



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MANAGEMENT ADVISORY

DATE: May 5, 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

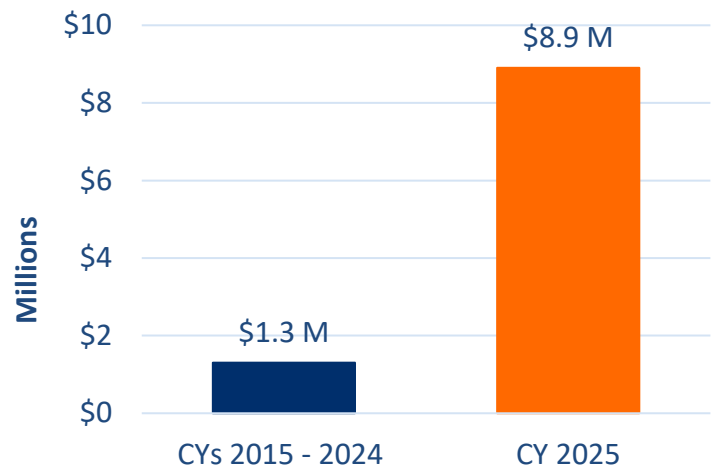
SUBJECT: USAID's Interest Payments to Vendors in Calendar Year 2025 (I-000-26-002-A)

The USAID Office of Inspector General (OIG) is alerting you to an increase in the amount of interest payments, or late charges, USAID paid to vendors in calendar year (CY) 2025.¹

According to our analysis of the Agency's financial data, USAID's interest payments to vendors accelerated sharply in CY 2025, exceeding \$8.9 million. This represents a more than sixfold increase in interest paid in CY 2025 compared to the preceding 10 years combined (see Figure I). By contrast, between CYs 2015 and 2024, USAID's interest payments to vendors averaged \$130,000 per year and ranged from a low of \$15,000 in CY 2018 to a high of \$465,000 in CY 2023.²

USAID is statutorily mandated to make interest payments in certain circumstances. Specifically, the Prompt Payment Act (PPA) requires Federal agencies to pay their bills on time and

Figure I. Comparing USAID Interest Payments CYs 2015–2024 to CY 2025



Source: OIG analysis of data from USAID's financial system, Phoenix.

¹ Vendors are entities providing property or services to the Agency under a procurement contract per Title 5 of the Code of Federal Regulations (CFR), Part 1315. This definition excludes recipients of Federal financial assistance, such as grants or cooperative agreements.

² We did not review the reasons for these smaller historical fluctuations as part of this advisory.

pay interest penalties to vendors when payments are late.³ Under the PPA, interest accrues daily after the payment due date and compounds in 30-day increments until payment is made. PPA interest is capped at exactly 1 year. If the debt remains unpaid after 12 months, the vendor may file a claim under the Contract Disputes Act of 1978 (CDA), which does not have a 1-year cap.⁴ Under the CDA, interest continues to accumulate, even if the claim remains unresolved for several years. Both acts apply an interest rate that is updated every 6 months by the Department of the Treasury. As of the date of this management advisory, the interest rate was 4.125 percent.

USAID finance officials attributed the sharp increase in interest payments in CY 2025 to several factors. These included changes to payment processes and uncertainties due to Agency-wide staff shortages, which reduced USAID's ability to make payments on time, even for approved expenses. For example, USAID limited payment approval authorities to a few senior officials and reduced the number of staff responsible for processing payments. Furthermore, in March 2025, USAID terminated over 5,000 awards as part of the Department of State's review of U.S. foreign assistance. According to a USAID finance official, the Agency prioritized processing award terminations over making outstanding payments to vendors. In addition, the Agency suspended payments related to termination settlement negotiations with vendors.⁵ More vendors could become eligible to file claims under the CDA as time passes without payment.

Congress enacted the PPA to enhance the efficiency of government transactions and provide financial security for private businesses participating in federally funded projects. Similarly, the CDA seeks to ensure equitable treatment for private entities by requiring the government to pay interest on valid claims, a mandate that is intended to expedite dispute resolution.

We are not making recommendations; however, we urge USAID to take steps to minimize PPA violations as the Agency continues to close out awards and wind down its operations. This is critical as long as USAID has financial obligations to federally funded entities. Further delays will result in the Agency continuing to accrue interest on outstanding payments.

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 January to March 2026. We reviewed the Code of Federal Regulations to understand the PPA and CDA and analyzed data from USAID's financial management system, Phoenix, from CY 2015 through CY 2025, to determine interest payment amounts. We also obtained contextual insights and corroborated observations with knowledgeable USAID officials.

³ 5 CFR Part 1315, "Prompt Payment."

⁴ The Contract Disputes Act of 1978 establishes uniform procedures for Federal contract disputes and requires the U.S. government to pay interest on the amount found due and unpaid on contractor claims, per 48 CFR Part 33, "Protests, Disputes, and Appeals" and 48 CFR Part 733, "USAID Procedures for Disputes and Appeals."

⁵ A termination settlement negotiation is the formal process of reaching an agreement on the amount of money the U.S. government owes a contractor after terminating a contract for convenience, rather than for cause. The contractor first proposes a "fair compensation" amount to the Agency for work already performed and then makes preparations for the terminated portion of the contract, per Part 49 of the Federal Acquisition Regulation Subpart 201. USAID OIG initiated an audit of Chemonics' termination settlement proposals in January 2026.

On April 1, 2026, we provided a draft of this management advisory to USAID for review and comment. As of April 24, 2026, the Agency had not provided a response to or comments on the draft. Should we receive written comments at a later date, we will update and reissue the management advisory to reflect the comments and technical changes, as appropriate.⁶

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

⁶ Pursuant to Pub. L. No. 117-263 § 5274, USAID OIG also provides nongovernmental organizations and businesses specifically identified in this report 30 days from the date of the 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.