

TOP MANAGEMENT CHALLENGES

Facing U.S. Foreign Assistance
in Fiscal Year 2026



Office of Inspector General
U.S. Agency for International Development

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Message From the Acting Deputy Inspector General



USAID OIG proudly serves as an important resource for Congress, Federal agencies, and American taxpayers by providing rigorous oversight and accountability over U.S. foreign assistance. For 45 years, we have been the only office of inspector general in the Federal government whose sole mission is to safeguard and strengthen U.S.-funded humanitarian and development assistance implemented abroad. In this respect, our institutional knowledge of the international aid system—combined with relationships with the Department of Justice and key bilateral investigative partners—is unmatched.

The following report is issued pursuant to the Reports Consolidation Act of 2000 (Pub L. No. 106-531) and offers our independent assessment of the top management and performance challenges facing U.S. non-security overseas spending and operations.

While the landscape of U.S. foreign assistance has significantly changed in the last year, the long-standing, difficult challenges facing the implementation of overseas spending have not. Many of the top challenges we previously identified were not unique to USAID; rather, they reflected broader, systemic issues with providing humanitarian and development assistance that require consistent, focused attention. As such, these challenges remain extremely important for Congress and the administration to consider as they reevaluate and realign the U.S. foreign assistance infrastructure.

While USAID continues to exist as a statutory entity, personnel reductions, award terminations, and the transfer of billions of dollars in humanitarian assistance and development programming to the Department of State have effectively ended USAID's independent foreign assistance operations. Remaining USAID staff are engaged mainly in program terminations, closeout procedures, and other statutory responsibilities. The transition of USAID functions to the Department of State has introduced increased challenges in mitigating fraud, waste, and abuse, as evidenced by our more than 300 active and ongoing investigative matters into fraud, corruption, sexual exploitation and abuse, and diversion of aid by terrorist organizations.

At the same time, the United States has been reviewing of its membership and financial contributions to United Nations (UN) and other public international organizations (PIOs). USAID long relied on the UN and other PIOs to help fulfill its mission, particularly in nonpermissive environments where on-the-ground access is extremely limited. We have flagged persistent challenges in oversight of UN agencies, including issues with securing timely reporting and unrestricted access to information, both of which are essential considerations to continued U.S. engagement and ensuring that overseas programming reaches its intended recipients.

In this report, we have identified two broad challenges impacting U.S. foreign assistance in fiscal year 2026, reflecting both organizational issues and ongoing global crises:

- 1. Challenges Impacting Oversight of U.S. Foreign Assistance**
- 2. Oversight of Billions of Dollars in Foreign Assistance Programs Previously Run by USAID**

Our mission to inform decision-makers on ways to make foreign assistance more effective, transparent, and accountable continues unabated. Over the next year, our audit, inspections, and evaluations work will continue to provide insights and recommendations to Congress and the administration to inform prospective legislation and policy. Our expert law enforcement professionals will also continue to hold bad actors accountable through investigations into allegations of corruption, misconduct, and diversion to terrorist organizations that threaten the integrity of U.S. taxpayer dollars overseas.



Van Nguyen
Acting Deputy Inspector General
Performing the duties of the Inspector General



Challenges Impacting Oversight of U.S. Foreign Assistance

Oversight of Awards to the United Nations and Other Public International Organizations

U.S. funding channeled through United Nations (UN) agencies and other public international organizations (PIOs) requires specific and nuanced oversight. For more than a decade, USAID OIG has been [the primary entity](#) conducting oversight of U.S.-funded foreign [assistance](#) implemented by UN agencies, and we have repeatedly worked to [publicly identify](#) the challenges to transparency and accountability in the UN system. This approach has led to various memoranda of understanding with multilateral and bilateral oversight entities aimed at, among other things, ensuring that U.S. investigators can obtain the information they need from UN agencies to assess allegations of misconduct involving U.S. funds. Retaining such knowledge, access, and cooperation is vital to the ability to hold UN agencies and officials accountable for fraud, corruption, diversion, and other misuse of U.S. taxpayer dollars.

For example, OIG investigators [confirmed allegations](#) that staff at the UN Relief and Works Agency for Palestine Refugees (UNRWA) participated in the October 7 terrorist attacks in Israel and/or were affiliated with Hamas. However, this information had to be obtained independently because the UN Office of Internal Oversight Services (OIOS) initially redacted the names of the subjects in its investigative report on UNRWA staff involvement in the attacks. The extent of the redactions rendered the OIOS report unusable for our purposes.

Timely sharing of information by UN agencies allows the United States to swiftly respond to allegations of fraud, sexual exploitation and abuse, corruption, misconduct, or other misuse of U.S. government programming funded through the UN. Given the complex emergency environments in which this aid is provided, USAID relied on award recipients to promptly self-report potential misconduct affecting programming. USAID's contractually required self-reporting, also known as "mandatory disclosures," was intended to allow OIG to promptly use its investigative resources and expertise to address allegations of fraud, sexual exploitation and abuse, corruption, diversion, and other malfeasance. However, despite these obligations,



direct reporting to OIG from UN agencies is sparse and at times significantly delayed, if not altogether absent. It is essential that UN agencies comply with applicable reporting requirements, including any such requirements mandated by the 2024 Consolidated Appropriations Act. Section 7048(h) of the act addresses the recurring inability of U.S. oversight bodies to get timely access to the information they need to investigate allegations of misuse of foreign assistance funds provided to UN agencies and obtain financial data related to U.S. contributions.

As the administration determines the future role of PIOS in foreign assistance, we have offered additional [lessons from our prior oversight work](#) to help decision-makers better position U.S. foreign assistance in the future and avoid past mistakes. In addition to challenges we have [previously identified](#) for oversight of funding to PIOS, we highlighted three key lessons learned:

1. The need for comprehensive pre-award assessments and risk mitigation plans to ensure that PIOS can adequately safeguard U.S. government funds.
2. Weak monitoring impairs the ability to assess and adapt activities PIOS implement.
3. Enforcement of clear and consistent reporting requirements enhances the U.S. government's ability to hold PIOS accountable and address prohibited conduct that has a significant impact on awards.

Oversight of U.S. Foreign Assistance in Nonpermissive Environments

Nonpermissive environments (regions of the world subject to instability, inaccessibility, or insecurity) pose another critical challenge to the oversight of U.S.-funded implementers (contractors, PIOS, and nongovernmental organizations or NGOs). Security threats in areas where the environment is volatile and violent have a negative impact on foreign assistance activities on the ground. Here are a few examples: Following an OIG investigation, the Department of Justice charged a Syrian national with [diverting over \\$9 million in U.S. aid](#) to an organization affiliated with al-Qaeda. In addition to reports of theft and losses of USAID-funded aid in [Haiti](#), freedom of movement and program oversight remain severely



constricted due to ongoing insecurity in that country. In West Africa, where violent extremism threatens to destabilize the entire region, USAID established preventing and countering violent extremism (PCVE) as an objective. As [our audit](#) found, however, due to unsafe conditions and security-related travel restrictions, Agency staff could not access PCVE project sites to monitor progress in meeting goals, and the mission did not use third-party monitors to mitigate this challenge.

Rigorous oversight and accountability measures are critical in nonpermissive environments to ensure that U.S. government-funded assistance reaches its intended beneficiaries. Ethiopia, for example, is one of the most food insecure countries in the world, where many areas remain inaccessible to U.S. government personnel. [Our evaluation](#) found that the widespread food aid diversion that occurred in the country might have been noticed earlier if USAID had implemented a more robust monitoring approach. Our investigators also found evidence of [food diversion in Syria](#), where aid was redirected from refugees displaced by the Syrian civil war to terrorist-affiliated organizations through the Asayish (Internal Security Forces of North and East Syria) and camp administration officials. Additionally, multiple investigations involving arbitrage in Lebanon and Yemen have revealed [vulnerabilities concerning the conversion of U.S. dollars](#) into foreign currency, especially in nonpermissive environments.

After the U.S. government's departure from Afghanistan, USAID relied on NGOs to implement programs that support livelihoods, agriculture, education, and access to lifesaving food and healthcare. [Our audit](#) found that the Agency provided a range of security and safety services to protect these implementers but lacked internal coordination and clear guidance on avoiding risks or dealing with the Taliban. As a result, Taliban representatives were able to gain information on and access to USAID's activities, putting U.S. personnel and programming at risk.

Our work has found that [monitoring gaps in unstable and restrictive environments](#) reduce the effectiveness of humanitarian responses. Monitoring approaches—such as conducting site visits, collecting data from implementers, and using third-party monitoring—tailored to unstable and conflict settings help track progress, verify results, and mitigate heightened risks



of fraud and diversion. Planning for third-party monitor support can bolster oversight efforts where U.S. officials cannot directly observe programs due to insecurity or access constraints.

For example, in Ukraine, due to the security challenges caused by the war, [USAID staff had limited ability to travel](#) outside of Kyiv to verify the delivery of energy equipment and materials. Despite the use of third-party monitoring contractors as an alternative to direct observation, USAID's monitoring efforts were limited in geographic coverage and focused on a few types of equipment such as generators, drones, and boiler houses. Without a unified delivery monitoring system to capture information from multiple reporting mechanisms, USAID may have missed opportunities to correct delivery issues promptly.

Comprehensive Risk-Mitigation Measures and Program Oversight

As billions of dollars administered by USAID move to the State Department, measures should be taken to ensure robust accountability and oversight of taxpayer-funded foreign assistance.

We have previously reported challenges with USAID's approaches to risk mitigation, adherence to internal controls, consistent documentation, and other oversight mechanisms. For example, the Agency did not ensure that recipients could use, operate, and maintain the water supply system and schools it built in [Pakistan](#). We also found that USAID complied with statutory limitations for assistance to [Colombia](#) but did not document management activities, such as policies and checklists, which could impact future foreign service activities in the region. In Somalia, USAID designed an official management system for its program to [reduce the influence of al-Shabaab](#), a U.S.-designated terrorist organization. However, the Agency did not use the management system as required, which limited its ability to measure progress toward intended results. Similarly, USAID managed an initiative designed to help [Iraq boost its economy](#) but failed to ensure that the contractor reported performance results. Thus, the Agency was unable to gauge the initiative's progress toward its economic development goals.

Maintaining cybersecurity is another major challenge facing continued U.S. foreign assistance programming. Sensitive data—which sometimes contains classified or personally identifiable information—is vulnerable to unauthorized access, leaks, or breaches undermining system



confidentiality and integrity. Data breaches may also result in violations of privacy laws. In May 2025, we alerted USAID to concerns regarding [access to restricted information technology](#) areas at two missions amid the winding down of USAID operations. We also reported that the Agency was not disabling user accounts within 24 hours of employees' separation dates—leaving [USAID's travel management system](#) at risk from unauthorized access, modification, and disclosure. Moreover, our recent inspection found that between March 2022 and July 2024, USAID did not fully mitigate the risk of misuse of the 5,175 [Starlink satellite terminals](#) it delivered to the government of Ukraine, with nearly half of active terminals present in Russian-occupied territories. As a result, Agency officials acknowledged that they did not know where the USAID-delivered terminals were located or how they were used by recipients.

U.S. foreign assistance agencies must ensure proper stewardship of taxpayer funds, both for assistance programs implemented abroad and activities supporting agency operations. We conducted reviews of 408 required non-Federal audits (NFAs) of USAID contractors and grantees in the [Middle East and Eastern Europe](#), [Africa](#), [Asia](#), and [Latin America and the Caribbean](#)—identifying approximately \$13.4 million in questioned costs. The audits included over 160 recommendations to better determine the allowability of and recover those costs. In addition, the recommendations addressed internal control deficiencies and weaknesses, such as overcharges of indirect costs, errors in calculating expenditure balances, insufficient supporting documentation for expenditures, and noncompliance with reporting requirements. We also noted the importance of having [clear policies, guidance, and training for NFAs](#).

Furthermore, noncompliance with Federal law, including the Payment Integrity Information Act (PIIA) and Government Charge Card Abuse Prevention Act (Charge Card Act), reduces the government's ability to identify and reduce improper payments and purchases. To that end, we found that [USAID did not comply with the PIIA](#) for FY 2024, which requires Federal agencies to identify and review programs and activities that may be susceptible to improper payments. We also attempted to assess USAID's compliance with the Charge Card Act by reviewing the Agency's [management of its purchase card program](#). However, we could not



determine the overall risk of illegal, improper, or erroneous purchases and payments through USAID's use of purchase cards in FY 2024 due to challenges in reaching cognizant Agency staff and obtaining relevant records.

Staffing can have a major impact on the administration of foreign assistance—i.e., maintaining sufficient numbers of personnel with the adequate training, knowledge, and experience to administer billions of dollars in foreign aid programs and awards. For instance, [our audit](#) found that personnel gaps may have hindered USAID's ability to respond to future global health emergencies. In another example, [our evaluation](#) determined that USAID lacked a method to determine the number of agreement officer's representatives necessary for its emergency food assistance awards in Ethiopia—a gap that resulted in too few staff to effectively manage the awards. Insufficient staffing was also the underlying cause for some of the issues we found during our [inspection](#) of USAID's programming in the Philippines. Staff identified a number of challenges, including heavy workloads, that prevented them from completing site visits to monitor and oversee activities. Without evidence of what was and was not working, staff were less able to manage and adapt programming based on what they learned. A related issue concerns the lack of monitoring and accountability among staff and contractors. For instance, during a [site visit](#) to a USAID warehouse in Dubai, the United Arab Emirates (UAE), we observed subcontractor personnel failing to follow established safety standards and procedures regarding the use of personal protective equipment. This lack of adherence to safety standards increased the risk of injuries to U.S.-funded personnel and reputational risks for the U.S. government.

As the administration considers the future of foreign assistance, it should establish robust award provisions focused on oversight and accountability and maintain sufficient numbers of skilled and experienced staff to protect U.S. taxpayer dollars from fraud, corruption, waste, and abuse.

Importance of Third-Party Monitoring

Third-party monitoring has long been a key mechanism for supporting the government's efforts to ensure that projects and activities meet their objectives. Third-party monitors are

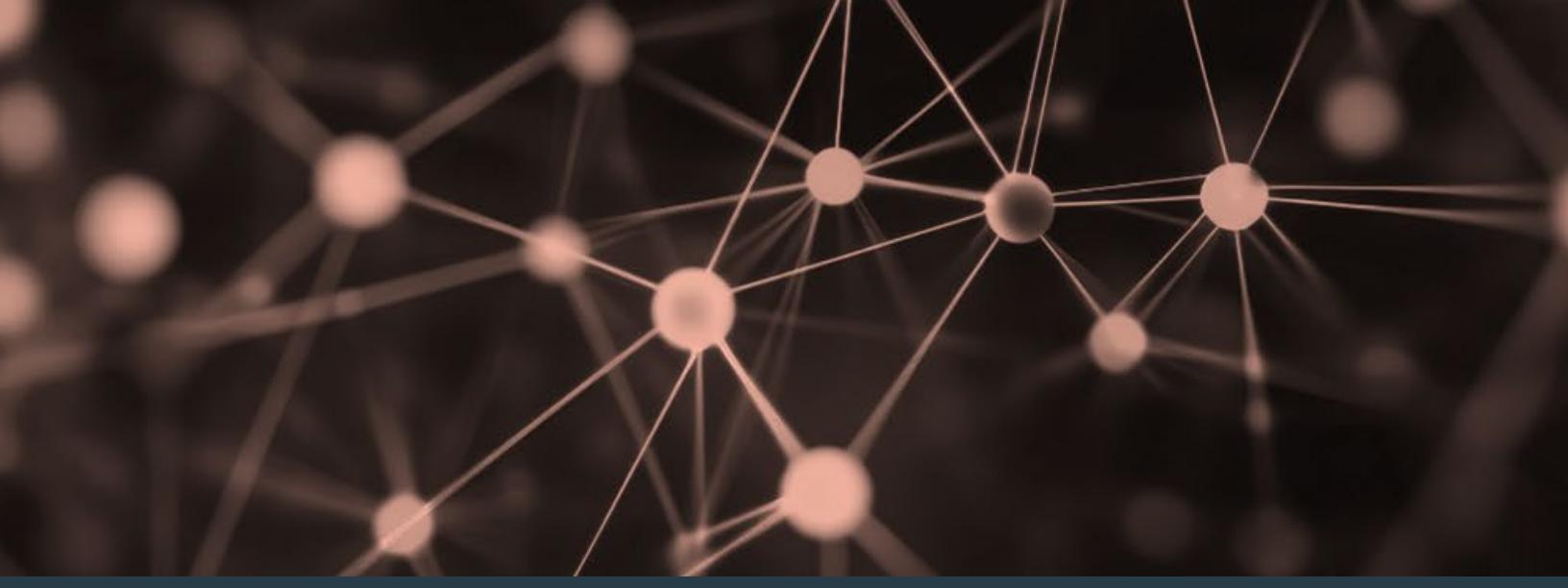


frequently used in overseas regions where U.S. officials are unable to safely travel to conduct site visits, such as eastern Ukraine and Gaza. They can also ensure that implementers meet applicable award requirements; have effective internal controls in place; and are not compromised by fraud, waste, and abuse.

We have demonstrated the issues that can occur when third-party and/or independent monitoring does not take place. For example, while supporting [Ukraine's efforts to eradicate HIV](#) in the country by 2030, USAID relied on its implementers to monitor themselves and did not corroborate the implementers' self-reported data. Similarly, the Agency did not fully monitor the implementation of requirements for awards for the [prevention of sexual exploitation and abuse in Ukraine](#). Such lapses increase the risk that issues of poor-quality program data will not be addressed and that programs will not meet their health and safety goals. This was a persistent challenge for the Agency. For example, our 2024 [evaluation](#) found that USAID did not verify the accuracy of healthcare worker salaries that the government of Ukraine submitted for reimbursement from the \$1.7 billion Single Donor Trust Fund. Yet our recommendation that the Agency contract with an independent public accounting firm to address this issue was unresolved.

Effective monitoring ensures accountability, informs decision-making during project implementation, and helps adapt programming to achieve intended results. Conversely, ineffective monitoring poses risks to [global health programs](#), and monitoring gaps in unstable and restrictive environments [reduce the effectiveness of humanitarian responses](#). Conducting site visits, collecting data from implementers, and using third-party monitoring help track progress, verify results, and mitigate heightened risks of fraud and diversion. Effective third-party monitor support can bolster oversight efforts where U.S. officials cannot directly observe programs due to insecurity or access constraints.

Moving forward, the government's use of third-party monitors will verify that programs are implemented in line with award terms. This will make the risk of waste, fraud, and abuse less likely—especially in conflict-affected areas, where there is a heightened potential for diversion of funds.



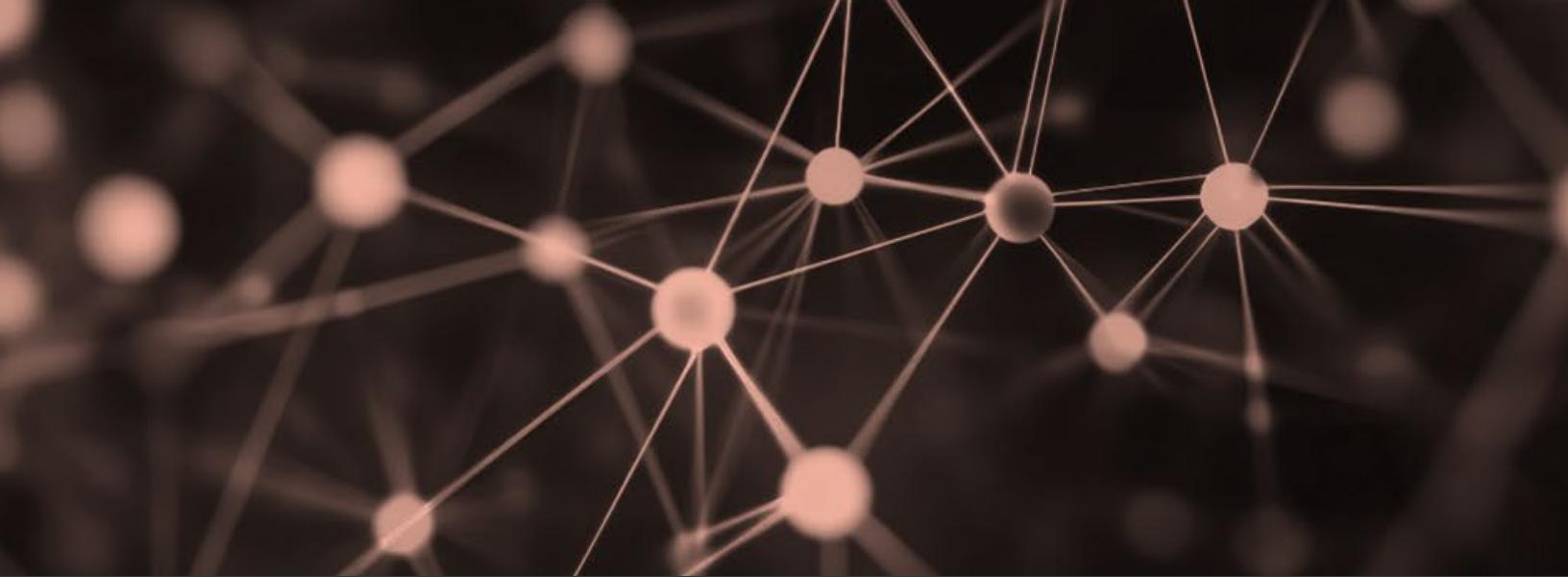
Oversight of Billions of Dollars in Foreign Assistance Programs Previously Run by USAID

A vast portfolio of residual USAID activities and contracts/grants signed under USAID-specific award provisions may be compromised by fraud, corruption, waste, and diversion, particularly in challenging overseas environments. Challenges ahead include preventing potential theft of equipment in the field due to the disposition of program assets; holding implementers accountable if they submit false or inflated invoices for payment; and guarding against other exposure to the national security, fiscal, and reputational interests of the United States.

Closing Out Awards and Ensuring Proper Disposition of Program Assets

Termination notices and delayed payments have presented significant operational constraints for many USAID implementers, with some organizations effectively shuttering and abandoning Agency-funded assets. On March 13, 2025, USAID directed contract and agreement officers to instruct implementers to prepare expedited inventory lists and disposition plans for assets in four priority categories: critical security risk, high-value assets, reputational risk, and commodities. Our current series of [audits looking at asset disposition](#) around the world will assess USAID's ability to close out awards, appropriately account for property funded by those awards, and mitigate the risk of fraud and misuse. Another challenge is that delays in contract and grant closeouts may result in lapses in deobligation, unresolved questioned costs, and contractor claims for which no responsible authority is clearly defined, exposing the U.S. government to protracted legal and financial risks.

A similar challenge relates to the warehouses around the world where the Agency stored food and other commodities for the rapid delivery of humanitarian aid to vulnerable populations, particularly after crises. USAID's warehouse in Dubai, UAE, enabled the quick delivery of prepositioned food commodities and nonfood items to the region, including Afghanistan, Gaza, and Syria. As of September 2024, USAID's inventory in the Dubai warehouse had a value of approximately \$10.3 million. Our ongoing audit aims to determine the extent to which USAID has designed and implemented policies, procedures, and

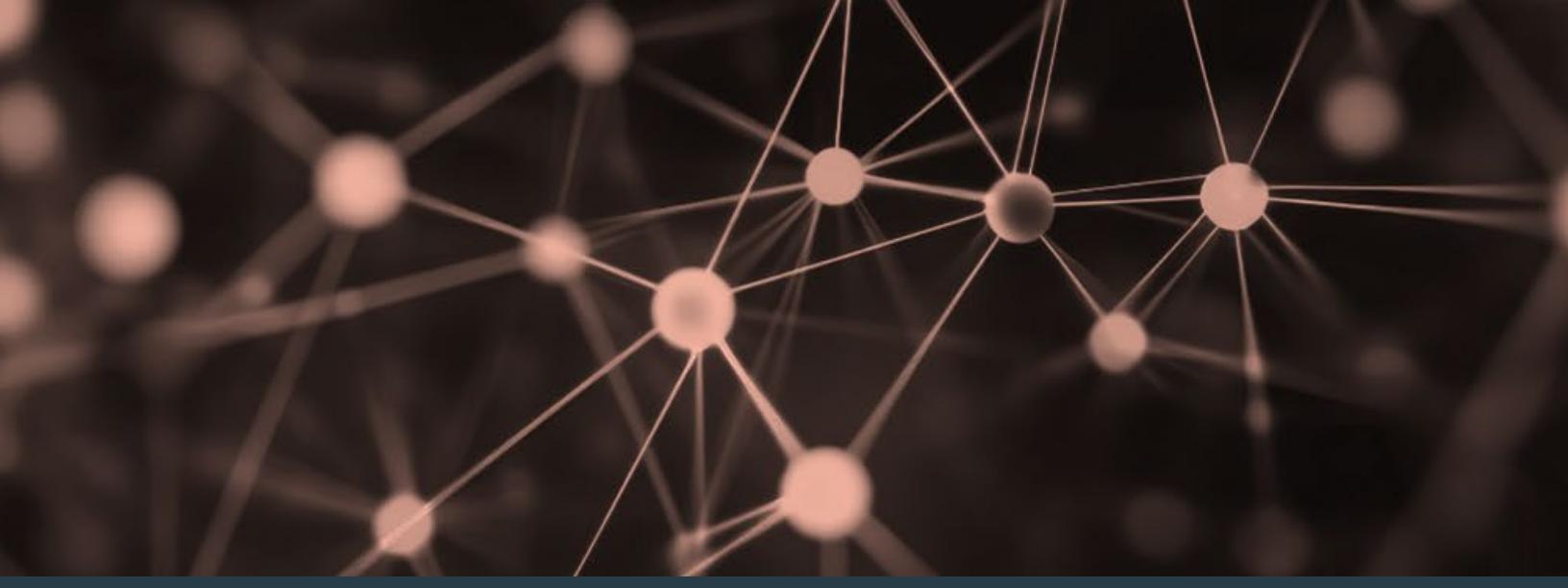


practices to manage humanitarian assistance supplies warehoused in the United Arab Emirates.

There is also a risk that questioned costs may remain unexamined or uncollected from implementers. An [evaluation](#) of USAID's democracy, stabilization, and governance work in Somalia highlighted the risks associated with failing to perform discretionary financial reviews. OIG evaluators identified questioned costs from 6 of 55 transactions analyzed across 5 awards. Detailing technical officers' financial management responsibilities, particularly as they pertain to discretionary post-award oversight, is key to protecting foreign aid resources from fraud, waste, and abuse. In another example, an [OIG audit](#) found that an implementer in Ukraine did not follow requirements for preparing its incurred cost submissions. Specifically, the implementer overcharged USAID for employee compensation—leading to questioned costs. Requiring implementers to establish policies and procedures that ensure continued compliance with Federal regulations and accuracy in billing is a key step in the foreign assistance oversight process.

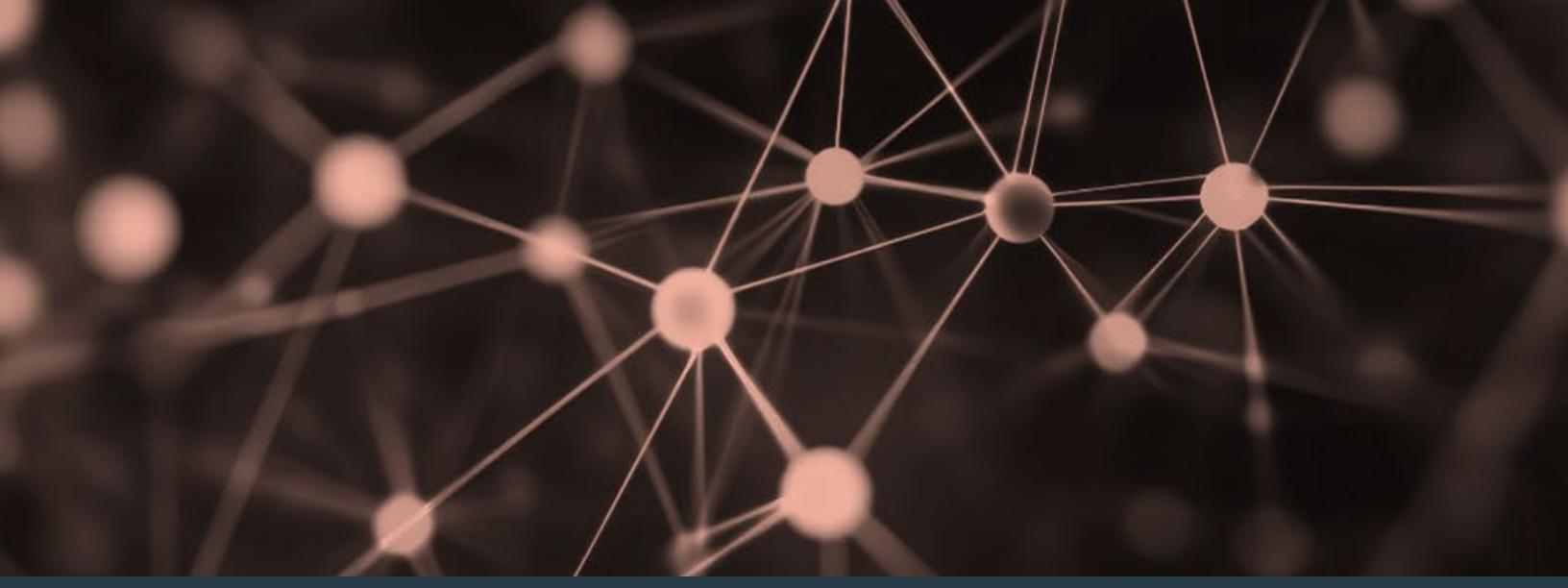
Holding Individuals and Companies That Defraud U.S. Foreign Aid Programs Accountable

Foreign assistance programs, no matter which agency administers them, are targets for fraud, corruption, human trafficking, and diversion to terrorist organizations. Central to ensuring integrity and accountability over these programs and disrupting financial and other schemes is having an aggressive office of inspector general familiar with the nuances and challenges of overseas investigations, and with a track record of overcoming them. OIG-led investigations, performed by seasoned law enforcement professionals posted across five continents, have revealed [transnational theft and diversion of global health commodities](#), [bribery schemes](#), [subsistence allowance fraud](#), [inflated tax claims](#), [fraudulent billing](#), [overbilling](#), [stolen government devices](#), [child labor](#), [embezzlement](#), and [diversion of aid](#), including to [terrorist organizations](#)—all of which have undermined the United States' ability to achieve its foreign assistance objectives.



Field operations in high-risk settings show systemic challenges. For instance, in [Syria](#), an OIG investigation led to the 3-year debarment of a deputy chief of party for soliciting bribes and diverting nonfood items and food vouchers away from beneficiaries. In [West Africa](#), investigators recovered more than 200,000 malaria nets valued at \$386,000 that had been diverted from Guinea to Mali. On the workforce side, OIG found that a USAID personal services contractor used a [government-issued phone and ID](#) to arrange for sexual encounters while posted abroad. For those now responsible for managing large-scale foreign assistance portfolios, these outcomes illustrate how oversight must continually adapt, as the procurement process and program operations in fragile environments are often at risk of compromise. Inheriting these challenges means strengthening safeguards without stifling program delivery, improving transparency, reinforcing field-level monitoring, maintaining high standards of professional conduct, and preserving trust, while ensuring that aid can reach its intended beneficiaries.

These oversight challenges are further compounded by the operational dissolution of USAID, including the reduction of personnel in its Suspension and Debarment Office, which has been responsible for several recent debarments. These include the [20-year debarment](#) of a former mission director for engaging in commercial sex while posted abroad, a [10-year debarment](#) connected to a bribery conviction, and [5-year debarment](#) for embezzlement connected to a tuberculosis prevention program. In one of the most consequential outcomes, USAID debarred a former contracting officer and three corporate executives after they pleaded guilty to conspiring in a [bribery scheme](#) tied to over \$500 million in contracts. The reduction of personnel in the Suspension and Debarment Office has left some investigative matters in a pending, unresolved status and has adversely impacted the government's capability to process new OIG referrals of individuals and entities for government-wide exclusions based upon evidence of fraud, corruption, or diversion to terrorist organizations. Notably, OIG had to refer its [investigation](#) into UNRWA—which identified numerous individuals associated with Hamas and the October 7 terrorist attacks in Israel—to a different agency for suspension and debarment consideration to prevent their recirculation through other U.S.-funded organizations. Our office continues to proactively engage with that agency on this matter. However, no action has been taken.



Reporting of Fraud, Waste, and Abuse

Fraud hotlines are confidential reporting channels within the U.S. government, managed by offices of inspector general, that allow individuals to report suspected fraud, waste, abuse, or mismanagement within a specific agency's programs and operations. Our [hotline](#) works daily to process confidential allegations of misconduct, and our Federal law enforcement officers and analytical support staff specialize in global investigations of major fraud, corruption, sexual exploitation and abuse, human trafficking, and other misconduct. During the transfer of USAID-administered programs to the State Department, awardees may lack clear and consistent direction on how to report suspected fraud and misconduct. Conflicting instructions have been circulated to awardees, subawardees, beneficiaries, and State Department personnel about where to report allegations, even though the governing laws and award requirements point to established oversight channels. This misalignment creates confusion and risks leaving critical gaps in oversight through which fraud, waste, and abuse may go undetected.

Conclusion

USAID OIG looks forward to continuing to work with Congress and the administration to provide timely and informed insights and recommendations to enhance accountability, transparency, and oversight of U.S. taxpayer dollars spent overseas. Given the challenges outlined above and the billions of dollars in aid that continue to address natural and man-made disasters abroad, our office will utilize its expertise, overseas presence, and institutional knowledge to support maximum oversight over U.S. taxpayer-funded programs.

Report Fraud, Waste, Corruption, and Abuse

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