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

Ukraine Response: Audit of USAID's Office of Transition Initiatives' Engagement of Local Partners in Ukraine

Audit Report 8-121-25-001-U
January 15, 2025

Office of Audits, Inspections, and Evaluations

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

MEMORANDUM

DATE: January 15, 2025

TO: Randy Flay
Director
USAID/Bureau of Conflict Prevention and Stabilization/Office of Transition Initiatives

FROM: Paul K. Martin
Inspector General

SUBJECT: Ukraine Response: Audit of USAID's Office of Transition Initiatives' Engagement of Local Partners in Ukraine (8-121-25-001-U)

Enclosed is the final audit report on USAID's Office of Transition Initiatives' (OTI) engagement of local partners in Ukraine.[1] The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of Williams, Adley & Company-DC LLP (Williams Adley) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

In carrying out its oversight responsibilities, OIG reviewed Williams Adley's report and related audit documentation and discussed the results with the firm's representatives. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We found no instances in which the audit firm did not comply, in all material respects, with applicable standards.

The audit examined OTI's engagement of local partners in Ukraine to contribute to developmental goals and the extent to which OTI's monitoring and evaluation efforts allow for an understanding of programmatic impacts. The audit objectives were to determine (1) the extent to which USAID has developed objectives and metrics for the program, (2) progress toward achieving those objectives, and (3) how, and to what extent, USAID is monitoring implementer performance in accordance with the Agency's standard policies and procedure.

To answer the audit objectives, Williams Adley interviewed personnel from OTI, project implementers, the Government of Ukraine, and subimplementers. The firm also reviewed applicable documentation related to OTI's approach, including policies and procedures, results of the awards issued, and monitoring performed. The audit covered activities OTI

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[1] Pursuant to the Pub. L. No. 117-263 § 5274, USAID OIG provides nongovernmental organizations and/or businesses specifically identified in this report 30 days from the date of report publication to submit a written response to USAID OIG. Any comments received will be posted on https://oig.usaid.gov/. Please direct inquiries to oignotice_ndaa5274@usaid.gov.

implemented in response to Russia's full-scale invasion of Ukraine from February 2022 through December 2023, with the audit firm conducting its work from January 2024 through August 2024.

Williams Adley concluded that the resources OTI managed in response to Russia's full-scale invasion of Ukraine engaged local partners in Ukraine. Additionally, considering the allowable exemptions from certain USAID policies for transition assistance activities, OTI monitored the activities overall in accordance with the Agency's standard policies and procedures.

However, Williams Adley identified weaknesses in controls surrounding the accuracy of data reported by subimplementers. Specifically, the audit firm found erroneous indicator data for 3 of its 15 sampled subawards.

To address the weaknesses identified, we recommend that USAID's Director of the Office of Transition Initiatives:

Recommendation 1. Ensure all indicators are defined in subaward documentation.

Recommendation 2. Develop procedures to properly train all parties involved on the defined indicator data at the beginning of the award process.

Recommendation 3. Implement procedures to maintain accurate data records in its Web-Based Database system, such as correction of errors when identified.

In finalizing the report, we evaluated OTI's responses to the recommendations. OTI agreed with all three recommendations. After reviewing the responses, we consider the three recommendations closed.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.

US Agency for International Development

Final Report

Audit of Office of Transition Initiatives' Engagement of Local Partners in Ukraine to Contribute to Development Goals

December 11, 2024

December 11, 2024

Ms. Toayoa Aldridge
Assistant Inspector General for Audits, Inspections, and Evaluations
Office of Inspector General
U.S. Agency for International Development

Dear Ms. Aldridge:

Williams, Adley & Company-DC, LLP (Williams Adley) performed a performance audit related to the United States Agency for International Development's (USAID) Civilian Assistance in response to Russia's war against Ukraine for the period of performance of February 24, 2022, to December 31, 2023. We performed the performance audit under Order Number 140D0423F1027, dated September 12, 2023, to examine USAID's Office of Transition Initiatives' (OTI) engagement of local partners in Ukraine to contribute to developmental goals. We also reviewed the extent to which OTI's monitoring and evaluation efforts allow for an understanding of programmatic impacts. Our report presents the results of the performance audit.

We conducted our audit in accordance with applicable Government Auditing Standards, 2018 revision, technical update April 2021. The audit was a performance audit, as defined by Chapter 8 of the Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The specific objectives of the audit were to determine the extent to which USAID has developed objectives and metrics for the program under review, determine the progress toward achieving those objectives, and determine how, and to what extent, USAID is monitoring implementer performance in accordance with Agency criteria.

To accomplish our objectives, we interviewed personnel from the USAID OTI as well as project implementers, the host government, and sub-implementers. We also reviewed applicable documentation, including policies and procedures, related to OTI's approach, and specifically, results of the awards issued and monitoring performed. Appendix 1 provides a more detailed description of our objective, scope, and methodology. We appreciate the opportunity to have conducted this audit. Should you have any questions or need further assistance, please contact us at (202) 371-1397.

Leah Southers

Leah Southers, CPA, CISA, CGFM, CFE
Partner

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RESULTS IN BRIEF

Williams, Adley & Company-DC, LLP (Williams Adley) conducted an independent performance audit of resources the Bureau for Conflict Prevention and Stabilization's Office of Transition Initiatives (OTI) managed under awards USAID issued in response to Russia's war against Ukraine. Specifically, we examined OTI's engagement of local partners in Ukraine to contribute to developmental goals and the extent to which OTI's monitoring and evaluation efforts allow for an understanding of programmatic impacts.

We determined the resources managed by OTI in response to Russia's war against Ukraine engaged local partners in Ukraine. Additionally, considering the allowable exemptions for transition assistance activities, the activities overall were monitored in accordance with USAID criteria and allowed for an understanding of programmatic impacts.

However, we determined that improvements are needed to ensure the accuracy of quantitative data obtained and reported on from sub-implementers. We proposed three recommendations to address the deficiencies identified. These recommendations aim to develop controls surrounding the accuracy of indicator data reported. See additional details in Appendix 4.

INTRODUCTION

The audit examined OTI's engagement of local partners in Ukraine to contribute to developmental goals and the extent to which OTI's monitoring and evaluation efforts allow for an understanding of programmatic impacts. The specific objectives of the audit were to (1) determine the extent to which USAID has developed objectives and metrics for the program under review, (2) determine the progress toward achieving those objectives, and (3) determine how, and to what extent, USAID is monitoring implementer performance in accordance with Agency criteria.

The scope of our audit was activities implemented by OTI, funded by USAID, in response to the Russia's war against Ukraine for the period of performance of February 24, 2022, through December 31, 2023.

BACKGROUND

Russia's unprovoked, full-scale war against Ukraine on February 24, 2022, has resulted in the largest armed conflict in Europe since World War II. The war has had deep and wide-ranging consequences, causing death, destruction, and displacement in the region, and political and economic disruption around the globe. USAID plays a key role in the U.S. government's response to Ukraine assistance.

Ukraine Supplemental Funding

In supplemental appropriations between fiscal years 2022–2024, Congress provided more than $174 billion in funding for the Ukrainian response across 11 Federal departments and agencies. The U.S. has provided humanitarian assistance, economic assistance, transition assistance, and other assistance to include direct budget support. As of April 2024, Congress appropriated approximately $57 billion to the State Department and USAID to implement these activities.

Office of Transition Initiatives

USAID's OTI was established in 1994 to allow the Agency to quickly respond to opportunities in countries in transition or where there is an opportunity to shift a country's trajectory in support of stability, peace, and democracy. To do this, OTI works with local partners on short-term, smaller projects that target a range of issues based on the specific country context, such as conflict, democratic backsliding, terrorism prevention, and stabilization.

OTI supports U.S. foreign policy objectives by helping local partners advance peace and democracy.

OTI programs often are initiated in states that have not reached the stability or other conditions needed for longer-term development to succeed. Therefore, OTI works closely with USAID regional bureaus, missions, and other U.S. Government counterparts to continually identify and respond to strategic needs and gaps in the immediate term that can help to stabilize the situation, buy time for longer-term political and economic reform, complement other assistance efforts, and lay a foundation for more transformative change.

USAID acknowledges the unique nature and demands of OTI's programming by providing specific exemptions throughout the Automated Directives System (ADS). The ADS contains the organization and functions of USAID as well as the policies and procedures that guide against risks to the Agency's programs and operations. These provide exemptions for all activities managed by OTI to processes that must be followed by missions and bureaus. The exemptions applicable to the scope of our audit are as follows:

- ADS 201.3.2 Strategic Planning and Implementation: OTI is exempt from inclusion in the Country Development Cooperation Strategy (CDCS) and requirements associated.

- ADS 201.3.5 Monitoring includes requirements related to monitoring, planning, and timing, such as those related to Performance Management Plans (PMPs) or Monitoring, Evaluation, and Learning (MEL) plans.

- ADS 201.3.6 Evaluation related to the planning and timing of evaluations.

- ADS 201.3.7 Collaborating, Learning, and Adapting (CLA) related to USAID's approach to organizational learning and adaptive management.

While OTI is exempt from the above sections, the ADS states that the activities should adhere to the quality standards as feasible. OTI has established its own internal procedures to mirror the intent of the standards it is exempt from. As part of this, OTI programming relies on ongoing analysis of the local context; as such the underlying assumptions, theories, and methodology that guide strategic planning and activity development may change depending on the evolving context in program areas and what the program has learned through implementation. Program objectives are expected to shift over the life of the program to account for changes in the political environment. Objectives are subject to periodic review and adjustment through regular strategy sessions with input from the contractor, taking into account budgetary and staffing implications.

OTI in Ukraine

Since 2014, OTI has worked in Ukraine to strengthen national unity and build support for Ukraine's reforms and Euro-Atlantic trajectory. Following Russia's full-scale war against

Ukraine in February 2022, OTI adapted its Ukraine Confidence Building Initiative (UCBI) to augment the U.S. response. Since the war began in February 2022, OTI's efforts in Ukraine include enhancing early recovery and resilience in frontline and liberated communities, reinforcing connections between areas temporarily occupied by Russia and the rest of Ukraine, maintaining nonviolent civil action, and increasing engagement with narratives that reinforce Ukraine's unity and democratic values.

In March 2022, OTI signed an 18-month, $180.2 million task order with Chemonics International, Inc. (Chemonics) with the initial objective to support Ukrainian citizens, civil society, and legitimate Government of Ukraine (GOU) representatives to respond to immediate crisis needs. This task order is referred to as UBCI III OTI had disbursed $78.5 million for this task order as of December 31, 2023.

During the UCBI III task order close out, OTI signed a new task order in February 2023 with Chemonics for $252 million, with an estimated completion date of September 2026. This task order is referred to as UCBI 4. OTI had disbursed $12.9 million for this task order, as of December 31, 2023.

The UCBI task orders were issued under the Support Which Implements Fast Transition 5 (SWIFT 5) Programs contract. This contract provides OTI with the means to support U.S. foreign policy objectives by catalyzing local initiatives to advance stability, peace and democracy in response to complex political crises through the issuance of individual task orders. As directed by the SWIFT 5 contract, OTI operates with its contractors using a "one team" approach. As the OTI implementing partner for the UCBI task orders, Chemonics has a significant role and is critical to the success of the UCBI programs. This operational approach affords maximum flexibility but requires close communication, cooperation, and coordination between OTI and Chemonics.

See a breakdown of the parties involved in the "one team" approach in Figure 1 below.
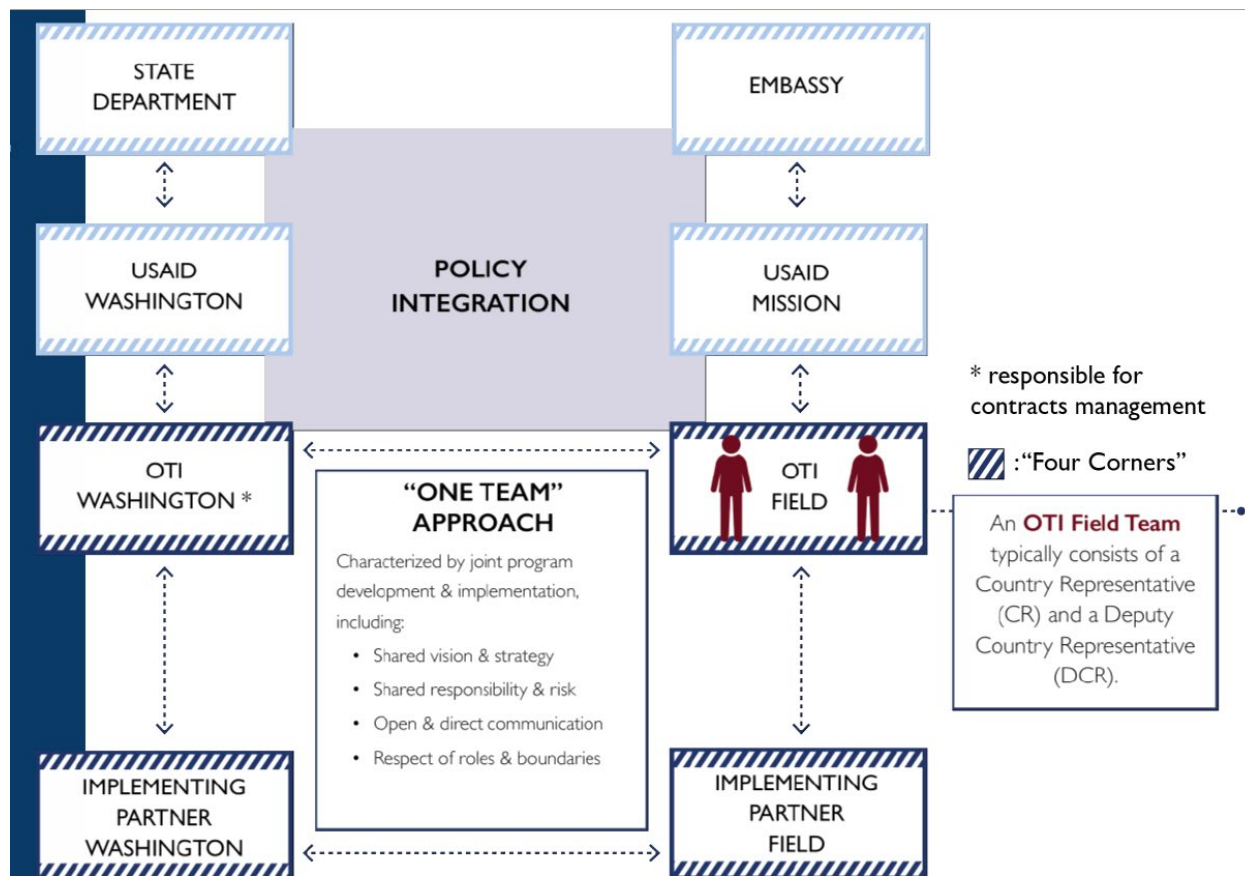

Figure 1 – "Intensive Management"
Source: USAID OTI 101 PowerPoint Slides

UCBI III

Under the UCBI III Task Order, Chemonics was tasked with providing and supporting an in- country and regional management team that will award, implement, monitor, and evaluate grants under contract; provide short-term technical assistance; procure and distribute in-kind resources; participate in rolling assessments of the political situation, country context, program objectives, implementation and impact; and maintain and use OTI's Web Based Database system (WBDB).

OTI works with Ukrainian civil society, government, media, and other partners along three main lines of effort:

- Strengthen transparent, accessible recovery processes that reflect local priorities in the most war-affected regions;

- Reinforce connections between areas temporarily occupied by Russia and the rest of Ukraine; and

- Empower civic engagement in frontline and liberated communities to contribute to community resilience and shaping a better future.

Under UCBI III, Chemonics issued 209 grants, 15 subcontracts and 38 Direct Distribution of Goods and Services (DDGS).[2] The majority of small grant recipients were local entities. The grantees under the small grants program can include a wide range of governmental and non-governmental organizations. Some examples include cooperatives, non-governmental organizations (NGOs), local, regional and national entities, Private Voluntary Organizations, media, international organizations, and coalitions of those entities.

UCBI III implemented these activities within the framework of the program's four objectives:

1. Enable Ukrainian voices to build support for Ukraine's unity, democracy, Ukrainian dependence;

2. Enable government and civil society in key areas to rapidly respond to critical priorities caused by the war;

3. Mobilize Ukrainians around shared values that maintain unity to shape the country's future; and

4. Contribute to nascent efforts for national healing and addressing atrocities.

UCBI 4

Since February 2022, OTI has focused on the objectives described above, addressing the immediate impacts of Russia's war against Ukraine across four priority geographic areas: newly reclaimed areas, newly Russian-controlled areas, frontline communities/areas under threat, and areas hosting internally displaced persons. Additionally, OTI media and communications activities target three key groups: Ukrainian-speaking audiences, Russian-speaking audiences, and international audiences. This work requires close collaboration with the range of Ukrainian counterparts who are advancing the country's resistance, unity, and recovery: civil society, volunteer movements, local activists, national government, regional/municipal governments, the private sector, journalists, media outlets, content creators/producers, the cultural and artistic community, and mental health and psychosocial support providers. Following a program review in September 2022, OTI further adjusted its objectives, deemphasizing activities around national healing and addressing atrocities as other USG and USAID actors moved into that space.

The three initial program objectives of UCBI 4 were:

1. Enhanced early recovery and reintegration of displaced populations in frontline communities and newly reclaimed areas;

2. Increased reach of and engagement with narratives that strengthen Ukrainian unity and democracy; and

3. Strengthened nonviolent civil action and connections in Russian-controlled areas with the rest of Ukraine.

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[2] DDGS is a type of programming OTI uses in situations where suitable grantees may not be readily identifiable, but an urgent procurement action needs to take place. For a DDGS activity, the contractor directly procures and distributes the goods and/or services to the beneficiaries.

Under UCBI 4, as of December 30, 2023, Chemonics issued 78 grants, two subcontracts and 20 DDGSs. The majority of small grant recipients were local entities.

AUDIT RESULTS

Overall, we found that through the activities OTI implemented between February 2022 and December 2023 in response to the Russia's war against Ukraine, OTI developed objectives and metrics for the programs, demonstrated progress toward achieving those objectives, and given the Office's exemptions in the ADS, substantially complied with Agency criteria to monitor implementer and sub-implementers performance. The results related to each audit objective are described below.

Williams Adley reviewed both the UCBI III and 4 task orders issued to the implementing partner, Chemonics, in response to Russia's war against Ukraine between February 24, 2022, and December 31, 2023. Additionally, we reviewed 15 of 308 subawards issued under these task orders during this period.

After our review of applicable documentation, including policies and procedures, and testing of select awards, we noted and documented one finding related to Objective 3 of determining how, and to what extent, USAID is monitoring implementer performance, as detailed in the Audit Findings section of this report.

- **Finding 1:** 3 of 15 sampled activities had indicator data outputs that were inaccurate. The implementing partner recorded inaccurate indicator data output into the system of record, overstating its actual accomplishments (Appendix 2).

Additional testing results related to each audit objective are described below.

Audit Objective 1: OTI Effectively Developed Objectives and Metrics

To accomplish our audit objective, we evaluated three sub-objectives. The sub-objectives were to: (1) determine to what extent OTI has taken into consideration input from local stakeholders, (2) determine OTI's evaluation and plan for sustainability in developing its response in Ukraine, and (3) determine if OTI has set clear, measurable metrics sufficient to determine program impact.

Sub-Objective 1.1: OTI Took Input from Local Stakeholders into Consideration

We evaluated whether OTI included input from local stakeholders through review of the subaward documentation and interviews with sub-implementers. We determined that OTI's model is largely focused on its relationships with local stakeholders and the success of its programs relied on the constant communication and feedback loop sought from local stakeholders by OTI and its implementing partner, Chemonics. As such, we conclude that OTI's metrics considered input from local stakeholders.

Sub-Objective 1.2: OTI Was Not Required to Have an Evaluation and Plan for Sustainability in Developing Its Response in Ukraine

OTI does not have a formal sustainability plan as it is exempt from strategic planning process as laid out in the ADS. Specifically, per ADS 201.3.2.4, activities managed by OTI are not required to be part of a Country Development Cooperation Strategy (CDCS), which is where the strategic planning process occurs.

While OTI is exempt from specifics of the ADS process that must be followed by missions and bureaus, it has internal processes that mirror the intent of the ADS. Specifically, OTI mirrors the intent to conduct strategic planning so that program and activity level work fall within an overarching strategy, but in a way that is more appropriate for OTI's mission and timelines for decision making and designing and awarding new mechanisms.

During our review of the sample of subawards awarded under UCBI III, we observed examples of OTI's approach that successfully generated long-term capacity for Ukraine to sustain the positive results achieved by the short-term UCBI III and 4 programs. The examples we reviewed demonstrated project areas that were transitioned to other USAID offices, State Department programs, NGOs, and the European Union.

Based on these examples, we concluded the OTI had worked to support, coordinate, and assist in longer-term projects.

Sub-Objective 1.3: OTI Set Clear, Measurable Metrics Sufficient to Determine Program Impact

Measuring the impact of OTI initiatives can be complicated, especially considering the volatile contexts in which OTI operates.

While our period in scope did not identify a connection to long-term development efforts, we determined that OTI provided clear qualitative and quantitative metrics to sufficiently determine program impact. Specifically, the qualitative results of the subawards during UCBI III as reported in semiannual reports, annual reports and monthly progress reports, demonstrated achievement toward the initial objectives of UCBI III that OTI designed. Similar instances were reviewed for the UCBI 4 task order. Through these reporting mechanisms that assessed the program impact, we also noted that OTI utilized this to evaluate whether the initial metrics and objectives needed to be adjusted to the changing needs of the local environment.

Audit Objective 2: OTI Made Sufficient Progress Toward Achieving Objectives

To accomplish our audit objective, we evaluated two sub-objectives. These sub-objectives included: determine to what extent OTI has addressed any shortfalls from milestones and determine to what extent OTI has made progress to ensure sustainability of program achievements.

Sub-Objective 2.1: OTI Addressed Shortfalls from Sub-Award Milestone Reports

OTI does not have task order-level performance indicators for UCBI III or UCBI 4 submitted by Chemonics. However, we received the program performance reports submitted by Chemonics under UCBI III and 4, as well as a sample of milestone reports from the 15 subawards.

We noted that the milestone reporting shortfalls identified in our sample were addressed by Chemonics and OTI through identification and discussion of the reasons.

Sub-Objective 2.2: OTI Made Progress to Ensure Sustainability of Program Achievements

As noted above, OTI is not required to create and maintain a formal sustainability plan. However, we observed instances during the audit's scope period where OTI worked to support, coordinate, and transition strategic objectives and individual subaward topics into longer-term projects under other USAID offices and organizations.

In line with OTI's operational model, many of the activities awarded under UCBI III established initial or short-term partnerships with Ukrainian civil society and government entities that, once established, required continued investment. Through coordination with other USAID offices and other donors active in Ukraine, OTI successfully initiated the handover of activities focused on mental health, communication, and documentation of atrocities to longer term programs, contributing to the overall sustainability of the international community's support to Ukraine.

One example we reviewed in depth was related to OTI's transition away from mental health and psychosocial support to Ukrainians under UCBI III, after identifying its need for longer-term support. As such, OTI coordinated closely with USAID/Ukraine's Office of Health to ensure continued support to Common Elements Treatment Approach (CETA) Global as a subgrantee under the new Ukraine Public Health Systems Recovery and Resilience project, exemplifying how close coordination between USAID/Ukraine mission programs can ensure long-term critical services to war-affected communities.

As UCBI III prepared to close operations, OTI worked with USAID/Ukraine's Transformation Communications Activity (TCA) on continuity planning. TCA was to issue a subcontract for support for the initiative through December 2023, including continued public relations, communications strategies support, product development, and a morning show program.

Audit Objective 3: OTI Effectively Monitored Implementers in Most Instances

Sub-Objective 3.1: OTI Monitored Implementer and Sub-implementer Performance in Accordance with OTI's Procedures

All activities managed by OTI are exempt from the standard Agency monitoring and evaluation requirements as specified directly in the text of ADS 201.[3] Instead, OTI relies on internally designed monitoring and evaluation processes and practices designed to accomplish similar intents. OTI acknowledges that it has situational challenges that contribute to how it approaches monitoring and evaluation, including time pressures, subjectivity of concepts, evolving context, numerous local partners with varied experience and resources and a diverse portfolio of programming. OTI combats these challenges through prioritizing strong qualitative data over quantitative data and utilizing shorter, more frequent feedback loops. As part of this, OTI identified that one of the ways it monitors is verifying outputs from assistance as well as data collection, but specifically by prioritizing qualitative data.

On the activity level, UCBI focuses on measuring the outputs and immediate outcomes or direct impact of activities through regular monitoring, analysis, and verification efforts. The program's field and MEL teams are responsible for capturing the relevant information, which is then documented and reviewed for validity and reliability. Many UCBI field team members and grantees work in challenging and nonpermissive operating environments. Thus, UCBI utilizes multiple mixed methods to verify and monitor the activities, both in-person and remotely, involving the field team and the program's grantees.

Per the UCBI III task order, the implementing partner is required to document the outputs, outcomes, and effects of individual activities in final evaluation reports in the WBDB (separate from the grantee report). The use, adaptation, and maintenance of the WBDB is the backbone of the program.

The MEL system serves five primary functions to: (1) know what is being implemented; (2) measure the results of the program's interventions; (3) test the theories of change and assumptions underpinning the approach; (4) apply findings and lessons to future programming; and (5) allow OTI and Chemonics to report what the program is achieving.

To test the outputs recorded in the WBDB for our 15 sampled subawards, we received reported records directly from the WBDB and compared them to source documentation that the implementing partner used to input the data into the system. As part of our review of the source data, and as confirmed by OTI, three of the 15 samples had inaccurate outputs in the WBDB. For one of these, OTI stated that they identified the discrepancy during the final evaluation process but had not gone back into WBDB to correct it. For the other two, OTI was not aware of the error until it was preparing the source documents for the audit. We determined that while OTI performed regular evaluations of the project and the implementing partner performed monitoring of the sub-implementers, there was a gap in the procedures for identifying and addressing inaccurate quantitative data.

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[3] Exemptions within the ADS 201 include Sections ADS 201.3.5.1, 201.3.6.1, 201.3.7.1, as described further on page 2 in the Background section.

See additional details on this exception noted and our recommendations for OTI in [Appendix 4.](#)

CONCLUSION

Based on the results of our audit procedures, we determined that the resources managed by OTI in response to Russia's war against Ukraine engaged local partners in Ukraine. Additionally, considering the allowable exemptions for transition assistance activities, the activities overall were monitored in accordance with USAID criteria and allowed for an understanding of programmatic impacts.

However, we determined that improvements are needed to ensure the accuracy of quantitative data obtained and reported on from sub-implementers. We proposed three recommendations to address the deficiencies identified. These recommendations aim to develop controls surrounding the accuracy of indicator data reported. See additional details in [Appendix 4.](#)

APPENDIX 1: OBJECTIVES, SCOPE, AND METHODOLOGY

The audit examined OTI's engagement of local partners in Ukraine to contribute to developmental goals and the extent to which OTI's monitoring and evaluation efforts allow for an understanding of programmatic impacts. The specific objectives of the audit were to (1) determine the extent to which USAID has developed objectives and metrics for the program under review, (2) determine the progress toward achieving those objectives, and (3) determine how, and to what extent, USAID is monitoring implementer performance in accordance with Agency criteria.

The scope of our audit was activities implemented by OTI, funded by USAID, in response to the Russia's war against Ukraine for the period of performance of February 24, 2022, through December 31, 2023.

To accomplish the objectives of the audit, Williams Adley identified the applicable criteria against which to assess OTI's engagement of local partners. We reviewed applicable laws and regulations as well as USAID policies and procedures pertaining to the program, including ADS Chapters 200, 201, 302, and 350 and supplemental OTI guidance. We performed walkthroughs with OTI, including the OTI Washington team and the OTI Field team in Ukraine and Poland directly supporting the UCBI task orders to obtain an understanding of their processes and specifics surrounding the UCBI III and 4 Task Orders.

The audit relied on the following sources of evidence: the UCBI task orders, interviews with OTI, the implementing partner, sub-implementers including the GOU, and various sub-implementer award documentation and monitoring documentation.

Per the activity listing provided to us by OTI, there were no ongoing activities for the period of performance under this audit located outside of Ukraine. Due to security concerns within Ukraine, we conducted all testing and interviews virtually.

We conducted interviews with OTI, the implementer, the host government and select subawardees to determine the impact of the OTI programming on USAID's civilian assistance in response to Russia's war against Ukraine. The purposes of these interviews were to confirm and update our understanding of the environment and the objectives relevant to the engagement including OTI's oversight. See list of parties interviewed in Appendix 3.

In addition to the interviews conducted above, Williams Adley reviewed supporting documentation for the UCBI III and 4 task orders, and 15 subawards granted under UCBI III or 4. These subawards were judgmentally selected from the population of 308 subawards issued under the UCBI III and 4 task orders between February 24, 2022, and December 31, 2023. The samples were selected based on the proportion of subawards under UCBI III compared to UCBI 4. Our sampling methodology included analyzing the population and selecting a variety of agreement types and sub-implementer types. We also took into consideration the primary place of performance, the country where the activity was managed, and the obligation amount and amount disbursed when identifying samples that may be of higher risk. See selection of 15 subawards in Appendix 2. This documentation included items such as the MEL plans, workplans, and the contracts/subgrants/cooperative agreements (and Ukraine-related modifications and amendments, if applicable). We also

reviewed monitoring documentation and progress reports including an export of performance indicator data from OTI's WBDB, source data to support those output numbers reported (grantee final reports, other deliverable/progress reports), and evidence of monitoring site visits performed by the implementing partnership and/or OTI, as applicable.

We assessed the reliability of the data provided by (1) performing testing of data elements, (2) reviewing existing information about the data, and (3) interviewing Agency and implementer officials knowledgeable about the data. In addition, we traced a sample of data to source documents. We determined the data was sufficiently reliable for the purposes of this report, except for indicator data output records.

We assessed the significance of internal controls by (1) reviewing USAID's standard operating procedures; and (2) performing walkthroughs with OTI personnel to get an understanding of controls over the process.

We conducted our work between January 2024 and June 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX 2: SUMMARY TESTING TABLES

Table 1. OTI Subawards Selected and Amounts Obligated

Primary Place of Performance	Sub Award Title	Sub Implementer Type	Obligated Amount
Ukraine	Strategic Communication Support Team For The MFA - Stage 2	Host Gov. Entity	$87,578
Ukraine, Poland	Strategic Planning Session for the MFA and Other Partners	Host Gov. Entity	$40,125
Ukraine	Cities4Cities: Support for Cross Municipal Partnerships	Local NGO	$91,094
Ukraine, Poland, Germany	Community Recovery Partnerships	Local NGO	$200,353
Ukraine	Kharkiv Cultural Showcases	Local NGO	$85,505
Ukraine, Warsaw	Denys Kazansky - Information Defense	Local NGO	$737,932
Poland	International Center for Ukrainian Victory	International NGO	$701,209
Ukraine	Essential Emergency Services Support to Frontline and Newly Liberated Areas	Local NGO	$ 326,908
Ukraine	Comparative state analysis and policy recommendations with PILPG	International NGO	$182,507
Berlin, Barcelona, Marseille, Warsaw, Lisbon	Ukrainian Signal cinema club	Private Entity	$49,232
Ukraine	Boosting the communication capacity of the MFA	Host Gov. Entity	$472,206
Ukraine, Warsaw, Berlin, London, Paris	Reload & Tysk.Experience	Local NGO	$176,326
Ukraine	Enabling Witnesses	International NGO	$899,945
Ukraine	Mental Health / Psychosocial Support to Ukrainians	International NGO	$728,963
Ukraine, Nigeria, Ghana, Kenya, Ethiopia	CSO Delegations to the Global South	Private Entity	$240,835

Source: Auditor generated list. Obligated funding totals are based on population of activities as provided by OTI.

As a note, the primary places of performance outside of Ukraine were for various events aimed at strengthening partnerships between communities in Ukraine and other targeted countries for their support. Some examples of these events included partnership forums, cinema screening events, and sending Ukrainian delegates to political briefings and think tank round tables.

APPENDIX 3: STAKEHOLDER INTERVIEWS

As described in the Introduction section, we conducted various virtual interviews with OTI personnel, project implementers and sub-implementers, and the host government as a sub-implementer. These interviews are listed below.

Table 2. List of Interviews Conducted

Primary Place of Performance	Organization(s) Interviewed	Agreement Type/Mechanism
Ukraine	Ministry of Foreign Affairs of Ukraine	Subgrant, Subcontract
Ukraine, Warsaw, Berlin, London, Paris	NGO "Some People"	Subgrant
Ukraine	Institute for War and Peace Reporting	Subcontract
Ukraine	CETA Global	Subgrant
Ukraine, Nigeria, Ghana, Kenya, Ethiopia	Zinc Network Limited	Subgrant

Source: Auditor generated based on interviews performed.

APPENDIX 4: AUDIT FINDING

Finding 1. Erroneous Indicator Data Records

Condition

Indicator Data recorded in the OTI Web-Based Database (WBDB) were erroneous for 3 of 15 samples tested.

As part of reviewing the output and outcome results of the Ukraine funded activities managed by OTI, Williams Adley reviewed the indicator data of 15 subawards under the UCBI III and UCBI 4 task orders. Each sample had a certain number and type of indicators that they agreed to report on during the award phase. For each sampled subaward, we looked at all indicators applicable to that subaward.

The indicator data results are maintained in the WBDB, which is the primary program management and monitoring tool for the program. OTI developed the database as a means of supporting activity development, documentation, reporting, financial tracking, and real-time monitoring and evaluation to inform ongoing programmatic decisions and program management. The implementing partner of the UCBI task orders receives the data from the individual sub-implementers through various deliverable reports and/or other monitoring functions. The implementing partner then records that data in WBDB. Although the implementing partner retrieves and records the data, the accuracy of the information in the WBDB is the responsibility of OTI.

When comparing the indicator data results in the WBDB report to the source documents that were used by the implementing partner to input the information, 3 of the 15 sampled subawards had erroneous total beneficiaries reported and/or indicator data output records in WBDB. In two of the three samples, the accurate beneficiary/indicator actuals were less than the amounts reported by OTI. In the third sample, the accurate beneficiary actuals were greater than the amount reported by OTI. See the table below for details of the type of indicators that were inaccurate and magnitude of error.

Table 3. List of Exceptions Noted

Sample No.	Type of Error	Indicator Data Recorded in WBDB	Accurate Indicator Data[4]	% Variance[5]
6	Higher # of actual beneficiaries reported in WBDB	32 actual beneficiaries	22	45%
7	Higher # of actual beneficiaries reported in WBDB	17 persons employed	14	21%

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[4] Accuracy determined by the source data of subawardee prepared milestone reports, final evaluation reports and additional explanation and context provided by OTI.

[5] Calculated by subtracting the actual value from the reported value, divided by the actual value multiplied by 100. Figures rounded to the nearest whole percentage. Negative percentages represent instances where the OTI reported numbers less than what the actual accurate number was.

Sample No.	Type of Error	Indicator Data Recorded in WBDB	Accurate Indicator Data[4]	% Variance[5]
7	Higher # of indicator reported in WBDB	17 persons employed	15	13%
7	Higher # of indicator reported in WBDB	335 media activities	27	1141%
7	Higher # of indicator reported in WBDB	15 training courses/workshops/seminars/roundtables/conferences conducted	12	25%
7	Lower # of indicator reported in WBDB	4 citizens/activists who engage in government decision making processes	5	-20%
7	Higher # of indicator reported in WBDB	2 new groups or initiatives created through USG funding dedicated to resolving the conflict	1	100%
7	Higher # of indicator reported in WBDB	2,877 media mentions	2,566	12%
10	Lower # of actual beneficiaries reported in WBDB	2,831 actual beneficiaries	2,834	-0.1%

Source: Auditor generated based on testing performed.

For sample 6, the actual beneficiary data and six additional indicators were reported. Only the actual beneficiary data was erroneous.

For sample 7, seven of 11 data indicators reported were erroneous.

For sample 10, the actual beneficiary data and three additional indicators were reported. Only the actual beneficiary data was erroneous.

Of the 15 sampled subawards, there were 15 actual beneficiaries evaluated and 91 data indicator lines.

Cause

According to OTI, for seven of the nine errors identified, the errors were due to the sub-implementers and implementing partner not having an accurate understanding of the indicator definitions they reported on. Additionally, some sub-implementers thought they were supposed to report the planned output figures rather than the actual outputs. Based on the follow-up responses that OTI provided, OTI acknowledged gaps in training measures to ensure the implementing partner and sub-implementers were fully versed on indicator definitions and the reporting process. Finally, two of the nine instances were attributed to entry errors from the implementing partner in transcribing the results.

While this caused the initial input errors, the errors were either not identified by OTI, or when identified during the final evaluation report process, were not corrected in the WBDB. OTI personnel notes that it utilizes these indicators, not for determining

accountability to targets, but rather feeding the assessments of logic and implementation, and believes exact figures are not always critical. There was not an effective control process in place to identify and correct any indicator data errors.

Effect

In addition to other qualitative information gathered by the implementing partner, OTI uses the output figures resulting from UCBI III and UCBI 4 to support outcomes achieved and make programmatic decisions. Inaccurate data could negatively impact management's decisions.

If the indicators are inaccurate, those assessments of logic and further implementation that the indicators "feed" per OTI could be negatively impacted. Additionally, not being able to rely on the accuracy of these figures alters the level of accountability of those programmatic decisions.

Criteria

1. USAID Operational Policy (ADS) Chapter 201, Program Cycle Operational Policy, Section 201.3.5.1 "Applicability of Monitoring Guidance" provides exemption to activities managed by OTI for the monitoring and evaluation guidance described in the 201.3.5 section. However, per ADS 201.3.5.1, OTI should ensure that the activities adhere to the quality standards for monitoring as feasible, including the following sections:

2. 201.3.5.4(A) Performance Monitoring

3. 201.3.5.7. Ensuring the Quality of Performance Monitoring Data

4. 201.3.5.7(A) Data Quality Standards

5. USAID ADS Chapter 596 Management's Responsibility for Enterprise Risk Management and Internal Control, Section 596.3.3.

6. USAID Contract Task Order No. 7200AA22F00009 Swift 5-Programs USAID/OTI Ukraine Confidence Building Initiative (UCBI) III, Section F.9.3 Other Non-Key Personnel Functions requires that the contractor functions include: "Regular maintenance of the USAID/OTI WBDB content, including quality control to ensure data quality, accuracy, consistency and completeness and compliance with USAID/OTI's database standards."

7. The United States Government Accountability Office (GAO) Standards for Internal Controls in the Federal Government, Section 10.03 – Establishment and review of performance measures and indicators.

Recommendations

Williams Adley recommends that OTI:

1. Ensure all indicators are defined in subaward documentation.

2. Develop procedures to properly train all parties involved on the defined indicator data at the beginning of the award process.

3. Implement procedures to maintain accurate data records in WBDB, such as correction of errors when identified.

APPENDIX 5: MANAGEMENT RESPONSE

Please note that management response to the findings and recommendations as well as their corrective actions plans as included in Appendix 5 – Management Response, has not been verified by the Williams Adley audit team. Furthermore, attachments and corrective action supporting documents, referenced as "Tab" below, in management response, have not been included in this report due to their sensitive nature.

MEMORANDUM

TO: Khadija Walker, Assistant Inspector General for Audits, Inspections, & Evaluations

FROM: Randolph Flay, Acting Director, USAID/Bureau for Conflict Prevention and Stabilization/Office of Transition Initiatives /s/

DATE: November 15, 2024

SUBJECT: Management Comments to Respond to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled "Ukraine Response: Audit of USAID's Office of Transition Initiatives' Engagement of Local Partners in Ukraine (Task No. 881U0224)"

The U.S. Agency for International Development (USAID) would like to thank the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report. The Agency agrees with the recommendations, provides clarification on statements in the report, and herein provides information on the significant progress already made.

USAID/OTI concurs with the three recommendations in the audit report but seeks to clarify the following statement in the "Effects" section of Appendix 4, page 17: "OTI uses the output figures resulting from UCBI [Ukraine Confidence Building Initiative] III and UCBI 4 to support outcomes achieved and make programmatic decisions." As described in detail below, and as was shared with the audit team, OTI does not use output figures resulting from UCBI III and UCBI 4 to support outcomes achieved or make programmatic decisions. Because OTI does not

rely on this information to make programmatic decisions, the conclusion that "inaccurate data could negatively impact management decisions" is also not fully accurate. Central to OTI's model is the use of multiple sources of data to inform decision making and manage risk.

OTI has shared extensive background with the audit team on its mandate to be responsive and adaptive in complex environments, as well as the implications for how OTI accomplishes monitoring and evaluation, as reflected in the monitoring exemption in ADS Chapter 201.3.5.1. While OTI has broad objectives to guide its engagement in a country, unlike traditional development programs, OTI programs do not work towards pre-determined ends or results that would be reflected in fixed indicator data. OTI programs are expected to be responsive to the fluid context, foreign policy, and what they continuously learn through programming. OTI does not conduct baselines or set fixed output targets because these have little utility when the environment and OTI's program objectives shift over time; therefore, OTI programs rely on outcomes, sourced primarily from qualitative data sources throughout the course of a subaward, as opposed to outputs – beneficiary and indicator data captured at the closeout phase of a subaward.

Indicator and beneficiary data reported upon a subward's completion can help an OTI program understand the scale of what's been achieved, but OTI only minimally utilizes this type of data to support ongoing learning and adaptation while a subaward is underway. Output data also cannot easily capture OTI's intended outcomes, which are typically changes in relationships, processes, behavior, knowledge, or perceptions. Instead, throughout the subaward

performance management process, OTI gleans qualitative data from a variety of sources to assess outcomes and make decisions to scale up, descope, or change course. These data sources include ideation meetings, implementation meetings, site visit reports, activity notes, grantee reports, third-party reporting, and more. At the close of a subaward, OTI reviews a Final Evaluation Report (FER), a document prepared by OTI's implementing partner to describe evidence of outcomes, lessons learned, challenges, and opportunities for future engagement; output data is but a single facet of this overall assessment of a subaward's success and implications for future programming.

In addition to supporting extensive, ongoing and real-time programmatic decision-making at the subaward level, FERs and other qualitative data sources inform OTI's strategy development. Every 3 months, and every 6 months, OTI facilitates team-wide "pause and reflect" sessions such as "Rolling Assessments" and "Strategic Review Sessions" to enable a deep dive on context and learning from activities. To ensure the program remains relevant to the context and policy priorities, these continuous stock-taking exercises are an integral part of the OTI model and allow country programs to review where they are making progress, and where there are opportunities to update assumptions about the program or specific approaches. OTI takes an intentional approach to incorporating research, context analysis, and

qualitative data in these strategy discussions, but subaward beneficiary and indicator data are not used because they are not a meaningful tool for informing decision-making at this level.

The description of OTI's use of this data does not include the full breadth of OTI's data analysis and mischaracterizes important elements of OTI's model, mandate, and parameters for evaluating the success of its programming. The minor inaccuracies in the reported data for the sampled subawards did not affect analysis of outcomes nor programmatic decision-making.

OTI concurs with the recommendations in the audit report, and has already taken corrective action towards all three. As a result of ongoing refinements to the data verification process, indicator and beneficiary reporting was improved even prior to the start of the audit: the three flagged samples with erroneous indicator data were all subawards under the UCBI III award, and no samples from UCBI 4 were flagged by the audit team, because of data integrity improvements already made under the UCBI 4 award. Upon receiving the notice of findings from the audit team, OTI and Chemonics have taken further corrective actions in line with each recommendation, detailed below.

COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED, UKRAINE RESPONSE: AUDIT OF USAID'S OFFICE OF TRANSITION INITIATIVES' ENGAGEMENT OF LOCAL PARTNERS IN UKRAINE (TASK NO. 881U0224)

Please find below the Corrective Action Plan from the U.S. Agency for International Development (USAID) on the draft report produced by the Office of the USAID Inspector General (OIG), which contains three recommendations for USAID:

Recommendation 1: Ensure all indicators are defined in subaward documentation

- **Management Comments:** USAID/OTI agrees with this recommendation and has already taken corrective action. In June 2024, OTI's implementing partner Chemonics updated the UCBI template 'Final Evaluation Report' (the primary source of subaward documentation) to include new narrative sections to document how beneficiaries and indicators will be defined and to identify verification sources. Chemonics program staff discuss the indicators contained in the FER with subawardees in initial meetings before work on the subaward commences. This updated template is enabling program staff and subawardee personnel to clearly define targets, track and provide explanation of any discrepancies between planned and actual numbers, and reinforce the quality of data reported to OTI for verification. As evidence, please see Tab 2 for the revised Final Evaluation Report.

- **Target Completion Date:** Closure upon issuance of the Final Report.

Recommendation 2: Develop procedures to properly train all parties involved on the defined indicator data at the beginning of the award process.

- **Management Comments:** USAID/OTI agrees with this recommendation and has already taken corrective action. In June 2024, Chemonics coordinated with OTI to update the guidance for program staff on setting output targets, and tracking and reporting beneficiary and indicator data. The improved guidance includes a Monitoring Evaluation and Learning (MEL) Indicator and Beneficiary Guide, and UCBI Indicator Formula Guidance and Template, which provide standardized definitions of beneficiaries and and indicators, as well instructions for counting and verification of subaward sources; an updated MEL Plan template; and MEL Verification templates (employee list template, media mentions report, media publications report, participants tracker, calendar of events, etc) to support coordination with subawardees on data collection. As evidence, please see Tab 3 for documentation of the MEL Indicator and Beneficiary Guide and Template, Tab 4 for the UCBI Indicator Formula Guidance and Template, Tap 5 for the updated MEL Plan template, and Tab 6 for new MEL verification templates.

- **Target Completion Date:** Closure upon issuance of the Final Report.

Recommendation 3: Implement procedures to maintain accurate data records in its Web-Based Database system, such as correction of errors when identified.

- **Management Comments:** USAID/OTI agrees with this recommendation and has already taken corrective action. In June 2024, Chemonics submitted a revised UCBI 4 Local Guide for Entering Data Into the OTI Activity Database, Activity Cycle Flowchart, and Activity Manual Addendum to OTI's COR for approval. The revisions to the Local Guide for Entering Data provide further standardization of data and subawardee documentation entered into the database for OTI verification. The Activity Cycle Flowchart and Activity Manual Addendum provide additional clarity regarding procedures and roles and responsibilities for data entry and verification. With OTI's approval, Chemonics has also taken steps to institutionalize data verification procedures by amending its organizational chart – the expanded Monitoring, Evaluation, and Learning Team now includes a staff member who is responsible for data verification and correction of any errors identified in the WBDB. As evidence, see Tab 7 for the UCBI 4 Local Guide for Entering Data into the OTI Activity Database and Tab 8 for the approved Data Verification Program Assistant Scope of Work.

- **Target Completion Date:** Closure upon issuance of the Final Report.