



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

# Top Management Challenges Facing USAID in Fiscal Year 2024



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# Message From the Acting Deputy Inspector General

The United States Agency for International Development (USAID) faces a multitude of challenges as it works to deliver support across the world on behalf of the American people. In addition to the humanitarian crises caused by Russia's invasion of Ukraine and the conflict between Israel and Hamas, USAID also must respond to natural disasters, health pandemics, food insecurity, and the effects of climate change. At the same time, it is important for USAID to responsibly design and implement effective internal controls to maximize the impact of its programs and be a good steward of U.S. taxpayer dollars. Finally, ensuring the security and safety of its personnel and projects in regions prone to conflict or instability remains one of the Agency's highest priorities. In facing these obstacles, USAID will have to demonstrate resilience, strategic foresight, and innovative approaches to fulfill its mission in an increasingly complex world.

The scale and complexity of these issues underscore the critical role played by USAID's Office of Inspector General (OIG). These challenges demonstrate the need for continued oversight to guide the Agency's responsible stewardship of U.S. foreign assistance funding and highlight the risks that may impact USAID programs. Informed by our independent and objective audits, inspections, evaluations, investigations, and other oversight, we have identified four management challenges confronting USAID in fiscal year (FY) 2024:

1. Curbing Corruption, Abuse, and Fraud That Degrade U.S. Foreign Assistance
2. Mitigating Programming Risks, Increasing Accountability, Improving Stakeholder Awareness, and Strengthening Agency Documentation
3. Optimizing a Workforce to Deliver on USAID's Mission
4. Implementing Financial and Information Technology Controls to Safeguard Taxpayer Resources

While this report meets the requirements of the Report Consolidation Act, it also informs our oversight work and frames our dialogue with Congress regarding our ongoing oversight of U.S. foreign assistance programs. We remain committed to working with USAID, Congress, the OIG community, and the international aid sector in our efforts to provide timely and informative oversight that is helpful to decision and policy makers. Our goal for the coming year and beyond is to help USAID improve its programs and operations and to hold accountable all those who seek to compromise the Agency's vital work.

Nicole Angarella  
Acting Deputy Inspector General

# Challenge I. Curbing Corruption, Abuse, and Fraud That Degrade U.S. Foreign Assistance

*One of USAID's foremost challenges is ensuring U.S. taxpayer funds are used effectively, efficiently, and for their intended purposes. However, corruption, fraud, and sexual exploitation and abuse undermine the effectiveness of aid, erode public trust, and impede sustainable development. Business email compromise scams and informal currency exchange systems remain ongoing threats, and USAID personnel and award mechanisms may not be suited to ensure accountability over contractors and grantees. USAID also must maintain continued vigilance to combat sexual exploitation and abuse in the international aid sector, which betrays the very beneficiaries and project participants that USAID's programming is designed to help.*

## **USAID Must Guard Against the Diversion of Humanitarian Aid in Its Work With UN Agencies and Other Public International Organizations**

Curbing corruption and safeguarding Agency resources require comprehensive efforts, particularly when working with nongovernmental organizations (NGOs) and public international organizations (PIOs), including United Nations (UN) agencies and multilateral development banks. The diversion of humanitarian aid, including cash assistance, food, medicine, blankets, and winter clothing, deprives vulnerable populations of vital assistance. Diversion can occur before delivery to beneficiaries, or when beneficiaries are coerced into giving up aid. It not only deprives those in need of assistance but also weakens the very purpose of aid initiatives, exacerbating the challenges faced by communities already grappling with dire circumstances. Furthermore, diversion serves to prolong conflicts by diverting aid to combatants or terrorist organizations.

- After USAID alerted OIG about the alleged diversion of food in Ethiopia, OIG identified multiple potential fraud schemes including corruption in the beneficiary selection process and exploitation by vendors purchasing food from beneficiaries. OIG also responded to allegations that beneficiaries were compelled to give a portion of their assistance to local officials and armed groups.
- The UN notified USAID, which informed OIG about instances of humanitarian aid reaching affected populations in Somalia, who were then coerced into giving up part of the assistance.
  - As a result of surveys in multiple Internally Displaced Person camps receiving aid, the UN identified widespread and systemic problems involving camp management and administration in localized areas, with reasonable assumption this is occurring across Somalia. In addition, local leaders and clans, some with ties to security forces and militias, engaged in post-delivery diversion, and some recipients were compelled to provide bribes in order to receive assistance.
  - The lack of feasible monitoring by the humanitarian community exacerbated these issues in Somalia, where post-delivery aid diversion persists.
- Despite the above examples of aid diversion, our office has not received the number of reports expected from UN agencies regarding potential fraud impacting USAID funds, although USAID's award agreements require disclosures on all allegations of prohibited conduct.<sup>1</sup> Over the 2-year period ending July 31, 2023, OIG received 309 total disclosures for 20 UN entities that were

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<sup>1</sup> USAID Automated Directives System (ADS) Chapter 308 describes prohibited conduct as practices that are corrupt, fraudulent, collusive, coercive, and obstructive, and requires PIOs to promptly report to USAID and USAID OIG any credible instances of actual, suspected, or alleged prohibited conduct. Mandatory PIO reporting requirements in ADS 308 also extend to suspicions or complaints of sexual harassment and sexual exploitation and abuse (SEA).

obligated over \$13.6 billion in USAID funding. Most of those disclosures came from the World Food Programme (see Table 1).

- OIG received just 6 disclosures from 17 of the 20 UN entities—with no disclosures from or relating to 15 agencies—that collectively received nearly \$2 billion in USAID funding.

*Table 1. UN Obligations and Disclosures of Potential Financial Fraud Within USAID-funded Programs From August 1, 2021, to July 31, 2023*

United Nations Entity	Acronym	Obligation	Disclosures Total	Disclosures from USAID	Disclosures from UN
World Food Programme	WFP	\$9,078,221,200	234	229	5
United Nations Children’s Fund	UNICEF	\$1,619,652,387	32	23	9
International Organization for Migration	IOM	\$995,157,864	26	21	5
World Health Organization	WHO	\$542,610,067	5	5	0
Food and Agriculture Organization	FAO	\$519,989,571	6	4	2
United Nations Office for Project Services	UNOPS	\$194,370,938	4	0	4
United Nations Office for the Coordination of Humanitarian Affairs	OCHA	\$186,058,744	1	1	0
United Nations Development Programme	UNDP	\$184,304,598	1	1	0
United Nations Population Fund	UNFPA	\$146,735,203	0	0	0
Joint United Nations Programme on HIV/AIDS	UNAIDS	\$76,511,269	0	0	0
Pan American Health Organization	PAHO	\$44,926,417	0	0	0
United Nations Women	UNW	\$20,783,876	0	0	0
United Nations Office for Disaster Risk Reduction	UNDRR	\$18,999,505	0	0	0
International Union for Conservation of Nature	IUCN	\$16,245,310	0	0	0
United Nations Human Settlements Programme	UN-Habitat	\$8,645,324	0	0	0
United Nations Industrial Development Organization	UNIDO	\$2,500,000	0	0	0
International Trade Centre	ITC	\$800,242	0	0	0
United Nations Office on Drugs and Crime	UNODC	\$161,469	0	0	0
International Fund for Agricultural Development	IFAD	\$105,000	0	0	0
United Nations Economic and Social Commission for Asia and the Pacific	ESCAP	\$304	0	0	0
<b>Total</b>	-	<b>\$13,656,779,288</b>	<b>309</b>	<b>284</b>	<b>25</b>

Source: USAID OIG Office of Investigations. Table does not include SEA disclosures.



## **Email Scams and Informal Currency Exchange Systems Are Ongoing Threats to USAID’s Stewardship of Government Funds**

### **Improving Measures to Combat Business Email Compromise Schemes**

Business email compromise (BEC) schemes are sophisticated scams often orchestrated by international organized crime syndicates. Such schemes pose a specific threat to USAID programs.

- Through cyber intrusions, social-engineering tactics, and exploiting human error, these schemes take aim at individuals and entities that routinely wire transfer payments to awardees, vendors, and suppliers. By exploiting compromised email accounts, fraudsters manipulate employees from USAID and the Agency’s awardees into unwittingly directing funds to the scammers’ bank accounts, resulting in the misappropriation of crucial resources intended for aid recipients.
- Having encountered multiple allegations and actively investigated cases related to BEC, OIG released a fraud alert<sup>2</sup> outlining examples of vulnerabilities to USAID, USAID awardees, and program beneficiaries. OIG identified BEC red flags as well as simple precautionary measures that USAID can adopt to shield itself and its awardees from these schemes.

### **Continuing to Mitigate Risks Posed by Currency Exchange Arbitrage**

As noted in a prior Top Management Challenges report, USAID awardees operating in designated complex emergency areas, such as Syria and Yemen, use informal currency exchange systems to convert U.S. dollars into local currency.

- In 2021, OIG alerted<sup>3</sup> USAID to vulnerabilities, including insufficient documentation and unregulated rates. When coupled with oversight limitations, these vulnerabilities heighten the risk that Agency programs will be subject to embezzlement, fund diversion, and fraudulent invoicing. Currency exchange arbitrage remains a persistent risk in USAID programming in countries such as Lebanon, Libya, Syria, and Yemen.
- Subsequently, OIG opened additional investigations into the practice of exploiting currency price variations for financial gain. OIG received allegations of currency exchange arbitrage, which, if unaddressed, could jeopardize USAID’s programming integrity. OIG issued a follow-up situational alert<sup>4</sup> highlighting investigative efforts and underscoring the inadequacies of existing Agency provisions and policies.

## **USAID Faces the Complex Challenge of Holding Non-U.S.-Based Nongovernmental Organizations Accountable**

OIG has consistently emphasized the difficulty in enhancing fraud safeguards and establishing effective award mechanisms for non-U.S.-based NGOs.<sup>5</sup> For example, a Federal judge dismissed a False Claims Act lawsuit against a UK-based NGO accused of submitting false certifications to USAID regarding past support for terrorist organizations. The judge ruled on jurisdictional grounds that the NGO could not be sued in a U.S. court due to the absence of a relevant clause in its award agreement with USAID. The

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<sup>2</sup> USAID OIG, *Business Email Compromise Scheme Alert*, September 28, 2023.

<sup>3</sup> USAID OIG, *Fraud Alert Pertaining to Conversion of U.S. Dollars to Local Currencies in Conjunction with Complex Emergencies*, April 7, 2001.

<sup>4</sup> USAID OIG, *Conversion of U.S. Dollars into Local Currencies in Conjunction with Complex Emergencies*, September 27, 2023.

<sup>5</sup> USAID OIG, *Top Management Challenges Facing USAID in Fiscal Year 2023*, November 16, 2022. USAID OIG, *Top Management Challenges Facing USAID in Fiscal Year 2022*, November 12, 2022.

Second Circuit upheld this decision, setting precedent that could hinder the United States' recovery of taxpayer funds acquired fraudulently or improperly by foreign NGOs.

- USAID has not taken action to address this concern.
  - The Agency informed OIG that it will not incorporate a standard forum selection clause provision into its grant awards. Such a provision would enhance USAID's ability to hold foreign-based awardees accountable in U.S. courts, a critical deterrent that already exists for U.S.-based award recipients.
  - According to USAID, including language that would enable the U.S. government to pursue civil action against non-U.S. awardees could have a "chilling effect" on overseas awardees responsible for executing the Agency's programs.<sup>6</sup>

### **SPOTLIGHT: USAID's Partnerships With NGOs and PIOs to Support Ukraine**

To uphold the U.S. government's commitment to Ukraine, USAID partners with NGOs and PIOs (such as UN agencies and the World Bank). Some programs, including direct budget support for Ukrainian civil servants, are funded through donor trust funds that centrally channel resources from bilateral donors. This support helps ensure the continuation of Ukrainian governmental functions, such as paying teachers and healthcare workers and responding to urgent humanitarian needs. However, OIG's past work has found that these types of mechanisms present oversight challenges. For example, while USAID's agreement with the World Bank regarding the Afghanistan Reconstruction Trust Fund (ARTF) stipulated that donors could review or evaluate activities, USAID had not formally conducted any such evaluations. For the ARTF, the Agency also did not meet its essential oversight responsibilities, such as monitoring progress and maintaining adequate files. USAID developed policies and procedures to enhance verification for certain types of disbursements and track the ARTF's performance. Similar safeguards could help strengthen coordination and oversight of USAID's contributions to the World Bank to support Ukraine.

## **A Priority for USAID Is to Stop Perpetrators of Sexual Exploitation and Abuse**

As highlighted in previous Top Management Challenges reports, addressing sexual exploitation and abuse (SEA) in the foreign aid sector remains a persistent issue due to the inherent power imbalance between aid workers and beneficiaries. Preventing SEA remains a paramount challenge for USAID, necessitating urgent and sustained attention.

### **USAID Must Act Promptly and Decisively to Effectively Combat Sexual Exploitation and Abuse, a Persistent Threat to Foreign Assistance**

- OIG issued a referral in March 2022 to USAID regarding 18 World Health Organization employees alleged to have perpetrated SEA during the Ebola health crisis in the Democratic Republic of Congo. USAID moved quickly to prevent these individuals from circulating from the United Nations to aid organizations receiving USAID funding. As of August 2023, USAID had debarred five individuals and suspended five individuals who were also proposed for debarment.
- After receiving allegations of SEA, failure to report, and victim blaming at an orphanage and comprehensive care community for HIV-affected individuals operated by a USAID awardee in Kenya,

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<sup>6</sup> USAID Office of Acquisition Assistance, Bureau for Management, *Response to "Vulnerabilities to USAID Accountability Measures over Non-U.S.-based NGOs, OIG Case Number: AF-HI-17-0575-1"* (memo to USAID OIG), September 1, 2023.

OIG referred investigative findings to USAID for suspension and debarment consideration. As a result of this referral, USAID took decisive action, debarring two of the organization's leaders, thus preventing them from involvement in U.S.-government funded projects.

### **Continued Action Needed to Strengthen Controls to Prevent and Respond to Sexual Exploitation and Abuse of Beneficiaries**

- Our 2021 audit noted that, while USAID had taken steps to increase its focus on SEA, there were gaps in the Agency's approaches for responding to and managing sexual abuse allegations.<sup>7</sup>
  - For example, while awardees were required to report misconduct to contracting officials and mission directors, USAID's operational requirements did not define when to report, what information to provide, or what actions to take in response to these allegations. In addition, USAID lacked a centralized tracking mechanism for allegations, which impacted its ability to manage its response.
- While USAID has made some progress in refining prevention and monitoring mechanisms, continued action is needed.
  - Specifically, of the nine recommendations from the 2021 audit, seven remain open as of October 2023 and will not be fully addressed until 2024 given the scope and breadth of the changes needed.
  - These recommendations, when enacted, will address numerous control shortcomings highlighted in the audit, including the need for a centralized tracking system for allegations and delegating clear roles and responsibilities for responding to such allegations.

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<sup>7</sup> USAID OIG, *USAID Should Implement Additional Controls to Prevent and Respond to Sexual Exploitation and Abuse of Beneficiaries* (9-000-21-006-P), May 12, 2021.



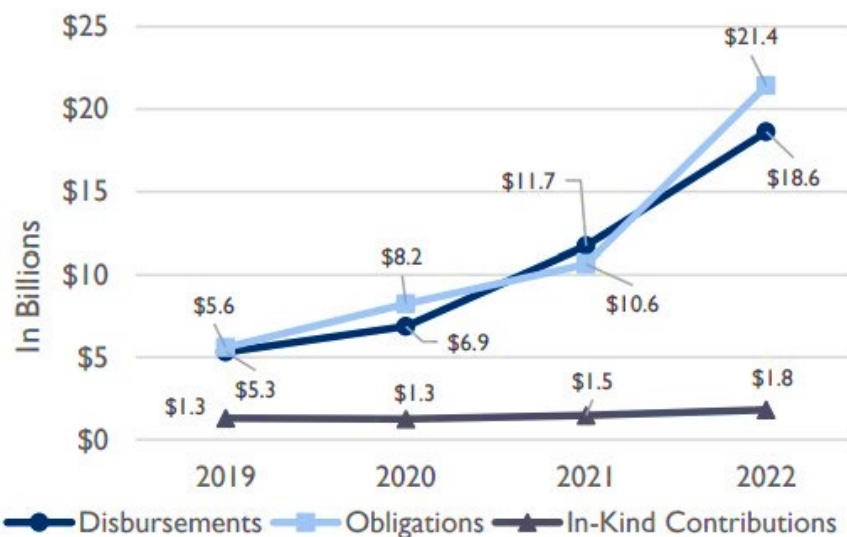
## Challenge 2. Mitigating Programming Risks, Increasing Accountability, Improving Stakeholder Awareness, and Strengthening Agency Documentation

Challenges facing USAID include the need to monitor the billions of dollars awarded to entities that are not subject to U.S. laws or business standards. At the same time, the lack of stakeholder awareness about Agency requirements and incomplete information on award performance, risk mitigation, and awardee evaluation limit the ability of USAID employees to perform their jobs.

### Increased Pace of Obligations to Awardees Makes USAID's Oversight Role More Difficult

Agency obligations to UN agencies, multilateral development banks, and PIOs increased from \$5.6 billion in FY 2019 to \$21.4 billion in FY 2022 (+282 percent); see Figure 1. Yet, generally, PIOs are not subject to U.S. laws or business standards, and USAID has limited direct oversight for these awards.

Figure 1. USAID's Obligations, Disbursements, and In-Kind Contributions to PIOs (FY 2019-2022)



Source: OIG analysis of USAID data.

USAID policy requires completion of organizational capacity reviews to gauge a PIO's ability to manage Federal funds and states that PIOs are subject to the Agency's procedures for procurement, monitoring, and reporting. This process allows USAID to understand whether a PIO is capable of adequately safeguarding USAID resources, and to highlight any significant concerns, considerations, or risks that should be considered. However, USAID must ensure that contract terms are specific and accepted by awardees, as well as confirm that program goals are met.

## SPOTLIGHT: Risks Associated With Assistance to Ukraine

The International Monetary Fund estimates that the government of Ukraine requires \$5 billion per month to operate. In response, the U.S. government has appropriated \$22.9 billion in direct budget support, \$1.4 billion in humanitarian aid, and \$1.4 billion in development assistance as of June 2023. While the Secretary of State and USAID Administrator certify and report that substantial safeguards to prevent corruption and ensure accountability are in place before obligating funds, the Department of State highlighted risks of corruption in Ukraine, stating, “While the government publicized several attempts to combat corruption, it remained a serious problem for citizens and businesses alike.”<sup>8</sup>

### Lack of Awareness of Roles, Expectations, and Requirements Limits the Ability of Some Agency Staff to Carry Out Their Responsibilities

- Managing fraud and diversion risks and communicating clear expectations in Agency guidance is critically important to ensure humanitarian assistance quickly reaches those who need it most. Such assistance comes with increased risks, including those posed by sanctioned groups and criminal organizations.
  - For example, our audit<sup>9</sup> found that USAID’s Bureau for Humanitarian Assistance did not consistently follow guidance to assess the risks posed by sanctioned groups in El Salvador, Guatemala, and Honduras before implementing programming. It also missed opportunities to further strengthen the documentation of risk assessments and data sharing pertaining to cash assistance. Accordingly, we recommended that USAID clarify for staff and applicants its processes for assessing and mitigating fraud and diversion risks.
- Managers and staff need more support, including training and more detailed guidance, to fully understand their roles, expectations, and ways to adhere to policy and guidance.
  - For example, our audit<sup>10</sup> of USAID’s Counter-Trafficking in Persons (C-TIP) efforts in Asia made recommendations to strengthen the Agency’s ability to combat human trafficking. Specifically, we recommended that USAID’s missions improve their processes for implementing programming objectives and enforcing awardee compliance with prevention and detection requirements.
  - By taking these actions, USAID could address recurring deficiencies that we have identified in the past, such as omissions of C-TIP provisions in award agreements; provide guidance to awardees for reporting C-TIP allegations to OIG; and mitigate legal and reputational risks to the Agency.

### Incomplete Documentation Limits USAID’s Ability to Measure Performance, Evaluate Partners, and Fully Understand Risks

Federal internal control standards require agencies to complete documentation related to the operation, design, implementation, and operating effectiveness of an organization’s internal control system. Key aspects of USAID’s internal control system include award performance, risk management,

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<sup>8</sup> Department of State, Bureau of Democracy, Human Rights, and Labor, [2022 Country Reports on Human Rights Practices: Ukraine](#).

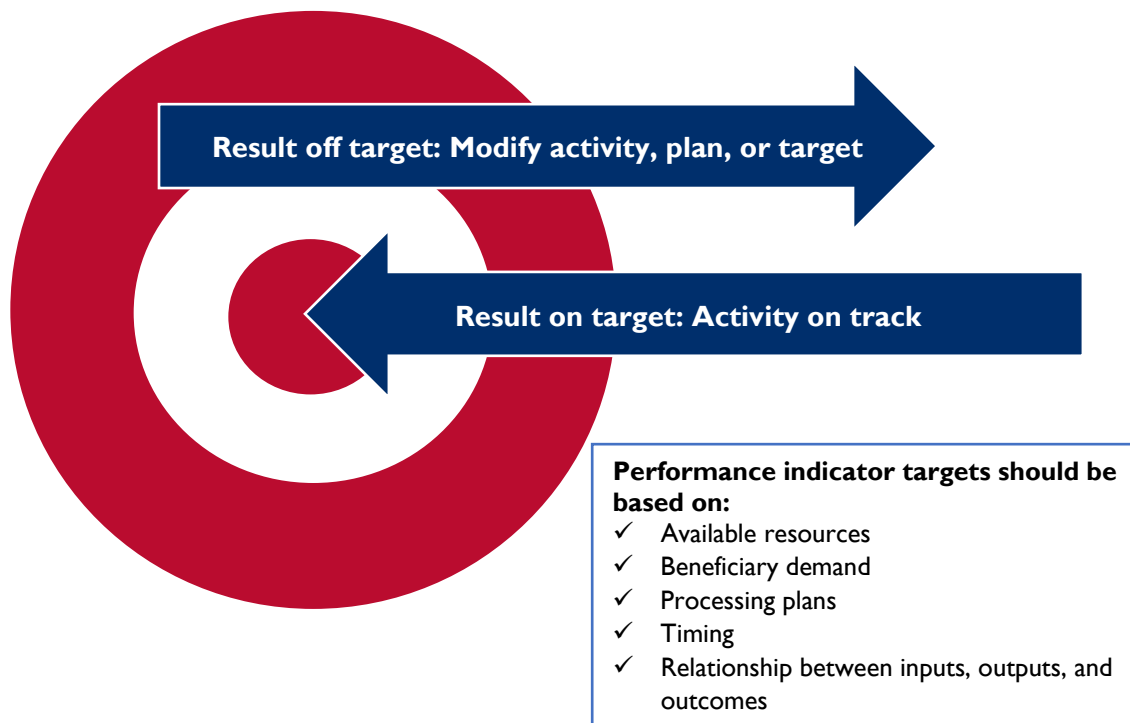
<sup>9</sup> USAID OIG, [Northern Central America Humanitarian Response: USAID Took Steps to Mitigate Fraud Risks, but Opportunities Exist to Clarify Guidance on Assessing Sanctioned Group Risk](#) (9-000-23-001-P), May 22, 2023.

<sup>10</sup> USAID OIG, [Counter-Trafficking in Persons: Improved Guidance and Training Can Strengthen USAID’s C-TIP Efforts in Asia](#) (5-000-23-001-P), September 11, 2023.

and evaluation of award recipients or applicants. Our FY 2023 audits highlight instances in which the Agency can improve documentation around these processes.

- Missions can refine monitoring and performance indicator guidance to require more documentation on how expectations compare to results. This would allow missions to assess whether programs are meeting their intended objectives.
  - For example, our audit<sup>11</sup> of USAID’s Mission in Egypt (USAID/Egypt) higher education program found that USAID developed performance indicators to measure progress toward higher education development purposes. Mission staff, however, did not always document targets, track performance, or explain why some targets were not reached.
  - Accordingly, our audit recommended that USAID/Egypt require activity teams to follow best practices when documenting their rationales for setting performance indicator targets and document the reasons for significant differences between these targets and actual results achieved (see Figure 2).

Figure 2. Using Performance Indicator Targets and Results to Influence Activities



Source: OIG interpretation of USAID policy (Automated Directives System 201) and the “Monitoring Toolkit: Performance Indicator Targets.”

- USAID has requirements for government-to-government programs to ensure the accountability, capacity, and governance of public financial management institutions when entrusting other governments with USAID funds.
  - While USAID followed its established Agency policy regarding cash transfers in Jordan, it did not (1) update its risk assessment for the Central Bank of Jordan and Jordan’s Ministry of

<sup>11</sup> USAID OIG, *Higher Education Programs: USAID/Egypt Could Better Use Information to Set Performance Indicator Targets and Gauge Results* (8-263-23-002-P), March 23, 2023.

- Planning and International Cooperation or (2) document its deviation from Agency guidance for approving the cash transfer program.
- Updates to Agency policy provide increased flexibility for missions to calibrate the scope and level of effort for each step of the risk management process for government-to-government assistance. Therefore, documenting deviations will remain important for memorializing USAID's approach to managing the cash transfer program in the future.
  - Absent full compliance with due diligence requirements, USAID will have an outdated and incomplete view of the financial management capacity of institutions that receive cash transfer funds.<sup>12</sup>
- Encouraging transparency and strengthening documentation around risk management and mitigation can give stakeholders key insights into a mission, its strategies, and individual awards.
    - As Israel responded in the aftermath of Hamas' terrorist attacks against Israeli civilians in October 2023, USAID and the State Department committed to provide \$100 million in humanitarian assistance to Palestinian families left without access to clean water, medical treatment, and safe shelter. USAID Administrator Power emphasized that any interference by Hamas or diversion of aid, as delivered through trusted UN, International Committee of the Red Cross, and Red Crescent partners, will jeopardize the continuation of life-saving assistance.
    - In our audit of USAID's Mission for West Bank and Gaza, we found that mission staff generally followed Agency guidance to identify and assess risks after the resumption of funding and programming to the Palestinian people. However, USAID did not identify risks related to security, legal, fiduciary, or information technology. Similarly, it did not document its internal deliberative process when identifying and assessing risks. As a result, the mission did not reap the benefits of a more transparent and documented process that involved all key stakeholders, including mission leaders, managers, and staff, in analyzing all available data.<sup>13</sup>
  - To safeguard USAID programming from corrupt actors, the Agency can improve its preaward certification process to capture information about whether prospective award recipients have engaged with actors sanctioned by the U.S. government due to corrupt activity.<sup>14</sup>

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<sup>12</sup> USAID OIG, *Jordan Cash Transfer Program: USAID Generally Followed the Grant Agreement and Agency Policy With Some Due Diligence Exceptions* (8-278-23-001-P), November 17, 2022.

<sup>13</sup> 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.

<sup>14</sup> USAID OIG, *Vulnerabilities in USAID's Ability to Assess Award Applicants' Relationships with Corrupt Actors*, January 3, 2022.

## Challenge 3. Optimizing the Workforce to Deliver on USAID’s Mission

USAID has acknowledged staffing and hiring as challenge areas, noting that continued reliance on personal services contractors and institutional support contractors is an impediment to the Agency’s core business and response functions. As the Agency looks to increase the number of direct hires, our work has pointed to the ongoing need for a formal staffing plan and improved data to inform staffing needs.

### USAID Needs to Enhance Workforce Planning and Data Collection Tools for Optimizing the Effectiveness and Diversity of Its Workforce

Systemic workforce planning challenges are hindering USAID’s ability to fulfill its mission and respond to new priorities.

- A May 2022 audit recommended the Agency increase support staff and strengthen guidance on recruitment, onboarding, strategic workforce planning, and skill-gap tracking. Those recommendations remain open.<sup>15</sup> A more recent evaluation found that the Bureau for Africa continues to rely on internal discussions and prior experience to gauge staffing needs. Without Agency guidance or tools for conducting staff assessments, officials found it hard to determine whether the bureau was adequately staffed.<sup>16</sup>
- According to Agency officials, the inability to fully capture workforce data has prevented them from tracking key information on USAID’s institutional and personal services contractors—a group that comprised 29 percent of the workforce in FY 2020. These contractors fill critical short-term needs and help USAID rapidly respond to emergencies around the world. However, an evaluation of USAID’s use of contractors highlighted how the lack of contractor data is impeding efforts to build a sustainable workforce and achieve employee diversity, equity, and inclusion goals.<sup>17</sup>

#### SPOTLIGHT: USAID’s Oversight Work in Ukraine Is Complicated by Changes to the Agency’s Staffing Footprint in the Region

USAID’s staffing presence in Ukraine significantly decreased after Russia’s invasion of the country. However, as of April 2023, the Agency achieved a more than 224 percent increase in development and humanitarian assistance for Ukraine. At the same time, the State Department restricted the total number of U.S. government personnel permitted to work within Ukraine and allocated slots to U.S. agencies working in-country, including USAID. The staffing cap and allocations have changed as the war has continued. Still, based on our review of the Agency’s staffing pattern reports, USAID’s decreased presence in Ukraine has been more than offset by a mobilization of staff to other European countries, notably Poland.

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<sup>15</sup> USAID OIG, *Strategic Workforce Planning: Challenges Impair USAID’s Ability to Establish a Comprehensive Human Capital Approach* (9-000-22-001-P), May 25, 2022.

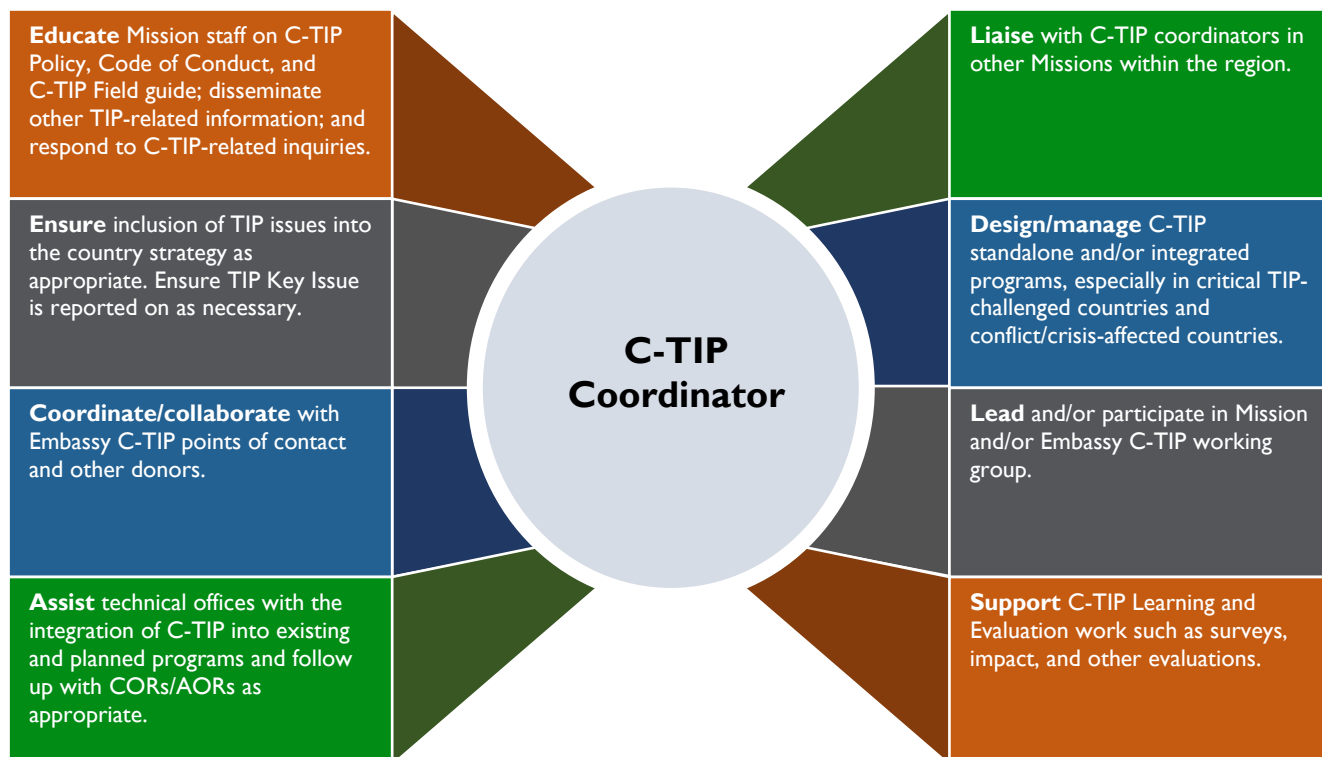
<sup>16</sup> USAID OIG, *USAID Bureau for Africa’s Approach to Strategic Workforce Management Reflected Agency-Wide Challenges* (E-698-23-001-M), February 21, 2023.

<sup>17</sup> USAID OIG, *Contractor Use for Disaster and Stabilization Responses: USAID Is Constrained by Funding Structure but Better Data Collection Could Improve Workforce Planning* (E-000-22-002-M), September 29, 2022.

## Persistent Staffing Constraints Limit USAID’s Ability to Fully Address and Oversee Key Development Priorities

- A recently issued report noted that updated guidance on the roles and responsibilities of C-TIP coordinators (see Figure 3) and a rollout of survivor-informed training had not been completed due to a lack of staffing resources in the Agency's Bureau for Democracy, Human Rights, and Governance.<sup>18</sup> As a result, USAID staff will not be properly equipped to engage with trafficking survivors or obtain valuable insight on the quality of shelters, legal advice, and other improvements to service delivery.<sup>19</sup>

Figure 3. USAID C-TIP Coordinator Key Roles and Responsibilities



Source: USAID’s Mission C-TIP Coordinator Responsibilities guidance (undated).

- During an inspection of USAID’s Mission to South Sudan’s International Cooperative Administrative Support Services (ICASS) process,<sup>20</sup> we found issues related to understaffing, an absence of essential guidance and procedures, and partially untrained Foreign Service Nationals performing support functions. While USAID and the State Department share responsibilities for ICASS at the Embassy in Juba, we identified areas in which the Agency could improve by (1) implementing a plan to fill approved warehouse positions, (2) developing and implementing procedures to formalize the

<sup>18</sup> During the scope of the audit, the Bureau for Democracy, Human Rights, and Governance was organized within the Bureau for Development, Democracy, and Innovation as the Center for Democracy, Human Rights, and Governance.

<sup>19</sup> USAID OIG, *Counter-Trafficking in Persons: Improved Guidance and Training Can Strengthen USAID’s C-TIP Efforts in Asia* (5-000-23-001-P), September 11, 2023.

<sup>20</sup> USAID OIG, *Inspection of USAID/South Sudan's ICASS Service Provision in Juba* (E-668-23-002-M), September 28, 2023.



orientation and transition process for direct hires and contractors, and (3) properly training staff to fulfill their roles.

### **SPOTLIGHT: Staffing Constraints Limit USAID's Ability to Meaningfully Increase Work With New and Local Partners**

- During our ongoing audit on the Rohingya refugee crisis, we learned that although USAID has emphasized the need to support locally led development, only a small percentage of funding has been directly allocated to local organizations in Burma and Bangladesh. Although local organizations may not be direct award recipients, USAID indirectly supports them through awards issued to NGOs that will then partner with local organizations as subawardees. USAID officials recognized that these local organizations had access to remote and difficult areas as well as the expertise to implement humanitarian assistance activities. However, Agency officials believe mission staffing levels are not adequate to meet monitoring and oversight requirements for direct funding to local organizations.
- During our ongoing audit of the New Partnerships Initiative, Agency staff noted that the limited capacity of mission staff remains an impediment to increasing the number of awards to new and underutilized partners. For example, mission staff referred to difficulties in conducting initial due diligence reviews as well as ongoing management burdens associated with new and underutilized partners. They expressed concerns that this limited bandwidth would restrict the Agency's ability to meaningfully expand USAID's partner base.

## Challenge 4. Implementing Financial and Information Technology Controls to Safeguard Taxpayer Resources

*The effective design and implementation of internal controls are critical to USAID's ability to determine how it allocates funds and protects its assets against loss from fraud, corruption, diversion of resources, or unauthorized disclosure. Control issues can put information and resources at risk and prevent stakeholders from understanding how U.S. taxpayer funds achieve international development results.*

### **Weaknesses in Controls Adversely Impact the Agency's Financial Management Capabilities**

According to USAID's Risk Appetite Statement, the Agency has a low appetite for risks related to financial reporting, payment mechanisms, financial systems, internal controls, and audit management.<sup>21</sup>

- There were no reportable instances of noncompliance with applicable laws, regulations, contracts, and grant agreements during the most recent audit of the Agency's financial statements.<sup>22</sup> However, the audit did identify a significant deficiency related to calculating and recording accrued expenses. Tests of sample transactions<sup>23</sup> identified differences between the source documentation and Agency accounting records.
- Accordingly, the audit report made seven recommendations to address identified internal control deficiencies, two of which specifically pertained to accrued expenses. The audit concluded that "even though the quantitative amount [of the transactions tested] may be considered immaterial, our testing determined that the control issues are pervasive throughout USAID." The Agency's inability to remediate identified control issues could cause the financial statements to be inaccurately reported or out of compliance with reporting standards.

The need to meet control and compliance standards extends to USAID's purchase card and travel card program.

- Our oversight of FY 2022 transactions<sup>24</sup> found that management did not enforce USAID's policies and procedures to ensure cardholders are adequately monitored for compliance with purchase card policies. Accordingly, we recommended that the Agency implement controls to ensure cardholders maintain documentation for purchase transactions. This will allow USAID to provide greater assurance that the program is free from illegal, improper, or erroneous purchases and payments.

USAID continues to face financial risks with funding local organizations based in foreign countries, which have varied levels of experience managing funds and are at greater risk of internal control weaknesses and noncompliance with award terms and regulations.

- In FY 2023, we issued close to 250 audits of local organizations, covering over \$1.3 billion. For these audits, we questioned about \$21 million due to internal control and noncompliance issues.
- For example, in Africa, accounting for and recovering costs related to the value added tax is a sustained and widespread problem. Our audits of local recipients for the Africa Regional Office

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<sup>21</sup> U.S. Agency for International Development, *Risk Appetite Statement*, June 2018.

<sup>22</sup> USAID OIG, *Audit of USAID's Financial Statements for Fiscal Years 2022 and 2021* (0-000-23-001-C), November 12, 2022.

<sup>23</sup> Testing took place at USAID's Washington, DC, headquarters and at overseas missions selected for testing.

<sup>24</sup> USAID OIG, *Assessment of USAID's Purchase Card Program Showed Low Risk of Improper Purchases and Payments in Fiscal Year 2022* (0-000-23-010-C), August 9, 2022.

identified nearly \$4.1 million in total questioned costs in FY 2023 and made 100 recommendations; over \$1 million and 13 recommendations related specifically to the value added tax problem.

### **SPOTLIGHT: Indirect Costs Represent a Substantial Portion of Agency Expenditures**

USAID's Overhead, Special Cost, and Closeout Branch is authorized to negotiate indirect cost rates and is responsible for managing over \$142.5 billion in awards. Indirect costs, such as office space rental, utilities, and clerical and managerial salaries, are incurred for common purposes that are too time consuming or costly for a specific award. They carry risks for USAID because determining whether they are reasonable, allowable, and allocable to awards to U.S. and foreign organizations can be difficult. We have an ongoing audit that focuses on the awards that USAID managed between fiscal years 2016 and 2021. The objective of this audit is to determine the extent to which USAID applied best practices for managing indirect costs incurred by awardees.

### **Gaps in USAID's Information Technology Practices Presented Security Risks**

- Strengthening information technology (IT) processes and procedures at the beginning and end of a staff member's tenure at USAID could mitigate risks associated with access to information and information systems.
  - For example, our previous work<sup>25</sup> found that USAID did not implement measures to validate whether new hires signed access agreements and received approval before gaining access to the Agency's information systems. Without such measures, USAID faces an increased risk that individuals will be granted access to the wrong systems or roles and permissions and that system users will not understand their responsibilities for USAID's information systems and data.
  - Also, the Agency could not always locate separated employees' exit checklists, which confirm that IT assets were returned and accounted for and that network access has been suspended. Closing the open recommendation to confirm that accounts have been disabled due to inactivity, position change, or separation will decrease the risk of account misuse and unauthorized access.
- With the prevalence of remote work and telework opportunities in today's workplace, USAID's information and systems are even more accessible to personal cell phones and other devices via the Agency's external cloud system. However, misuse or unauthorized access to the cloud may critically harm the integrity of USAID's operations. To that end, we recommended that the Chief Information Officer complete a risk assessment, determine the actions required to mitigate any identified risks, and update policies and procedures accordingly. Having appropriate security controls in place is critical to reducing the risk of unauthorized access, disclosure, and modification of the Agency's data, including sensitive but unclassified information.<sup>26</sup>

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<sup>25</sup> USAID OIG, *USAID Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA* (A-000-21-004-C), January 7, 2021.

<sup>26</sup> USAID OIG, *USAID Needs to Improve Policy and Processes to Better Protect Information Accessed on Personal Devices* (A-000-20-006-P), June 19, 2020.

- Our report on USAID’s information security program<sup>27</sup> identified two vulnerabilities related to the tracking of IT equipment and implementation of event-logging requirements. We made recommendations to bring USAID in compliance with Federal and Agency requirements.
  - USAID did not consistently inventory the physical location of IT assets with the specificity necessary for tracking and reporting. Consequently, there is an increased risk that IT equipment will be misplaced or stolen. This could result in the loss of control of USAID data, including personally identifiable information, and potentially strain the Agency’s budget as additional funds may be required to replace missing equipment.
  - Information from logs on Federal information systems is invaluable in the detection, investigation, and remediation of cyber threats. However, USAID did not have the ability to correlate event logs across different repositories in a complete or risk-based manner. This increased the chance that the Agency might fail to collect all relevant data on—and thus miss the potential scope of—suspicious events or attacks.

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<sup>27</sup> USAID OIG, *USAID Generally Implemented an Effective Information Security Program for Fiscal Year 2023 in Support of FISMA* (A-000-23-004-C), September 8, 2023.

# USAID's Progress on Addressing the Top Management Challenges for FY 2023

USAID has reported progress on addressing the challenge areas identified in last year's Top Management Challenges report with the examples detailed below. However, OIG has not verified the completion of these actions or confirmed such progress. For information related to the Agency's progress in addressing open recommendations, refer to our [Semiannual Reports to Congress](#).

## Challenge 1. Establishing Optimal Conditions for Agency Staff and Programs to Succeed

- USAID reported multiple efforts to strengthen the global workforce. For example, the Agency reported the following:
  - USAID launched the Global Development Partnership Initiative, which aims to hire more Federal employees and local staff; increase the percentage of Federal employees as a share of the workforce; and make data-informed staffing decisions. Under this initiative, USAID has begun increasing the career workforce (both civil service and Foreign Service) from 3,450 to 4,750 over several years. In the first 2 years of the initiative, with additional operating expenses appropriations, USAID has created almost 300 new career positions.
  - USAID's Crisis Operations Staffing pilot is one new way the Agency is increasing the percentage of Federal employees in the workforce. This temporary authority authorizes the Agency to use program funds to appoint and employ personnel in the excepted service to respond to and prevent foreign crises and contexts with growing instability. Through the Crisis Operations Staffing pilot, the Agency's goal is to hire up to 350 employees through a time-limited civil service excepted authority by the end of 2023. USAID is now seeking congressional approval to formalize Crisis Operations Staffing from a pilot to a permanent authority, which would also require Office of Personnel Management approval for permanent civil service excepted authority.
- To better collect and track information to improve diversity in its workforce, including contracted staff, USAID reported that it now uses a data collection platform to collect demographic data, as applicable and allowable by law.

## Challenge 2. Mitigating Risk in Agency Operations

- To mitigate risks and better understand local organization capabilities, USAID reported increased emphasis on preaward risk assessments. When these assessments are completed, USAID expects they will allow the Agency to tailor awards to match partner capabilities, incorporate specific capacity-strengthening activities, and build in appropriate safeguards.
- USAID reported implementing a comprehensive system of risk mitigation measures in the Bureau for Humanitarian Assistance. For example, USAID already requires the following:
  - Location-specific safety and security plans.
  - Mandatory reporting requirements on fraud, waste, and abuse.
  - Mandatory use of USAID's third-party monitoring contract.

Additionally, USAID requires the following in response to the operational environment in Yemen:

- Monthly programmatic reporting in addition to semiannual reporting.
- Robust and redundant complaints and feedback reporting mechanisms.
- USAID reported that partners are now using data analytics to prevent and detect duplication in humanitarian cash assistance programs.
- To address open audit recommendations, USAID reported developing a supply chain risk management program into the Agency's security oversight and IT procurement processes.
- To better manage risks facing local organization procurements, USAID reported that it has allocated resources and implemented steps to make engagement more meaningful and productive. For example, the Agency instituted a requirement that each award include plans to increase partner accountability and feedback, completed partner landscape analyses at eight missions, and launched the New Partnerships Initiative Incubator and [WorkwithUSAID.org](https://www.workwithusaid.org).
- To manage risk and combat corruption in Ukraine, USAID reported that its acquisition and assistance workforce is collaborating with other U.S. government agencies to strengthen anticorruption efforts and implement safeguards in foreign assistance during the planning, budgeting, and design processes.

### **Challenge 3. Countering Corruption, Abuse, and Malign Influence**

- USAID reported progress on the establishment of an interim reporting process and centralized tracker for SEA in the Agency's programs.
- USAID reported the development of standard assistance award requirements to require partners and their subawardees to increase protection against SEA and child exploitation, abuse, and neglect in USAID programs as well as make mandatory the reporting of such issues to both OIG and USAID.
- To counter China's global influence in key development sectors ranging from natural resources management to human rights protection, USAID reported the ongoing development of a strategic framework and programmatic approach that is consistent with the President's foreign policy vision and strategic objectives.
- To increase accountability in the response to the conflict in Ukraine, USAID reported increased funding to local institutions to support efforts to counter corruption, strengthen public financial management practices, and improve transparency and accountability. The Agency will provide additional support for anticorruption and judicial reform efforts, including with Ukraine's Ministry of Justice and other justice centers run by NGOs at the local level. The goal is to help war victims resolve legal challenges and restore livelihoods.

### **Challenge 4. Maximizing the Impact of Monitoring and Quality Data**

- USAID reported progress around monitoring and evaluation as they are practiced in humanitarian assistance, risk reduction, and resilience building, specifically at the missions in Bangladesh and Ukraine. Revisions to mission processes in Bangladesh included more detailed guidance on the use of third-party monitors and a requirement to document and follow up on actions regarding third-party monitors findings. In Ukraine, USAID reported that it monitored the humanitarian response by using third-party monitors to conduct more than 50 site visits to 18 partners.



- USAID conducted after action reviews and learning sessions to capture learning from third-party monitoring to understand what worked well and where the gaps are to inform the design of future third party monitoring methodologies and tools.
- USAID has significantly increased the total number of rigorous evaluations to measure impact of USAID's investments both for longer term resilience building programs as well as emergency programs designed to address the human sufferings and livelihoods in protracted crises. These high-quality rigorous evaluations will not only help understand the progress but also assess the cost effectiveness of the Agency's investments and identify interventions that are effective. However, designing and implementing fit-for-purpose, high-quality evaluations remains a challenge in the humanitarian context because of security and safety concerns, transitory population, and high attrition rates.
- To improve the data quality of USAID's key IT systems, the Agency reported the establishment of a quarterly verification and validation process that can measure data accuracy and completeness through an online dashboard. Further, USAID reported the implementation of policies and system enhancements to ensure contracts and procurement critical documents are uploaded into Agency IT systems before obligation. In addition, the Agency carries out a review and follow-up process in the event of a missing executed contract or procurement document.
- To enhance monitoring of programs during the COVID-19 pandemic, USAID reported that it implemented procedures to assess the tradeoffs of more frequent reporting and to better communicate expectations for the documentation of field-level oversight. USAID also developed briefings on remote data collection for the implementing community to encourage safety and weigh pros and cons of different remote data collection during COVID-19.
- USAID reported taking steps to develop, communicate, and use quality data to inform decision making and key stakeholders in implementing climate change mitigation efforts under the Agency's Climate Strategy. USAID partnered with research organizations and universities to identify and develop behavioral measures to assess the impacts of climate change adaptations.

## **Report fraud, waste, corruption, and abuse**

### **USAID OIG Hotline**

*Complaint form:* <https://oig.usaid.gov/complainant-select>

*Mail:* USAID OIG Hotline, P.O. Box 657, Washington, DC 20044-0657

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U.S. Agency for International Development  
1300 Pennsylvania Avenue NW  
Washington, DC 20523  
<https://oig.usaid.gov>