# Information Brief: Non-Federal Audits Helped Identify Millions in Questioned Costs to U.S. Foreign Assistance

USAID used its non-Federal audit (NFA) program to monitor implementing partners' use of U.S. assistance funding for contracts, cooperative agreements, and other foreign assistance awards. NFAs—financial audits typically performed by independent public accounting (IPA) firms or supreme audit institutions (SAIs)—assessed implementing partners' compliance with applicable laws, regulations, and award requirements.[1] USAID OIG reviewed all NFA reports to ensure that the audits complied with government auditing reporting standards.[2] From October 2023 through March 2026, IPAs and SAIs audited nearly $3 billion in expenditures of USAID foreign assistance awards around the world. The NFAs identified over $50 million in ineligible or unsupported questioned costs as well as weaknesses in internal controls and noncompliance with laws, regulations, and award provisions.[3] As a result, USAID OIG made 278 recommendations to review and recover the questioned costs and address the other issues identified. As of March 2026, USAID had implemented 187 recommendations and recovered $2.7 million in questioned costs.[4] While the NFA program helped USAID oversee its foreign assistance awards, USAID OIG identified some weaknesses in the program and suggested improvements should a similar approach be used in the future.

On July 1, 2025, the Department of State assumed responsibility for many of USAID's functions and its ongoing foreign assistance programming. Leveraging USAID's NFA approach with the improvements we identified could help enhance the Department's oversight of former USAID foreign assistance programs along with other ongoing and future programs.

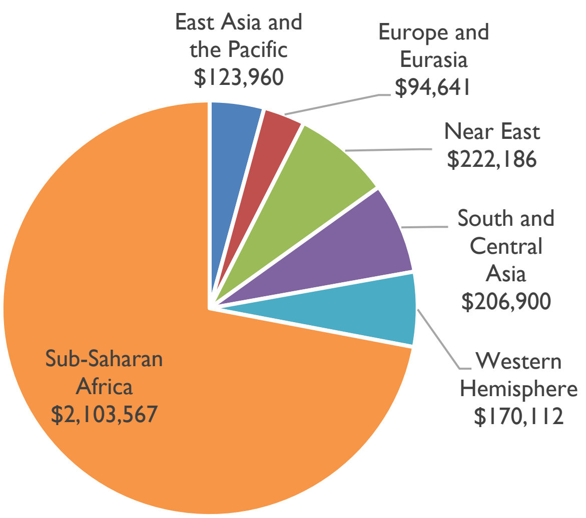
## *Non-Federal Audit Results, October 2023 - March 2026*

IPAs and SAIs completed 605 NFAs that identified $50.6 million in ineligible or unsupported questioned costs and nearly 500 instances of material internal control weaknesses and noncompliance.

### Table 1. Total NFA Reports, Findings, and Recommendations

| | |
|---|---|
| NFAs Completed | **605** |
| Amount Audited | **$2,921,366,511** |
| Questioned Costs Identified | **$50,627,731** |
| Weaknesses in Internal Controls Identified | **135** |
| Compliance Issues Identified | **353** |
| Recommendations Issued | **278** |
| Recommendations Addressed | **187** |

### Figure 1. Expenditures Audited by Region
**(in Thousands of USD)**




Source (Table 1 and Figure 1): OIG desk reviews of NFA reports and related data.

1 A supreme audit institution is a foreign country's principal government audit agency.
2 For more information about USAID's NFA program, see our Non-Federal Audit Primer.
3 Questioned costs are expenditures auditors identify as unsupported (e.g., due to missing documentation) or ineligible (i.e., not allowed per the award terms).
4 See Inspection, Evaluation, Advisory, and Other Reports for our prior NFA regional snapshots.

USAID OIG made 278 recommendations based on these findings. Over 70 percent of the audits examined funds for USAID programs implemented in Sub-Saharan Africa. The audits also covered programs in conflict-affected areas, including Ukraine, Gaza, South Sudan, and Haiti, where there is an elevated risk of fraud, waste, and abuse.

Of the 605 NFAs completed during the reporting period, 205 identified questioned costs. Auditors identified the most questioned costs for USAID programs implemented in the South and Central Asia and Near East regions. Approximately $26 million (52 percent) of the questioned costs identified were for USAID programs implemented in the South and Central Asia region, specifically in Pakistan and Afghanistan.[5]

### Table 2. Questioned Costs by Region, October 2023 – March 2026

| | Sub-Saharan Africa | East Asia and Pacific | Europe and Eurasia | Near East | South and Central Asia | Western Hemisphere |
|---|---|---|---|---|---|---|
| Total Amount Audited | $2,103,566,826 | $123,960,050 | $94,640,805 | $222,186,104 | $206,900,443 | $170,112,283 |
| Total Questioned Costs | $6,475,841 | $839,424 | $677,539 | $15,027,472 | $26,104,313 | $1,503,142 |
| Percentage of Audited Expenditures | 0.3% | 0.7% | 0.7% | 6.8% | 12.6% | 0.9% |

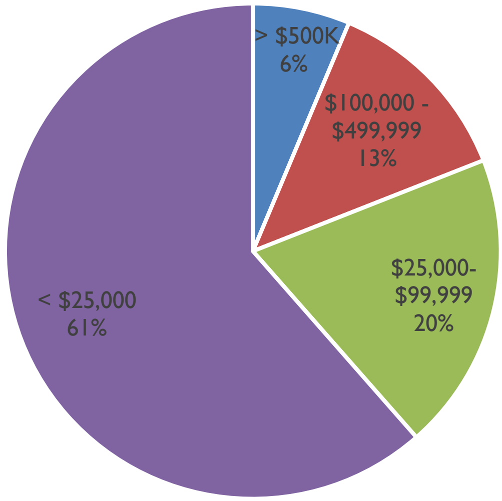
Source: OIG desk reviews of NFA reports and related data.

Of the 205 NFAs that identified questioned costs, 39 audits (nearly 20 percent) individually identified questioned costs that exceeded $100,000. Moreover, 13 NFAs completed during the reporting period each identified $500,000 or more in questioned costs for USAID programs in countries such as Georgia, Haiti, West Bank and Gaza, and Zambia.

### Table 3. Countries with the Most Questioned Costs

| Country | Questioned Costs | Percentage of Audited Funds |
|---|---|---|
| Pakistan | $14,817,898 | 43% |
| Egypt | $13,156,227 | 29% |
| Afghanistan | $11,205,816 | 39% |
| Kenya | $3,882,875 | 1% |
| West Bank and Gaza | $1,666,093 | 1% |
| Haiti | $938,521 | 6% |

### Figure 2. Percentage of NFAs by Amount of Questioned Costs Identified




Source (Table 3 and Figure 2): OIG desk reviews of NFA reports and related data.

[5] Programs in Pakistan were generally administered through government-to-government (G2G) agreements, which provide assistance directly to a recipient government.

In addition to questioned costs, the NFAs identified 135 weaknesses in internal controls, including mismanagement of accounting systems and a lack of monitoring sub-awards. The audits also found 353 compliance issues, such as improper reporting of indirect costs, irregularities in procurement procedures, and improper calculations of value-added taxes (VAT) charged to programs.

Based on the findings from NFAs, we made 278 recommendations to USAID to address questioned costs, internal control weaknesses, and noncompliance issues. The Agency had implemented 187 recommendations as of May 2026 and recovered approximately $2.7 million (5 percent) of $50 million in total questioned costs. USAID had not made a determination on the remaining 91 recommendations. Not addressing our outstanding recommendations from USAID's NFAs, including questioned costs, puts funds for foreign assistance awards that have been transferred to the Department of State at risk of waste and misuse.

### Spotlight: Non-Federal Financial Audits of an Essential Medications Program in Kenya

**Background:** In 2021 USAID awarded $549 million for a 5-year program to strengthen Kenya's medical supply chain for managing HIV/AIDS, malaria, and tuberculosis. An IPA conducted an NFA in fiscal year (FY) 2024 on $7.5 million in program expenditures.

**Audit Findings:** The IPA identified over $167,000 in questioned costs, one material weakness in internal controls, and four instances of noncompliance with regulations and terms of the award. Questioned costs were primarily related to VAT incorrectly charged or not refunded to the program. The internal control weakness was related to improper maintenance of program financial statements. Instances of noncompliance pertained to the lack of recovery of VAT charges and the incorrect statement of direct costs to the program.

**Results:** USAID OIG made three recommendations for USAID to (1) determine the allowability of the questioned costs identified in the audit and recover any amount that is unallowable; (2) verify that the implementer corrects its material internal control weakness; and (3) verify that the instances of noncompliance with program terms, laws, and regulations are corrected. In the NFA of program expenditures conducted in FY 2025, the IPA reported that the implementer had corrected the internal control weakness in its financial statement management and addressed the instances of noncompliance related to direct costs reporting. The FY 2025 audit noted continued issues with VAT being incorrectly charged or not refunded to the program and identified an additional $2,791 in questioned costs related to VAT. USAID recovered approximately $83,000 of questioned costs related to VAT based on the FY 2025 NFA findings.

## *Weaknesses in USAID's NFA Program*

Although the NFA program helped USAID oversee foreign assistance awards, we identified weaknesses in the Agency's processes for reviewing audit reports and assessing questioned costs.[6] In our September 2025 audit, we found that USAID did not have clear policies, guidance, and training for how overseas missions should review completed NFAs for adherence to quality standards. As a result, USAID did not have reasonable assurance that the reports met those standards. We also found that selected missions used varying levels of support to justify allowed questioned costs. According to our analysis, mission officials ultimately allowed more than 98 percent of questioned cost identified through NFAs. USAID did not provide guidance or training on how mission officials should determine the allowability of questioned costs or document the determinations. Without guidance or training, USAID did not have reasonable assurance that officials were making decisions about questioned costs that aligned with laws, regulations, and the award terms.

[6] 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.

## *Considerations for Department of State*

Now that it has greater responsibility for foreign assistance awards, including those USAID previously managed, the Department of State could leverage USAID's NFA approach to help ensure it has sufficient tools in place to monitor those awards. Moreover, the Department could improve USAID's approach by addressing the weaknesses we identified in the Agency's processes for reviewing NFA reports and assessing questioned costs. Doing so would help the Department provide oversight of millions of dollars in foreign assistance and resolve outstanding questioned costs, internal control weaknesses, and noncompliance issues in programs administered by implementing partners.

Accordingly, we suggest that the Department of State consider taking the following steps as appropriate:

- Address outstanding questioned costs, internal control weaknesses, and instances of noncompliance identified in NFAs of implementing partners of USAID awards transferred to the Department, including recovering funds as appropriate.
- Develop a policy and guidance for staff reviewing NFA reports.
- Determine training needs for staff reviewing NFA reports and provide the necessary training as needed.
- Develop procedures for assessing and resolving questioned costs identified in NFAs.

## *Scope and Methodology*

To prepare this information brief, we analyzed data from all NFAs conducted on USAID programs from October 2023 through March 2026. Additionally, we summarized the results of our prior audit of the Agency's NFA program and reviews of NFA reports. We conducted our work from March to August 2026 in accordance with the Council of the Inspectors General for Integrity and Efficiency's *Quality Standards for Federal Offices of Inspector General*.

USAID OIG provides independent audit oversight of foreign assistance from its headquarters in Washington, DC, and regional offices in Pretoria, South Africa; Bangkok, Thailand; and San Salvador, El Salvador.

Pursuant to Pub. L. No. 117-263 § 5274, USAID OIG provides nongovernmental organizations and businesses specifically identified in this information brief 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.