

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

West Bank and Gaza: USAID Did Not Identify Key Fraud Risks for Cash Assistance and Relied on Nongovernmental Organization Assessments and Remote Monitoring

Audit Report 9-000-26-002-P
May 21, 2026

Audit



Office of Audits, Inspections, and Evaluations



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

DATE: May 21, 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: West Bank and Gaza: USAID Did Not Identify Key Fraud Risks for Cash Assistance and Relied on Nongovernmental Organization Assessments and Remote Monitoring

This memorandum transmits our final audit report. Our audit objective was to assess the extent to which USAID's Bureau for Humanitarian Assistance evaluated fraud risk for multipurpose cash assistance activities implemented by nongovernmental organizations in West Bank and Gaza and monitored these activities.

USAID did not provide a response to or comments on the draft report. Should we receive written comments from the Agency on this report at a later date, we will update and reissue the report to reflect the comments and technical changes as applicable.

The report contains our audit findings and one consideration for future foreign assistance.

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

Contents

Report in Brief.....	1
Introduction	2
Background	3
BHA Did Not Identify Key Fraud Risks for Cash Assistance in West Bank and Gaza but Monitored Activities	6
BHA Did Not Assess Fraud Risk Specific to Its Response in West Bank and Gaza.....	6
BHA Relied on Its NGOs' Fraud Risk Assessments for Cash Assistance Activities.....	8
BHA Used Multiple Methods to Monitor MPCA Activities in West Bank and Gaza.....	9
Conclusion	11
Consideration for Future Foreign Assistance	11
OIG Response to Agency Comments	11
Appendix A. Scope and Methodology.....	12
Appendix B. Summary of USAID's Risk Assessment Processes	14



Report in Brief

Why We Did This Audit

Israel declared war on Hamas after the U.S.-designated terrorist organization invaded the country on October 7, 2023, killing more than 1,200 people and seizing 253 hostages. To respond to urgent humanitarian needs resulting from the war, USAID's Bureau for Humanitarian Assistance (BHA) provided food and healthcare to help support displaced and conflict-affected populations in West Bank and Gaza. BHA also provided support through multipurpose cash assistance (MPCA)—cash distributions through one-time or monthly transfers that help with the average household's basic needs, such as food, rent, and water during an emergency. In fiscal year 2024, USAID awarded about \$36 million for MPCA activities to four nongovernmental organizations (NGOs) in West Bank and Gaza.

Although providing cash can be flexible and more cost effective than providing in-kind commodities, it is also susceptible to fraudulent activity such as misappropriation and theft. Having controls over cash assistance is important for mitigating risks of fraud in humanitarian aid programming, such as diversion to U.S.-designated terrorist organizations.

We conducted this audit to assess the extent to which BHA evaluated fraud risk for MPCA activities implemented by NGOs in West Bank and Gaza and monitored these activities. We reviewed MPCA activities from October 2023 through September 2024. USAID terminated the activities in February and March 2025.

What We Recommend

To strengthen procedures for identifying and mitigating fraud risks, we suggest that decision makers implement a fraud risk management policy for humanitarian assistance responses in nonpermissive environments, including completing a fraud risk assessment and profile and a response risk profile before or soon after initiating the response.

What We Found

BHA did not identify key fraud risks for cash assistance in West Bank and Gaza. Specifically, the bureau did not develop a fraud risk assessment and profile or response risk profile for its humanitarian assistance in the complex emergency to identify key risks related to MPCA. These risks included cash liquidity challenges, vendor fees, price gouging, and diversion to unauthorized recipients and terrorist groups. BHA officials noted that when the West Bank and Gaza response began, priority was given to the urgency of providing life-saving assistance during the rapidly evolving conflict in Gaza over developing a response risk profile. BHA staff also said that they were not required to create a fraud risk assessment and profile because Agency or bureau policy did not mandate them to do so. This is contrary to the Government Accountability Office's *A Framework for Managing Fraud Risks in Federal Programs* and requirements from BHA's Management Council on Risk and Internal Controls. The bureau also did not have a permanent, dedicated risk management advisor assigned to support and conduct response risk profiles and had limited staff. Nonetheless, without a fraud risk assessment and profile and response risk profiles for West Bank and Gaza, BHA was unable to demonstrate how it identified or addressed key risks to providing cash assistance in Gaza—a high-risk area for diversion and misuse of U.S. foreign assistance.

BHA monitored cash assistance activities. BHA reviewed and relied on NGOs' risk assessment and management plans before issuing awards to NGOs. Due to the nonpermissive environment, BHA did not monitor MPCA activities directly. Instead, it relied on multiple methods of monitoring, including a third-party monitor, biweekly and monthly reports, and post distribution monitoring reports from NGOs. According to BHA, these reports provided the bureau with insights into operational challenges to the flow of cash or supplies.

Introduction

Israel declared war on Hamas after the U.S.-designated terrorist organization invaded the country on October 7, 2023, killing more than 1,200 people and seizing 253 hostages. To respond to urgent humanitarian needs resulting from the war, the U.S. government tasked USAID to help the people of Gaza obtain life sustaining goods and services. USAID's Bureau for Humanitarian Assistance (BHA) provided food and healthcare to help support displaced and conflict-affected populations in West Bank and Gaza.¹ BHA also provided support through multipurpose cash assistance (MPCA), which is cash distributions through one-time or monthly transfers that help with the average household's basic needs, such as food, rent, and water during an emergency. In fiscal year 2024, USAID awarded about \$36 million for MPCA activities to four nongovernmental organizations (NGOs) in West Bank and Gaza.²

An advantage of cash is that it can be flexible and more cost effective than providing in-kind commodities while simultaneously supporting local markets. However, cash is also susceptible to fraudulent activity, such as misappropriation and theft. Having controls over cash assistance is important to mitigate risks of fraud in humanitarian aid programming, such as diversion to U.S.-designated terrorist organizations. The process of addressing risks in providing humanitarian aid such as cash assistance is a top management challenge that OIG has identified previously for USAID.³

We conducted this audit to assess the extent to which BHA evaluated fraud risk for MPCA activities implemented by NGOs in West Bank and Gaza and monitored these activities.

To answer the audit objective, we identified four BHA awards to four NGOs in West Bank and Gaza that provided MPCA from October 7, 2023, through September 30, 2024. We reviewed the award and monitoring documentation from BHA and the NGOs to better understand how BHA evaluated fraud risk and monitored MPCA activities. We compared BHA's efforts to leading practices in the U.S. Government Accountability Office's (GAO) *A Framework for Managing Fraud Risks in Federal Programs*, and BHA's internal monitoring guidance. Additionally, we interviewed BHA officials and staff from three of the four NGOs to discuss fraud risk assessment processes and monitoring for the awards.⁴

We conducted our work in accordance with generally accepted government auditing standards. Appendix A provides more details about our scope and methodology.

¹ BHA referred to its response efforts in West Bank and Gaza as the Levant Complex Emergency.

² An NGO is an independent entity that USAID partners with through a contractual or grant agreement to deliver assistance across various regions and sectors where the Agency works.

³ USAID OIG, [Top Management Challenges Facing USAID in Fiscal Year 2024](#), November 16, 2023. USAID OIG, [Top Management Challenges Facing USAID in Fiscal Year 2025](#), November 15, 2024.

⁴ We did not interview staff of one NGO because the NGO was awarded its contract a few days before the end of the audit period, and we were informed that no funds had been disbursed at that time.

Background

The Environment in West Bank and Gaza

On October 7, 2023, Hamas and affiliated armed groups launched an attack on civilian and military targets in Israel that resulted in more than 1,200 deaths and the abduction of approximately 250 people. In response, the Israeli government began a large-scale military operation in Gaza. The attack and ensuing war created a complex emergency in the region. It marked a major escalation of conflict in Gaza and increased tensions in the West Bank.⁵

USAID considered West Bank and Gaza a nonpermissive environment.⁶ Because of the nonpermissive environment, NGOs used a number of monitoring approaches to understand the environment and performance of MPCA activities.

MPCA Distributions

Between October 2023 and July 2024, the international donor community provided at least one MPCA payment to approximately 1.4 million recipients. The typical payment was around \$275.⁷ Most international cash assistance was distributed to recipients through a local mobile payment system called PalPay, a financial service provider network not affiliated with the global platform PayPal.

In fiscal year 2024, USAID awarded about \$36 million for MPCA activities to 4 NGOs in West Bank and Gaza. These NGOs distributed MPCA as part of USAID's humanitarian assistance programs. As of September 30, 2024, about \$30 million of the \$36 million (83 percent) had been obligated, and \$5.1 million (14 percent) had been spent on MPCA. Table I shows the MPCA award activity from October 7, 2023, through September 30, 2024.

Table I. Summary of MPCA Award Activities by NGO, as of September 30, 2024

NGO	Awarded Amount	Obligated Amount	Expended Amount
NGO #1	\$13,003,699	\$10,003,699	\$349,213
NGO #2	\$10,480,655	\$10,480,655	\$2,230,107
NGO #3	\$10,432,710	\$7,432,710	\$2,552,140
NGO #4*	\$2,078,550	\$2,078,550	\$0
Total	\$35,995,614	\$29,995,614	\$5,131,460

* The award to NGO #4 was signed on September 10, 2024. The NGO did not distribute any MPCA by September 30, 2024.

Source: OIG analysis of BHA and NGO information.

⁵ A complex emergency is a multifaceted humanitarian crisis in a country or region, characterized by a breakdown of authority resulting from internal or external conflict that requires a multisectoral, international response.

⁶ A nonpermissive environment refers to a situation where USAID's ability to operate safely and effectively was significantly constrained due to factors like instability, insecurity, inaccessibility, or uncertainty.

⁷ United Nations Office for the Coordination of Humanitarian Affairs, *Gaza Humanitarian Response Update*, July 8–21, 2024.

On January 26, 2025, the Secretary of State ordered a pause on all U.S. foreign assistance, including USAID-funded programs.⁸ Accordingly, USAID ordered the NGOs to stop their activities while the programs were reviewed. BHA later terminated MPCA activities in the awards to the four NGOs in February and March 2025. BHA notified the NGOs that USAID was discontinuing all MPCA activities as of April 2025. On July 1, 2025, the Department of State assumed responsibility for USAID’s remaining, active programming.

BHA’s Responsibilities for Fraud Risk Management in MPCA

Effective fraud risk management helps ensure that Federal programs use funds responsibly, achieve their intended objectives, and protect government assets. While there is no single approach, fraud risk assessments generally involve five actions:

1. Identifying inherent fraud risks, or events where fraud could occur and the types of fraud a program or activity may face.
2. Assessing fraud risks to determine their significance, likelihood of occurrence, and impact.
3. Determining how much fraud risk can be accepted while achieving program goals.
4. Examining existing safeguards to determine whether they are strong enough to prevent or detect fraud.
5. Documenting a profile of the fraud risk assessment results and prioritizing the risks to address.⁹

USAID, like other executive agencies, was responsible for efforts to identify, assess, and mitigate fraud risks in its programs, including creating fraud risk management strategies and monitoring programs and activities. BHA led this effort for humanitarian aid programs. BHA was also required to assess program risks in high-risk environments, such as West Bank and Gaza, by developing a response risk profile specific to its humanitarian response to inform appropriate risk mitigation actions.^{10, 11} Additionally, BHA had to review program risk assessment and management plans from NGOs, including actions to address potential fraud in MPCA related to USAID’s agency-level response in the region.¹² BHA’s assessments contributed to USAID’s risk assessment processes. Appendix B summarizes USAID’s risk assessment processes.

⁸ The Secretary of State issued this pause of foreign assistance funding consistent with the President’s Executive Order, “Reevaluating and Realigning United States Foreign Aid,” January 20, 2025.

⁹ GAO, *A Framework for Managing Fraud Risks in Federal Programs* (GAO-15-593SP), July 2015.

¹⁰ USAID’s Automated Directives System, Chapter 596, Section 596.2.d, “Management’s Responsibility for Enterprise Risk Management and Internal Control,” March 2023, outlined the responsibilities for the Management Councils on Risk and Internal Controls. BHA’s Management Council on Risk and Internal Controls, a governance structure established to oversee enterprise risk management and internal control in BHA, required the completion of a response risk profile for high-risk environments.

¹¹ BHA defined high-risk environments as those where (1) actors, including sanctioned entities or designated terrorist organizations, may interfere with, divert, or claim credit for U.S. assistance; and (2) there is a risk that BHA assistance could benefit or involve such groups.

¹² A risk assessment identifies and analyzes risks to achieving objectives to form the basis for risk response. It involves identifying key risks, analyzing their likelihood and impact, and determining mitigation actions or controls.

Prior Related Reports on Risk Assessments and Humanitarian Aid

We have published three audit reports involving risk assessments and humanitarian aid, including BHA's responses to regional crises. In April 2021, following the Venezuela regional crisis, we issued a report that found NGOs did not compare beneficiary information or develop procedures to conduct beneficiary data matching to prevent duplicate enrollments. They also did not have procedures for using data mining techniques to identify suspicious or anomalous transactions.¹³ In May 2023, we reported that BHA did not consistently follow internal guidance for assessing risks from sanctioned groups in northern Central America and needed to improve the documentation of risk assessments and data-sharing agreements among NGOs.¹⁴ In September 2023, we reported on the risk assessment process at USAID's Mission in West Bank and Gaza. We found that the mission did not identify risks related to security, legal, fiduciary, and information technology requirements.¹⁵

We have also highlighted key lessons to enhance the effectiveness of humanitarian responses, including having policies and procedures for fraud risk management and planning monitoring approaches tailored to unstable and conflict settings.¹⁶ Additionally, our recently published audit of partner vetting in West Bank and Gaza found that USAID selectively vetted organizations and individuals, its policy from two decades ago exempted United Nations' staff and other groups, and the Agency relied on implementers' self-reporting.¹⁷

GAO has also issued reports related to cash assistance and fraud risk assessments at USAID. In September 2016, GAO concluded that USAID had established processes to monitor cash and voucher projects, but data limitations impeded evaluation.¹⁸ In March 2024, GAO found that selected missions did not follow leading practices for assessing fraud risk—specifically, the missions considered and documented some fraud risk through annual risk management processes but had not examined program-specific fraud risks.¹⁹ In April 2024, GAO also found that USAID did not comprehensively assess or document the relevant fraud risks affecting its

¹³ USAID OIG, [Enhanced Processes and Implementer Requirements Are Needed To Address Challenges and Fraud Risks in USAID's Venezuela Response](#) (9-000-21-005-P), April 16, 2021. USAID took sufficient action to address all the recommendations from this report.

¹⁴ USAID OIG, [Northern Central America Humanitarian Response: USAID Took Steps to Mitigate Fraud Risks, but Opportunities Exist to Clarify Guidance on Assessing Sanctioned Group Risk](#) (9-000-23-001-P), May 22, 2023. USAID took sufficient action to address all the recommendations from this report.

¹⁵ USAID OIG, [West Bank and Gaza: USAID Did Not Document Its Deliberative Process for Identifying and Assessing Risks in Programming](#) (8-294-23-003-P), September 18, 2023. USAID took sufficient action to address the recommendation from this report.

¹⁶ USAID OIG, [Humanitarian Assistance: Lessons for the Future](#) (E-000-25-005-M), July 16, 2025.

¹⁷ USAID OIG, [West Bank and Gaza: Selective Partner Vetting, Policy Exemptions, and Information Shortfalls Could Increase the Risk of Diverting Humanitarian Assistance Funding to Entities Associated With Terrorism](#) (8-294-26-003-P), May 14, 2026.

¹⁸ GAO, *International Cash-Based Food Assistance: USAID Has Established Processes to Monitor Cash and Voucher Projects, But Data Limitations Impede Evaluation* (GAO-16-819), September 2016.

¹⁹ GAO, *Central America: USAID Should Strengthen Staffing and Fraud Risk Management for Initiative Addressing Migration to the U.S.* (GAO-24-106232), March 14, 2024.

assistance in three conflict-affected countries and therefore, could not ensure that the risks were mitigated.²⁰

BHA Did Not Identify Key Fraud Risks for Cash Assistance in West Bank and Gaza but Monitored Activities

BHA did not assess fraud risks for its response in West Bank and Gaza. Specifically, BHA did not develop a fraud risk assessment and profile and a response risk profile to identify and mitigate risks, including those related to MPCA. Instead, BHA relied on its NGOs' risk assessment and management plans for MPCA activities. Further, because the nonpermissive environment prevented BHA from monitoring the activities in person, the bureau relied on other methods, including a third-party monitor.

BHA Did Not Assess Fraud Risk Specific to Its Response in West Bank and Gaza

BHA did not develop a fraud risk assessment, fraud risk profile, and a response risk profile for its humanitarian assistance response in West Bank and Gaza. These steps could have identified key risks related to MPCA—such as cash liquidity challenges, vendor fees, price gouging, and diversion to unauthorized recipients and terrorist groups—and appropriate mitigation measures. Executive agencies are responsible for implementing the leading practices in GAO's *A Framework for Managing Fraud Risks in Federal Programs*.²¹ According to the framework, as part of a strategic approach to fraud management, agencies should conduct a fraud risk assessment and develop a fraud risk profile at the program level. The fraud risk profile is a summary of fraud risks and the agency's determination of whether existing controls reduce risks to an acceptable level.²² Additionally, BHA was required to prepare a response risk profile for any country or geographic area that was determined to be high-risk, such as West Bank and

²⁰ GAO, *Foreign Assistance: USAID Should Strengthen Risk Management in Conflict Zones* (GAO-24-106192), April 30, 2024.

²¹ Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, "Attachment," July 15, 2016.

²² GAO, *A Framework for Managing Fraud Risks in Federal Programs* (GAO-15-593SP), July 2015. Although there is no single prescribed approach, fraud risk assessments generally involve five actions: identifying inherent fraud risks, assessing the likelihood and impact, determining risk tolerance, examining existing fraud controls, and documenting a fraud risk profile. The resulting fraud risk profile summarizes the identified risks from the assessments, evaluates the likelihood and potential impact, defines management's risk tolerance, and assesses whether existing controls reduce risks to an acceptable level.

Gaza.^{23, 24} BHA incorporated the requirement in its internal guidance for portfolio risk assessments.²⁵

We found that BHA assessed fraud risks related to how it operates as a bureau, but not for MPCA in West Bank and Gaza.²⁶ Specifically, BHA identified a significant and likely risk of coordinated diversion schemes that could harm its reputation if the bureau did not have sufficient oversight, monitoring, and risk management of foreign assistance. However, BHA did not prepare an assessment or profile of fraud risk for MPCA in the West Bank and Gaza region. For example, the bureau did not put into a profile its explanations of how it would enhance oversight, monitoring, and risk management controls of cash assistance activities in West Bank and Gaza to enable the bureau to address diversion, reputational, and other key risks that could prevent the humanitarian assistance from reaching its intended beneficiaries. BHA also did not complete a response risk profile, which could include MPCA program risk, as required.²⁷ BHA officials noted that when the West Bank and Gaza response began in October 2023, priority was given to the urgency of getting life-saving assistance during the rapidly evolving conflict in Gaza over developing a response risk profile.

The absence of a fraud risk assessment and profile stemmed in part from confusion about the requirement to do so. BHA staff said that they were not required to create them because Agency or bureau policy did not mandate them to do so.²⁸ Moreover, the challenge of having limited staffing contributed to not completing a response risk profile. According to BHA staff, the bureau did not have a permanent, dedicated risk management advisor assigned to support and conduct the response risk profile. They explained that the bureau had vacancies for risk management positions since the fall of 2022 and had used staff on temporary assignments to fill positions. They added that since August 2023, BHA solicited for risk management advisor positions but had onboarding delays due to a contract transition in January 2024 and new processes introduced during recruitment. An official from BHA said that only one candidate

²³ USAID, Automated Directives System, Chapter 596, *Management's Responsibility for Enterprise Risk Management and Internal Control*, March 2023. This policy established the requirement through the Management Councils on Risk and Internal Control. BHA's Management Council on Risk and Internal Controls required the completion of a response risk profile for high-risk environments, in line with the Agency's oversight responsibilities for enterprise risk management and internal control.

²⁴ A response risk profile is a strategic tool to identify and prioritize risks and their assessments specific to the response so that efforts can focus on mitigation actions.

²⁵ BHA, *Portfolio Risk Assessment Guidance*, updated December 2023. This guidance describes BHA's requirement for completing response risk profiles for high-risk environments using its standard operating procedures. As a new requirement, BHA planned to begin rolling out its response risk profiles in fiscal year 2024.

²⁶ In 2024, BHA created a bureau-wide fraud risk profile, according to BHA's Fraud Risk Management Framework. BHA's fraud risk profile is an inventory of fraud risks faced by BHA worldwide and included information such as the likelihood and impact of the risk as well as risk treatments.

²⁷ USAID defined a program as either a mission's entire portfolio or the entire portfolio of a technical sector within a country's development strategy.

²⁸ In March 2024, GAO reported that USAID missions did not assess program-specific fraud risks or generate fraud risk profiles because mission officials said it was not required by agency-wide policy. GAO recommended that USAID ensure that agency-wide guidance requires regular fraud risk assessments for its programs and document program-specific fraud risk profiles in line with leading practices. USAID agreed with this recommendation but did not specify when it would begin these fraud risk assessments and profiles. GAO, *Central America: USAID Should Strengthen Staffing and Fraud Risk Management for Initiative Addressing Migration to the U.S.* (GAO-24-106232), March 14, 2024.

was selected through the risk management officer solicitation. The official further explained that the bureau was actively trying to fill 11 open risk management positions to address what the bureau considered to be a significant risk to BHA programming.

Without effective fraud risk management, BHA had limited assurance that cash assistance was used to achieve its intended objectives. Specifically, without a fraud risk assessment and profile and response risk profile for West Bank and Gaza, BHA was unable to demonstrate how it identified or addressed key risks to MPCA, such as cash liquidity challenges, vendor fees, price gouging and diversion to unauthorized recipients and terrorist groups. This is especially critical in Gaza—a high-risk area for diversion and misuse of U.S. foreign assistance.

BHA Relied on Its NGOs' Fraud Risk Assessments for Cash Assistance Activities

In the absence of its own fraud risk assessment for MPCA in the West Bank and Gaza region, BHA relied on risk assessments the NGOs implementing MPCA activities developed. In particular, BHA reviewed risk assessment and management plans from all four NGOs conducting MPCA activities in Gaza, as required by USAID policy.²⁹ As part of the humanitarian assistance application process, BHA required NGOs to submit a risk assessment and management plan that evaluated the risk of fraud, waste, and abuse associated with the activity, and that described how the NGOs would manage these risks.

We determined that before issuing awards to the NGOs engaged in MPCA activities, BHA reviewed risk assessments and applications the NGOs submitted to verify that they identified risks, including fraud, and efforts to mitigate the risks in Gaza. We based this on our review of NGO applications, including the risk assessment and management plans and related correspondence between BHA technical staff and NGOs. Specifically, BHA's risk and cash assistance experts reviewed the submissions, identified issues in the applications related to the risk assessment, and requested clarification. For example, BHA identified a potential risk of duplication of MPCA beneficiaries and recommended coordination amongst NGOs.

NGOs identified fraud risks, such as diversion of cash to unauthorized recipients. To address these risks, NGOs protected beneficiary information and issued nontransferable e-cards that could only be redeemed by designated recipients. Additionally, based on our review of NGOs' risk assessment and management plans, staff received training on countering fraud and corruption and were instructed on using OIG reporting mechanisms. Table 2 shows examples of identified efforts to mitigate these risks.

²⁹ BHA, *Emergency Application Guidelines Common Requirements*, March 2024. BHA required all applicants that provided emergency humanitarian assistance to submit a risk assessment and management plan. The plan outlined how they would manage the risk of misuse of U.S. government resources in proposed activities. The plan also must have demonstrated an understanding of potential risks, including fraud, waste, or abuse, and describe how the organization plans to mitigate these risks. The applicant had to show experience in providing humanitarian assistance in the specific operating environment and that aid reaches the intended recipients.

Table 2. Examples of NGOs’ Mitigation Efforts to Address Risks of Providing Cash Assistance

Example Risks	Mitigations
Sending cash to unauthorized parties and loss of financial resources.	Trained staff to verify participant identification and asked the participant to enter their unique cardless code into the Point-of-Sale machine, in addition to the identification number after verification.
Participants’ cards are stolen, invalid, or lost prior to, or after, withdrawal or participants do not receive funds made available to them.	Educational sessions will be provided in the local language covering security procedures and personal safety behaviors (e.g., personal identification number storage separate from cards). Additionally, staff will be available on site to report lost and stolen items. Further, feedback mechanisms include a process for participant reports to the NGO and financial service provider if cards are lost or stolen.
Non-eligible or ghost beneficiaries added to distribution lists.	Staff review the beneficiary database received from project staff. This is followed by the field team cross-checking the beneficiaries appearing on the distribution list with the eligibility criteria and confirming the existence of all beneficiaries.

Source: OIG analysis of NGO risk assessment and management plans.

BHA Used Multiple Methods to Monitor MPCA Activities in West Bank and Gaza

Due to the nonpermissive environment, BHA could not perform in-person monitoring of MPCA activities in West Bank and Gaza and used other methods instead. The lack of in-person oversight in a nonpermissive environment increases the risk that humanitarian assistance will be misused or diverted through fraud—potentially benefitting unauthorized recipients and terrorist groups. NGOs reported that widespread conflict and security constraints, including Israeli border restrictions, blocked roads, evacuation orders, and continuous bombardments prevented in-person monitoring of assistance activities, including MPCA. As a result, BHA conducted monitoring remotely and used a third-party monitor.³⁰

BHA’s internal monitoring guidance outlined various types of third-party monitoring approaches for operating in nonpermissive environments.^{31, 32} In addition, the guidance identified other monitoring techniques such as more frequent partner meetings and increased use of NGO data and reporting.

BHA used a third-party monitor to oversee MPCA activities distributed by the NGOs in Gaza, where direct access and oversight were limited. From October 2023 through September 2024, the contractor reviewed the MPCA activities of two NGOs through remote interviews and

³⁰ NGO staff explained that transactions and data could be reviewed off-site because cash assistance was delivered through electronic payment systems.

³¹ BHA’s internal monitoring guidance identifies best practices for staff responsible for oversight in a specific country or region.

³² Third-party monitoring is “the systematic and intentional collection of performance monitoring or contextual data by an independent entity, that is neither USAID staff nor an implementing partner directly involved in the work, in situations where USAID staff have limited physical access to activity sites,” according to BHA’s internal monitoring guidance.

desk reviews of program data that focused on verifying beneficiary eligibility and cash distribution procedures.³³ The contractor submitted reports and recommendations to BHA and the NGOs to improve alignment with MPCA goals. For example, the reports noted that beneficiaries had complained that some vendors charged extra fees for cash disbursement. Although NGOs held agreements with the vendors, the third party monitor recommended that BHA take action to address this issue. BHA raised the matter to the United Nations Office for the Coordination of Humanitarian Affairs to help NGOs in responding to the concern.³⁴ Consequently, NGOs developed solutions to prevent beneficiaries from being charged additional fees when redeeming cash assistance, including providing vendor training, terminating contracts, and replacing vendors who continue to overcharge.

In addition to third-party monitoring, BHA considered the communication between its response teams—the Disaster Assistance Response Team and the Response Management Team—and the NGOs to be a key part of monitoring efforts in Gaza. Although NGOs were only required to submit annual and semiannual performance reports, BHA received biweekly and monthly reports from them. These reports provided insight into operational challenges, such as security incidents that caused shortages of cash or critical supplies. BHA officials said the reports did not contain any issues that required them to take immediate action.

BHA officials said they also relied on the NGOs' reporting. Specifically, BHA required post-distribution monitoring reports from the NGOs to collect feedback and data on how efficiently beneficiaries redeemed their cash and how they spent it. An official from BHA explained that the information helped BHA determine the appropriate amount of cash to allocate to each beneficiary. BHA's third-party monitor reported that it also verified the accuracy of the NGOs' data through remote reviews, ensured that NGOs' data management systems complied with USAID data quality standards, and confirmed the validity of the NGOs' reported beneficiary numbers and redemption rates for cash assistance.

³³ BHA did not use a contractor to monitor MPCA activities for an NGO during the audit scope likely due to the low value of cash transfers that were made. In addition, another NGO did not initiate cash transfers during our audit scope.

³⁴ The Office for the Coordination of Humanitarian Affairs coordinates the efforts of United Nations agencies, NGOs, and other stakeholders in the response in Gaza by disseminating information, mobilizing resources, and providing operational support.

Conclusion

A fraud risk assessment and profile and response risk profile for West Bank and Gaza are important steps in managing risks of providing humanitarian assistance in a complex and high-risk environment. While BHA reviewed NGOs' risk assessment and management plans that identified risks and implemented multiple monitoring methods over MPCA activities, the bureau did not develop the assessment or profile, which could have helped demonstrate how issues related to cash liquidity challenges, vendor fees, price gouging, and diversion were to be addressed. Without conducting a fraud risk assessment and creating profiles, BHA could not be certain it addressed the range of risks specific to programs in West Bank and Gaza, including MPCA—which may have placed humanitarian assistance at risk. Addressing this weakness presents an opportunity to proactively design and implement targeted controls and safeguard critical resources in the future. We are not making recommendations given USAID's current operating status and termination of MPCA activities.

Consideration for Future Foreign Assistance

As the administration determines the future of foreign assistance, including identifying and mitigating fraud risks associated with humanitarian assistance in nonpermissive environments such as West Bank and Gaza, we suggest decision makers consider the following action:

1. Implement a fraud risk management policy for humanitarian assistance responses in nonpermissive environments that includes completing a fraud risk assessment and profile and a response risk profile before or as soon as practicable after initiating the response.

OIG Response to Agency Comments

We provided our draft report to USAID on April 3, 2026. As of May 15, 2026, the Agency had not provided a response to or comments on the draft report. Should the Agency provide comments at a later date, we will update and reissue this report to incorporate those comments.

Appendix A. Scope and Methodology

We conducted our work in Washington, DC, from October 2024 through April 2026 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our objective was to assess the extent to which BHA evaluated fraud risk for MPCA activities implemented by NGOs in West Bank and Gaza and monitored these activities.³⁵

In planning and performing the audit, we gained an understanding and assessed internal controls that were significant to the audit objective. Specifically, we designed and conducted procedures related to three of the five components of internal control as defined by GAO.³⁶ These were Risk Assessment, Control Activities, and Monitoring. The steps we took to assess these controls are discussed below.

The audit scope covered about \$36 million in MPCA activities that USAID awarded to four NGOs in West Bank and Gaza. The MPCA activities were implemented as part of broader humanitarian assistance programs. The audit period was from October 7, 2023, through September 30, 2024. BHA subsequently terminated MPCA activities in the awards in February and March 2025.

To address the audit objective, we reviewed documentation and interviewed knowledgeable officials to understand and assess risk assessments, control activities, and monitoring. We reviewed GAO's *A Framework for Managing Fraud Risks in Federal Programs*, BHA's Management Council on Risk and Controls guidance, and BHA's internal monitoring guidance to identify processes and leading practices for managing fraud risks in MPCA activities. To obtain an understanding of the management of MPCA activities in West Bank and Gaza, we also reviewed third-party monitoring reports, NGOs' risk assessment and management plans, and their related monitoring and evaluation plans. We performed an analysis of BHA's review of NGOs' risk assessment and management plans and the bureau's methods for monitoring MPCA activities in West Bank and Gaza for the awards in our scope.

Additionally, we interviewed staff from BHA and the NGOs to understand the bureau's use of fraud risk assessment processes, NGO's evaluation of fraud risk assessments, and monitoring of MPCA activities. We did not interview staff of one NGO because the NGO was awarded its contract a few days before the end of the audit period, and we were informed that no funds had been disbursed at that time.

We did not rely on computer-processed data to answer our objective. Audit findings, conclusions, and recommendations were based on interviews, documentation review, and

³⁵ This audit focused only on awards to NGOs. We did not include public international organizations because they are not held to the same rigorous oversight as NGOs.

³⁶ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.

analysis of documentary and testimonial information that we collected from BHA and NGOs, which we determined were sufficiently reliable for reporting purposes.

Appendix B. Summary of USAID’s Risk Assessment Processes

USAID had several agency-wide processes for assessing mission or bureau-level risks in countries that received foreign assistance. Table 3 summarizes the Agency’s risk assessment processes.

Table 3. Summary of USAID Risk Assessment Processes in Fiscal Year 2024

Risk Assessment Tool	Level of Assessment	Description	Types of Risk Assessed
Annual risk profile	Bureau/mission	Identify, analyze, and manage risks to achieve strategic objectives.	Any, including fiduciary, counterterrorism or sanctions-related, and security.
Uniform risk and internal control assessment	Bureau/mission	To identify risks and associated controls, calculate a risk priority and internal control deficiency, and allow management to determine the significance of the deficiency.	Any, including fiduciary, counterterrorism or sanctions-related, and security.
Pre-award risk assessments	Award	Assess risks posed by potential award recipients prior to awarding grants, cooperative agreements, or contracts.	Fiduciary.
Pre-award surveys	Bureau/mission	USAID must conduct a pre-award survey if the applicant has never received U.S. government funding, has not received a direct USAID assistance award or contract, or has not received Federal funding within the last 5 years.	Fiduciary, human resources and programmatic risks.
Risk-based assessments	Bureau/mission or award	Assess the likelihood that funds, goods, and services could intentionally or inadvertently benefit terrorists or sanctioned entities or individuals.	Counterterrorism- or sanctions-related.
Response risk profiles	Country/geographic area	BHA’s response risk profiles include risk treatments, which are the actions response teams take to assess, manage, and mitigate risks.	Risks related to USAID’s response, to include fraud risk.
Regional Security Office security assessments	Mission	The U.S. Embassy’s Regional Security Office in each country conducts security assessments for all proposed USAID personnel travel to or within the country, which includes evaluating risks related to the proposed travel as well as potential risk mitigation measures.	Security.

Source: OIG review of information provided by BHA staff and GAO, *Foreign Assistance: USAID Should Strengthen Risk Management in Conflict Zones* (GAO-24-106192), April 30, 2024.



Visit our website at oig.usaid.gov and
follow us on social media.

X: @AidOversight

LinkedIn: USAID Office of Inspector General

Instagram: @usaid.oig



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

Report Waste, Fraud, and Abuse
[Online Complaint Form](#)