



Situational Alert

USAID OIG Investigative Findings and Implications for U.S. Government-to-Government Award in Kenya

The USAID Office of Inspector General (OIG) has previously identified challenges associated with government-to-government (G2G) awards, particularly in the global health sector, where host government systems are used for procurement, warehousing, and distribution of health commodities. On December 4, 2025, the U.S. Department of State and the Republic of Kenya announced a \$2.5 billion bilateral health cooperation framework establishing a G2G partnership for the detection, prevention, and response to emerging and existing infectious disease threats. Under this proposed framework, Kenya intends to utilize the Kenya Medical Supplies Authority (KEMSA), a state-run corporation under the Kenyan Ministry of Health, for procurement, warehousing, and distribution.

Past OIG investigations into a \$650 million USAID award to KEMSA identified significant vulnerabilities in KEMSA's core business processes. As a result of our investigative findings, USAID reprogrammed over \$32 million in funds away from KEMSA. In addition, after reviewing the evidence provided by USAID OIG, the Secretary of State notified the government of Kenya in 2021 that it was no longer tenable for the U.S. to continue working through KEMSA for the importation, warehousing, and distribution of health commodities. OIG has no information indicating that KEMSA undertook significant reforms or whether additional oversight was conducted to assess and verify improvements in its operations.

Given the systemic risks associated with G2G awards and KEMSA's proposed role in the newly announced health cooperation framework, OIG is alerting the Department of State to previously identified vulnerabilities in KEMSA's capacity to warehouse and distribute U.S.-funded health commodities:

Transcontinental and Transnational Diversion. An OIG investigation into KEMSA recently concluded with two individuals indicted, one convicted (the other was unable to be extradited from Kenya) for conspiring against the U.S. to illegally divert U.S.-funded global health commodities from KEMSA. As part of our investigation, USAID OIG purchased USAID-funded commodities from one of the subjects in Kenya, identified diversion of HIV and malaria test commodities, and obtained evidence of the subjects' capacity to divert substantially greater quantities.

Corrupt Procurement Processes. Credible allegations received by USAID OIG criminal investigators suggested that multiple individuals connected to KEMSA at the highest levels orchestrated or were involved in "pay-to-play" schemes and schemes to solicit kickbacks in exchange for sub-awards.

Internal Control Weaknesses in Warehouse Operation. OIG criminal investigators identified material and systemic vulnerabilities in KEMSA's warehousing operations that weakened inventory control and accountability for USAID-funded commodities. OIG observed pallets without barcode labels, boxes not associated with pallets, and staff who could not explain how certain commodities were being tracked. During a demonstration of KEMSA's logistics management systems, both systems were unresponsive or crashed. In an auxiliary warehouse, OIG found no clear accounting for inventory storage or movement, and no locks on the entrance gate.

Unsecure Supply Chain Management System. OIG identified vulnerabilities in KEMSA's supply chain management system for malaria commodities. OIG found that orders submitted to Kenya's National Malaria Control Program for approval were transmitted through unsecured and editable Microsoft Excel spreadsheets, and that KEMSA employees with access to its logistics management information system could alter data, creating opportunities to inflate orders and divert excess commodities.

Despite numerous proactive reviews and assessments by USAID designed to identify the very vulnerabilities, diversion, and theft affecting USAID awards to KEMSA outlined above, these issues would likely have gone undetected had it not been for the independent third-party allegations our office received. Much of the fraud above was uncovered as the USAID award was nearing completion and as a second major follow-on award to KEMSA was in development. While USAID OIG criminal investigators ultimately identified and investigated the criminal misconduct, the circumstances under which it was uncovered highlight the systemic challenges in detecting fraud, waste, and abuse in G2G awards, where the U.S. government has traditionally limited independent visibility into host-country systems and operations.

More broadly, the U.S. government's ability to pursue accountability in G2G awards is constrained by legal, jurisdictional, and diplomatic considerations. For example, USAID OIG's capacity to pursue civil and/or criminal action against KEMSA was limited by the fact that action against KEMSA itself would effectively be a suit by the United States against Kenya. Administrative remedies, such as suspension and debarment, also have limited applicability in the context of foreign entities, governments in particular.

Furthermore, unlike traditional assistance mechanisms, G2G awards may not provide enforceable rights of access to the records, personnel, or data necessary to conduct independent audits and investigations or to verify that U.S.-funded commodities and services reach intended beneficiaries. In addition, investigations can be complicated by non-cooperation from host-country law enforcement.

Clear, explicit, and detailed plans to mitigate the risk of fraud, waste, and abuse, backed by sustained oversight and enforceable access, will help ensure the integrity of U.S.-taxpayer dollars programmed through these bilateral awards moving forward.