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**Statement for U.S. House Foreign Affairs Subcommittee on Oversight and Accountability**

***“Foreign Policy, Interrupted: How Fraud, Waste, and Abuse  
Blunt America’s Impact Abroad”***  
**September 26, 2024**

Chairman Mast, Ranking Member Crow, and Members of the Subcommittee:

Thank you for the opportunity to testify about USAID Office of Inspector General’s (OIG) work in identifying, preventing, and investigating fraud, waste, and abuse in U.S.-funded foreign assistance programming. Our goal at USAID OIG is to improve U.S. foreign assistance administered by the agencies we oversee while providing assurances to Congress and the American people that U.S. aid is being used effectively to achieve its intended results. This important oversight work is possible only through the dedication, talent, and creativity of over 200 USAID OIG personnel based in Washington and in 12 offices overseas, including our newest office in Kyiv, Ukraine.

USAID is the primary government agency providing nonsecurity humanitarian and development assistance in more than 100 countries on behalf of the American people. While USAID OIG’s independent oversight authority covers programs implemented by USAID, the Millennium Challenge Corporation, the Inter-American Foundation, and the U.S. African Development Foundation, I will focus my testimony today on three key areas:

1. Oversight of USAID programming in Ukraine and Gaza;
2. Challenges in overseeing USAID programming funded through United Nations (UN) agencies; and
3. Best practices for overseeing grantees and contractors implementing foreign assistance programs.

I expand on each of these areas below.

**Oversight of USAID Programming in Ukraine and Gaza**

USAID OIG conducts independent and aggressive oversight of USAID-funded programming in many countries, with Ukraine and Gaza two of our top priorities. Since Russia’s full-scale invasion of Ukraine in February 2022, USAID has provided \$3.5 billion in humanitarian aid to civilians in Ukraine, and \$2.9 billion in development assistance and nearly \$27 billion in direct budget support to the government of Ukraine. Similarly, since the onset of the current war between Israel and Hamas in October 2023, USAID has obligated over \$350 million in humanitarian assistance to civilians in Gaza and the West Bank.

Both USAID and USAID OIG face significant challenges in overseeing U.S.-provided assistance in Ukraine and Gaza due to the severity of the ongoing conflicts. While I was able to travel to Kyiv for 3 days in January of this year, U.S. government personnel are restricted from traveling outside of a limited “Green Zone” around Kyiv and from entering any part of Gaza. Despite these limitations, we do our best in nonpermissive environments to alert USAID of shortcomings and vulnerabilities in its aid programs. Moreover, even in light of our travel restrictions, we are working to ensure that USAID-funded

organizations operating in Ukraine and Gaza report allegations of wrongdoing so that our criminal investigators can work to hold accountable those who corrupt or defraud taxpayer-funded programs. Our efforts in providing oversight of each response are described below.

## *Ukraine*

For the past 2½ years, USAID OIG has provided aggressive oversight of the tens of billions of dollars provided by USAID to Ukraine and its people. Our Kyiv office, which opened in July 2023, currently supports six permanently assigned OIG staff members, which includes U.S. Federal law enforcement officers, foreign service national investigators, and a foreign service national administrator. We also rotate auditors through the Kyiv region on temporary duty as part of their reviews examining how the Ukraine government is using the billions of dollars in U.S.-funded aid.

To further support our investigative efforts, USAID OIG has four memoranda of understanding (MOUs) with Ukrainian law enforcement and anticorruption agencies: the National Anticorruption Bureau of Ukraine, the Special Anticorruption Prosecutors Office, the National Police of Ukraine, and the Ukraine State Bureau of Investigation. While these information sharing MOUs have yielded results, we continue to press these Ukrainian agencies for additional information.

Obtaining and responding to allegations of fraud, waste, abuse, and misconduct in USAID's Ukraine programming is central to our investigative efforts. Our investigators currently have five open investigations and more than two dozen preliminary matters involving allegations of theft, bribery, corruption, and conflicts of interest implicating USAID funding in Ukraine. In addition, OIG has launched Ukrainian-language social media ads that promote direct channels of reporting to our Hotline allegations of fraud, abuse, and corruption involving USAID funds.

We also continue to conduct audits, inspections, and evaluations of many of USAID's major programs in Ukraine. For example, in September we assessed the controls over USAID's monitoring mechanisms and safeguards for direct budget support. This was our fourth review of the \$31 billion in appropriations for direct budget support disbursed to the government of Ukraine through trust funds managed by the World Bank. In our February 2024 evaluation of the \$1.7 billion Single Donor Trust Fund that reimbursed the government of Ukraine for the salaries of healthcare workers, we found that USAID ensured that the government of Ukraine adhered to required controls, but USAID did not verify the accuracy of healthcare worker salaries in expenditure reports. We recommended that USAID implement an action plan to verify the accuracy of expenditure reports the government of Ukraine submitted for healthcare worker salaries and remediate any identified deficiencies.

Also in September of this year, we issued an evaluation that looked at how the USAID Mission in Ukraine responded to challenges in staffing after the February 2022 Russian invasion, and the subsequent State Department-ordered departure of all nonemergency U.S. government personnel from Embassy Kyiv. These staffing challenges were exacerbated by the over 224% increase in USAID assistance in Ukraine from February 2022 to April 2023 when we began our evaluation. This evaluation found that USAID took responsible actions to address these challenges and still meet increased programming needs. Some of their methods included the use of office space in neighboring countries, expanded use of third-party monitors, and workplace flexibilities like staff rotations and temporary duty status. We encouraged USAID to consider our key observations of their successes when facing similar staffing and programming challenges in other complex emergency environments.

In addition to another ongoing audit on direct budget support, we are examining USAID's Energy Security Project, USAID's oversight of Starlink Satellite Terminals provided to the Ukrainian

government, and USAID's efforts to protect against sexual exploitation and abuse in Ukraine. When completed, we look forward to sharing the findings of these reports with the subcommittee.

Finally, we continue to work with our Inspector General counterparts at the Department of Defense and Department of State to produce quarterly reporting on U.S. government programming in support of Operation Atlantic Resolve. We appreciate the partnership with these offices over the years in developing and expanding our oversight efforts to monitor U.S. assistance to Ukraine.

### ***Gaza***

In the aftermath of Hamas' October 7, 2023, terrorist attacks in Israel and USAID's humanitarian assistance programming in response to the subsequent conflict, OIG issued a public alert identifying Gaza as "high-risk for potential diversion and misuse of USAID-funded assistance." Our November 2023 alert noted that USAID OIG's investigative priority is to ensure that assistance does not fall into the hands of foreign terrorist organizations including, but not limited to, Hamas. Our alert also reminded organizations receiving USAID funding, including UN agencies, of their responsibility to report potential diversion of aid directly to OIG. To date, we have received 24 allegations related to USAID's post-October 7 programming in Gaza, with 1 related to potential diversion. This underscores the challenge that USAID has in relying on self-reporting by its implementing partners performing work in locations inaccessible to agency staff. It is critical that USAID continue to emphasize the requirement for implementing organizations to report allegations to OIG, no matter how uncomfortable it may be to do so.

In May 2024, we issued an alert to nongovernmental organizations and UN agencies reminding them of their responsibility to report allegations of USAID-funded assistance being provided to the United Nations Relief and Works Agency (UNRWA) in violation of the prohibition enacted in the Fiscal Year 2024 appropriations bill. As U.S. funding to UN agencies operating in Gaza pivots from UNRWA to organizations like the UN World Food Programme, we are highlighting this issue to ensure that USAID-funded organizations do not hire UNRWA employees who may have participated in the October 7 attacks.

In July 2024, we issued an advisory identifying shortcomings and vulnerabilities in USAID's oversight mechanisms to prevent diversion of aid to Hamas and other terrorist organizations. In addition to identifying the lack of self-reporting by USAID's implementing organizations, the advisory flagged the limited scope of the Agency's partner vetting program and an antiterrorism certification that requires only prospective grantees—not contractors—to disclose past support to designated terrorist organizations. The advisory also highlights challenges in the Agency's use of third-party monitors.

In August 2024, we issued an evaluation assessing USAID's planning, execution, and oversight of humanitarian assistance to Gaza through the Joint Logistics Over-the-Shore (JLOTS) maritime corridor. Our review concluded that USAID had limited control over the decision to use JLOTS, where the temporary pier would be located, and who would provide security on the beach and during transportation of JLOTS-delivered aid to UN warehouse in Gaza for distribution. These issues, coupled with high winds and rough seas in the Mediterranean Sea near the Gaza coast, impaired the Agency's ability to deliver the intended amounts of aid through the maritime corridor. In the end, the JLOTS maritime corridor operated intermittently for 20 days instead of the intended 90 days and during that period delivered food and supplies for 450,000 people for 1 month instead of the planned 1.5 million people over 3 months.

Finally, acknowledging the challenges posed by Gaza's inaccessibility to OIG staff, we are working to secure both on-the-ground and geospatial monitoring contracts to gather information that will inform our oversight work and assess the effectiveness of USAID's ongoing programming. Once USAID shifts from

a purely humanitarian effort to a recovery and rebuilding response in Gaza, these initiatives, coupled with a steady tempo of audits and evaluations, will allow us to inform USAID on the key risks and challenges to its programming.

### **Challenges in Overseeing USAID Programming Funded Through United Nations Agencies**

USAID funds billions of dollars in humanitarian assistance and developmental programming through UN agencies across the globe, often in nonpermissive environments such as Gaza, Sudan, Ethiopia, and Haiti. To conduct effective oversight, USAID OIG must rely on cooperation and information from USAID-funded UN agencies and must have access to the same level of information that it has for programming administered by nongovernmental organizations or contractors.

Our oversight work over the years has led to fundamental changes in the way USAID makes awards to UN agencies, including new requirements to promptly disclose to USAID OIG credible allegations of fraud, corruption, and sexual exploitation and abuse. This month, we issued an evaluation of USAID's due diligence of funding to public international organizations (PIOs), including UN agencies. The evaluation focused on 67 PIOs that received about \$46 billion in USAID funding between FY 2019 and FY 2022. We found that USAID did not consistently use pre- and postaward due diligence mechanisms to ensure effective oversight of PIOs' programming involving USAID funds. Failure to employ established mechanisms to ensure that a PIO is capable of safeguarding USAID funding may lead to an inability to identify potential vulnerabilities that lead to waste or misuse within critical programming.

Our investigative work has helped USAID ensure the integrity of its programming implemented through the UN. Results include the governmentwide debarments of numerous former World Health Organization officials found to have sexually assaulted women and girls while performing USAID-funded Ebola programming in Africa. USAID OIG also has identified multiple fraud schemes involving UN-implemented humanitarian aid in Ethiopia and has efforts underway to prevent USAID-funded organizations from hiring staff previously employed by UNRWA believed to have participated in the October 7 attacks in Israel.

Unfortunately, we continue to encounter challenges in receiving information from UN agencies funded by USAID. Despite obligations to report allegations of misconduct directly to USAID OIG, reporting from UN agencies is limited. Failure to report allegations or respond to follow-up requests for information limits our investigators' ability to inform USAID of harm to its programs and hold bad actors accountable. To that end, we appreciate the language in the 2024 appropriations act requiring the Department of State and USAID to "seek to enter into written agreements" with international organizations receiving U.S. government funding that provide timely access to USAID OIG, State OIG, and the Government Accountability Office to information relevant to U.S. contributions.

### **Best Practices for Overseeing Grantees and Contractors Implementing Foreign Assistance Programs**

Beyond the areas discussed above, USAID OIG also oversees Agency programming in responses to more than 75 humanitarian crises in 70 countries each year. These international assistance programs provide food, water, shelter, health care, and other critical aid to people in crisis situations. Over the years, our oversight work has identified several best practices to reduce misconduct by organizations and aid workers in the performance of USAID-funded awards. We have also identified areas where USAID could strengthen its own accountability mechanisms.

First and foremost, implementers that engage in fraudulent behavior must be held accountable. Alongside our partners at the Department of Justice and within USAID, we pursue all available enforcement remedies when our investigations find culpability by USAID-funded parties. For example:

- Earlier this month, our investigative work led to a \$617,000 civil settlement with a USAID-funded South African company responsible for tuberculosis treatment and prevention services. The settlement resolved allegations that the company improperly sought reimbursement for work not performed.
- In June 2024, OIG referred 11 companies in a southeastern European country and individuals to USAID for suspension or debarment for engaging in a bid rigging and collusion scheme in response to a USAID solicitation.
- Also in June 2024, OIG's investigation into allegations that a USAID-funded subawardee had trafficked in children from local Syrian refugee camps resulted in USAID terminating the award and debarring the company and its owner.
- In March 2024, an employee of a USAID-funded organization pled guilty to wire fraud after orchestrating a scheme to defraud her company of hundreds of thousands of dollars by submitting invoices for goods and services to third-party organizations.

We routinely issue alerts to USAID that identify vulnerabilities in the Agency's award agreements, such as the lack of a forum selection clause in its awards that may prevent the U.S. government from suing foreign-based nongovernmental organizations under the False Claims Act to recover fraudulently obtained funds. Past alerts identified the need for the Agency to expand its preaward certifications to require contractors to disclose prior support to designated terrorist organizations and for all implementers to disclose prior engagement with entities sanctioned under the Global Magnitsky Act for corrupt behavior or human rights violations.

Finally, we continue to emphasize within USAID, and all the agencies we oversee, the importance of whistleblower protections for both Federal employees and employees of grantees and contractors. Our work relies on the ability of individuals to come forward when they believe fraud, waste, abuse, or other misconduct has occurred within foreign assistance programming. Through the efforts of our whistleblower protection coordinator, we continue to amplify the channels available for individuals to safely report allegations without fear of reprisal.

To this end, last month we issued a management alert to the U.S. African Development Foundation citing the lack of resources on USADF's website regarding how to disclose allegations of waste, fraud, and abuse to USAID OIG. The alert noted that serious allegations within USADF programming will continue to go unreported if USADF does not ensure its staff has the necessary knowledge and training to promptly identify and report potential fraud, waste, abuse, mismanagement, and sexual abuse and exploitation to OIG.

We are committed to continuing to share the results of our oversight work of USAID's foreign assistance programs with Congress. Our goal is to ensure that U.S. foreign assistance programs are used effectively, for their intended purpose, and that taxpayer dollars are protected from fraud, waste, corruption, and abuse.

Thank you.