OFFICE OF INSPECTOR GENERAL
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Information Brief: Non-Federal Audits Helped Provide Oversight of Government-to-Government Awards

USAID used non-Federal audits (NFAs)—typically performed by supreme audit institutions or foreign accounting firms—to monitor U.S. assistance.[1] This included assistance dispersed directly to foreign governments, known as government-to-government (G2G) awards.[2] G2G awards can reduce costs and timelines by avoiding unneeded intermediaries, encouraging foreign governments to take greater responsibility for their own development, and building foreign government capacity throughout the duration of the award. However, these awards do not come without considerable risk. From October 2023 to March 2026, NFAs of G2G awards disproportionally identified questioned costs, weaknesses in internal controls, and instances of noncompliance when compared to related audits of other types of USAID awards.[3] Despite amounting to just 6 percent of all NFAs completed during this time, NFAs of G2G awards accounted for 57 percent of the questioned costs, 33 percent of the internal control weaknesses, and 25 percent of the instances of noncompliance identified. OIG reviewed these costs, weaknesses, and noncompliance instances, and made recommendations to USAID to address them. We also identified shortfalls with how certain supreme audit institutions adhered to reporting standards.

On July 1, 2025, the Department of State assumed responsibility for many of USAID's functions and its ongoing foreign assistance programming. Furthermore, the Department is using G2G funding to advance its *America First Global Health Strategy*. Leveraging USAID's NFA approach with the improvements we identified to strengthen the capacity of foreign governments and supreme audit institutions to monitor foreign assistance funds could help enhance the Department's oversight of former USAID G2G programs along with other ongoing and future programs.

Roles and Responsibilities for Non-Federal Audits of G2G Awards

Supreme audit institutions or independent foreign accounting firms typically conducted NFAs of USAID's G2G awards that expended $750,000 or more in U.S. funding in a fiscal year (FY). USAID required the auditors to comply with government auditing standards, and they were responsible for reporting any identified fraud to both the Agency and USAID OIG. USAID OIG reviewed all completed NFAs, including G2G awards, to ensure that these audits complied with the auditing standards' reporting requirements and made formal recommendations to the Agency.[4]

Non-Federal Audits of G2G Awards Results, October 2023–March 2026

NFAs of G2G awards reported a disproportionately higher number of deficiencies than NFAs of other types of USAID assistance. From October 2023 through March 2026, auditors completed 39 NFAs of almost $183 million in expenses on G2G awards, amounting to 6 percent of all NFAs performed and 6 percent of total expenses audited during this time. However, the NFAs identified over $29 million in questioned costs, 45 weaknesses in internal controls, and 88 instances of noncompliance, which accounted for 57 percent of

[1] A supreme audit institution is a foreign country's principal government audit agency.
[2] In addition to G2G awards, USAID required NFAs for contracts, cooperative agreements, and other assistance awards to nongovernment entities. We have previously reported on the overall results of USAID's NFA program from October 2023 to March 2026. See USAID OIG, *Information Brief: Non-Federal Audits Helped Identify Millions in Questioned Costs to U.S. Foreign Assistance* (8-000-26-002-A), August 24, 2026.
[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 our NFA Primer for more information about NFA roles and responsibilities.

questioned costs, 33 percent of internal control weaknesses, and 25 percent of noncompliance identified in all the NFAs (see Table 1).

The NFAs identified the questioned costs in 8 of 14 countries with G2G awards (see Figure 1). Of the eight countries, four—Honduras, Pakistan, Peru, and Uganda—had questioned costs in consecutive years, highlighting that the governments had problems managing these funds. Notably, Pakistan was the only country that had multiple audits across fiscal years with questioned costs—seven audits in FY 2024 and eight in FY 2025.

The NFAs also identified weaknesses in internal controls, such as inadequate supporting documentation for expenses and inadequate financial management systems, along with compliance issues, such as failure to ensure project funds were held in interest-bearing accounts and insufficient training for staff to manage award funds.

Based on the findings in the NFAs, we made 44 recommendations to USAID to address the questioned costs, internal control weaknesses, and instances of noncompliance related to G2G awards. As of May 2026, USAID had addressed 24 recommendations, which included allowing almost $21 million of the $29 million in questioned costs. Addressing our 20 outstanding recommendations, including $8 million in questioned costs, would enhance foreign governments' management of U.S. foreign assistance funds. We have previously reported on key issues regarding NFAs, including the importance of addressing open recommendations.[5] In addition, as a result of our investigative work, we reported on risks associated with G2G awards, notably the risk of relying on vulnerable foreign government systems to manage U.S. foreign assistance.[6]

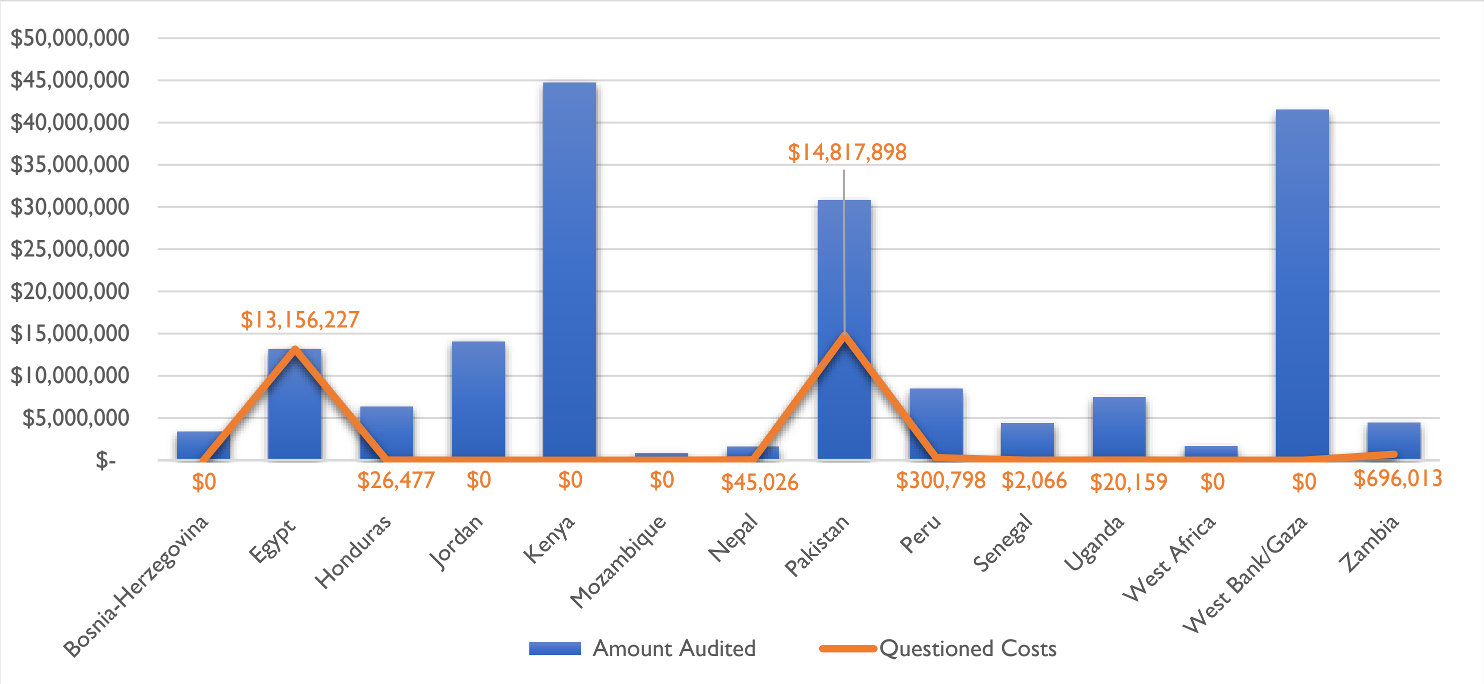
Table 1. Total NFA Reports, Findings, and Recommendations Compared to G2G NFAs

		All USAID NFAs	G2G NFAs	Percentage of G2G
	NFAs Conducted	**605**	**39**	**6%**
$	Amount Audited	**$2,921,366,511**	**$182,738,364**	**6%**
?	Questioned Costs Identified	**$50,627,731**	**$29,064,664**	**57%**
	Weaknesses in Internal Controls Identified	**135**	**45**	**33%**
	Compliance Issues Identified	**353**	**88**	**25%**
	Recommendations Issued	**278**	**44**	**16%**
	Recommendations Addressed	**187**	**24**	**13%**

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

[5] USAID OIG, *Management Advisory: Non-Federal Audits: Management Gaps Weaken Stewardship of U.S. Foreign Assistance* (1-000-26-001-A), January 30, 2026.
[6] USAID OIG, *Situation Alert: USAID OIG Investigative Findings and Implications for U.S. Government-to-Government Award in Kenya*, April 28, 2026.

Figure 1. NFAs of G2G Awards With Questioned Costs by Country, October 2023–March 2026



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

Spotlight: G2G Non-Federal Audits in Zambia

Background: Between October 2024 and September 2025, USAID/Zambia hired the independent audit firm BDO, Lusaka, Zambia (BDO) to complete audits of over $4 million in total expenses for four USAID awards. The awards covered HIV/AIDS, tuberculosis, nutrition, family planning, and maternal and child health programs and included procurement of medical equipment and vehicles. The NFAs identified questioned costs of almost $700,000 across four awards along with multiple internal control weaknesses and instances of noncompliance.

Audit Findings: Most notably, BDO identified over $500,000 in questioned costs for an award managed by the Ministry of Health Northern Provincial Health Office in Zambia. Of the questioned costs, $154,931 were considered ineligible and $386,956 were unsupported. BDO also identified eight material weaknesses in internal controls, such as not reimbursing USAID for funds recovered in an insurance claim, and 10 instances of material noncompliance, such as inadequate support for procurement of equipment.

Results: Given the severity of the deficiencies identified by BDO, we made three recommendations to USAID/Zambia in December 2024.

1. Determine the allowability of the $541,887 in questioned costs.
2. Verify that the Ministry of Health Northern Provincial Health Office corrects the eight material weaknesses in internal controls.
3. Verify that the Ministry of Health Northern Provincial Health Office corrects the 10 instances of material noncompliance.

To date, USAID has not responded to our recommendations. As such, we consider them open and unresolved and the $541,887 in questioned costs remains outstanding.

Challenges OIG Identified with Supreme Audit Institutions

We identified challenges with some supreme audit institutions' adherence to required reporting standards in NFAs. For example, while USAID required material findings to be reported in the audit reports, Pakistan's supreme audit institution consistently reported material findings in internal management letters, which are meant for insignificant matters. Although Pakistan's supreme audit institution did not include material findings in the audit reports, we made recommendations to USAID to address those findings. USAID recognized the need to strengthen the capacity of supreme audit institutions that conducted audits and provided technical assistance through the U.S. Government Accountability Office's Center for Audit Excellence. The Agency provided technical assistance to nine supreme audit institutions from October 2023 through 2025 when it terminated the awards as part of the Secretary of State's foreign assistance review.[7]

Considerations for the Department of State

Now that the Department of State has greater responsibility for foreign assistance, including G2G awards previously managed by USAID and new awards, the Department could leverage USAID's NFA approach to help ensure it has sufficient tools in place to monitor the awards and improve foreign governments' management of U.S. funds. Further strengthening the capacity of supreme audit institutions' to perform NFAs would also enhance this monitoring. Absent such action, the Department may experience a gap in the oversight of millions of dollars in expenditures on G2G awards, including missed questioned costs, internal control weaknesses, and noncompliance issues.

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

- Address open recommendations related to questioned costs, internal control weaknesses, and instances of noncompliance identified in NFAs of G2G awards, including recovering funds as appropriate.
- Continue efforts to strengthen the capacity of supreme audit institutions conducting NFAs of G2G awards.

Scope and Methodology

To prepare this information brief, we analyzed data from NFAs conducted on USAID G2G awards 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.

[7] On January 24, 2025, the Secretary of State ordered a pause and review of all U.S. foreign assistance, consistent with the President's executive order, "Reevaluating and Realigning United States Foreign Aid." As a result, USAID terminated its technical assistance awards for the supreme audit institutions of Armenia, Dominican Republic, El Salvador, Georgia, Nepal, Philippines, and Zimbabwe.