FEATURE REPORT

OVERSIGHT IN CHALLENGING ENVIRONMENTS: LESSONS FROM THE SYRIA RESPONSE

USAID Office of Inspector General

INTRODUCTION

In June 2017, the United Nations (UN) estimated that $23.5 billion would be needed to assist a record 141 million people in 37 countries who are affected by natural disasters and war. Among the most dire of situations is the crisis in Syria, which is now in its sixth year and has left an estimated 13.5 million people in need—approximately more than half of Syria's original population. The U.S. Agency for International Development (USAID) has provided more than $3.7 billion since fiscal year (FY) 2012 in emergency humanitarian assistance to Syrians, including those living as refugees in neighboring countries.

As humanitarian crises persist in Syria and elsewhere the effective delivery of emergency humanitarian assistance will be essential to meeting the needs millions of people. USAID is a global leader in responding to crises and reported expending an average of $2.2 billion on humanitarian assistance annually. However, providing assistance in these nonpermissive environments is complex and challenging. USAID OIG has identified serious issues in U.S. humanitarian assistance efforts in these settings, demonstrating the critical need for oversight to ensure the effective delivery of humanitarian assistance.[1]

The response to the crisis in Syria provides a model for examining efforts to protect U.S. humanitarian investments, particularly those that occur in the context of the international fight against terrorist organizations, such as the Islamic State in Iraq and Syria (ISIS). USAID OIG prepared this report to take stock of important lessons learned in Syria that could be applied to ongoing USAID operations in other parts of the world and to future humanitarian responses. This report documents these lessons and illustrates how USAID OIG oversight has informed USAID policies and processes and addressed programmatic vulnerabilities. We shared a draft copy of this report with USAID leadership, who provided technical comments, which we incorporated where appropriate.

BACKGROUND

In March 2011, opposition forces rose up against the Syrian Government, driving Syria into civil war. In 2013, Islamic State in Iraq and Syria (ISIS) took control of significant territory across Syria,[2] further complicating the crisis. As the conflict grew among the Syrian regime, ISIS, and other groups, conditions for civilians deteriorated significantly. In addition to the 13.5 million in need within Syria estimated by the UN, more than 5 million Syrians are now refugees in neighboring countries, such as Jordan, Lebanon, Turkey, Egpyt, and Iraq.

To help those in need, USAID works through implementing partners, such as the UN and international Non-Governmental Organizations (NGO), to procure and distribute humanitarian

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[1] USAID OIG provides independent oversight of USAID humanitarian assistance under the Inspector General Act of 1978, as amended, as well as under the Lead Inspector General oversight framework under sec. 8L of the act in the context of Operation Inherent Resolve (OIR).

[2] Brookings Doha Center Analysis Paper, "Profiling the Islamic State," Number 13, November 2014.

USAID Office of Inspector General

A Syrian man sits amid the rubble of destroyed buildings following reported airstrikes by Syrian government forces in the rebel-held area of Douma, east of the capital of Damascus (AFP/ABD photo)

assistance. Assistance includes emergency food, healthcare, shelter, protection, water, sanitation and hygiene services, and other relief commodities. These goods and services are procured by implementers from international and local vendors, such as Jordan-based mills providing flour to bakeries in Syria. Food assistance is also provided in neighboring countries hosting significant numbers of refugees, including Jordan, Lebanon, Turkey, Egypt, and Iraq.

According to USAID, providing assistance in nonpermissive places like Syria is a longstanding challenge. In addition to the difficulty of coordinating multiple international responders in a conflict zone, several other issues present substantial barriers to operating in nonpermissive environments. For example, it is difficult to find qualified contractors and grantees willing to work in these high-risk areas, as they are limited in number, and to oversee projects. Meeting regularly with partner governments and civil society representatives is also a challenge, given constraints on movement of U.S. Government employees due to security conditions.

The conflict also poses substantial challenges to USAID OIG's mission to oversee the Agency's delivery of more than $3.7 billion in assistance in Syria. The ongoing conflict inhibits USAID OIG personnel from easily auditing and investigating some USAID-supported activities and from gathering evidence to uncover fraud and identify program vulnerabilities and risks. Recognizing these potential barriers, USAID OIG relies on its foreign service national staff in the region to assist with oversight activities.

USAID OIG OVERSIGHT OF HUMANTIARIAN ASSISTANCE TO THE SYRIA CRISIS

To provide effective oversight, USAID OIG employs a strategy of increasing fraud awareness and improving reporting and controls in organizations implementing assistance programs. This includes employing a combination of investigations and audits, both unilaterally and in conjunction with other oversight bodies,[3] and other proactive measures. USAID OIG conducts investigations to address allegations of criminal, civil, and administrative violations relating to USAID, including violations such as kickbacks, false claims, conflicts of interest, and other instances of program abuse. Audits focus on strengthening the ability of USAID to manage and deliver foreign assistance by addressing programmatic weaknesses and inefficiencies, and providing recommendations for improvement.

Ongoing Audit and Investigations Work

USAID OIG has uncovered significant programmatic weaknesses and fraud in Agency programs delivering assistance in and around Syria. At the outset, OIG conducted a survey in December 2013 to gather information on selected USAID Syria-related activities and steps taken to manage and mitigate risks.[4] Following this survey, in July 2014, USAID OIG published an audit of USAID's Office of Food for Peace's Syria-related activities.[5] While the audit concluded that food commodities were reaching targeted beneficiaries, it identified weaknesses and opportunities for improvement in several areas, including monitoring procedures and the cost of implementer activities.

This work informed subsequent OIG outreach efforts. Between January 2015 and July 2017, USAID OIG gave 52 fraud awareness briefings to 1,225 USAID employees, implementers, and others involved in the response to the Syria crisis. These briefings highlighted USAID OIG's mission and mandate, described common fraud schemes and indicators, and explained how to report fraud to USAID OIG. In addition, USAID OIG published a fraud prevention and compliance best practices manual.

As a result of this outreach, by September 2017, USAID OIG had received 172 complaints concerning the delivery of USAID-funded assistance to Syria. The largest proportion of complaints—more than a third (66)—related to fraud. Other types of allegations included theft (48), bribery (8), and diversions (32).

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[3] In 2014, efforts in Syria were designated an overseas contingency operation (OCO)—a U.S. Armed Forces operation against an opposing military force or response to a national emergency declared by the President or Congress—called Operation Inherent Resolve (OIR). OIR is the U.S.-led operation to degrade and destroy ISIS. The designation of OIR as an OCO activated the Lead Inspector General framework, which mandates that the OIGs for USAID and the U.S. Departments of Defense and State execute a joint strategic plan for OIR oversight. Under this framework, USAID OIG increased oversight of USAID operations in Syria, Iraq, and neighboring countries.

[4] USAID OIG, "Survey of Selected USAID Syria-related Activities," 12/1/2013, https://oig.usaid.gov/content/survey-selected-usaid-syria-related-activities.

[5] USAID OIG, "Audit of USAID's Office of Food for Peace Syria-Related Activities (Executive Summary)," 7/30/2014, https://oig.usaid.gov/sites/default/files/audit-reports/8-276-14-003-p_summary.pdf.

USAID Office of Inspector General

"The magnitude of our investigations related to humanitarian assistance programs in Syria demonstrates the extent to which USAID programs can be vulnerable to exploitation."

– USAID Inspector General Ann Calvaresi Barr before the House of Representatives Committee on Foreign Affairs testifying on USAID OIG Investigations relating to USAID assistance in Syria, July 14, 2016

From these complaints, USAID OIG has opened 35 investigations from January 2015 to September 2017, 30 of which related to fraud or bribery and kickbacks. The majority of opened cases concerned program fraud, including procurement fraud, beneficiary schemes, and administrative fraud. Several cases involved complex fraud rings, involving both implementer staff and vendors, which were defrauding the U.S. Government for millions of dollars. The severity of the cases garnered congressional attention, and USAID Inspector General Ann Calvaresi Barr was asked to testify before Congress in July 2016.[6]

Types of Program Fraud

- Procurement fraud typically involves excluding qualified vendors from contract bids because of a relationship or financial incentive. It can also include substituting products with inferior or fewer products or listing undelivered goods as delivered.
- Beneficiary schemes often involve falsifying the number of people a program assisted or demanding kickbacks from beneficiaries in return for delivering assistance.
- Administrative fraud may include billing the same program costs to multiple donors, withholding portions of salaries, or charging for nonexistent employees.

To provide comprehensive oversight of the humanitarian crisis in Syria, USAID OIG's auditors and investigators coordinate work efforts. Office of Investigations findings helped the Office of Audit target its work plans and objectives while auditors assisted with ongoing casework by applying forensic auditing skills.

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[6] Before the Committee on Foreign Affairs Subcommittee on the Middle East and North Africa, United States House of Representatives, "Fraud Investigations Expose Weaknesses in Syria Humanitarian Aid Programs: Statement of The Honorable Ann Calvaresi Barr Inspector General U.S. Agency for International Development," July 14, 2016, https://oig.usaid.gov/sites/default/files/testimony_071416_ig_statement_syria_umanitarian_assistance.pdf.

- An ongoing audit is assessing the more than $1.8 billion in assistance USAID has provided through nine public international organizations (PIO)—primarily UN agencies—to Syrians and Iraqis from 2012 to 2016. As vendors associated with Syria fraud schemes that we uncovered may also be employed by PIOs, the audit is assessing the extent to which USAID considers the risks of funding PIOs, risk mitigation in PIO programs, and USAID's oversight of PIOs.

- Ongoing financial audits are examining the expenses of six implementers engaged in high risk work in Syria that were awarded a combined total of nearly $900 million. Some of these implementers are also under investigation by USAID OIG. These audits seek to determine whether USAID awarded, monitored, and reported funds in accordance with requirements and if implementers' costs complied with applicable requirements.

Fraud Prevention Efforts

While ongoing investigative efforts have identified significant fraud and program management issues, USAID OIG has also worked to increase awareness and knowledge around fraud in humanitarian assistance programs. As a part of this oversight effort, USAID OIG initiated a number of actions to raise awareness of fraud risks and promote prevention efforts among staff of USAID, implementing partners, and other oversight bodies:

- In October 2015, USAID OIG established the Syria Investigations Working Group (SIWG), which is composed of oversight bodies, including the Department of State OIG, PIOs, and other bilateral and multilateral donors. The group meets to share investigative leads, coordinate oversight activities, and identify trends in the region. Referrals, when appropriate, are also made to these multilateral and bilateral oversight bodies. Meetings have been held in February 2016 at the U.S. Mission to the United Nations in Geneva, Switzerland, in New York City in August 2016, and Amman, Jordan in February 2017.

- In February 2017, USAID OIG hosted a workshop on fraud in Syria humanitarian assistance programs with USAID's Office of U.S. Foreign Disaster Assistance in Amman, Jordan. Inspector General Calvaresi Barr provided opening remarks for the session, which drew approximately 150 participants from more than 30 bilateral and multilateral donors, as well as implementing partners. Discussions focused on fraud indicators and prevention methods.

USAID OIG investigators led working groups during fraud prevention workshop in Amman, Jordan

- In April 2017, USAID OIG launched the Proactive Outreach Program to promote more in-depth engagements with implementers on strategic priorities, such as the Syria crisis. This includes meeting with key personnel, discussing internal controls, and reviewing documents for indicators of potential fraud. Except when fraud is suspected, USAID OIG will give feedback to implementers and USAID to proactively inform of weaknesses or advise on best practices.

- In May 2017, USAID OIG's Assistant Inspector General for Investigations conducted a site visit to the offices of the World Food Program in Jordan to learn about ongoing improvements to internal controls governing the selection of beneficiaries and vendors in emergency food assistance for Syria refugees. The engagement focused on best practices relating to beneficiary selection and validation, and included a visit to a program–authorized grocery store and beneficiary validation site.

USAID OIG's goal in these efforts has been to alert other donors, governments, and oversight bodies to threats and vulnerabilities and promote detection and prevention of fraud in Syria and neighboring countries.

ELEMENTS OF AN EFFECTIVE RESPONSE

USAID OIG has identified several key elements of an effective humanitarian assistance response in nonpermissive environments like Syria. These include:

- Effective fraud and loss-reporting systems
- Robust Agency oversight and monitoring systems
- Strong internal controls in implementing partner organizations
- Sound procurement processes
- Broad information sharing on fraud risks and indicators

Effective Fraud and Loss Reporting Systems

Systems for reporting fraud and loss consist of phone hotlines and other means of relaying concerns about fraud, waste, and abuse to USAID OIG. These systems provide USAID and implementing partner employees with the necessary mechanisms to efficiently, accurately, and confidentially report complaints and issues to USAID OIG. All USAID implementers are required by Federal regulation to properly report to USAID OIG credible allegations and violations of Federal criminal law related to fraud.

In Syria, poor fraud and loss reporting systems allowed fraud schemes to perpetuate. Some implementers simply failed to identify fraud, while others did not pursue reports of fraud or

notify USAID or USAID OIG of such reports. Many implementers did not inform USAID of their own internal investigations into charges of bid rigging, inflated billing, conflicts of interest, and other types of fraud. Moreover, some implementers concluded there was no proof of fraud, despite possessing subject matter expert statements, email messages, and other evidence that substantiated fraud allegations. In other instances, poor records or conflicting data protection laws further prevented USAID OIG investigators from acquiring information needed to assess fraud allegations.

Robust Agency Oversight and Monitoring

Maintaining oversight, and in particular strong monitoring systems, is a critical component of managing humanitarian assistance programs according to USAID. Through strong monitoring, programs can be assessed and the findings used to inform ongoing and future programs, improving the quality of assistance. Program monitoring includes overseeing program outputs—the efficiency of processes, or examinations of the quantity and quality of commodities—and verifying activities. In nonpermissive environments, where USAID and expatriate implementer staff cannot directly monitor programs at end point delivery, third party contractors capable of operating in such contexts are employed to verify aid distributions and other activities.

USAID Acting Assistant Administrator Thomas Staal inspecting bread shipments for Syrians (USAID photo)

In the first years of the Syria response, USAID OIG found insufficient monitoring practices associated with USAID's programs. In the past, USAID failed to monitor implementers' procurement processes, especially their use of procurement waivers, or ensure that implementers had proper quality control or logistical systems in place. Without monitoring, poor procurement processes took root and fraud grew: OIG discovered instances of false reporting, collusion between implementer staff and vendors, and the delivery of goods without inspection. Furthermore, members of USAID's Disaster Assistance Response Teams lacked subject matter expertise and authority to engage with implementers on detailed aspects of their procurement systems.

USAID also generally did not require implementers to obtain prior Agency approval of large subawards. This lack of oversight helped create an environment in which fraud within subawardees flourished. For example, in March 2015, USAID OIG received allegations that a Jordanian subawardee was fabricating beneficiary distribution lists as well as stealing and selling winter supplies meant for internally displaced Syrians. Upon investigation, OIG found that the

USAID Office of Inspector General

subawardee was also employing another organization to implement the program at a reduced cost, unbeknownst to the implementer and USAID, while still billing the USAID implementer for the full cost of the project. As a result, USAID reduced the implementer's funding by $10.5 million, and several implementer employees either resigned or were released from employment.

Overall, the investigation raised significant concerns regarding the implementers' oversight of its subawardees, the way USAID funds were being used, and USAID's monitoring of humanitarian assistance programs in the region.

Strong Internal Controls in Implementing Partner Organizations

Since the delivery of assistance in nonpermissive environments, such as Syria, depends on implementers who can operate in such areas, strong internal controls in implementer operations are essential. Coordinated and organized logistics, robust quality control systems, and internal monitoring systems are indispensable controls for effective implementers. These internal controls help ensure that the right commodities are efficiently delivered to the right people and are critical bulwarks in the prevention of fraud, waste, and abuse.

USAID OIG found that poor implementer logistics, quality controls, and monitoring led to incorrect deliveries or exposed USAID programs to fraud schemes. For example, one implementer accepted without inspection various commodities that failed to meet invoiced specifications. Another relied on weight, rather than content, to accept food kits when the vendor had substituted cheaper goods than it billed for in the award. Additionally, in October 2015, an implementer for both USAID and the Department of State found that items were missing from a subawardee warehouse in Syria. In response, the USAID OIG opened an investigation jointly with State OIG and found evidence of collusion among vendors, collusion between vendor and implementer staff, and product substitution including pharmaceuticals worth nearly $1 million.

Sound Procurement Processes

Procurements of goods and services carried out under USAID awards are governed by Federal regulations and USAID directives. These regulations require implementers to have conflict of interest policies and procurement processes which, to the maximum extent possible, are fair, open, and transparent. Further, USAID implementers should abide by certain best practices and adhering as much as possible to their organizational standards when procuring goods. These include publicly announcing tenders when possible, conducting market research to compare quotes from vendors to public prices to prevent overbidding, not relying on sole source or subjective justifications on product quality, and verifying the existence and capacity of bidders.

While USAID has documented policies and procedures for humanitarian assistance procurements, it did not sufficiently ensure implementers internal control processes were commensurate with the risk environment in a consistent manner. For a variety of reasons, including the need to rapidly provide assistance, USAID implementers working in Syria did not abide by sound

procurement processes outlined by USAID, such as requirements on full and open competition, resulting in NGO staff and vendors alike defrauding USAID-funded programs. As these fraud schemes persisted, U.S. Government funds were wasted, and opportunities to help needy Syrians were missed.

Fraud schemes were identified in several phases of the procurement process. In the bidding phase, some implementer staff excluded or hampered qualified vendors, while other staff assisted preferred vendors. For example, some implementer staff steered business to favored vendors by limiting bid submission times, failing to broadly advertise tenders, revealing procurement-sensitive information, engaging in unnecessary sole-source justifications, or using only vendors from pre-approved lists not based on fair and open competition. Further, vendors colluded in these bid-rigging schemes by ensuring that one company would be guaranteed to win at a bid above fair market value. Adding to fraud schemes, implementers did not apply internal control processes in a consistent manner. Some used blanket waivers and preferred vendor lists while others publicly advertised procurements.

Examples of Product Substitution found in Turkey based USAID Funded Syria Assistance Programs

(Original sample provided with bid)

(Sample pulled from warehouse)

Different volume size (smaller) provided in delivered item versus bid sample. Bid sample had a 15cm diameter base, while delivered item had an 11.5cm diameter base.

Kettle on left was the original bid sample and had a much stronger base of steel and a greater volume than the kettle which was delivered (on right).

In March 2015, USAID OIG uncovered an elaborate procurement fraud and bid-rigging scheme involving multiple organizations in southeastern Turkey. Rings of corrupt vendors paid kickbacks to corrupt implementer staff that awarded them tenders. In one instance, a logistics coordinator for an international NGO in Turkey violated procurement policies by awarding contracts to companies belonging to a particular family. In a second case, an individual used his position in an international NGO's procurement office to award tenders to multiple companies owned by the same individual. The individual also provided procurement-sensitive information to these companies after he left his position, helping them win more USAID awards. USAID OIG found that several NGO staff and programs were implicated in the bid rigging. These fraud schemes wasted USAID funds and demonstrated the importance of transparent and fair procurement processes, as well as strong oversight.

During the implementation phase, procurement fraud included substituting products with those of inferior quality, providing fewer products than required, creating fraudulent procurements, or listing goods as delivered when they were not. These actions reduced the cost to the vendor or allowed the vendor to charge more to the implementer, resulting in wasted funds and beneficiaries receiving insufficient or improper assistance. Another subawardee fabricated distribution paperwork and falsified beneficiary lists. Further, senior managers of at least two implementers failed to apply their own procurement policies and internal controls, allowing fraud to perpetuate.

Information Sharing on Fraud and Risk Indicators

Information sharing within the humanitarian assistance community is crucial to preventing fraud from affecting programs. While implementers have interests in protecting the confidentiality of their programs and partners, sharing information on high risk locations and activities helps to improve program effectiveness. USAID implementing partners have previously fallen short on information-sharing practices, and many have not reported alleged fraud to USAID or USAID OIG. Failure to promptly share information on these claims permitted fraud schemes to continue unabated and spread to other organizations.

Further, as many donors and governments fund the same nongovernmental organizations and vendors, and vendors have been found to charge different donors and implementers for the same services, sharing information may lead to quicker detection of such schemes. Sharing information can also help donors and implementers avoid hiring vendors that have been released by one humanitarian organization because of their fraudulent activities.

USAID OIG has shared information with other donors to prevent vendors from exploiting other humanitarian organizations. By sharing information, USAID OIG has helped halt the spread of fraud in U.S.-funded Syria humanitarian assistance programs. In the cases surrounding the elaborate procurement fraud and bid-rigging scheme in southern Turkey, corrupt vendors were defrauding several different implementers and donors, including international NGOs and

other foreign assistance agencies, such as the United Kingdom's Department for International Development. Upon learning of the breadth and scope of these schemes, USAID OIG shared its investigative findings with partner organizations and alerted the larger humanitarian assistance community to the identities and fraudulent activities of the corrupt vendors and implementer staff.

Top Management Challenges and the Syria Crisis

USAID OIG oversees all USAID activities around the world and has identified several top management challenges for the Agency. Many of these challenges relate to USAID and implementer operations in nonpermissive environments and are exacerbated by the inherent challenges with working in these environments. The challenges include:

*   Developing strategies to work effectively in nonpermissive environments
*   Strengthening local capacity and sustainability while ensuring oversight of USAID funds
*   Reconciling interagency priorities to advance international development
*   Improving program design and contractor and grantee monitoring
*   Meeting Government wide financial and information management requirements

Many of these challenges exist in other nonpermissive environments where USAID provides assistance. In Afghanistan, USAID implemented a new multitiered monitoring system to compensate for a reduction in U.S. Government personnel. However, USAID OIG found that the Agency only used the system to monitor 1 of its 127 awards. Additionally, fraud plagued USAID efforts in Afghanistan. As in Syria, investigators discovered fraud schemes, including contract steering, overbilling, bribery, administrative fraud, and embezzlement.

AGENCY ACTIONS IN RESPONSE TO OIG OBSERVATIONS

In response to USAID OIG findings, USAID reported taking several actions to improve fraud detection, monitoring and oversight, procurement processes, and accountability in Syria humanitarian assistance programs. USAID took actions such as partially suspending awards and debarring or suspending 36 individuals or companies. An additional 20 individuals were removed from employment, downgraded, or resigned. USAID also reported that it instituted 15 systemic changes to help prevent and detect fraud in USAID programming.[7] USAID OIG has not yet verified that USAID has fully implemented the reforms it has described or had a chance to determine whether the reforms have been effective at addressing underlying problems.

Of these systemic changes, many relate to the lessons outlined above. For example, implementers increased efforts relating to fraud and loss reporting after USAID required implementers working under grants and cooperative agreements, as well as their subawardees, to report lost material

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[7]   Together, USAID OIG investigations and subsequent actions by USAID resulted in the savings of nearly $20 million for the U.S. Government.

to USAID—a requirement previously limited only to implementers working under contracts. All USAID awards now include language mandating the reporting of all lost material, as well as fraud, alerting USAID earlier. In addition to instituting greater reporting requirements, implementers that lacked fraud prevention and detection measures have made improvements. For example, several implementers now advertise their hotlines as well as the USAID OIG hotline at distribution sites and allow beneficiaries to contact them via WhatsApp, phone, or email to report problems.

USAID reported that it also made several systemic changes to improve monitoring in nonpermissive environments. USAID reported that it has begun to conduct more frequent visits to warehouses, review internal procedures, hold more frequent meetings with Syria implementing partners, and engage in practices and procedures recommended by OIG, like improving and refining subpartner management and procurement processes. For example, USAID added clauses to some awards granting it the authority to review any commodity prior to procurement as a way of increasing quality control and oversight. USAID also hired contractors and staff to improve its monitoring capacity. These included an independent monitoring contractor to visit partner program sites and report findings to USAID, and a risk mitigation adviser to provide technical expertise on Syria programs.

To complement its monitoring practices, USAID stated that it is working to enhance implementer operations, such as strengthening internal controls. USAID reported it would continue to bolster coordination and information management sectors to increase implementer capacity and address gaps in assistance efforts. USAID has also reported taking action to improve implementer procurement processes. Starting in 2016, USAID began piloting a new approach for relief commodities provided from Turkey to reduce procurement fraud risks. Under this arrangement, the Agency established a single pipeline for procuring relief commodities for distribution by five implementers inside Syria. USAID reported that the pilot was successful but not without complication, as some improper deliveries occurred. After addressing related issues, USAID reported that subsequent deliveries have gone smoothly and the Agency is now sourcing all relief commodities for Turkey-based programs through the same common pipeline.

USAID credits USAID OIG with improving the Agency's fraud awareness and prevention activities in many ways. First, through the identification of fraud, waste, and abuse, partners were made aware of the inadequacies of their systems and methods. For example, USAID OIG referrals and findings that resulted in disallowed costs convinced partners that their headquarters and field teams needed better fraud and risk awareness training. According to USAID, implementers are instituting risk mitigation and compliance teams to monitor for potential fraud and train staff on best procurement, monitoring, and other practices. Second, USAID reported that it ensures fraud and other irregularities are discussed and reported early on through regular communications with partners. USAID noted that these enhancements add transparency and help keep USAID and implementing partners aware of programmatic concerns. Third, USAID OIG interventions have prompted the Agency to share information on fraud risks with other donors to help stop problems as they occur.

USAID Actions Outside Syria

In addition to actions taken in Syria, USAID has taken steps to improve the way it works in restrictive and nonpermissive environments in other parts of the world:

- USAID has developed a 3-day workshop to prepare staff assigned to work in nonpermissive environments. USAID also requires employees assigned to certain countries to take a weeklong counter threat training class and offers training to help employees prepare, prevent, and respond to events stemming from conflict or disaster.
- USAID issued revised programming guidance to allow increased flexibility and customization and promote organizational learning to help missions adapt to changing circumstances.
- USAID also uses independent contractors to monitor programs in high-threat environments, where USAID personnel cannot access program sites because of security restrictions.
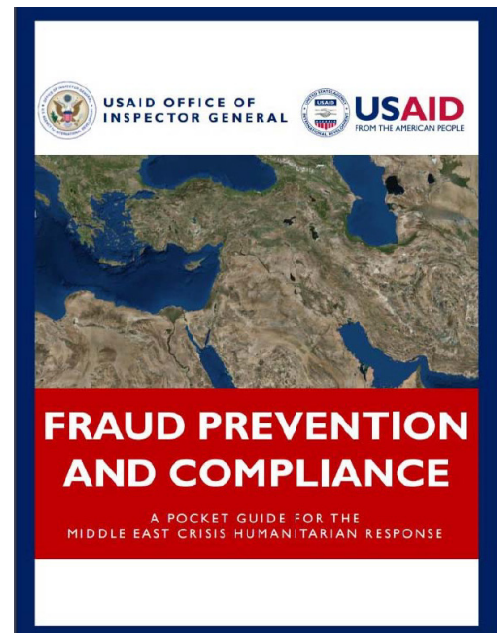
CONCLUSION AND CONTINUED OVERSIGHT

As the Syria crisis continues, the need to sustain and improve the delivery of emergency humanitarian assistance to those in need is critical. U.S. Government funds supporting these efforts must be properly utilized in the process. As our experience demonstrates, strong oversight is vital to preventing fraud from reducing the effectiveness and efficiency of USAID's humanitarian assistance. The lessons we identified in this report have prompted changes in USAID's approach to providing assistance in Syria. Moreover, these lessons learned are applicable to USAID operations in other nonpermissive environments, such as stabilization and development activities. As USAID continues to augment processes and procedures in its Syria response, USAID OIG will sustain overarching and targeted oversight efforts to ensure programs are executed properly and improve their responsiveness to fraud, waste, and abuse. Current and planned oversight efforts are designed to build on and refine the lessons learned in Syria, as well as address other vulnerabilities and inefficiencies.

Our investigators will pursue ongoing investigations and respond to new allegations while promoting further outreach. In particular, we plan a second fraud awareness conference in conjunction with another SIWG meeting, and are expanding the fraud prevention and compliance booklet to cover fraud indicators in refugee camps. Additionally, USAID OIG investigators are looking into other locations related to ISIS such as Baghdad and Erbil in Iraq, where USAID OIG staff traveled to meet with implementing partners and conduct fraud awareness briefings.

Our auditors will finalize the projects examining USAID's funding of PIOs and the risks associated with channeling resources through such organizations, as well as the obligations and related incurred costs under specific Syria assistance programs. Another ongoing audit will seek to determine how USAID conducts oversight of humanitarian assistance in Syria and evaluate whether USAID has taken action to address problems identified by USAID OIG investigations.

As the challenges identified in the Syria crisis are not unique, USAID OIG is expanding oversight of USAID activities in other nonpermissive environments. In particular, USAID OIG looks to understand if lessons learned from the Syria response are being applied to other humanitarian assistance efforts and nonpermissive environments. For example, an audit is examining whether USAID's $300 million in assistance to Africa's Lake Chad Basin — affected by the extremist group Boko Haram —

Cover of USAID OIG Fraud Prevention and Compliance booklet

entailed proper vetting and monitoring for links or associations to terrorism. In Afghanistan, two audits are underway to assess the effectiveness of new USAID policies to verify that funds are being used to further development objectives.

Through USAID OIG work in Syria, key lessons have been identified for the broader mission of providing humanitarian assistance in nonpermissive environments. As demonstrated in Syria, strong oversight is needed even for the most transparent and robust humanitarian assistance programs. USAID OIG will continue to increase its oversight of USAID activities in nonpermissive environments, as well as pursue coordinated oversight projects with other oversight bodies, including those within the Department of Defense and State, other bilateral donors, and PIOs.

Report waste, fraud, and abuse

USAID OIG Hotline
Email: ighotline@usaid.gov
Complaint form: oig.usaid.gov/content/oig-hotline
Phone: 1-800-230-6539 or 202-712-1023
Mail: USAID OIG HOTLINE, P.O. Box 657, Washintgon, DC 20044-0657

"Make a Difference" Malaria Hotline
Email: madmalariahotline@usaid.gov
Phone: 1-855-484-1033

Millenium Challenge Corporation Hotline
Email: mcchotline@usaid.gov
Phone: 1-800-230-6539 or 202-712-1023
Mail: USAID OIG Hotline, Attn: MCC Hotline, P.O. Box 657, Washington, DC 20044-0657

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