

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

USAID/Somalia's Democracy, Stabilization, and Governance Portfolio: Insufficient System Use, Financial Oversight, and Monitoring Processes Limited Activity Assessments

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July 02, 2025

Evaluation



Office of Audits, Inspections, and Evaluations



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

DATE: July 02, 2025

TO: David Rush
Acting Mission Director
USAID/Somalia

FROM: Gabriele Tonsil /s/
Acting Assistant Inspector General for Audits, Inspections, and Evaluations

SUBJECT: USAID/Somalia's Democracy, Stabilization, and Governance Portfolio: Insufficient System Use, Financial Oversight, and Monitoring Processes Limited Activity Assessments

This memorandum transmits the final report on our evaluation of USAID/Somalia's Democracy, Stabilization, and Governance portfolio for your review and comment. Our objectives were to determine the extent to which USAID/Somalia's Democracy, Stabilization, and Governance Office (1) used the official portfolio management system to measure progress toward intended results, (2) conducted oversight to ensure that spending complied with Federal cost principles, and (3) conducted oversight of the third-party monitor. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in Appendix C.

The report contains one recommendation to determine the allowability of questioned costs identified in this evaluation and considerations for future foreign assistance. After reviewing information you provided in response to the draft report, we consider the recommendation open and unresolved.

We appreciate the assistance you and your staff provided to us during this engagement.

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



Report in Brief

Why We Did This Evaluation

USAID/Somalia's Democracy, Stabilization, and Governance (DSG) Office was tasked with overseeing a portfolio of five programs, totaling over \$120 million, spanning from March 2022 to July 2028. The goal of these programs was to reduce the influence of al-Shabaab, a U.S.-designated terrorist organization, and support areas newly liberated from the group.

To do this, DSG programs addressed the root causes of violent extremism by working with Somali government and local partners—as well as public international organizations and other implementers—to strengthen communities, social cohesion, and systems of governance.

To assist with its oversight responsibilities, USAID designed an official management system to capture all portfolio development activities and facilitate evidence-based decision making. USAID/Somalia had financial management responsibilities—which varied by the type of program—and contracted with a third party to help monitor program performance of mission strategies, projects, and activities.

We initiated this evaluation to determine the extent to which USAID/Somalia's Democracy, Stabilization, and Governance Office (1) used the official portfolio management system to measure progress toward intended results, (2) conducted oversight to ensure that spending complied with Federal cost principles, and (3) conducted oversight of the third-party monitor.

What We Recommend

We made one recommendation for USAID/Somalia to determine the allowability of questioned costs identified in this evaluation, which the Agency disagreed with. We also included considerations for the Administration to enhance performance management and oversight of future foreign assistance programs.

What We Found

USAID/Somalia did not use the official portfolio management system as required, which limited its ability to measure progress toward intended results in the DSG portfolio.

Our analysis of portfolio management system data found that information was incomplete and inconsistent. Specifically, of the five awards in USAID/Somalia's DSG portfolio, mission personnel and implementers included information for only four awards in the performance system and only reported indicator data for three of those four awards. Moreover, among the latter three awards, we noted inconsistencies in the number of indicators or results recorded among various sources of information maintained by the mission.

USAID/Somalia performed required financial oversight of DSG programs but could have improved coordination and instituted discretionary financial oversight tools. While the DSG Office provided financial oversight of its five awards in line with Agency requirements, it did not perform discretionary post-award financial oversight, thereby preventing it from fully detecting and addressing fiduciary risks.

USAID/Somalia did not have a standardized process for managing recommendations from third-party monitors. As such, the mission missed opportunities to improve implementation of the DSG programs.

Introduction

The U.S. government¹ obligated \$1.2 billion in humanitarian and other assistance to Somalia in fiscal year (FY) 2023 and \$420 million in FY 2024. USAID/Somalia's Democracy, Stabilization, and Governance (DSG) Office was responsible for overseeing a portfolio of programs, totaling over \$120 million. The goal of these programs was to reduce the influence of the U.S.-designated terrorist group al-Shabaab and support areas newly liberated from the group.

To assist with its oversight responsibilities, USAID designed an official management system to capture all portfolio development activities and facilitate evidence-based decision making. USAID/Somalia had financial management responsibilities—which varied by the type of program—and contracted with a third party to help monitor program performance of mission strategies, projects, and activities.

We initiated this evaluation to determine the extent to which USAID/Somalia's DSG Office (1) used the official portfolio management system to measure progress toward intended results, (2) conducted oversight to ensure that spending complied with Federal cost principles, and (3) conducted oversight of third-party monitors (TPMs).

We evaluated all five DSG programs in implementation as of April 2024 to answer these objectives. We reviewed Federal regulations, USAID policy, and Agency and mission guidance and documentation. We interviewed USAID/Somalia program and technical office staff, implementer technical and financial teams, and TPM staff to get the most complete picture of program implementation and monitoring. We conducted our review from April 2024 to May 2025 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Appendix A contains more information about our scope and methodology.

Background

U.S. Foreign Relations in Somalia

After Italian and British Somaliland merged to form an independent Somali Republic in 1960, the United States established diplomatic relations with the country and provided military and economic aid. Following a civil war in the 1980s, Somalia's central government collapsed in 1991, leaving a power vacuum and the ultimate closure of the U.S. embassy. In 2007, the U.S. Department of State established the Somalia Unit based in Kenya. Then, after Somalia established an official government and completed national elections, the U.S. Department of State reopened the U.S. embassy in Mogadishu in December 2018, reestablishing a permanent diplomatic presence in the country.²

¹ USAID was the largest contributor, followed by the Department of State.

² Some USAID work related to Somalia continued to operate from the U.S. embassy in Nairobi, which also housed the USAID regional mission to East Africa.

Formed in the mid-2000s as a militant group, al-Shabaab aimed to establish an Islamic state in Somalia through violent tactics, like kidnappings and terrorism. Al-Shabaab was designated a foreign terrorist organization by the Department of State in 2008, and since then, the group has controlled portions of Somalia, extorting millions of U.S. dollars annually. They also conducted frequent attacks on Somali government-controlled areas to undermine stability in the country. In June 2022, local clan militias in central Somalia revolted against al-Shabaab. The militias, supported by the Somali National Army and U.S. military forces, were initially successful, and both the Department of State and USAID expanded their programming in Somalia, with State concentrating on security assistance and USAID emphasizing stabilization and humanitarian aid. However, by fall 2023, the Somali National Army had disintegrated, and al-Shabaab had regained lost territory. As of spring 2024, the group controlled approximately 75 percent of the country.

USAID/Somalia’s Democracy, Stabilization, and Governance Portfolio

As of April 2024, in partnership with implementers including public international organizations (PIOs),³ the DSG Office managed five programs starting from March 2022 with expected project end dates as late as July 2028, with a total value of approximately \$126 million. According to USAID, the DSG portfolio aimed to address the root causes of violent extremism by working with the Somali government and local partners to strengthen communities, social cohesion, and systems of governance. Table I provides more information on these five programs.

Table I. Program Awards in Somalia’s Democracy, Stabilization, and Governance Portfolio

Program Name	Award Type	Cost	Duration	Program Description
Transition Initiatives for Stabilization Saddex	Cost-plus-fixed-fee contract with a contractor	\$61.5m	March 2022 –February 2027	Assisted Somali frontline communities newly liberated from al-Shabaab rule to transition from conflict to longer term development by supporting inclusive governance systems and rebuilding relationships between the government and local communities.

³ A PIO is an international organization principally made up of multiple governments or international financial institutions otherwise designated as such by specific USAID operating units. United Nations (UN) organizations, such as the International Organization for Migration, are examples of PIOs.

Program Name	Award Type	Cost	Duration	Program Description
Nabadoon – Integrated Social Cohesion for Somalis	Cooperative agreement with a non-governmental organization	\$8m	August 2022–July 2027	Addressed unresolved grievances and local conflicts that could leave communities vulnerable to al-Shabaab influence and supported intercommunal reconciliation processes that helped build trust within communities to facilitate lasting peace.
Scaling Durable Solutions^a	Cost-type contribution to a public international organization	\$11.5m	October 2022–September 2025	Identified and piloted new and creative solutions that secured land tenure, strengthened livelihoods, and expanded the delivery of basic services to displacement-affected communities.
People-Centered Governance	Cooperative agreement with a contractor	\$39.9m	July 2023–July 2028	Provided a credible alternative to al-Shabaab rule by promoting more responsive and inclusive local governance institutions.
Stabilization and Recovery in Somalia Program	Project contribution to a public international organization	\$5m	August 2023–December 2025 ^b	Strengthened communities’ trust in local institutions and increased social cohesion and civic engagement in newly liberated and fragile areas of Somalia.

^a As of September 2024, Scaling Durable Solutions was no longer listed as a program in the DSG portfolio. The DSG Office said that, in October 2023, the International Organization for Migration pivoted its planned activities under this program to focus on economic growth, which DSG no longer managed. However, because the period from award to October 2023 was within the scope of this evaluation—and USAID/Somalia continued to list the program in its DSG portfolio in April 2024—OIG included it.

^b As of September 2024, the USAID/Somalia DSG Portfolio Factsheet listed the dates for the Stabilization and Recovery in Somalia Program as August 2023–July 2027. However, the project contribution agreement’s effective end date was December 2025.

Note: As of April 7, 2025, the Agency identified Transition Initiatives for Stabilization Saddex, Nabadoon – Integrated Social Cohesion for Somalis, and People-Centered Governance as terminated.

Source: Information provided on USAID/Somalia’s DSG webpage, accessed March 7, 2024.

Oversight Responsibilities

Given the inherent challenges to operating in a nonpermissive environment like Somalia, the USAID mission contracted a third party to help monitor the performance of programs. This work included conducting site visits in areas otherwise inaccessible to mission personnel due to security restrictions. Nevertheless, according to the mission, USAID’s technical officers⁴ were

⁴ In this report, we use “technical officers” to refer to agreement officer’s representatives, contracting officer’s representatives, and activity managers.

supposed to actively participate with the TPM in several ways: by monitoring performance to select and approve activities for verification,⁵ reviewing and providing feedback on the tools used for activity verification, reviewing and approving findings and reports, and ensuring implementers made changes in response to findings.

In addition to the activity oversight provided by the TPM, the mission also had financial management responsibilities, the scope of which depended on the type of award. USAID awards fell into two main categories: acquisition (through contracts, managed by a contracting officer) and assistance (through grants and cooperative agreements, managed by an agreement officer). The award type is based on the needs identified during project design and determined how the funds should be managed. For example, with an acquisition, the U.S. government would buy goods or services from a contractor to implement an activity; with an assistance award, the U.S. government would financially support a recipient and had limited direct involvement in the program implementation. Because of this, USAID had limited oversight over assistance awards. Both types of awards—acquisition and assistance—had to follow Federal regulations⁶ and, in some cases, with additional USAID regulations or policies.⁷

USAID may have used other types of implementing mechanisms that leveraged resources and technical expertise from other donors to contribute to project or strategic results. One example is a PIO agreement, the funding for which could occur through different types of arrangements (e.g., cost-type, project, or general contributions).

Prior OIG and U.S. Government Accountability Office (GAO) work identified oversight challenges related to USAID's work in nonpermissive environments and with PIOs. For example, OIG has a growing body of work highlighting the Agency's experiences managing TPMs that performed site visits and other monitoring tasks in areas USAID staff could not access due to security restrictions and safety concerns.⁸ In addition, an April 2024 GAO report specifically examined USAID's risk management in Somalia and other conflict zones and identified limited direct oversight of award implementation as a weakness, increasing fiduciary risks.⁹ Finally, PIOs have increasingly implemented programs in response to pressing needs, but these entities were not subject to the same level of oversight as other implementers, limiting visibility into how they managed U.S. foreign assistance funds. OIG recently found that the

⁵ "Activity verification" refers to the process of validating the reported progress and impact of USAID-funded projects by verifying data on activities implemented, beneficiaries reached, and results achieved.

⁶ Contracts were guided by the Federal Acquisition Regulation (FAR) (Chapter 1 of Title 48, Code of Federal Regulations). Grants and agreements were guided by Title 2 of the CFR (2 CFR).

⁷ Acquisitions were also governed by the Agency for International Development Acquisition Regulations supplement. USAID's Automated Directives Systems also provided policies for both contracts (Chapter 302) and grants and cooperative agreements (Chapter 303).

⁸ USAID OIG, [USAID Has Gaps in Planning, Risk Mitigation, and Monitoring of Its Humanitarian Assistance in Africa's Lake Chad Region](#) (4-000-21-001-P), October 2020; USAID OIG, [Enhanced Guidance and Practices Would Improve USAID's Transition Planning and Third-Party Monitoring in Iraq](#) (9-266-21-003-P), February 2021; USAID OIG, [Improved Guidance and Processes Would Strengthen the Use of Third-Party Monitors in Bangladesh, Nepal, and Pakistan](#) (5-000-22-001-P), November 2021.

⁹ GAO, [FOREIGN ASSISTANCE: USAID Should Strengthen Risk Management in Conflict Zones](#) (GAO-24-106192), April 2024.

Agency did not consistently perform post-award due diligence for PIOs, including spot checks, reviews, and evaluations.¹⁰

Development Information Solution System

To provide a single location for reporting, approving, and tracking programmatic data, USAID established the Development Information Solution system (referred to as “the portfolio management system” in this report). This web-based, Agency-wide portfolio management system tracked indicators, targets, and results across USAID in alignment with the Agency’s Program Cycle.¹¹

In 2021, USAID/Somalia was selected to pilot this portfolio management system. The Agency expected that, once implemented, the system would enable missions to collect and track high-quality data, report to Congress, and inform mission staff and USAID partners.

According to USAID, the portfolio management system was designed to address the challenges of working in complex and dynamic environments by providing access to current performance monitoring and evaluation data. USAID/Somalia program office staff said that information on award performance captured in this system module was one of several important sources of information for the Agency’s Annual Performance Plan and Report, which measured performance against the objectives outlined in USAID’s Integrated Country Strategies, Joint Regional Strategies, and Country Development Cooperation Strategies.

USAID/Somalia Did Not Use the Official Portfolio Management System as Required, Limiting Its Ability to Measure Progress Toward Intended Results in the Democracy, Stabilization, and Governance Portfolio

USAID’s Automated Directives System (ADS) states that the purpose of indicators is to measure progress and achievement of intended program results to, in turn, inform decisions. Indicator information must be credible and sufficient to meet the Agency’s data quality standards.¹²

Our analysis of portfolio management system indicator data found that information was incomplete and inconsistent.¹³ Specifically, of the five awards in USAID/Somalia’s DSG portfolio, mission personnel and implementers included four awards in the portfolio management system

¹⁰ USAID OIG, [Public International Organizations: USAID Did Not Consistently Perform Expected Due Diligence](#) (E-000-24-002-M), August 2024.

¹¹ The Agency introduced this portfolio management system in May 2014 for completion in FY 2019. While a 2021 OIG report stated that global deployment was delayed until FY 2022, the system was still not fully operational in December 2024.

¹² ADS 201.3.5.7, “Ensuring the Quality of Performance Monitoring Data,” October 2020.

¹³ While all of USAID/Somalia was included in the portfolio management system pilot, the scope of this evaluation was only the DSG portfolio. Therefore, the results observed were restricted to the DSG Office and not USAID/Somalia generally.

and reported indicators for three. Moreover, in the latter three awards, we noted inconsistencies in the number of indicators or results recorded across various sources of information maintained by USAID/Somalia.¹⁴ Table 2 provides a summary of the information available in the portfolio management system.

Table 2. Portfolio Management System Inconsistencies

Program Name	Created in Portfolio Management System	Included Indicators	Recorded Consistent Information
Transition Initiatives for Stabilization Saddex	✓	✓	✗
Nabadoon – Integrated Social Cohesion for Somalis	✓	✓	✗
Scaling Durable Solutions	✓	✗	N/A
People-Centered Governance	✓	✓	✗
Stabilization and Recovery in Somalia Program	✗	N/A	N/A

Source: OIG analysis of portfolio management system data.

For example, the Nabadoon program reported 49 indicators in the portfolio management system, 6 indicators in its quarterly report, and 8 indicators in its FY 2023 annual report. Similarly, the People-Centered Governance program reported 17 indicators in the portfolio management system but 10 indicators in its monitoring, evaluation, and learning plan. The Transition Initiatives for Stabilization Saddex program reported seven indicators in the system but eight in the FY 2023 annual report. In addition, three results in the system did not correspond with the values listed in an annual report. Inconsistent performance documentation across sources raised questions about the accuracy and integrity of reported results.

When USAID/Somalia was selected to pilot the portfolio management system in 2021, the Agency expected the mission to prioritize which awards to include in the system and to manage implementer use of the system based on the mission's relationships with each implementer. In November 2024, USAID/Somalia staff said that the expectation was that all awards should be

¹⁴ Mission staff reported that this was a USAID-wide issue and not limited to the DSG portfolio.

included in the system and that implementers were required, per their awards, to include performance management information in the system.¹⁵

Mission personnel provided several explanations for not using the portfolio management system and for the inconsistencies of indicators and results, including the system's design and use as well as mission resource constraints. Both program and technical office staff commented on the challenges with the system, saying that it was complicated to use and not user-friendly or intuitive. Staff stated that entering information into the system manually increased the likelihood of human error, which weakened confidence in the quality of the data. In addition, the transition to the portfolio management system increased the likelihood that there would be discrepancies between the indicators and results data.

USAID/Somalia program office staff also identified limited staff resources as a reason data in the portfolio management system had not been updated. While implementers uploaded information related to most awards, program office staff were primarily responsible for creating and updating data for awards with PIOs, and only one staff person was available to perform that function.

A lack of effective internal controls also contributed to the portfolio management system's inaccuracies and underuse. USAID/Somalia program office staff said that those responsible for the system did try to check it quarterly for completeness. However, they did not have a process in place to assess the system for accuracy, and no policy or guidance mandated or described this review.¹⁶

While USAID/Somalia's DSG Office did not use the portfolio management system as intended—i.e., as a performance management tool for technical officers—it did have a function. Officials said it was primarily used as a tool to collect data and contribute to documents such as the Annual Performance Plan and Report. Data from this report contributed to other reports for Congress and, according to the Agency's Program Cycle, was intended to be used to inform programmatic decision making. However, program office staff indicated that technical officers did not see the value of using the portfolio management system because it seemed to be designed more to produce reports than to help them perform oversight. This was evidenced by technical officers continuing to maintain their own performance management records and only accessing the portfolio management system when necessary for data entry.

USAID/Somalia's program office and technical staff did not have the resources to use the performance system as intended, and they were limited in their ability to collect high-quality data and ensure consistency with other performance reports. Without complete and consistent information, the DSG Office was not positioned to sufficiently measure progress, make

¹⁵ Awards to PIOs did not have language requiring them to use the portfolio management system; therefore, program officers were responsible for making necessary updates to the system in order to maintain a complete mission portfolio.

¹⁶ Program office staff did state that, as of May 2024, they were working on a process to review the portfolio management system and flag issues for the technical office to review or address.

informed programmatic decisions, or provide assurances that taxpayer dollars were being used efficiently and effectively.

USAID/Somalia Performed Required Financial Oversight of Democracy, Stabilization, and Governance Programs but Could Have Improved Coordination and Instituted Discretionary Financial Oversight Tools

We found that USAID/Somalia's DSG Office provided financial oversight of its five awards as required by Federal cost principles but did not perform discretionary post-award financial oversight that could have enhanced the ability to detect fiduciary risks. For example, technical office staff reviewed quarterly reports and monthly vouchers as applicable, depending on the award type. However, USAID/Somalia personnel did not perform ad hoc financial reviews of implementers as permitted by Agency policy and Federal regulation. The Agency could also have conducted spot checks¹⁷ of activities and financial information on one of the PIO awards or audited the annual costs of individual awards,¹⁸ but did not.

DSG technical officers were responsible for ensuring adequate financial management of awards they oversaw, with specific oversight requirements varying by award type (i.e., contract, agreement, or award with a PIO).¹⁹ While some award types had minimal defined financial oversight tasks, USAID had the authority to enhance oversight and conduct financial reviews, require audits, or otherwise ensure adequate accountability of recipient organizations, specifically regarding contracts, grants, and cooperative agreements financed by the Agency.²⁰ DSG technical officers should have collaborated with the mission's Office of Acquisitions and Assistance or Office of Financial Management to support activities such as financial reviews, spot checks, and incurred cost audits. However, DSG technical officers were not fully aware of the types of discretionary post-award oversight that other offices could provide for their awards to ensure adequate oversight.

The risks associated with failing to perform discretionary financial reviews have been previously reported. For example, a prior OIG report noted that the Agency's awards to PIOs did not have the same requirements as awards to other organizations, which restricted USAID's insights into how PIOs managed foreign assistance.²¹ Additionally, an April 2024 GAO report recommended that USAID/Somalia develop a risk-based process for conducting financial

¹⁷ USAID did not have policies that governed spot checks, and the Agency and PIO had to mutually agree on spot check procedures. Spot checks did not constitute financial, compliance, or other audits of USAID-funded activities.

¹⁸ This type of audit is called an incurred cost audit.

¹⁹ ADS 303.3.18, "Award Administration," October 2023; ADS 308mab, M.6d, "Audits and Records," November 2019.

²⁰ ADS 591.3.6, "USAID Audit Rights," January 2002.

²¹ USAID OIG, [Public International Organizations: USAID Did Not Consistently Perform Expected Due Diligence](#) (E-000-24-002-M), August 2024.

reviews because performing this type of discretionary oversight would strengthen the mission's ability to detect fiduciary risks.²² This report also noted that other missions in similar complex country contexts (e.g., Nigeria and Ukraine) performed these types of discretionary financial reviews.²³

As of December 11, 2024, USAID/Somalia had taken some steps to close GAO's recommendation, but additional actions remained. We agree with GAO that taking steps to address this recommendation would improve USAID/Somalia's ability to detect and address fiduciary risks. For example, OIG identified \$82,870 in questioned costs from 6 of 55 transactions analyzed across the 5 awards. Appendix B provides a detailed listing of these questioned costs. Detailing technical officers' financial management responsibilities, particularly as they pertain to discretionary post-award oversight, would help enhance the DSG Office's oversight of awards. Such oversight is an important tool for USAID/Somalia to safeguard its resources from fraud, waste, and abuse.

USAID/Somalia Did Not Have a Standardized Process for Managing Recommendations From Third-Party Monitors

USAID/Somalia had several methods to help manage recommendations from TPMs, but we found technical officers did not standardize these methods. USAID/Somalia contracted with a TPM for \$24 million over 7 years to provide support for monitoring, evaluation, and program-related services to the mission, including DSG, social services, and economic growth activities.²⁴ Following quarterly visits to program implementation sites, USAID/Somalia's TPM reported results to mission technical officers for their review and to follow up on recommendations. Technical officers would then identify actionable recommendations, communicate them to the program implementers, and follow up on the progress of addressing any recommendations as necessary.

In March 2024, USAID/Somalia and the TPM piloted two recommendation trackers (one managed by the TPM and the other by the USAID/Somalia technical teams) to manage the tracking and resolution of recommendations identified during TPM site visits in Somalia. The trackers included the recommendations made by the TPM in its report, the actionability of each recommendation, and a deadline that was automatically set for 90 days from the report approval date if the recommendation was deemed actionable.

According to mission staff, the shift to this tracking process was intended to address technical officers' concerns about the appropriateness of recommendations made by the TPM and the lack of sufficient oversight on recommendation status. USAID/Somalia technical officers have

²² GAO, [FOREIGN ASSISTANCE: USAID Should Strengthen Risk Management in Conflict Zones](#) (GAO-24-106192), April 2024.

²³ These missions selected awards based on risks, reviewed financial elements like monthly vouchers and sub-awardee documents, and covered both local and U.S.-based organizations.

²⁴ As of April 7, 2025, the Agency identified the contract as terminated.

historically questioned the quality of monitoring by TPMs due to their lack of expertise in DSG programs, which technical officers believed resulted in poor-quality recommendations.

Despite the mission's efforts, it did not have a standardized process for tracking and resolving issues raised by TPMs. Specifically, we found several weaknesses with the newly implemented recommendation trackers:

- Not all DSG programs had been incorporated into the newly implemented recommendation tracking process, which did not yet have an official target date for implementation across the DSG Office.
- Not all recommendations deemed actionable, or descriptions of the proposed corrective actions, had sufficient explanations or justifications.
- Recommendations did not have meaningful deadlines or documentation of the completion of timely corrective actions in response to the recommendation.²⁵

In addition, there were inconsistencies between the two trackers in terms of the number of actionable recommendations and corrective actions. See Figure 1.

USAID/Somalia had criteria for managing recommendations from TPMs. The mission order on monitoring stated that the core responsibility of a TPM was to verify implementer reports regarding activity inputs and outputs. This would allow the mission technical officers to track milestones, resolve issues, and verify implementation progress. USAID's internal guidance on planning and conducting site visits stated that following a visit, the site visit team should identify opportunities and agree on priority actions to help implementers keep programs on track. Recommendations and adaptations from site visits, along with their rationales, should be documented to support learning and continuity. To further underscore the importance of monitoring and maintaining records of TPM recommendations, the TPM's contract stated that

Figure 1. Example of Incomplete and Inconsistent Tracker Information

- Of the 35 Monitoring, Verification, and Reporting recommendations documented in the TPM tracker used from February 2023 to May 2024, 4 were identified as actionable.
- This means that the technical officer determined that the corrective action to address the recommendation could be undertaken by the implementer within the scope of its award language.
- Of the four actionable recommendations, the tracker did not provide any details on USAID/Somalia's planned corrective actions.
- Technical officers did not provide any explanations or justifications for why the remaining 31 recommendations did not need to be addressed. In addition, the mission tracker for the same period identified only three of the four recommendations deemed as actionable.

²⁵ Although the TPM tracker included a 90-day deadline for the implementer to begin resolving the recommendation, the TPM stated that this was used only as a trigger for it to follow up on the status of recommendations.

it should provide a tracking sheet on a quarterly basis with outstanding recommendations as well as anticipated actions to resolve them.

The TPM recommendation trackers were weak because USAID/Somalia had not established guidance for using the newly implemented process, and staff we talked to were not fully aware of the trackers or their use. Technical officers were responsible for addressing TPM recommendations. However, they were not required to track or respond to all recommendations provided by TPMs or maintain relevant documentation in an accessible location. For example, technical officers relied on personal files such as meeting notes or emails to document these decisions. Furthermore, of the three technical officers we spoke with, only two were trained on the pilot recommendation tracking process. One of these two officers reported that they had not fully utilized the new process, and the other could not clearly explain the new process or how it was meant to be used.

Tracking and resolving issues identified by TPMs across the DSG portfolio would better position the mission to effectively manage associated funding. USAID/Somalia has revised its TPM recommendation management process, but the new process has weaknesses, as discussed above. Addressing these weaknesses could improve accountability and help ensure that the activities in the DSG portfolio are implemented as intended. Risks associated with unstandardized recommendation management processes include the following:

- Without accessible documentation, future technical officers may not have access to all relevant information for program management continuity and TPM contract management.
- Without transparency of the reasons technical officers accepted or rejected TPM recommendations, technical officers may not be objective in their review of those recommendations and not implement reasonable changes.

Conclusion

The risks of implementing foreign assistance programming in a nonpermissive environment like Somalia elevate the need for comprehensive oversight to ensure that U.S. taxpayer dollars are effectively achieving intended foreign aid program results. USAID/Somalia's underutilization of discretionary financial management tools limited its ability to manage risks associated with its awards. Furthermore, as decision makers consider the future of foreign assistance, attention is needed to improve performance information and enhance financial oversight. Specifically, limited use of the official performance management system hindered USAID/Somalia's ability to accurately measure program progress and exacerbated the challenges of consistent activity management. In addition, without a standardized process for reviewing and addressing TPM recommendations, the mission missed opportunities to improve activity implementation of the DSG programs.

Recommendation

We recommend that the USAID Mission Director for Somalia take the following action:

1. Determine the allowability of \$82,870 in questioned costs.

Considerations for Future Foreign Assistance

As the Administration considers the future of foreign assistance, attention is needed to improve performance information, enhance financial oversight of awards, reduce instances of financial waste, and limit the risk of fraud. We suggest decision makers consider the following actions:

1. Ensure that indicators and results data for portfolio programs are complete and consistent across systems and reports that track performance results.
2. Develop and disseminate resources for implementers and staff on using any official performance management system.
3. Clearly describe financial management responsibilities for technical officers, which could include coordinating with other offices to perform discretionary financial oversight.
4. Develop and implement guidance and disseminate any related resources necessary for technical officers to track and resolve issues raised by third-party monitors.

OIG Response to Agency Comments

We provided our draft report to USAID on May 8, 2025. On June 20, 2025, we received the Agency's response, which is included as Appendix C of this report.

The report included one recommendation. We do not acknowledge a management decision as it neither addresses the identified deficiency nor meets the intent of the recommendation. USAID/Somalia noted in its response that because the mission is closing by July 1, 2025, and the DSG awards have been terminated, final allowance negotiations will be transferred to a contracting officer outside the mission who will make determinations on any further action. Therefore, we consider the recommendation open and unresolved.

Additionally, the report included four considerations for future foreign assistance. USAID/Somalia agreed that these considerations represent good practice.

Appendix A. Scope and Methodology

We conducted this evaluation from April 2024 to May 2025 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Our evaluation objectives were to determine the extent to which USAID/Somalia's Democracy, Stabilization, and Governance Office (1) used the official portfolio management system to measure progress toward intended results, (2) conducted oversight to ensure that spending complied with Federal cost principles, and (3) conducted oversight of the third-party monitor.

In performing this evaluation, we reviewed Federal regulations, Agency policy, Agency and USAID/Somalia guidance, and transaction documentation. We conducted interviews with mission technical and program office personnel, implementers, and TPM staff. We evaluated all five DSG programs in implementation as of April 2024.

To answer the first objective, we compared program indicator targets and actual results found in USAID/Somalia's portfolio management system to the same information in quarterly and annual reports from the signature date of the awards to December 31, 2023. We interviewed technical officers to understand how they used the portfolio management system and challenges they identified in ensuring that activities achieved their intended results.

For the second objective, we judgmentally selected 55 direct-cost expenditures (totaling more than \$1.3 million, about 1 percent of the total portfolio in our scope), which occurred between the signature date of the awards and December 31, 2023. We also analyzed supporting documentation to determine compliance with Federal cost principles such as allowability and reasonableness. Federal regulations define allowable costs for awards, and Agency documents outline the financial management responsibilities for staff who administer those awards. Title 2 of the Code of Federal Regulations (2 CFR 200) includes Federal cost principles, which are general criteria related to the allowability of costs, including whether they are necessary, reasonable, consistent with regulations and policies and other incurred costs, documented adequately, and incurred in the approved budget period.²⁶ Cooperative agreements in the DSG portfolio directly refer to this code as the authority for allowable costs under each program. While the ADS states that 2 CFR 200 does not directly apply to PIOs, it requires that any agreement should be consistent with the U.S. government's principles and standards.²⁷ For the contract portions of the awards, the Transition Initiatives for Stabilization Saddex program refers to the Federal Acquisition Regulation for the cost-plus-fixed-fee contract with the implementer.²⁸ We interviewed technical, implementer, and PIO financial teams to identify the methods the Agency and implementers used to perform financial oversight of the portfolio.

²⁶ 2 CFR 200.403 (2014).

²⁷ USAID, ADS, Chapter 308, Section 308.3.9.1, "Cost-Type Agreement," August 2019.

²⁸ Federal Acquisition Regulation 52.216-7 and Subpart 31.2.

For the third objective, we examined the Agency's process for reviewing and addressing the TPM's findings resulting from their monitoring, verification, and reporting activities. We also interviewed TPM and program office staff to understand the mechanisms used to process TPM recommendations stemming from site visits.

Appendix B. Questioned Costs

Transaction date	Implementer name	Award name and number	Expenditure category and amount	Documents	Description of why the costs were questioned
November 1, 2023	International Organization for Migration (UN)	Scaling Durable Solutions, Agreement No. 649-22-IO-00001	Direct cost \$31,500	Implementer provided consultant status report for the period and contract.	Consultant fees. A consultant was employed by another program in the DSG portfolio at the same time while consulting for Scaling Durable Solutions.
November 23, 2023	International Organization for Migration (UN)	Stabilization and Recovery in Somalia Program, Agreement No. 649-23-IO-(IOM)-002	Direct cost \$31,500	Implementer provided consultant status report for the period and contract.	Consultant fees. A consultant was employed by another program in the DSG portfolio at the same time while consulting for Stabilization and Recovery in Somalia Program.
May 6, 2022	DT Global	Transition Initiatives for Stabilization Saddex, Agreement No. 72062322C0001	Direct cost \$9,709	Implementer provided the vendor invoice and voucher edit report.	Security services totaling \$17,486. Supporting documentation indicated a discount of \$9,709, resulting in a net cost of \$7,778. However, the full amount was billed to the project and the discounted amount was due to a credit for the larger company costs billed the previous month. The full amount was billed to the activity without taking the credit into consideration.

Transaction date	Implementer name	Award name and number	Expenditure category and amount	Documents	Description of why the costs were questioned
March 31, 2022	DT Global	Transition Initiatives for Stabilization Saddex, Agreement No. 72062322C0 0001	Direct cost \$5,579	Implementer provided the request memorandum.	Travel costs. An employee attended an activity start-up conference in Cairo, Egypt, but not all supporting documents had amounts and there were no quotations or estimated amounts on the request for trip approval.
August 2, 2023	DAI Global	People-Centered Governance, Agreement No. 72064923CA 00001	Direct cost \$3,960	Implementer provided the invoice.	Subscription. The supporting documentation (a one-page invoice with the correct amount) did not provide information on what the subscription was for but noted that it covered 12 months. Without additional information, it was unclear if the expense was allocable.
November 27, 2023	DAI Global	People-Centered Governance, Agreement No. 72064923CA 00001	Direct cost \$622	Implementer provided a voucher/time-sheet, employment agreement, and bank statement.	Labor costs. Supporting documentation for a month's salary plus a monthly medical aid subsidy was different than the budgeted amount.

Note: Vendor names have been provided to the Agency separately.

Appendix C. Agency Comments



USAID | **SOMALIA**
FROM THE AMERICAN PEOPLE

Date: June 20, 2025

From: David Rush, Acting Mission Director

Subject: USAID/Somalia's Response and Rationale for Declining the Draft Report: USAID/Somalia's Democracy, Stabilization, and Governance Portfolio: Insufficient System Use, Financial Oversight, and Monitoring Processes Limited Activity Assessments (Task No. 44100224)

Background:

On May 8, 2025 USAID/Somalia received a draft audit report, "USAID/Somalia's Democracy, Stabilization, and Governance Portfolio: Insufficient System Use, Financial Oversight, and Monitoring Processes Limited Activity Assessments (Task No. 44100224)" from the USAID OIG Africa Regional Office.

The draft report includes OIG's audit findings and recommendations. USAID/Somalia declines to accept this report and its recommendations as the Mission believes the report is not accurate, flawed in its representation of USAID/Somalia's work on multiple levels, and has not taken into account Mission staff comments regarding issues raised in the report.

Mission's Reasons for Declining the Report:

1. **Inexperience of OIG staff:** The OIG staff assigned to this audit were inexperienced with USAID's mechanisms, monitoring systems, and in general with USAID operations in challenging environments. The staff lacked understanding of how PIO grants operate and whether, and how, they should use the Agency's monitoring and evaluations system. As a result, the Mission notes that language in this report is often uninformed, inflammatory, and incorrect despite significant investments of time made by Mission staff to explain basic USAID processes and USAID/Somalia's DSG programs.
2. **The title of the report is inflammatory:** As the Mission staff explained to OIG multiple

times, the issues they were raising were USAID-wide issues and not specific to DSG or to USAID/Somalia. Some points raised by OIG are well taken by the Mission, but it's not accurate to pin them on USAID/Somalia's DSG Office alone when the problems rest with the overall USAID systems that USAID/Somalia's DSG Office was required to use. The title of the report should be modified to more clearly indicate that OIG's issues are with USAID systems overall, and potentially point out that USAID/Somalia's DSG portfolio provides an example of how those systems could have been improved. Alternatively, OIG could just utilize a more neutral title.

3. **Inaccurate statements:** The report has many inaccurate statements throughout. For example page 8 includes this sentence, "Without complete and consistent information, the DSG Office was not positioned to sufficiently measure progress, make informed programmatic decisions, or provide assurances that taxpayer dollars were being used efficiently and effectively." While the Mission appreciates that OIG caveats the sentence with the first phrase, it is inaccurate and unfair to use such definitive language to state that the DGS office did not measure progress, make informed programmatic decisions, or efficiently and effectively steward taxpayer dollars. The Mission had a very robust measuring and tracking system that was used by highly trained A/CORs whose primary job and goal was to provide robust programmatic oversight and steward taxpayer money. This type of language needs to be softened to more accurately state that there is always room for improvement.
4. **The recommendations are not relevant given the current status of USAID and the USAID/Somalia Mission:** Given that USAID operations and activities, including those of USAID/Somalia, are winding down or being transferred to the Department of State, these recommendations appear to serve only as Kantian categorical imperative.²⁹ Of course we recognize that the investigation came before the announcement of the impending dissolution of USAID/Somalia. That said, there will unfortunately be no one left at the Mission, or at USAID as a whole, who will be able to carry out these recommendations.

OIG Recommendations and Mission's Response

1. Determine the allowability of \$82,870 in questioned costs - As USAID/Somalia is closing its mission by July 1, 2025, and all DSG awards have been terminated, the final allowance negotiations will be transferred to a Contracting Officer outside USAID/Somalia who will make determinations on any further action.

Considerations for Moving Forward

²⁹ See, e.g., Kant, *Metaphysics of Morals*, p. 106 [6:333] (Kant's example of carrying out a final capital punishment before the dissolution of a civil society).

OIG suggest decision makers consider the following actions:

1. Ensure that indicators and results data for portfolio programs are complete and consistent across systems and reports that track performance results. - Agreed as a general comment and good practice. Please note, however, that DSG indicators were aligned with projects' expected results and each project had some common indicators across the entire portfolio to allow the Mission to measure the impact. Further, as all USAID/Somalia activities have been terminated or are shifting to the Department of State, this may be a moot point.

Develop and disseminate resources for implementers and staff on using any official performance management system. - Agreed as a general comment and good practice. This action was already being done by USAID/W and the Mission. Both units had multiple events informing implementing partners about the performance management system. Further, as all USAID/Somalia activities have been terminated or are shifting to the Department of State, this may be a moot point.

2. Clearly describe financial management responsibilities for technical officers, which could include coordinating with other offices to perform discretionary financial oversight. - Agreed as a general comment and good practice. All Mission staff were trained in USAID project management including required A/COR financial management responsibilities. However, note that A/CORs do not have extensive financial management training or requirements as this is not generally part of their jobs. In addition, though, OFM, OAA, and the Program Office contributed to financial oversight of the DSG activities and it is good practice for A/CORs to work in tandem with them. Further, as all USAID/Somalia activities have been terminated or are shifting to the Department of State, this may be a moot point.

3. Develop and implement guidance and disseminate any related resources necessary for technical officers to track and resolve issues raised by third-party monitors. Agreed as a general comment and good practice. The Program Office and DSG office had quarterly events and meetings with the Evaluation, Learning, and Monitoring Initiative (ELMI), a third party monitoring mechanism. Additionally, when needed both offices interacted on a weekly basis during ELMI's monitoring events in the field. Further, as all USAID/Somalia activities have been terminated or are shifting to the Department of State, this may be a moot point.



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