humanitarian assistance must submit a risk analysis or framework that examines the risk of potential misuse of humanitarian resources, details how they plan to mitigate and manage risks, and provides assurances that aid reaches the targeted affected population. (See details on USAID's Risk Assessment and Management Plan - RAMP - below.)

USAID Vetting Procedures

Trained counterterrorism experts at the FBI-managed Terrorist Screening Center (TSC) conduct USAID vetting). Our vetting policy and procedures (USAID/WBG's Mission Order 21 and Addendum #1) require USAID partners to abide by the following requirements:

- All USAID contracts and subcontracts at a cumulative threshold of more than $25,000 within a 12-month period are subject to vetting.
- All USAID grants and cooperative agreements regardless of dollar amount are subject to vetting, including subawardees of UN partners. Examples of subawardees vetted include USAID cooperating partners, food suppliers, and financial service providers.
- USAID's WBG vetting program includes an additional level of scrutiny whereby all grants and cooperative agreements are reviewed by the Office of Palestinian Affairs (OPA) at the U.S. Embassy in Jerusalem.
- All vetting requirements must be met before an award or subaward can be made. There are no exceptions to these requirements.
- Although Public International Organizations (PIOs) themselves are not subject to vetting, organizations, and individuals to whom IOs make awards or otherwise provide assistance are subject to vetting by USAID in accordance with Mission Order 21 and Addendum #1. (Note: PIOs are assessed at an agency-level for the sufficiency of their

financial and internal controls, including for counterterrorism finance risks)
- Ultimate beneficiaries of cash or in-kind assistance are subject to vetting when meeting a threshold of per occurrence award amount more than $1,000 for individuals and $5,000 for households.
- Even if vetting would not otherwise be required, USAID may vet upon any reason to believe that the beneficiary of assistance or the vendor of goods or services commits, attempts to commit, advocates, facilitates, or participates in terrorist acts, or has done so in the past.

In addition to the measures identified above, USAID Mission oversight policies and procedures also includes the following:

- A 100% audit requirement of all locally incurred costs;
- An annual appropriations act requirement that GAO perform audits of the Economic Support Fund (ESF) program for the West Bank and Gaza;
- Compliance reviews of partner oversight measures;
- A requirement that every NGO assistance awardee sign a certification that the organization does not provide material support or resources for terrorism;
- Fifteen West Bank and Gaza specific mandatory standard agreement provisions;
- A no contact policy that prohibits all contact with Designated Terrorist Organizations (DTOs), including Hamas. This encompasses a prohibition on contact with a Gaza Ministry, Municipality, or other public institution controlled by Hamas;
- In the case of the provision of commodities, the requirement for partners to maintain proper "chain of custody" documentation in their files to demonstrate the commodities' legal transfer into Gaza or demonstrate that commodities were manufactured, grown, or produced in Gaza;

- USAID has OIG staff onsite in the West Bank and Gaza Mission;
- All USAID implementing partners undergo OIG's fraud awareness training;
- USAID requested and received an alert letter from the OIG to give the OIG's perspective, based on lessons learned from other conflicts and WBG, on what OIG viewed as the greatest potential risks to help inform USAID/WBG's risk mitigation management.

BHA partners planning to deliver assistance in the West Bank and Gaza must adhere to additional Risk Assessment and Management Plan (RAMP) requirements for high-risk environments, including documenting how they will mitigate the risk that U.S. sanctioned groups or foreign terrorist organizations could influence or interfere with program activities and services. Specifically, BHA partners are required to address how they plan to mitigate such risks related to beneficiary identification, selection, and verification; movement, storage, or management of commodities; procurement of goods and services; staff recruitment; and claims of reputational benefit to U.S. sanctioned groups or foreign terrorist organizations.

Department of State Vetting and Oversight Procedures

PRM and relevant State bureaus conduct risk management, including the risk of material support to designated terrorist organizations, as an integral part of routine operations, including within core programmatic steps.

To address risk in the West Bank and Gaza PRM requires mitigation measures, including assessing an organization's beneficiary targeting processes to minimize possibilities for corruption or material support to designated terrorist organizations; establishing and confirming that appropriate reporting mechanisms (for preventing sexual exploitation or abuse and waste, fraud, and abuse) exist, are accessible, and are known to beneficiaries; and the requirement to notify PRM of allegations or

information relating to allegations of fraud, diversion, or attempts to divert assistance from intended beneficiaries.

Additional, extensive oversight measures apply to all U.S. assistance to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), including as relevant to its operations in the West Bank and Gaza, consistent with section 301(c) of the Foreign Assistance Act.

Specifically, since 2002, the State Department has provided annual reports to Congress, based on information provided by UNRWA pursuant to section 301(c) of the Foreign Assistance Act of 1961, on UNRWA's conformance with key neutrality metrics such as the following:

- Checks of all UNRWA staff against the Consolidated United Nations Security Council Sanctions List once every six months;
- Checks of Palestinian refugees against the Consolidated United Nations Security Council Sanctions List every six months;
- In the event credible information exists that beneficiaries have engaged in conduct of concern, UNRWA must conduct fact-finding, assessments, and denial of assistance to beneficiaries, as appropriate; and
- Quarterly assessments of each UNRWA installation in Jordan, Lebanon, Syria, the West Bank, and Gaza on adherence to neutrality.

The Department also implemented the following oversight mechanisms:

- Review of UN Board of Audit recommendations to UNRWA and other UNRWA follow-up on internal and external audit findings;
- Bilateral engagement with UNRWA on its policies and procedures;
- Monitoring visits by State Department staff to UNRWA facilities to examine UNRWA programs and policies;
- Close review and scrutiny of UNRWA reporting and other third-party information regarding UNRWA; and

- Membership on and participation in the UNRWA Advisory Commission.

The Department reports annually, and has done so since 2021, on the multiple conditions set forth by Congress under section 7048 (d) of prior-year annual appropriations acts. These conditions include using UN staff to inspect UNRWA installations for misuse; addressing staff or beneficiary violations of neutrality and impartiality under section 301(c) of the Foreign Assistance Act of 1961; implementing a no-weapons policy in UNRWA facilities; and, improving financial transparency; and confirming UNRWA compliance with the overall United Nations Board of Auditors recommendations.

PRM risk mitigation measures are constantly adapting to respond to the evolving situation in Gaza. PRM has a Refugee Coordinator based in Jerusalem who monitors PRM-funded assistance in WBG, to Palestinians in the region, and in Israel. After October 7, 2023, PRM increased its routine contact with UNRWA in the field and at headquarters, resulting in near daily engagement and oversight of UNRWA humanitarian assistance activities. U.S. Citizen Antonia De Meo was appointed UNRWA's Deputy Commissioner General for Operational Support on December 6, 2023, after extensive USG advocacy, and will oversee UNRWA's reform process and initiatives to strengthen the neutrality of the organization.

PRM took immediate action to suspend funding to UNRWA on January 24, 2024, when we learned of allegations by the Government of Israel (GOI) that UNRWA staff may have been involved in the October 7 attacks. Since that time, the United States has called for a full investigation of the allegations and accountability.

During the conduct of the military operations in Gaza, PRM has used additional measures to prevent diversion. These include inspection by the Israeli government of any items entering Gaza and coordination with the

Israeli government on these inspections, direct distribution by the UN to program participants of humanitarian goods, and immediate reporting if U.S. funded goods do not reach the intended destination.

As a matter of policy matter, and consistent with HR 815: National Security Act restricting all contributions, grants, and other payments to UNRWA from FY 2024 and prior year funds, PRM continues to implement the abovementioned monitoring and oversight measures for previously obligated funds.

Response to Potential Diversion or Misuse of Funds

Partners are required to report any suspected incidents of diversion, fraud, waste, and abuse to USAID or State and the agency's respective Office of the Inspector General (OIG), which may initiate an investigation. USAID and PRM retain the right to disallow costs that may result in a violation of U.S. law.

In accordance with section 209(c)(6) of the Foreign Service Act of 1980, as added by section 203 of the Department of State Authorities Act, Fiscal Year 2017 (22 U.S.C. 3929(c)(6)), State reports allegations or information related to waste, fraud, or abuse in a Department program or operation to the Office of Inspector General within five days of receipt and will continue to track the allegation until it is adjudicated. Additionally, consistent with sections 7015(j)and 7073(c) of the FY 2024 SFOAA, and section 309(c) of the Israel Security Supplemental Appropriations Act, 2024, the Secretary of State and USAID Administrator will promptly inform the appropriate congressional committees in instances in which FY 2024 funds for Gaza have been diverted, misused, or destroyed.

Coordination of Assistance and Procedures with the Government of Israel

Both before and after the attacks of October 7, USAID and State have continued to mitigate the risk of diversion or benefit to Hamas, Islamic

Jihad, or other U.S. designated foreign terrorist organizations by conducting due diligence measures as outlined above. Coordination with the Government of Israeli is central to successful and safe implementation of our assistance.

The Office for Coordination of Government Activities in the Territories (COGAT) is the unit in the Israel Ministry of Defense that is responsible for coordinating with international organizations and international partners regarding assistance in Gaza. All prior and current USG assistance is planned and deployed with COGAT review and coordination. Since the attacks on October 7, our coordination has involved near-daily engagement by high-level U.S. officials in Israel and Washington on the provision of USG humanitarian assistance in Gaza, including on the risk of diversion and misuse and mitigation measures to prevent diversion. In addition, PRM and USAID partner organizations directly coordinate and inform COGAT and the IDF of their activities in the West Bank and Gaza, including efforts to prevent diversion to terrorist entities. We continue to be agile in responding to the realities on the ground, and no aid enters Gaza without inspection and consent of the Government of Israel.

Multilateral and Bilateral Donor Coordination

The USAID Mission Director in Jerusalem leads the Donor Coordination Group for development assistance, which is comprised of like-minded countries from the European Union, G7, and Gulf countries. USAID/BHA and PRM coordinate humanitarian assistance for the West Bank and Gaza with other donors in Jerusalem, Cairo, Amman, and Washington and through multilateral fora. Both in the field and in Washington, the Department of State and USAID promote oversight policies and procedures consistent with mitigating the risk of diversion to Hamas and other terrorist entities. Consistent and early U.S. engagement in multilateral discussions and with international organizations seeks to steer funding and oversight mechanisms to prevent the diversion of assistance.

Despite the conflict in Gaza, USAID and the Department of State continue to prioritize efforts to prevent waste, fraud, and abuse, and to ensure USG assistance safely reaches its intended beneficiaries. Any future activities in Gaza will follow similar oversight, vetting, and mitigation procedures to prevent diversion, misuse, or destruction of USG assistance. State and USAID constantly assess risks associated with humanitarian assistance and other assistance efforts in WBG and update risk mitigation measures accordingly. We will continue to keep members of Congress updated on these efforts through the ongoing, monthly Mission updates on active ESF programs, through consultations regarding humanitarian assistance, notification of additional bilateral programming, and through reporting, including under section 7073 of the FY 2024 SFOAA and section 309 of the Israel Security Supplemental Appropriations Act, 2024.