



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

### MANAGEMENT ADVISORY

**DATE:** January 30, 2026

**TO:** Eric Ueland  
Performing the Duties of Administrator and Chief Operating Officer  
U.S. Agency for International Development

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

**SUBJECT:** Non-Federal Audits: Management Gaps Weaken Stewardship of U.S. Foreign Assistance

The USAID Office of Inspector General (OIG) is informing you of key issues related to financial audits of organizations that implemented U.S. foreign assistance programs. These non-Federal audits (NFAs)—also known as single audits—help to mitigate the risk of fraud, waste, and abuse; strengthen internal controls and compliance with award terms and applicable laws and regulations; and identify and recover improper payments. Addressing open NFA recommendations, incomplete NFAs, and NFA policies and procedures would help USAID administer the responsible closeout of Agency awards.

USAID frequently relied on non-Federal entities—such as contractors, nonprofit organizations, and host country governments—to implement humanitarian and development programs around the world. To help ensure fiscal stewardship and safeguard taxpayer dollars, NFAs are generally required for non-Federal entities, both domestic and foreign, that spend over \$1 million in federal assistance annually.<sup>1</sup>

Independent auditors typically perform the audits, which must adhere to federal government auditing standards. USAID will continue to rely on these audits as it closes out thousands of terminated awards.

Based on our experience independently overseeing USAID's NFA program, we highlight the following key issues for the Agency's attention to ensure accountability over U.S. foreign assistance funds:

---

<sup>1</sup> Public Law 104-156, "Single Audit Act Amendments of 1996," July 5, 1996, and Title 2 U.S. Code of Federal Regulations, Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," October 1, 2024. Domestic and foreign for-profit contractors follow the Federal Acquisition Regulations, Part 42, "Contract Administration and Audit Services." See also USAID OIG, [Non-Federal Audit Primer](#), January 2025.

- **Open Recommendations Include \$47.4 Million in Questioned Costs.** We have over 170 open recommendations for USAID related to NFAs, including \$47.4 million in costs that auditors questioned as unreasonable, unsupported, or ineligible as of September 24, 2025. Adjudicating the allowability of questioned costs and recovering improper payments from implementers are vital steps for accountability of U.S. foreign assistance funds. In addition to questioned costs, we have open recommendations to address issues with financial reporting, internal controls, and compliance with award terms, laws, and regulations. If left unaddressed, these open issues could impact the integrity of ongoing USAID-funded awards for which the Department of State assumed responsibility on July 1, 2025.
- **Outstanding NFAs for Over \$1.2 Billion in Expenditures.** When USAID missions closed on August 15, 2025, over 350 planned NFAs covering approximately \$1.2 billion in foreign entity expenditures were still outstanding. Mission officials told us NFAs were in various stages of completion when awards were terminated and, in some cases, officials said they did not expect audits to be conducted.<sup>2</sup> Nevertheless, Federal audit requirements generally still apply for terminated awards, even if the implementer has subsequently closed operations. USAID policy and award terms also remain in effect for ongoing and terminated awards unless otherwise amended. The policy and award terms may require closeout audit procedures, such as reviewing unliquidated advances, verifying returns of excess cash, and confirming proper asset disposal (e.g., inventory, equipment, commodities). Gaps in NFA coverage may hinder accountability over these funds, including an inability to identify questioned costs and recover improper payments. Additionally, although documentation should be maintained for audit for at least 3 years after award closeout, audits may become challenging given changes to USAID's and implementers' operating status and records management capabilities.
- **Gaps in Policies and Procedures for NFAs.** Of the 295 NFA reports USAID OIG reviewed between January 1 and September 24, 2025, covering over \$10.8 billion, more than 200 reports (70 percent) involved foreign entities. Foreign independent public accountants or supreme audit institutions submitted NFA reports to USAID about these foreign entities' use of U.S. foreign assistance.<sup>3</sup> However, in September 2025, we reported that USAID staff used varying processes to review NFA reports for quality standards due to a lack of Agency policies and guidance.<sup>4</sup> NFA programs involving U.S. foreign assistance must account for the high volume of awards to—and audits by—foreign entities and the

---

<sup>2</sup> NFAs align with the audited entity's fiscal year and are due 9 months after the fiscal year ends. For example, one implementer in Africa spent \$1.6 million of USAID funding in its fiscal year 2024 and the NFA was due by June 30, 2025—9 months after the fiscal year ended. However, USAID terminated the award before the audit started and the mission did not expect it to be completed, thus leaving these funds and any subsequent expenditures unaudited.

<sup>3</sup> Nigeria-based certified public accounting firm Parker Randall Offor, for example, audited \$14.7 million expended by a USAID implementer in Nigeria (4-620-25-091-R). A supreme audit institution is a public, governmental entity responsible for auditing government revenue and expenditure. For example, Pakistan's Supreme Audit Institution audited \$5.8 million in USAID funds expended by the provincial Government of Sindh's Planning & Development Department (5-391-25-046-R).

<sup>4</sup> USAID OIG, [Non-Federal Audits: Actions Needed to Standardize Processes for Reviewing Reports and Assessing Questioned Costs](#) (9-000-25-002-P), September 11, 2025.

unique risks that can affect fiscal stewardship, such as volatile operating environments and variations in laws, customs, and business maturity. Having clear and appropriate policies and procedures underpins oversight for U.S. foreign assistance, especially during times of change when pre-existing controls may no longer be effective.<sup>5</sup>

While we are not making recommendations, we encourage USAID to address key issues related to open NFA recommendations, incomplete NFAs, and NFA policies and procedures to help ensure accountability of U.S. foreign assistance expenditures and recover improper payments to implementing organizations. We continue to provide independent oversight of USAID's NFA program and intend to review USAID foreign-based award recipients' compliance with financial audit requirements.

We prepared this management advisory in accordance with the Council of the Inspectors General for Integrity and Efficiency's *Quality Standards for Federal Offices of Inspectors General* based on work completed from August to October 2025. We reviewed NFA-related requirements, including the Code of Federal Regulations and USAID's Automated Directives System. We analyzed qualitative and quantitative information from OIG's independent oversight of the Agency's NFA program as of September 24, 2025, including OIG's publicly available NFA transmittal memorandums and performance audit reports.

USAID did not have any comments on the draft management advisory, which we issued to the Agency on November 17, 2025.<sup>6</sup>

We appreciate USAID's ongoing assistance with our oversight work.

---

<sup>5</sup> "Changes in conditions affecting the entity and its environment often require changes to the entity's internal control system, as existing controls may not be effective for meeting objectives or addressing risks under changed conditions," according to The Government Accountability Office, *Standards for Internal Control in the Federal Government*, Principle 9, "Identify, Analyze, and Respond to Change."

<sup>6</sup> In addition, 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@oig.usaid.gov](mailto:oignotice_ndaa5274@oig.usaid.gov).