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

MANAGEMENT ADVISORY

DATE: September 22, 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: Severance Payments: USAID Should Find, Preserve, and Share Complete Financial Records and Payment Statements for Terminated Locally Employed Staff With the Department of State (1-000-26-004-A)

We are writing to alert you about incomplete financial records and supporting documentation for severance payments to locally employed staff USAID terminated in 2025 and the resulting lack of accountability for those payments. As part of our ongoing evaluation of terminated USAID locally employed staff,[1] we found that financial records for approximately $10 million in severance payments the Agency made directly to the staff in Mozambique and the Philippines were incomplete, and supporting documentation for certain payments made to those staff was missing.

Given USAID's operating status and the transition of its responsibilities to the Department of State (State), it is unclear to us whether financial records and supporting documentation do not exist or are not accessible to USAID and State officials. Without such records and statements, the U.S. government cannot verify that severance payments made to locally employed staff were authorized and disbursed appropriately.

We are making one recommendation to USAID to find and preserve financial records and supporting documentation for terminated locally employed staff.

Background

On March 28, 2025, State formally notified Congress that USAID would cease operating as an independent agency, and it would assume responsibility for many of the Agency's functions and its ongoing programming by July 1, 2025. As part of this transition, nearly all non-statutory positions at USAID were eliminated, and all missions closed. On April 9, USAID announced that all locally employed staff would be separated from the Agency no later than August 15, 2025.

[1] USAID OIG, Project Announcement: Evaluation of USAID's Global Employment Terminations of Locally Employed Staff, January 7, 2026.

State's Bureau of the Comptroller and Global Financial Services administered most payroll transactions for USAID's locally employed staff, including severance payments for staff terminated in 2025. However, USAID made final payments directly to staff in Mozambique and the Philippines out of local currency trust funds.[2]

We previously reported issues with USAID's recordkeeping and data integrity in FY 2025, including a lack of sufficient supporting documentation for significant financial statement accounts.[3]

USAID Provided Incomplete Severance Payment Records for Terminated Locally Employed Staff in Mozambique and the Philippines

USAID did not provide us or State with financial records[4] for approximately $10 million worth of severance payments the Agency made in Mozambique. USAID also did not provide State with supporting documentation for payments made to 179 out of 249 staff in Mozambique and the Philippines, such as a voucher showing the payment was made. USAID directed us to request complete financial records and supporting documentation from State. However, according to State officials, USAID did not send those documents to State's Bureau of the Comptroller and Global Financial Services to complete the payroll files.

Tables 1 and 2 provide additional details about the missing financial records and supporting documentation for payments made to terminated staff in Mozambique and the Philippines.

Table 1. Missing Financial Records for Terminated Locally Employed Staff in Mozambique

Total Estimated Separation Payment (# Staff)	Payment Records Provided to OIG and State (# Staff)	Discrepancy (# Staff)
$17.8 million (148)	$7.4 million (64)	**$10.4 million (84)**

Source: OIG analysis of USAID and State financial data.

Table 2. Missing Supporting Documentation for 179 Terminated Locally Employed Staff

Country	# Terminated Staff	# (%) Staff Without Supporting Documentation of Final Payments Provided to State
Mozambique	148	**148 (100%)**
Philippines	101	**31 (31%)**
Total	249	**179 (72%)**

Source: OIG analysis of USAID and State financial data.

[2] Local currency trust funds were bank accounts through which the cooperating government made contributions to USAID operations or programs, and USAID administered the contributions. Missions administered the accounts under a trust agreement with the cooperating government. According to USAID policies, severance payments to locally employed staff were appropriate disbursements from the trust funds.
[3] USAID OIG, *Audit of USAID's Financial Statements for Fiscal Year 2025* (0-000-26-004-C), January 16, 2026.
[4] USAID only provided us with a partial record of the payments made to the staff in Mozambique in its financial transaction system, Phoenix.

By law, U.S. agencies must preserve records containing adequate and proper documentation of essential transactions to protect the legal and financial rights of the government.[5] Additionally, USAID's policies for local currency trust fund financial documentation required that any actions resulting in financial transactions be documented and that source documentation be readily available for audit, including by OIG.[6]

Our USAID point of contact for the evaluation stated that they had limited access to financial records for severance payments to terminated locally employed staff as of June 2026. Additionally, we found that prior to the terminations, the Agency's U.S. staff had a limited amount of time to complete the terminations of local staff, take other actions to close out the local trust funds, and hand over documentation to State before their own positions were terminated. Locally employed staff were terminated by August 15, 2025, while most U.S. staff were terminated by September 2, 2025.

Without complete and available payroll records for locally employed staff terminated in 2025, USAID does not have reasonable assurance that these transactions were authorized, processed, and disbursed appropriately. Further, USAID might not have the information needed to defend the U.S. government against any employment claims brought by these terminated staff.

Therefore, we recommend USAID:

Recommendation 1. Find and preserve financial records and supporting documentation for all payments made to terminated locally employed staff from local trust funds and share those documents with the Department of State's Bureau of the Comptroller and Global Financial Services.

We prepared our management advisory from January to August 2026 in accordance with the Council of the Inspectors General for Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. We requested financial records for all severance payments made to locally employed staff USAID terminated in 2025 from State. We reviewed these records to identify any trends in missing payments. We also requested supporting documentation from USAID and State for these payments. We compared the documentation provided for payments made to terminated USAID staff in Mozambique and the Philippines to State's list of the staff and corroborated this information with knowledgeable staff from USAID and State's Bureau of the Comptroller and Global Financial Services.

On August 18, 2026, we provided a draft of this management advisory to USAID for review and comment within 15 business days. As of September 9, 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.

We consider the recommendation open and unresolved.

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

[5] 44 U.S.C. § 3101.
[6] USAID, Automated Directives System, Chapter 627, "Local Currency Trust Fund Management," February 2024.