



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

May 13, 2025

The Honorable Brian Schatz  
Ranking Member  
Subcommittee on the Department of State,  
Foreign Operations, and Related Programs  
Senate Committee on Appropriations

The Honorable Lois Frankel  
Ranking Member  
Subcommittee on National Security,  
Department of State, and Related Programs  
House Committee on Appropriations

Dear Ranking Member Schatz and Ranking Member Frankel:

Thank you for your April 10 letter requesting that the U.S. Agency for International Development (USAID) Office of Inspector General (OIG) identify key questions, policies, procedures, and statutes implicated by the March 28 congressional notification issued by the Department of State. This notification outlined the Department of State's intent to realign certain USAID functions internally by July 1, 2025, and discontinue the remaining USAID functions. The notification states that "In order to support this reorganization, the [State] Department intends to restructure certain Department bureaus and offices that would implement programs and functions realigned from USAID."

### **Independent Oversight Role of USAID OIG**

Congress created USAID OIG in 1980. Since then, we have provided comprehensive oversight of U.S.-funded foreign assistance. Our independent oversight is executed by criminal investigators and auditors posted in key overseas locations such as Ukraine, South Africa, and Israel as well as here in the United States. As the administration and Congress look to reform America's foreign assistance architecture, USAID OIG's statutorily mandated independent oversight of U.S. foreign assistance continues unabated. Our office does not set policy surrounding foreign assistance, but serves to inform those who do.

Currently, USAID OIG's dedicated personnel, working in the United States and overseas are:

- Investigating 210 ongoing criminal, civil, and administrative matters to combat misuse of U.S.-taxpayer dollars spent overseas through fraud, corruption, and diversion of aid to terrorist organizations.

- Engaging with the Department of Justice’s (DOJ) Joint Task Force October 7 (JTF 10-7), an initiative that will seek justice for the victims of the October 7, 2023, terrorist attack in Israel and address the ongoing threat posed by Hamas and its affiliates.
- Working on 42 ongoing audits, evaluations, and inspections examining USAID programs (including closeout procedures) and offering lessons, recommendations, and insights for the future administration of foreign assistance.
- Engaging with Congress and the U.S. Mission to the United Nations (UN) to bolster oversight and accountability of funding to international organizations, based on our years of leadership in foreign assistance investigations.
- Producing ongoing statutorily mandated reporting to Congress on U.S. overseas contingency operations (OCO) in Iraq, Syria, Afghanistan, and Ukraine, conducted in partnership with the offices of inspectors general (OIGs) at the Departments of Defense and State; and
- Executing 75 statutorily mandated investigations into whistleblower retaliation, including preliminary and formal investigations, most of which involve foreign nationals and nongovernmental organizations (NGOs) overseas.

In addition to this ongoing work, as the administration continues to merge USAID activities into the Department of State, we offer the following considerations related to the items outlined in your letter. Several of these issues will be independently assessed by our office, as we finalize an oversight plan for fiscal year (FY) 2026.

#### **A. Provisions of appropriations law and authorization statutes, including implementation of appropriated funds and other statutory requirements**

- 1. Legality and Applicability of Transfer of Appropriated Funds:** Policymakers should review the applicability of Sections 632(b) and 667 of the Foreign Assistance Act to the transfer of funds from USAID to the State Department, wherein the State Department seeks to perform specified functions on behalf of USAID as set forth in the accompanying Treasury Form 7600As and 7600Bs (see also 31 U.S.C. § 1301 (Purpose Statute) and 31 U.S.C. §§ 1341–1342, 1517 (Antideficiency Act)). Clarity should be obtained regarding the ongoing execution of the legal responsibilities of the positions required by statute for USAID, wherein the associated functions are realigned and/or discontinued.
- 2. Future Structure of Independent Oversight of Foreign Assistance:** In 1980, Congress established USAID OIG through Public Law 96-533, an amendment to the Foreign Assistance Act of 1961, and gave USAID OIG the legal responsibility of overseeing USAID and “any successor agency primarily responsible for administering part I of the Foreign Assistance Act of 1961.” There exists a vast portfolio of residual USAID activities; and contracts/grants signed under USAID-specific award provisions, all

of which are subject to fraud, corruption, waste, and abuse. This includes potential theft of equipment in the field by terrorist organizations, submission of false or inflated invoices for payment, and other exposure to the national security, fiscal, and reputational interests of the United States.

**In pursuing this continued oversight, USAID OIG professionals — including law enforcement officers — must be granted access to records, information and personnel at the Department of State to further ongoing and prospective investigations pertaining to current, residual, or legacy programming existing via USAID award agreements.**

As noted above, we currently have 210 active and ongoing investigations many of which are in partnership with the Department of Justice and U.S. Attorneys' Offices across the country as well as examinations of USAID's currently administered awards, closeout process, disposition of assets in the field, and other ongoing and legacy activities. Coupled with the recent reductions and movements in USAID personnel responsible for agency programmatic oversight, USAID OIG's independent oversight role is vital in the near-term for reducing fraud, corruption, waste, and abuse. The organization should be funded adequately to take on this ongoing mission. In the long-term, Congress can ensure that any proposed merger of USAID OIG's functions and authorities into Department of State OIG (which would require legislation<sup>1</sup>) maintain the focus and expertise of USAID OIG in providing targeted oversight and investigations, specifically of foreign assistance dollars spent overseas.

## **B. State Department and USAID personnel management systems, financial management systems, procurement procedures, and related regulations**

- I. Ability to manage billions of dollars in foreign assistance programs previously run by USAID:** The billions of dollars USAID invested in humanitarian and development assistance required specific training and certification for officials to hold the necessary warrant levels. Niche grant and contracting expertise was essential to administer these complex awards; including to international organizations, foreign recipients, and small, local implementers unfamiliar with U.S. regulations and agency-specific award provisions. Ensuring that the Department of State has sufficient resources and skill sets necessary to conduct proper award management is vital to identifying non-compliance, poor performance, financial irregularities, and criminal activity involving taxpayer funds. This includes identification of pre-award risks during the application/proposal stage, tracking post-award implementation of obligated funds,

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<sup>1</sup> For example, the Omnibus Appropriation Act of 1996, (Pub. L. No. 104-208) merged the OIG of the United States Information Agency with the OIG of the Department of State in 1996.

monitoring, evaluating, and responding to allegations of potential noncompliance or criminal activity, and making rapid modifications as needed.

2. **Risk of untimely or nonpayment to Suppliers:** The Department of State may be exposed to significant potential liabilities if payments for USAID-funded awards are delayed. Untimely payment per contract terms may result in Prompt Payment Act violations and the accrual of interest, putting agency funds at risk. Additionally, nonpayment to suppliers could result in litigation against the Federal government, adding further costs to the U.S. government. In FY 2024, USAID globally incurred less than \$56,000 in Prompt Payment Act-related interest, compared to over \$1 million in estimated interest incurred between January and April 2025. It will be essential for USAID and State officials to ensure payment for services incurred, which includes having means to verify the accuracy of invoices and stated work performed.
3. **Loss or corruption of data:** USAID uses systems such as the Global Acquisition and Assistance System and Agency Secure Image and Storage Tracking System for contract management and payment. The transfer of these, as well as personnel and financial systems to the Department of State must account for data migration risks such as loss or corruption of data. Compromised data risks duplicative, erroneous, or missed payments to awardees.

### **C. Information technology and cybersecurity systems**

1. **Compromise of critical system data:** During any migration and integration process, sensitive data related to the administration of U.S. foreign assistance programs containing classified information or PII is vulnerable to unauthorized access, leaks, or breaches undermining system confidentiality and integrity. Data breaches may also result in violations of privacy laws. Just this month, we [alerted](#) USAID to concerns regarding access to restricted information technology areas at two missions amid the winding down of USAID operations.
2. **System integrity and continuity of operations:** USAID datacenter facilities, network communications, corporate applications, and use of the [usaid.gov](#) domain are essential to securely accessing USAID IT resources key to fulfill ongoing responsibilities. Disruptions or failures during system migration or integration processes will materially impair ongoing operations of systems and services threatening programming that is transferred to State. Further, interruptions to USAID applications and data would also negatively impact USAID OIG's active and prospective criminal investigations and ability to advance high-profile ongoing cases.
3. **Legal and regulatory compliance:** Migration of USAID systems into the Department of State presents unique compliance requirements, system integration challenges, and the potential exposure of sensitive data. Processes should also ensure that data sharing, system access, security controls, and data retention activities comply with Federal law

and guidance including the Federal Information Security Management Act of 2002 (FISMA), Privacy Act, Federal Records Act, NARA regulations, E-Government Act, Freedom of Information Act, and the Inspector General Act. Noncompliance can result in legal liabilities, sanctions, and audits and can undermine public trust and accountability. USAID OIG audit and investigative data (including evidence) is subject to longer retention periods; therefore the availability of and controlled access to OIG data must also be properly maintained.

#### **D. Management of contracts, grants, and cooperative agreements**

- 1. Loss of institutional expertise:** USAID personnel had considerable expertise in monitoring and administering humanitarian and development programs. By one estimate, some 70% of USAID staff are highly specialized, including medical doctors, water and sanitation specialists, and engineers, to name just a few areas. State hiring actions to ensure that this expertise is in place for administering complex foreign assistance programs will take time and resources, particularly as the Department of State is undergoing its own internal restructuring.
- 2. Need for comprehensive risk-mitigation measures and program Oversight:** We have previously reported challenges with USAID's approach in areas such as the limited scope of vetting of awardees for terrorist ties, failure to assess data provided by third-party monitors, and delays in post-award vetting in emergency circumstances. USAID bureaus, particularly its Bureau for Humanitarian Assistance, made progress in these areas, which supported enhanced risk mitigation and program oversight efforts. The transferring of programming to State should be accompanied by policies that establish rigorous vetting of award applicants, increased scrutiny of direct and indirect costs, strong internal oversight, and monitoring directly by State officials or by third-party monitors in nonpermissive areas too dangerous for U.S. personnel. A further underlying consideration is the fact that the subsummation of USAID and its billions of dollars in ongoing activities is being conducted at the same time as—but separate from—the State Department's own internal reorganization and downsizing.
- 3. Reporting of fraud, waste, and abuse:** Fraud hotlines are confidential reporting channels within the U.S. government, managed by OIGs, that allow individuals to report suspected fraud, waste, abuse, or mismanagement within a specific agency's programs and operations. During a transfer of USAID administered programs to State, awardees may not have the information they need to report suspected fraud if hotline guidance, award terms, or whistleblower protections are not immediately updated and disseminated across all active awards administered by State. Similarly, awardees whose contracts or grants were predicated on USAID-funded awards may experience confusion as to which Hotline or complaint mechanism allegations of fraud and misconduct should be reported. USAID OIG's Hotline, per statute, will remain

operational - and its experienced law enforcement personnel will actively respond to allegations of fraud, corruption, and sexual exploitation and abuse involving U.S. government funds.

**4. Oversight of U.S. awards to UN and other international organizations (IOs):**

Any funding channeled through IOs, including UN agencies, requires specific and nuanced oversight. For over a decade, USAID OIG has been the primary entity conducting oversight over U.S.-funded foreign assistance implemented by UN agencies, and we have repeatedly worked to [publicly identify](#) the challenges to transparency and accountability in the UN system. Our forward-leaning approach has led to various memoranda of understanding with multilateral and bilateral oversight entities aimed at, among other things, ensuring that U.S. investigators can obtain the information they need from UN agencies to assess allegations of misconduct involving U.S.-funds. Such creative solutions to the unique oversight challenges presented by cross-border investigations involving UN agencies are the result of our deep expertise and established relationships with international partners. Retaining such access and cooperation is vital to replicating any of USAID OIG's cross-border investigative successes over the years.

**5. Lack of third-party monitoring:** USAID has long employed third-party monitoring as one of the mechanisms to supplement the Agency's efforts to ensure that projects and activities meet their objective. Third-party monitors are frequently used in overseas regions where U.S. officials are unable to safely travel to conduct site visits, such as eastern Ukraine and Gaza. They are also utilized to ensure that implementers meet applicable award requirements; have effective internal controls in place; and are not compromised by fraud, waste, and abuse. Policymakers should ensure that State has established third-party monitoring mechanisms ahead of the transfer of awards, to prevent gaps in vital oversight of programs executed in nonpermissive environments.

**6. Accountability of U.S. property for expedited award closeouts:** Unanticipated termination notices and delayed payments presented significant operational constraints for many USAID implementers, with some organizations effectively shuttering and abandoning USAID-funded assets without accountability. On March 13, USAID directed contract and agreement officers to instruct implementers to prepare expedited inventory lists and disposition plans for assets in four priority categories: critical security risk, high-value assets, reputational risk, and commodities. Our ongoing audits of asset disposition around the world have flagged concerns about USAID's ability to close out these awards and appropriately account for assets by July 1. For example, as of May 1, USAID/Southern Africa had not approved asset disposition plans for almost half of the awards it manages with high-value property, such as mobile health clinics, valued at \$10 million. Further, our ability to conduct asset disposition work on humanitarian assistance awards has been impacted by changes to USAID's review and clearance process for sharing information with us. Delays in contract and grant closeouts may

result in lapses in deobligation, unresolved questioned costs, and contractor claims for which no responsible authority is clearly defined, exposing the U.S. government to protracted legal and financial risks.

## **E. Overseas housing, vehicles, and other relevant facilities and property**

- I. Concerns associated with the expedited drawdown of USAID:** The expedited drawdown of USAID's overseas presence means that leases for work and living space for Foreign Services Officers will need to be terminated early, potentially at penalty. Additionally, if vehicles and other U.S. government property overseas and domestically—e.g., furniture, computers, etc.—are not transferred, they will need to be sold at auction, which will cost money and return only cents on the dollar. For example, in April, USAID announced that RIFed staff (nearly 4,000 U.S. direct hires) should keep all electronic devices currently in their possession “for convenience.” Measures should be in place to ensure that this government-funded equipment is not lost or compromised by malign parties.

## **F. Any other matters that are necessary to be addressed to effectively and efficiently implement such a reorganization in a manner consistent with the law and best use of U.S. taxpayer dollars**

- I. Need for new and comprehensive standard award provisions:** USAID established an extensive set of operational policy and standard award provisions, known as the Automated Directives System (ADS), which governed all aspects of pre-award, post-award, and audit requirements for foreign assistance funding. It has 600 chapters dedicated to foreign assistance operations and program management, compared to State's much leaner provisions governing foreign assistance awards. The ADS was critical for addressing unique considerations and complications posed by different categories of recipients (NGOs, contractors, international organizations) and also contained useful pre-award certifications designed to identify material risks posed by prospective awardees. These included required certifications concerning whether an NGO seeking U.S. funds had engaged with designated terrorist organizations, reporting of counter-fraud and compliance measures, and vetting of staff for participation in terrorist activity in regions such as Gaza, Lebanon, and Yemen. The ADS clauses, which in many cases were prompted by USAID OIG recommendations, also leaned into mandatory disclosure obligations, including direct reporting of fraud allegations by subawardees to OIG. As the Department of State takes over management of these awards, it will be essential to rapidly establish robust standard award provisions, particularly focused on oversight and accountability. Further USAID OIG suggestions on these clauses and other efforts to expand accountability in foreign assistance, are addressed in the addendum.

2. **Suspension, debarment, and audit recommendation follow-up:** As of May 2025, USAID OIG had tracked 320 open recommendations from audits, inspections, and evaluations of USAID programs and operations. This includes over \$54 million in questioned costs that are pending final evaluation from a USAID contracting or agreement officer for recovery back to the U.S. government. Relatedly, the operational dissolution of USAID has included the removal of its Suspension and Debarment Office, leading to an inability for OIG investigators to refer individuals and entities that engaged in fraud, corruption, or diversion to terrorist organizations, for suspension and debarment. Operationally, USAID OIG had to refer its UNRWA-related investigation, referring numerous individuals associated with Hamas and the October 7 terrorist attacks in Israel, to the Department of State IG for suspension and debarment consideration in order to prevent their recirculation through the aid sector. No action has been taken to date by State.

## **G. Key Questions**

Finally, we offer the following questions for Congress' consideration as it examines its response to the administration's restructuring and realignment of the U.S. foreign assistance architecture.

1. How will decision-makers ensure that there is sufficient expertise to design, implement, and monitor, and oversee current and future foreign assistance programming? Further, it is not yet clear whether State intends to integrate supervision of foreign assistance programs under existing categories of Foreign Service Generalists or to establish a new category, or "cone," to specialize in this area (as it did with Public Diplomacy).
2. What is the plan for maintaining and using program data from USAID's systems?
3. What regulations will govern ongoing and/or new foreign assistance awards (e.g., Federal Acquisition Regulation, U.S. Agency for International Development Acquisition Regulations...), considering that ADS is no longer publicly available?
4. What steps have been taken to ensure there is capacity to manage USAID's ongoing contracts, grants, and cooperative agreements in accordance with applicable laws, regulations, and policy by July 1? How will continuity with contract and grant implementation and management be achieved, particularly considering that many State contracting officers serve 2-year tours?
5. How are USAID's assets accounted for when the Agency's awards are terminated? How many of US-funded assets will be effectively wasted with the termination of aid programs?
6. What cost analysis was performed to justify the significant reduction and transfer of USAID's programs to State and how was the timeline for doing so determined? How will human, economic, operational, security, and reputational risks resulting from the



plans to terminate USAID and other foreign assistance programming globally be mitigated?

7. How much will it cost to decommission housing, office, and warehouse space or to auction excess furniture, equipment, and other assets due to the rapid drawdown of USAID's overseas presence? Further, what will the severance and compensation cost be for the Foreign Service Nationals whose positions were terminated?
8. What steps have been taken to reinstate third-party monitoring contracts to supplement oversight efforts? How will program monitoring in nonpermissive environments be achieved?
9. How will USAID OIG recommendations for USAID programs that carry forward be implemented? Will State inherit open audit recommendations from USAID OIG, the Government Accountability Office, and other oversight entities, including recommendations involving questioned costs that require contracting or agreement officer determination?
10. How will the expertise, institutional knowledge, relationships, and investigative activities by USAID OIG be utilized in the short, medium, and long-term by the Department of State? And what is the Department's plan to ensure USAID OIG has continued access to personnel and systems (including USAID legacy systems) so we can pursue our active and ongoing investigations into fraud and corruption of foreign assistance as well as additional oversight work?

## Conclusion

USAID OIG's dedicated workforce is devoted to ensuring oversight and accountability over U.S.-funded assistance spent and administered abroad. In maintaining our ongoing independent oversight operations—including investigations—we remain committed to working with Congress to ensure that risks, challenges, and vulnerabilities are brought to the forefront to preserve the integrity of hard-earned American taxpayer dollars.

The attached memorandum offers additional observations specifically targeted to bolster accountability within foreign-assistance programs, along with solutions to address loopholes, ensure the timely and transparent receipt of adverse information from aid organizations, and resolve continued challenges in obtaining investigative information from the United Nations. If you would like additional information on the materials referenced in this response or USAID OIG's ongoing activities, please contact Kaylan Swartz, Director of Legislative and Public Affairs, at (202) 344-5812 or [kaswartz@oig.usaid.gov](mailto:kaswartz@oig.usaid.gov).

Sincerely,



Toayoa Aldridge  
Acting Deputy Inspector General,  
Performing the duties of the Inspector General

**Attachment**

Additional Observations on Challenges to Oversight and Accountability Over Foreign Assistance as a Whole

cc: The Honorable Lindsay Graham, Chair  
Subcommittee on the Department of State, Foreign Operations, and Related Programs  
Senate Committee on Appropriations

The Honorable Mario Díaz-Balart, Chair  
Subcommittee on National Security, Department of State, and Related Programs  
House Committee on Appropriations



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**Date:** May 13, 2025

**Subject:** USAID OIG's Additional Observations on Challenges to Oversight and Accountability Over Foreign Assistance as a Whole

### Summary

For over 4 decades, the USAID Office of Inspector General (OIG) has provided independent oversight of USAID's personnel, programs, and activities. This memorandum identifies several key issues and provides potential solutions for improving accountability over U.S. foreign assistance. Our goal is to ensure that the same vulnerabilities that have led to fraud, corruption, and diversion in the past are not repeated.

The issues featured in this memorandum include:

1. Resistance from UN agencies and foreign-based NGOs to sharing information about potential misconduct with OIG;
2. Challenges with monitoring aid in nonpermissive environments;
3. Limitations in vetting of aid organizations for ties to designated terrorist organizations and known corrupt actors; and
4. Improving transparency in funding to subrecipients.

We discuss each issue in turn.

## **I. Resistance from UN agencies and foreign-based NGOs to sharing information about potential misconduct with OIG**

### **A. Lack of Self-Reporting by USAID-funded UN agencies**

The U.S. government funds billions of dollars in humanitarian assistance and development programming through UN agencies across the globe, often in nonpermissive environments such as Gaza, Ukraine, Sudan, Syria, and Haiti. In fiscal year 2024, approximately 25 percent (\$8 billion) of USAID's programming was funded through public international organizations (PIOs), which primarily consist of UN agencies and multilateral development banks. Given the complex emergency environments in which this aid is provided, USAID relies on timely self-reporting by award recipients of *potential* misconduct affecting programming, a requirement that does not currently exist for Department of State-funded UN awards. USAID's contractually required self-reporting, also known as "mandatory disclosures," is intended to allow OIG to promptly use its investigative resources and expertise to address allegations of fraud, sexual exploitation and abuse, corruption, diversion, and other malfeasance.

USAID's standard provisions for cost-type agreements<sup>1</sup> with UN agencies require award recipients to notify OIG about credible allegations of prohibited conduct,<sup>2</sup> including sexual exploitation and abuse (SEA).<sup>3</sup> Despite these obligations, direct reporting to OIG from UN agencies is sparse and at times significantly delayed, if not altogether absent. In September 2024, we issued an [alert](#) documenting the number of disclosures of potential misconduct transmitted by USAID-funded UN agencies to OIG; such disclosures are required in the agencies' award agreements. For example, between October 2019 and June 2024, the World Food Programme (WFP), a USAID-funded UN agency, disclosed 29 instances of potential misconduct directly to OIG. In contrast, WFP disclosed 519 instances of potential misconduct to USAID during the same period. These discrepancies (or, even more problematic, a lack of reporting altogether) reflect noncompliance with USAID's standard award provisions. As a result, OIG often has to wait for USAID to transmit the allegations to us, delaying our ability to initiate critical initial investigative steps such as preserving evidence and obtaining witness testimony.<sup>4</sup> Still, these requirements for UN reporting of misconduct allegations are stronger than those existing at agencies such as the Department of State, which also uses the UN to implement certain foreign assistance programs.

***Potential Solution: To enhance the United States' capacity to respond quickly to allegations of misconduct, funding agencies should ensure there is no discrepancy or ambiguity in the requirement that UN agencies promptly report allegations of fraud or sexual exploitation and abuse directly to U.S. oversight agencies.***

## **B. Failure of UN Agencies to Share Investigative Information With OIG Investigators and § 7048(h) in the 2024 Consolidated Appropriations Act**

We have long encountered significant delays or outright refusal by UN agencies to provide requested investigative information to OIG's special agents. OIG has clear legal and contractual authority to compel information from a USAID-funded NGO or contractor. However, such authority is much more limited with respect to the UN. The primary rationale offered by the

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<sup>1</sup> [Most](#) agreements with PIOs are made through cost-type awards.

<sup>2</sup> "When the [award] recipient becomes aware of credible allegations of prohibited conduct, the recipient will promptly inform the USAID Office of the Inspector General...upon reasonable request, the recipient agrees to provide further available relevant information, unless disclosure of such information would be inconsistent with the recipient's rules and procedures concerning disclosure of information." USAID, *Automated Directives System (ADS)*, 308mab M.17(b); ADS 308mab M.17(e).

<sup>3</sup> "The [award] recipient will promptly inform USAID's Office of Inspector General (OIG) of allegations of SEA credible enough to warrant an investigation, in cases that: (i) are directly related to the activities funded by [the] agreement; or (ii) in the recipient's view, would have a significant impact on the partnership between the recipient and USAID or the U.S. Government...Upon request from USAID or USAID's OIG, the recipient agrees to provide further available, relevant information for allegations...unless disclosure of such information would be inconsistent with the recipient's rules and procedures concerning disclosure of information. ADS 308mab M.19(b). See also ADS 308mab M.19-Alt (b).

<sup>4</sup> OIG has identified other vulnerabilities in USAID's oversight of PIOs, including its [failure to employ established mechanisms](#) to ensure that a PIO is capable of safeguarding USAID funding.

UN for declining to cooperate with OIG's information requests is that doing so would affect the UN agency's "privileges and immunities."<sup>5</sup>

OIG disputes the assertion that the UN's "privileges and immunities" serves as a valid rationale for not sharing information about misuse or abuse of USAID-funding. We believe UN agencies invocation of "privileges and immunities" is premature in the factfinding investigative stage, as the information requested by OIG special agents is not connected to a current U.S.-based prosecution. Instead, we ask for information so we can determine if any enforcement action is necessary. To this end, we signed a formal agreement with one UN agency clarifying that sharing information with us will not waive the agency's subsequent ability to assert privileges and immunities to U.S. prosecutorial bodies such as the Department of Justice. Even with such an agreement, obtaining information from UN agencies remains a significantly protracted undertaking, delaying OIG's ability to investigate allegations of fraud, sexual abuse, and other matters such as:

1. Concerns that United Nations Relief and Works Agency (UNRWA) employees believed to be associated with Hamas and/or implicated in the October 7 terrorist attacks may recirculate to other U.S.-funded organizations;
2. Concerns that WFP staff may be involved in food diversion schemes in Ethiopia;
3. Allegations that the UN Office for the Coordination of Humanitarian Affairs employed a senior official accused of sexual assault to lead humanitarian efforts in Ukraine; and
4. Mismanagement within USAID-funded humanitarian assistance programming in Yemen.<sup>6</sup>

To help address this shortcoming, OIG stands ready to support timely implementation of § 7048(h) in the 2024 Consolidated Appropriations Act, which states that:

Not later than 30 days after the date of enactment of this Act, the Secretary of State, in coordination with the Administrator of the United States Agency for International Development, shall seek to enter into written agreements with each international organization that receives funding appropriated by this Act to provide timely access to the Inspectors General of the Department of State and the United States Agency for International Development and the Comptroller General of the United States to such organization's financial data and other

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<sup>5</sup> The UN Convention on Privileges and Immunities (frequently referred to as the General Convention) grants the UN and its employees "immunity from legal process; provides that its premises, property, and assets shall be immune from confiscation or any other form of interference; and permits the UN freely to hold, transfer, and convert its funds." Article II, § 4, of the General Convention provides that the "archives of the United Nations, and in general all documents belonging to it or held by it, shall be inviolable wherever located." This section specifically extends protection to files, documents, and papers, including electronic documents, held by the UN.

<sup>6</sup> The following are challenges we have faced involving seven different investigative matters where we sought specific information from four different UN agencies: The shortest amount of time it took any of those four UN agencies to provide information to OIG was 6 months, and OIG was first required to sign an memorandum of understanding and travel to Geneva before being allowed to read a copy of that UN agency's report. The longest amount of response time currently exceeds 2 years. In one case, the UN agency declined to cooperate altogether, citing that its internal processes preclude disclosure of information (that was pertinent to a USAID award). In another case, two UN organizations cannot agree which entity has authority to release the needed information. OIG engaged the U.S. Mission to the United Nations in an attempt to gain access to the information. In the other instances, the UN agencies took 12 and 18 months respectively to respond to OIG's requests.

information, including investigative records and reports of sexual misconduct, relevant to United States contributions to such organization, as determined by the Inspectors and Comptroller General.<sup>7</sup>

In 2024, USAID and the State Department initiated concerted efforts, in which OIG was involved, to implement these agreements with the UN. However, USAID and the State Department have not finalized their approach or entered into written agreements with UN and other international organizations.

The Inspectors General of USAID, State, and the Government Accountability Office proposed the following draft language for USAID-specific awards:

As a material provision of this award [or agreement], the USAID [or if State funded, Department of State] Office of Inspector General (USAID OIG) and the U.S. Government Accountability Office (GAO) are to be granted timely access to documents, data, systems, and personnel in the possession, custody, or control of [the PIO recipient], that are related to the receipt or administration of U.S. assistance under this award [or agreement]. This includes information related to allegations of misconduct involving U.S. assistance. The [PIO recipient] must also provide or facilitate access to documents, data, systems, and personnel for all sub-recipients, deemed necessary for review by the requesting oversight body.

This access is in furtherance of [OIG's] statutory mandate under United States law to provide independent oversight of USAID's programs, operations, and personnel and in furtherance of GAO's statutory mandate to oversee the use of United States public funds. Failure to provide USAID OIG or GAO with prompt access to records requested shall subject the recipient to enforcement remedies which include, but are not limited to, cancellation, rescission, or recovery of funds.

This language, if incorporated into the written agreements required by § 7048, will support U.S. oversight bodies' ability to obtain information they need from international organizations to further critical oversight over American taxpayer dollars.

**Potential Solution: Finalize and implement § 7048(h) language.**

### C. Recirculation of Problematic UN Staff Throughout the Aid Sector

OIG's need for expansive authority to investigate fraud and misconduct involving U.S.-funded UN programming is exacerbated by a lack of standard policies and systems to prevent employees terminated for misconduct from circulating to other UN agencies.<sup>8</sup> While the UN's

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<sup>7</sup> Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, tit. VII, § 7048(h), 138 Stat. 829 (March 23, 2024).

<sup>8</sup> This challenge is compounded because USAID exempts UN organizations from placing their staff through USAID's partner vetting process, which is required of NGOs and contractors. In July 2024, we [reported](#) that the lack of U.S. government partner vetting for UN agency personnel creates risks to USAID's programs in Gaza.

[Clear Check system](#) exists to serve this type of vetting purpose, it is [limited](#) to employees terminated due to findings of sexual exploitation and abuse/harassment. Thus, if (for example) WFP terminates an employee for fraud or corruption, that individual will not show up in a centralized database where another UN agency could check their status. While the UN is [attempting to expand Clear Check](#) to include broader misconduct, it remains a work in progress. Moreover, it is unclear whether the UN's "One HR" database would capture adverse information during a background check of an applicant employed in another UN position. It is therefore critical for UN agencies to share with OIG information about individuals who have been terminated for any misconduct.

[Recently](#), OIG independently found evidence connecting three current or former UNRWA employees to the October 7 terror attacks and affiliating 14 other current or former UNRWA employees with Hamas. The UN Office of Internal Oversight Services (OIOS) gave OIG an opportunity to review the report of its independent investigation into UNRWA staff involvement in the October 7 attacks; however, OIOS sanitized the names of subjects, rendering the report unusable for our purposes. Additionally, in 2023, officials at the World Health Organization (WHO) were found to have sexually assaulted women and girls while performing USAID-funded Ebola programming in Africa. However, it took significant time and convincing, including by senior U.S. government officials, for WHO to cooperate with OIG investigators seeking specific names of employees so that they could be independently investigated and referred to USAID for suspension and/or debarment. After they were provided with standard notice and due process, these individuals were debarred by USAID and thus prevented from circulating to other employers receiving USAID funding. Without routine disclosure of information by the UN about terminated employees, or a centralized and accessible database,<sup>9</sup> there is little opportunity to prevent terminated UN personnel from circulating to other U.S.-funded organizations.

#### [D. Failure by Foreign-Based NGOs to Provide Information to OIG Investigators](#)

OIG also faces challenges in investigating and holding accountable U.S.-funded NGOs based outside the United States. USAID award provisions and statutory subpoena authority enable OIG to obtain the information it needs from U.S.-based NGOs. However, our special agents frequently encounter resistance from foreign-based NGOs when they request personally identifiable information (PII) about individuals alleged to have perpetuated fraud or engaged in sexual exploitation and abuse affecting USAID-funded programs.

As a rationale for withholding PII, foreign-based NGOs cite domestic data privacy laws such as the European Union's General Data Protection Regulation (GDPR). However, failure to timely share such PII prevents OIG from holding individuals accountable, as enforcement action cannot be taken against an anonymous perpetrator. Over the years, OIG has pressed foreign NGO counsel to consider all allowable derogations under the GDPR in order to share the PII of alleged perpetrators. However, resistance to OIG requests, from organizations citing foreign data privacy laws, persists.

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<sup>9</sup> Similar to the U.S. government's publicly available excluded party list found at [www.sam.gov](https://www.sam.gov).

**Potential Solution: Establish and enforce, as an award condition, non-U.S. based implementers to share PII with OIG when necessary to determine credibility and investigate allegations of fraud or sexual exploitation and abuse.**

## **E. Jurisdictional Challenges to Suing Foreign-Based NGOs in U.S. Courts**

The United States faces challenges in its ability to hold accountable in U.S. Federal courts foreign-based implementers believed to have engaged in fraud. In 2021, a Federal judge dismissed a False Claims Act lawsuit against a British-based NGO accused of submitting false certifications to USAID regarding past support for terrorist organizations.<sup>10</sup> The judge ruled on jurisdictional grounds that the NGO could not be sued in a U.S. court due to the absence of a relevant clause in its award agreement with USAID. The Second Circuit upheld this decision,<sup>11</sup> setting a precedent that could hinder the United States' recovery of taxpayer funds acquired fraudulently or improperly by foreign NGOs. For the past several years, OIG has [urged](#) USAID to insert a forum selection clause into agreements with foreign-based NGOs to enhance USAID's ability to hold bad actors accountable in U.S. courts. As the District Court's opinion made clear, "Had the agency wished to ensure jurisdiction over any suits arising out of the certifications, it could have included a forum selection clause."<sup>12</sup> Such jurisdiction naturally exists for U.S.-based award recipients, which are subject to civil suit in U.S. courts.<sup>13</sup> In 2022, USAID notified OIG that it would not address this loophole with foreign NGOs, citing a potential a "chilling effect" on overseas awardees responsible for executing the Agency's programs.

**Potential Solution: Incorporate a forum selection clause as a standard award provision into all Foreign Assistance awards.**

## **II. Challenges with monitoring aid in nonpermissive environments**

Nonpermissive environments, particularly those controlled by terrorist organizations, constrain the United States' ability to safely and effectively execute its foreign assistance programs. Both USAID and OIG encounter significant challenges in overseeing U.S.-provided assistance due to the severity of ongoing conflicts. For example, U.S. government personnel face restrictions when traveling outside of a limited "Green Zone" around Kyiv and from entering any part of Gaza. To address these limitations in direct oversight of awards, USAID has historically contracted with "third-party monitors" (TPMs) to serve as its "eyes and ears" in the field.

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<sup>10</sup> *United States ex rel. TZAC, Inc., v. Christian Aid*, No. 17-cv-4135, 2021 WL 2354985 (S.D.N.Y. June 9, 2021).

<sup>11</sup> *United States Ex Rel TZAC, Inc. v. Christian Aid*, No. 21-1542, 2022 WL 2165751, at \*2 (2d Cir. 2022) (finding that "the mere existence of a contract between parties in different jurisdictions does not constitute sufficient minimum contacts for the complaining party to assert personal jurisdiction over the other in the plaintiff's home jurisdiction.").

<sup>12</sup> *United States ex rel. TZAC, Inc., v. Christian Aid*, No. 17-cv-4135, 2021 WL 2354985 (S.D.N.Y. June 9, 2021).

<sup>13</sup> For example, see [Chemonics International, Inc. to Pay \\$3.1 Million to Resolve Allegations of Fraudulent Billing Under Global Health Supply Chain Contract](#) (press release), December 20, 2024; and [The International Rescue Committee \("IRC"\) Agrees to Pay \\$6.9 Million To Settle Allegations That It Performed Procurement Fraud by Engaging in Collusive Behavior and Misconduct on Programs Funded by the United States Agency for International Development](#) (press release), March 19, 2021.



However, OIG's work has identified challenges in relying upon these entities to monitor USAID programs, particularly in nonpermissive environments.

In an audit of [economic development programming in Iraq](#), OIG found that USAID/Iraq did not use its third-party monitor to conduct performance monitoring for the initiative and failed to implement other mechanisms to fill gaps in performance monitoring. Similarly, we found that [USAID/Ukraine](#), via its contractor and Third Party Monitor in Ukraine, verified the delivery of energy equipment in and materials through several monitoring efforts. However, we found gaps in these efforts that limited the information available for Agency oversight. In particular, we found that monitoring efforts were limited geographically and focused primarily on a few types of equipment, such as generators. In addition, we found that Tetra Tech, a global consulting and engineering firm, had not fully resolved issues that monitors identified with inventory, branding, and property transfer documentation as of last June. We found that these shortcomings persisted over time because USAID/Ukraine lacked a centralized and formal monitoring system to track the issues the contractor and TPM identified.

Our audit work in other regions has identified that weak tracking systems increase the risk that TPM findings will remain unaddressed, particularly given the rotation of USAID personnel into and out of foreign countries. Effective monitoring of programming in nonpermissive environments like Gaza is critical given the risks of diversion and prevalence of designated terrorist organizations such as Hamas. However, the dangerous operating environment in Gaza impeded the work of USAID's TPM. Comprehensive guidance on using TPMs and other remote monitoring methods is still necessary to help ensure that all available controls are implemented to identify and mitigate potential misuse or diversion of assistance.

***Potential Solution: Ensure that U.S. funding agencies institute and follow comprehensive guidance on using TPMs and other remote monitoring methods.***

### **III. Limitations on vetting of aid organizations for ties to designated terrorist organizations and known corrupt actors**

#### **A. USAID Pre-Award Antiterrorism Certifications Apply Only to Prospective Grantees and Not Contractors**

OIG has previously identified other vulnerabilities that threaten to diminish USAID's oversight and accountability mechanisms over foreign assistance programs. Currently, USAID requires applicants for assistance awards to make the following certification:

The undersigned represents, to the best of its knowledge, that...the applicant 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... Note: USAID intends to retain the information disclosed to the Agreement Officer pursuant to this paragraph in any award file and use it in determining whether to provide the applicant with an assistance award...This certification includes express terms and conditions of the

award, and any violation of it will be grounds for unilateral termination of the agreement by USAID. This certification does not preclude any other remedy available to USAID.

This pre-award certification enhances USAID's ability to make informed decisions about awards to prospective grantees. It also provides an enforcement mechanism in the form of criminal, civil, and administrative remedies for those awardees that conceal their ties to terrorist organizations.<sup>14</sup> No such pre-award certification exists for Department of State awards. USAID's current pre-award antiterrorism certification only applies to prospective grantees, not contractors. As OIG first informed USAID in 2018, the lack of a certification requirement directing prospective contractors to disclose previous assistance to terrorist organizations places the Agency at risk. At the time, USAID committed to attempting to address this vulnerability through the regulatory process, but to date, there has been no regulatory change. The absence of a required certification for U.S.-funded contractors working in regions where designated terrorist organizations such as Hamas and Hezbollah operate freely leaves U.S. programming vulnerable.

***Potential Solution: Ensure that pre-award antiterrorism certifications apply to all recipients of U.S. foreign assistance funding.***

## **B. Absence of a Disclosure Requirement to Determine a Prospective Awardee's Relationship With Sanctioned or Otherwise Known Corrupt Entities**

Agencies administering foreign assistance programs could expand their pre-award certifications to gain as much insight as possible into an NGO's prior associations. For instance, currently, USAID lacks a pre-award certification that requires prospective awardees to disclose prior relationships with actors deemed by the United States to have engaged in corruption in countries where USAID programming exists. Executive Order (EO) 13818 builds upon and implements the Global Magnitsky Human Rights Accountability Act and targets perpetrators of corruption and serious human rights abuse. The Department of the Treasury's Office of Foreign Asset Controls issues sanctions pursuant to EO 13818 that "impose tangible and significant consequences on those who commit serious human rights abuse or engage in corruption, as well as...protect the financial system of the United States from abuse by these same persons." Under the EO, Magnitsky Act anticorruption sanctions may also be imposed on individuals and entities who have "materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, parties that have engaged in the above [corrupt] activities."

Within USAID programming, certifications regarding prospective grantees' ties to terrorist organizations have served as an effective deterrent. Grantees are on notice that concealing or failing to exercise due diligence in identifying and disclosing prior relationships with terrorist organizations can result in potential criminal, civil, and administrative liability. However,

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<sup>14</sup> Examples of efforts to conceal such prior relationships in other nonpermissive environments include closed investigations involving two USAID-funded implementers, the American University of Beirut and Norwegian People's Aid. Both organizations reached False Claims Act settlements with the U.S. Department of Justice for [\\$700,000](#) and [\\$2,025,000](#), respectively.

prospective awardees do not have a similar certification requirement to disclose past relationships with corrupt actors sanctioned under the Magnitsky Act. Consequently, USAID's programs are at risk of being compromised by parties seeking to divert foreign assistance dollars for illicit purposes or to further their personal interests. [OIG informed USAID](#) about this vulnerability in 2022, but the Agency did not take action.

***Potential Solution: Require a certification for prospective awardees to disclose their past relationship with sanctioned or otherwise known corrupt entities.***

#### **IV. Improving transparency for funding to subrecipients**

The lack of transparency surrounding subawardees can also hinder U.S. investigative efforts. Currently, USAID does not maintain a comprehensive internal database of subawardees. While USAID's implementing partners submit subawardee information to the Federal Subaward Reporting System, there are numerous data gaps, and reporting is not always required. For example, in programmatic areas like Ukraine where safety is a concern, subawards are either removed from the system or not reported at all to protect the identity of subawardees.

The lack of a centralized and comprehensive internal database of subawardees delays OIG investigative activity and limits our ability to check with trusted foreign law enforcement partners to see if fraud allegations or findings against a local entity involve USAID funds.

***Potential Solution: Develop and maintain a comprehensive internal database of subawardees tied to prime awards.***

#### **Conclusion**

The issues identified above are a few of the most significant vulnerabilities that OIG has identified for USAID and the other foreign assistance agencies under its purview. As Congress and the administration continue to shape America's foreign assistance programs, USAID OIG looks forward to providing timely insights and recommendations to ensure that oversight and accountability are at the forefront.