



VIA ELECTRONIC TRANSMISSION

March 13, 2023

The Honorable James E. Risch  
Ranking Member  
Committee on Foreign Relations  
United States Senate

Dear Senator Risch:

We are writing in response to a question for the record you submitted to the Department of State (Department) following the January 26, 2023, testimony of Under Secretary Victoria Nuland before your committee. Given our purview on the matter and our independence, we are responding directly herein rather than through the Department.

You asked the following regarding direct budget support to Ukraine:

Since February 2022, the United States has provided the overwhelming majority of budget support for Ukraine—\$13 billion, or 72 percent, of a total \$18 billion mobilized to date—which is being disbursed through the following World Bank mechanisms: Financing of Recovery from Economic Emergency in Ukraine (FREE Ukraine), Public Expenditures for Administrative Capacity Endurance (PEACE), Ukraine Relief, Recovery, Reconstruction and Reform Trust Fund (URTF), and Contributions to Health Enhancement and Lifesaving (HEAL) Project. Does the Department of State Office of the Inspector General maintain direct audit authority over these mechanisms? If not, what is the justification?

In answer to your question, we do not have direct audit authority over these World Bank mechanisms. In an [information brief](#) that we published last month—per a requirement in the Ukraine Supplemental Appropriations Act, 2023—we assessed the Department’s process for certifying that “mechanisms for monitoring and oversight of such funds are in place and functioning and that the Government of Ukraine has in place substantial safeguards to prevent corruption and ensure accountability of such funds.”<sup>1</sup> In that assessment, we found that the Department coordinated closely with the U.S. Agency for International Development (USAID), the U.S. Department of the Treasury, and U.S. Embassy Kyiv officials to identify, understand, and evaluate various methods for disbursing direct financial support to the Government of Ukraine. Ultimately, the agencies determined that The World Bank

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<sup>1</sup> Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023, Public Law 117-180, Division B, September 30, 2022.

mechanisms offered the best combination of speed and funding accountability. The Department subsequently issued an information memorandum in support of the decision to use the World Bank PEACE mechanism which described processes and procedures for monitoring and oversight of funds, as well as Government of Ukraine safeguards to prevent corruption and ensure accountability of funds provided.

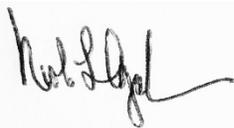
USAID OIG's companion [evaluation](#) detailed and assessed the monitoring and safeguarding mechanisms in place over the World Bank's PEACE fund. The evaluation found that the mechanisms aligned with Federal Standards for Internal Control established by the U.S. Government Accountability Office. USAID OIG's planned oversight work will assess the operational effectiveness of the controls put in place. However, USAID OIG does not have direct audit authority of World Bank Trust Fund mechanisms. Its jurisdiction over multilateral organizations receiving USAID funding is generally limited to whatever direct access or audit rights USAID has created for itself under its standard award provisions. For Direct Budget Support through The World Bank, neither USAID nor USAID OIG has the authority to conduct direct audits of Bank records. USAID OIG does, however, have in place memorandums of understanding with The World Bank's Group Internal Audit Vice Presidency and Integrity Vice Presidency, both of which allow for enhanced information sharing and collaboration on audit and investigative matters related to USAID programming implemented through the Bank. USAID OIG intends to utilize these agreements in conducting comprehensive oversight of the administration of Direct Budget Support programming, and in investigating allegations of fraud or corruption compromising American funding.

If you have additional questions, please do not hesitate to contact us or our respective Congressional and Public Affairs offices. You can reach State OIG's Director of Congressional and Public Affairs, Ryan Holden, at [ryan.d.holden@stateoig.gov](mailto:ryan.d.holden@stateoig.gov) or (571) 349-9259 and USAID OIG's Director of Congressional and Public Affairs, Adam Kaplan, at [adamkaplan@usaid.gov](mailto:adamkaplan@usaid.gov).

Sincerely,



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