



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

Enhanced Guidance and Practices Would Improve USAID's Transition Planning and Third-Party Monitoring in Iraq

AUDIT REPORT 9-266-21-003-P
FEBRUARY 19, 2021

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MEMORANDUM

DATE: February 19, 2021

TO: Bureau for Humanitarian Assistance,
Assistant to the Administrator, Sarah Charles Phillips
USAID/Iraq, Mission Director, John Cardenas

FROM: Principal Deputy Assistant Inspector General for Audit, Van Nguyen /s/

SUBJECT: Enhanced Guidance and Practices Would Improve USAID's Transition Planning and Third-Party Monitoring in Iraq (9-266-21-003-P)

This memorandum transmits the final report on our audit of USAID's activities in Iraq. Our audit objectives were to (1) assess USAID's management of its transition strategy for humanitarian assistance in Iraq, and (2) assess USAID's use of third-party monitoring in the oversight of its humanitarian assistance and stabilization activities in Iraq. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in appendix B.

The report contains five recommendations to improve USAID's management of transition planning and third-party monitoring in Iraq. After reviewing information provided in response to the draft report, we consider three resolved but open pending completion of planned activities (recommendations 1, 2, and 4), and two open and unresolved (recommendations 3 and 5).

For recommendations 1, 2, and 4, please provide evidence of final action to the Audit Performance and Compliance Division.

For recommendations 3 and 5, please provide us with additional documentation and a revised management decision within 30 days of issuance of this report, copying the Audit Performance and Compliance Division. Specifically, for recommendation 3, provide course descriptions for each module of your BHA Emergency Awards online courses and for recommendation 5, a revised management decision which includes detailed plans for developing and implementing a third-party monitoring tracking system for the Mission in Iraq.

We appreciate the assistance you and your staff provided to us during this audit.

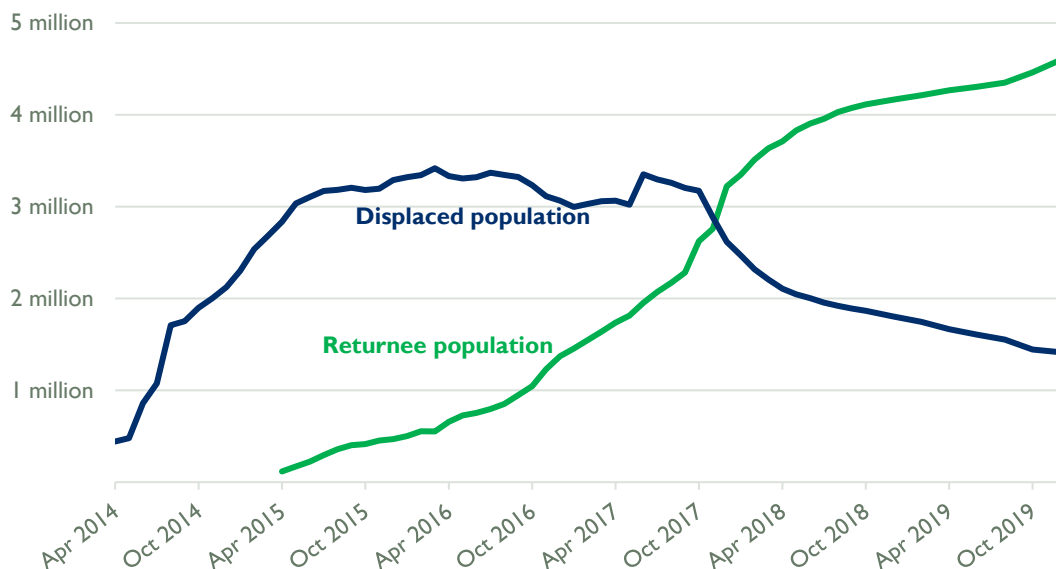
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INTRODUCTION

In 2014, USAID initiated a wave of assistance to Iraq in response to the rise of the Islamic State in Iraq and Syria (ISIS). ISIS forces began seizing parts of northern and central Iraq, causing significant population displacement as Iraqis fled ISIS-controlled regions. In response, USAID has provided \$2.2 billion between 2014 and 2019 in aid to the people of Iraq. At the height of the crisis, over 3.4 million people were internally displaced in Iraq. With the territorial defeat of ISIS in 2017, the number of internally displaced persons (IDPs) has been steadily decreasing. By August 2019, the number of IDPs had declined to less than 1.6 million (see figure 1).

Figure 1. Change in Number of IDPs and Returnees in Iraq, April 2014 to October 2019



Source: International Organization for Migration Iraq mission.

As the number of IDPs continues to fall, the need to develop plans to shift assistance from humanitarian assistance to longer term solutions becomes more pressing.¹ Humanitarian assistance programs provide for life-saving needs such as shelter, food, medical supplies, water, and sanitation, whereas stabilization assistance supports restoration of basic public services and the return to normal conditions in postwar/postconflict areas. For example, stabilization programs rehabilitate infrastructure such as roads, schools and, hospitals. In addition, sustainability is a cornerstone of U.S. foreign assistance going back to the Foreign Assistance Act of 1961 as amended. Since 2017, USAID has renewed its focus on sustainability through the

¹ Ending humanitarian assistance does not always mean that longer term programs will replace it; humanitarian assistance can simply end without any followup programming.

Journey to Self-Reliance, which aims to end the need for foreign assistance by supporting countries to become self-reliant.

While the situation in Iraq has improved, USAID still has limited access to project sites due to security challenges. To supplement its oversight and monitoring of programs, USAID contracted a third-party monitoring (TPM) contractor to monitor program sites and report back on conditions found.

Changing conditions in Iraq, coupled with large amounts of USAID funding there, prompted OIG to review USAID's plans for humanitarian assistance and the oversight of its activities in Iraq. This audit was also conducted as part of USAID OIG's oversight responsibility of the Overseas Contingency Operation within the Lead Inspector General Framework for Operation Inherent Resolve.² Our objectives were to (1) assess USAID's management of its transition strategy for humanitarian assistance in Iraq, and (2) assess USAID's use of TPM in the oversight of its humanitarian assistance and stabilization activities in Iraq.

We focused the audit on fiscal years 2017-18, when the number of returnees began to outnumber those displaced by the crisis. We analyzed USAID's portfolio of humanitarian assistance awards, which target immediate needs; and the Agency's stabilization award to the United Nations Development Programme (UNDP), which targets longer term needs to stabilize communities. Together, humanitarian and stabilization assistance accounted for roughly three-quarters of USAID's aid in Iraq between 2017 and 2018. We reviewed strategic plans and supporting documents, including USAID's humanitarian assistance plans for Iraq and USAID's policies and procedures. Additionally, we reviewed reports from TPM and analyzed how OFDA and USAID/Iraq handled the monitors' findings. We interviewed staff from USAID's Office of U.S. Foreign Disaster Assistance (OFDA) and Food for Peace (FFP), the offices that provide short-term humanitarian assistance; and staff from USAID/Iraq, which provides longer term stabilization assistance.³ We also interviewed staff from the organizations with which OFDA contracts to implement its third-party monitoring program. We conducted our work in accordance with generally accepted government auditing standards. For a full description of our methodology, see Appendix A.

² USAID OIG monitors activities in Iraq under Operation Inherent Resolve (OIR), under the Lead IG Framework. The Inspector General of the Department of Defense serves as Lead IG, the Inspector General of the Department of State serves as Associate IG, and USAID OIG participates in oversight operations. The three offices work together on quarterly oversight reports to Congress.

³ OFDA and FFP merged to form the new Bureau for Humanitarian Assistance on June 5, 2020.

SUMMARY

USAID's guidance and practices do not encourage transitioning from humanitarian assistance in Iraq. Specifically:

- OFDA's annual planning process does not include steps to prepare to end or transition from humanitarian assistance. In particular, OFDA lacks guidance to help staff address transition in annual implementation plans.
- USAID lacks forums to formally coordinate OFDA's humanitarian assistance with USAID/Iraq's longer term stabilization assistance. This is in contrast to the Agency's policy frameworks over the past decade, which consistently emphasized the need to coordinate humanitarian and stabilization programs.
- OFDA requires implementers to submit transition plans for their projects, but many of the plans they submitted were incomplete. This was caused by gaps in OFDA's guidance, which does not explain when specific elements of the transition plan—such as planning for beneficiary involvement and designing steps to ensure sustainability—would be applicable.

As a result, USAID risks unnecessarily perpetuating activities intended to provide short-term assistance and may miss opportunities to transition investments to longer term stabilization activities.

TPMs are responsible for observing conditions on the ground and identifying findings that warrant OFDA's or USAID/Iraq's attention. However, OFDA's and USAID/Iraq's management of third-party monitoring has left some monitors' findings without timely followup or resolution. Specifically, USAID/Iraq and OFDA staff said that they had not received guidance, templates, or best practices on developing systems to track TPM findings and related actions. Without guidance, teams developed ad hoc systems that maintained incomplete records. Specifically:

- OFDA developed a spreadsheet to track findings for humanitarian assistance projects, but we found fields to record follow-up actions, responses from the TPM, and responsible officers, that were empty or not regularly updated.
- Similarly, USAID/Iraq developed a spreadsheet, but mission staff acknowledged that it was a temporary solution that did not track every action they took in response to TPM findings.

Weak tracking systems increase the risk of leaving significant findings unaddressed, particularly when Agency staff frequently rotate in and out of Iraq and their successors are unable to determine whether or how findings were resolved.

We made five recommendations to strengthen USAID's guidance and processes for transition planning and oversight in Iraq. USAID agreed with all of our recommendations.

BACKGROUND

The United Nations annual Humanitarian Response Plan (HRP) outlines the international community's efforts in Iraq. The HRP is organized by clusters: health and nutrition; food security; shelter; and water, sanitation, and hygiene (WASH). The HRP also outlines which international organizations will run each cluster. For instance, the WASH cluster is led by the United Nations Children's Fund and Action Against Hunger, and the food security cluster is led by the World Food Programme. USAID uses the HRP, along with meetings with the United Nations and nongovernmental organizations (NGOs), to plan its assistance programs in Iraq. Table I provides a comparison of humanitarian and stabilization assistance in Iraq.

Table I. Comparison of Humanitarian and Stabilization Assistance in Iraq

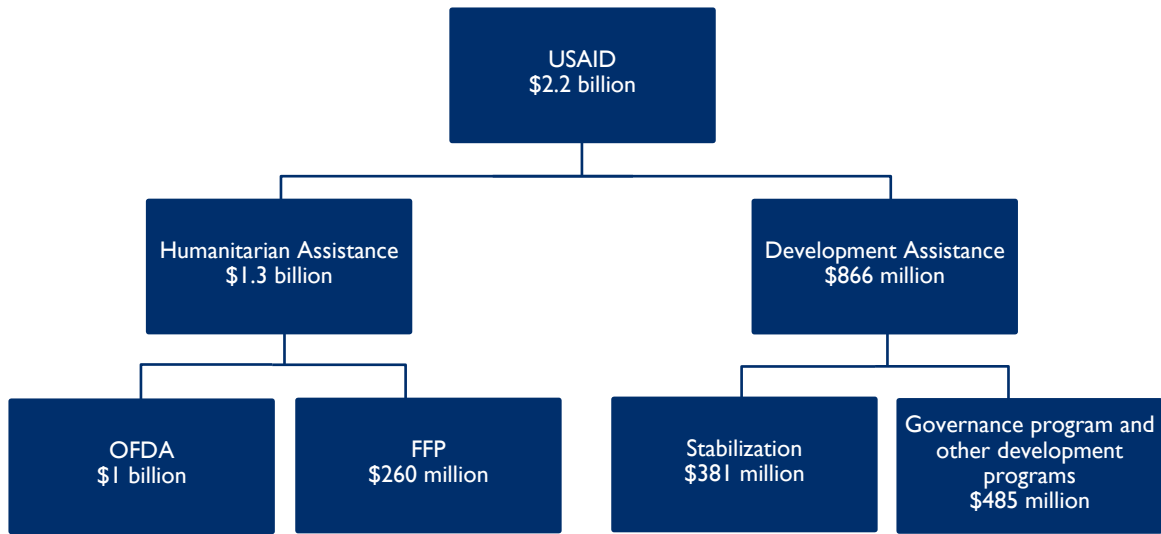
	Humanitarian Assistance	Stabilization Assistance
Types of aid provided	Shelter, food, medical supplies, water, and sanitation to meet immediate needs	Rehabilitation of infrastructure (schools, hospitals, utilities) and business grants to rebuild communities
Responsible USAID office	OFDA and FFP	USAID/Iraq
Implementer	Numerous nongovernmental organizations and public international organizations	UNDP
Based on needs identified by	Implementers, USAID, other donors, and multiple U.N. agencies	UNDP and the Iraqi Government
Strategy is outlined in	United Nations Humanitarian Response Plan	UNDP's Funding Facility for Stabilization Annual Work Plan

Source: OIG analysis of USAID and U.N. data on humanitarian and stabilization assistance.

On June 19, 2014, the U.S. Ambassador to Iraq issued an emergency disaster declaration that authorized funding for humanitarian assistance. Shortly after, OFDA mobilized its Disaster Assistance Response Team (DART) to coordinate the humanitarian assistance efforts on the ground. At the same time, OFDA mobilized a Response Management Team (RMT), based in Washington, DC, to provide strategic, operational, and administrative support to the DART. The RMT and the DART together develop an annual implementation plan to outline OFDA's strategy in Iraq for the fiscal year, including priorities for the different sectors of humanitarian assistance. OFDA solicits proposals from NGOs to execute the implementation plan and reviews and approves the implementers' proposals.

The U.S. Ambassador has declared an emergency in Iraq each year since the start of the crisis. Between FY 2014 and 2019, USAID provided \$1.3 billion for humanitarian assistance and \$866 million in development assistance, which includes \$381 million in stabilization assistance (see figure 2).

Figure 2. USAID Funding in Iraq Between FY 2014 and 2019



Source: OIG analysis of USAID funding in Iraq.

At the onset of the crisis in 2014, USAID used three primary methods to oversee its portfolio of programs in Iraq:

- *Self-reporting.* USAID implementers would report their own progress and challenges.
- *Triangulation.* USAID would gather and compare information from different sources, such as NGOs, donors, and the U.S. military.
- *Direct observation.* USAID staff would visit the activities on the ground to gain first-hand knowledge.

In 2017, USAID added TPM as an oversight method because security restrictions and the number of programs made it difficult for USAID staff to monitor programs directly. USAID awarded two contracts to International Business & Technical Consultants Inc. (IBTCI) to monitor USAID's programs in Iraq: one to monitor OFDA's humanitarian assistance programs, and the other to monitor the UNDP stabilization and other development assistance programs. TPM contractors hire local Iraqis to visit program sites and report back on issues of concern, such as shortages of critical medications or unsanitary conditions near water sources.

Between FY 2017 and 2018, TPM conducted over 700 site visits designed to help OFDA and USAID/Iraq monitor whether its implementers were working in accordance with the terms of their project and in compliance with USAID regulations. The State Department ordered the departure of employees from the U.S. Embassy in Baghdad and the Consulate in Erbil in May 2019, further reducing USAID's ability to directly monitor

activities and increasing the importance of TPM. Management of TPM has presented challenges to USAID in the past, as OIG has reported.⁴

USAID’S GUIDANCE AND PRACTICES DO NOT ENCOURAGE TRANSITIONING FROM HUMANITARIAN ASSISTANCE IN IRAQ

The annual implementation plans that the DART and the RMT develop outlining OFDA’s strategy in Iraq for the fiscal year do not discuss how OFDA would reduce, end, or transition away from humanitarian assistance in Iraq. USAID also does not have forums to coordinate humanitarian assistance with longer term development assistance. OFDA requires implementers to submit plans to transition their projects from humanitarian assistance. However, the plans they submitted were mostly incomplete, and OFDA did not review them thoroughly enough to ensure that the requirements were met.

OFDA’s Annual Planning Process Does Not Include Steps To Prepare To End or Transition From Humanitarian Assistance

OFDA lacks formal guidance on how to develop annual implementation plans and does not have guidelines for staff to plan for a transition away from humanitarian assistance. While the HRP informs OFDA’s planning, OFDA independently develops the annual implementation plan following a process that includes components of the program cycle adapted to humanitarian assistance awards. Most USAID programs must follow ADS 201, which outlines the planning process for USAID programs; however, OFDA is not required to follow this process for its response to disasters. As a result, OFDA has not defined end goals or conditions that would trigger it to end or reduce humanitarian assistance in Iraq. According to OFDA staff, identifying the right time to exit is difficult because humanitarian assistance is based on need, and conditions for exit depend on the context and readiness of the country. OFDA’s guidance states that needs assessments determine its priorities for humanitarian assistance and inform decisions regarding budget and response objectives. OFDA staff said they focused on responding to immediate needs and did not receive guidance on how to plan for a transition away from humanitarian assistance.

The annual funding process also does not encourage long-term transition planning. According to OFDA officials, funds are allocated to each humanitarian crisis to which it expects to respond in the upcoming year based on annual implementation plans for each crisis. These funding levels are based on several factors, including the scale of the crisis, contributions from other donors, and U.S. strategic interests. However, OFDA staff from the DART, RMT, and its budget and finance team stated that the prior year’s

⁴ [“Audit of USAID/East Africa’s Monitoring and Evaluation Program for Somalia”](#) (4-649-15-005-P), September 23, 2015; and [“Audit of USAID/Afghanistan’s Strategy for Monitoring and Evaluating Programs Throughout Afghanistan”](#) (F-306-16-001-P), December 10, 2015.

budget was also a major factor in allocating funding. OFDA staff said that needs can be difficult to predict. Notably, a senior OFDA official and a USAID/Iraq staff member both observed that OFDA's budget for Iraq appeared out of step with the international community's assessment of the situation on the ground. A senior mission official noted that OFDA's budget for Iraq was higher in 2018 than it was at the height of the conflict in 2014-15. A senior OFDA staffer in Iraq agreed with this assessment, stating that the DART had long served its purpose in Iraq and that operating at such a high budget level did not make sense.

In 2018, the United Nations called for a contraction in humanitarian operations in Iraq and included plans in the HRP to help manage the reduction. For instance, the HRP stated that for the WASH cluster, humanitarian programs should prioritize fixing existing water facilities so that stabilization programs and the Iraqi Government can then assume responsibility for operating the facilities. Despite this call, OFDA's implementation plan did not include a description of how USAID would transition its WASH and other cluster activities.

OFDA's 2017 Guidance for Early Recovery and Transition Programming states that "all projects and programs should be started with an end in mind, whether with a general determination of what 'success' looks like, specific indicators that suggest a logical end point, or a solid plan to transition to other actors."⁵ OFDA officials did not provide OIG with the Guidance for Early Recovery until after the audit exit conference and acknowledged that not all staff are aware that the guidance exists. Without clear guidance provided to staff and processes for transition planning in Iraq, OFDA risks unnecessarily perpetuating activities intended to provide short-term assistance and may miss opportunities to transition investments to longer term stabilization activities.

USAID Lacks Forums To Formally Coordinate Humanitarian Assistance With Longer Term Stabilization Assistance

USAID does not have a dedicated forum to integrate humanitarian assistance and stabilization assistance programs. As a result, some of OFDA's work overlapped with some of the mission's funded stabilization activities. For example, OFDA staff reported that some humanitarian assistance activities were designed to make small improvements to the same health clinics that were slated for complete rehabilitation by mission-funded stabilization activities. The 2018 HRP cautioned donors against this approach in its exit strategy for the health sector, stating that a priority was "identifying facilities that are already being supported under stabilization programmes. To maximize available resources, the cluster will focus its resources on facilities that are not supported by these programmes." In addition, OFDA provided business education and grants to small businesses owners—initiatives that are a focus of USAID/Iraq's stabilization program.

OFDA and USAID/Iraq share broad updates of their progress in Iraq at regular country-level meetings, but these meetings are not designed to coordinate projects or

⁵ USAID/OFDA Guidance for Early Recovery and Transition Programming, page 18, July 2017.

implementation on the ground. In addition, donors and implementers convene cluster meetings at which they develop plans for their respective humanitarian assistance clusters. OFDA staff said that coordination was difficult because UNDP stabilization staff did not attend the cluster meetings even though they were invited. USAID/Iraq stabilization staff said that coordination was difficult because OFDA had not shared its list of implementers working in Iraq or a description of their work.

To achieve the most impact from its assistance, USAID’s 2011-2015 Policy Framework discussed the need for a more effective transition from humanitarian assistance and development through joint assessments and joint planning.⁶ Additionally, a 2012 Agency executive message stated that the mission director and OFDA should “work together and ensure that, as appropriate, programs are implemented in a manner that leads to sustainability.” Finally, USAID’s 2019 Policy Framework “Ending the Need for Foreign Assistance” calls for the Agency to improve coordination in the transition from humanitarian assistance to other development efforts, including stabilization programming. While the 2019 Policy Framework came into effect after the audited period, it demonstrates that the Agency is consistent in its emphasis on coordination between humanitarian and stabilization programs. Without coordination forums, programs may conflict, overlap, or not be properly sequenced, resulting in funds not being spent efficiently or effectively.

OFDA Requires Implementers To Submit Transition Plans for Their Projects, but Many of Their Plans Were Incomplete

OFDA requires implementers to develop transition plans for each project or milestone in a humanitarian assistance award. OFDA’s proposal guidelines stipulate that implementers must include a transition or exit strategy describing the desired end-state of its assistance. Almost all the proposals that OFDA approved in FY 2017-18 did not include the five elements of transition strategies that implementers are required to include (see table 2). Of the 59 proposals that were awarded, only 3 included transition plans that contained all the required elements.

Table 2. Number of FY 2017-18 Awards Funded by OFDA That Included Proposal Requirements for Transition/Exit Strategies

Proposal requirements for transition/exit strategies	Number of awards that included the requirement (n=59)
1. Planned transition of activities	39
2. Beneficiary involvement, as applicable	30
3. Further actions required to ensure sustainability	
a. Within what time frame	9
b. By whom	43
4. Steps planned to communicate transition to all relevant stakeholders	30
5. Steps planned, if any, to continue the program after USAID/OFDA funding ends	28

⁶ USAID did not issue a policy framework between 2015 and 2019.

Source: OIG analysis of OFDA data.

OFDA's guidance does not explain when specific elements of the transition plan, such as planning for beneficiary involvement and designing steps to ensure sustainability, would be applicable. OFDA staff stated that when reviewing proposals, they prioritized the implementer's ability to meet immediate humanitarian needs. In taking this approach, they did not enforce the requirements for transition plans. By not enforcing the requirements for project-level exit strategy and transition planning, USAID may be missing opportunities to transition and sustain outcomes from short-term humanitarian assistance. USAID's implementers may also be underprepared to wind down their activities in an efficient and effective manner.

USAID'S MANAGEMENT OF THIRD-PARTY MONITORING IN IRAQ HAS LEFT SOME OBSERVATIONS WITHOUT TIMELY FOLLOWUP OR RESOLUTION

OFDA has not developed a formal process for reviewing TPM reports and following up on significant findings. The TPM contractor's role was to identify issues on the ground, and OFDA worked with its implementers to address and resolve those issues. OFDA developed its own spreadsheet to track TPM findings on humanitarian assistance projects in Iraq but has not consistently updated it. Fields to record followup actions, responses from TPM, and responsible officers were empty or not regularly updated. Members of OFDA's Iraq team did not know who was responsible for ensuring that corrective action was taken—DART members working in Iraq who were most familiar with the activities on the ground, or RMT staff in Washington headquarters who were authorized to direct the implementers. We found no documentation of followup actions to address important findings such as the following:

- The third-party monitoring contractor, IBTCI, noted a lack of female medical staff to serve female beneficiaries who may not feel comfortable with male doctors, potentially affecting the number of women who use medical facilities.
- IBTCI identified inconsistencies in the quality and quantity of water that OFDA's implementers provided in refugee camps, increasing the risk of unsafe drinking water and potential for disease.

For USAID/Iraq, the mission's contract with IBTCI included the development and delivery of a web-based database that stores TPM site visit reports and findings on stabilization assistance projects. As with OFDA, the TPM contractor's role was to identify issues, and USAID/Iraq's stabilization team followed up on the issues identified. To track USAID followup actions based on TPM reports, USAID/Iraq staff created their own spreadsheet, but they said that the spreadsheet was a temporary solution that did not track every action taken. Our analysis of the spreadsheet showed that the stabilization team tracked 23 of the 32 significant deficiencies identified by TPM. If issues

are not tracked, it is difficult to determine if they are being followed up on or resolved. Among the issues not tracked were the following:

- Water filtering tanks were exposed to contamination and rainwater, and bottles of chlorine that should have been secured were in open areas. USAID received an alert in October 2017 but did not follow up; USAID/Iraq staff simply noted in a subsequent site visit in February 2019 that the problems no longer existed. There is no record in the tracking spreadsheet of how long there were unsanitary conditions at the water plant or unsecured chemicals in open areas.
- A field monitor responded “yes” to a USAID stabilization staff questionnaire that asked, “Did you observe any issues related to inappropriate employment or maltreatment of females, the disabled, IDPs, minorities or others?” A USAID/Iraq staff member told us it was likely a typographical error, but there is no record in the tracking spreadsheet of followup actions that would confirm that to be the case.

USAID/Iraq and OFDA staff said that they had not received guidance, templates, or best practices on developing systems to track TPM findings and related actions. Additionally, OFDA had not defined the responsibilities of its Iraq DART and RMT team members in the management of TPM results and findings. Without guidance, teams developed ad hoc systems that maintained incomplete records of followup actions. This is in contrast to Standards for Internal Control in the Federal Government, which require management to document policies for each unit’s responsibility.⁷ Weak tracking systems increase the risk of leaving important findings unaddressed, particularly when USAID staff rotate out of Iraq and their successors are unable to determine whether or how issues were resolved. In previous reports, OIG has cited high levels of staff turnover as an issue that caused monitoring and coordination challenges.⁸

CONCLUSION

USAID has invested over \$2 billion in Iraq to help millions of people impacted by ISIS attacks. With improved conditions in Iraq, USAID must be ready to transition its approach from short-term humanitarian assistance to longer term development to meet the evolving needs and priorities of returning Iraqis. Doing so is also consistent with USAID’s push for its foreign assistance to focus on supporting countries to become self-reliant, building on a longstanding drive to promote sustainability. This approach requires a strategy, effective coordination, and implementation of transition plans—an area where USAID has opportunities to improve guidance. USAID’s use of TPM in Iraq is designed to allow OFDA and USAID/Iraq to gain real-time, impartial information on

⁷ Standards for Internal Control in the Federal Government (GAO-14-704G), page 56, paragraph 12.3.

⁸ ["Lessons From USAID’s Ebola Response Highlight the Need for a Public Health Emergency Policy Framework"](#) (9-000-18-001-P), January 24, 2018; ["USAID Planning and Monitoring Gaps Weaken Accountability for Results Through the Afghanistan Reconstruction Trust Fund"](#) (8-306-17-004-P), August 16, 2017; ["Assessment and Oversight Gaps Hindered OFDA’s Decision Making About Medical Funding During the Ebola Response"](#) (9-000-18-002-P), January 24, 2018.

activities in locations that staff are restricted from accessing. Without strong controls to track and address TPM findings, USAID risks leaving important issues found by the monitors unresolved, including those that directly affect the health and well-being of the vulnerable populations the Agency aims to help.

RECOMMENDATIONS

We recommend that the Bureau for Humanitarian Assistance, for its work in Iraq:

1. Develop and implement guidance for its Disaster Assistance Response Team and Response Management Team to prepare annual implementation plans, including specific guidance for exit or transition from humanitarian assistance.
2. Work with USAID/Iraq to develop and implement a process to improve coordination between humanitarian assistance and stabilization programs.
3. Develop a process for reviewing implementer transition plans for adherence to requirements prior to approving proposals.
4. Develop and implement a process with defined roles and responsibilities to track and respond to findings raised by third-party monitors, including actions undertaken by the implementer.

We recommend that USAID/Iraq:

5. Develop and implement a process to track and respond to findings raised by third-party monitors, including actions undertaken by the implementer.

OIG RESPONSE TO AGENCY COMMENTS

We provided our draft to USAID on November 13, 2020. On December 15, 2020, we received its response, which is included as Appendix B.

The report contains five recommendations, and we acknowledge management decisions for all five. We consider three recommendations resolved and open pending completion of planned actions (recommendations 1, 2, and 4). On January 28th, 2021, USAID provided a subsequent request to extend its target action dates for recommendations 1, 2, and 4 to March 31, 2021, which we approved.

We do not agree with the management decisions for recommendations 3 and 5 and consider these recommendations open and unresolved. Specifically:

- For recommendation 3, the documentation for BHA's Emergency Awards online training does not include course descriptions to confirm that the module(s) include content on requirements for transition or exit strategy, as well as the

roles and responsibilities of BHA staff with respect to the application-review process. Therefore, we cannot close this recommendation, as requested.

- For recommendation 5, the management decision does not provide detailed actions USAID/Iraq plans to take to develop and implement a process to track and respond to findings raised by third-party monitors, including actions undertaken by the implementer.

To resolve recommendation 3, please provide course descriptions for each module of your BHA Emergency Awards online courses. To resolve recommendation 5, please provide a revised management decision which includes detailed plans for developing and implementing a third-party monitoring tracking system for USAID/Iraq.

APPENDIX A. SCOPE AND METHODOLOGY

We conducted our work from June 2018 through November 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives were to (1) assess USAID's management of its transition strategy for humanitarian assistance in Iraq and (2) assess USAID's use of third-party monitors in the oversight of its humanitarian assistance and stabilization activities in Iraq. The scope of the audit included OFDA's humanitarian assistance programs in Iraq, as well as USAID/Iraq's stabilization program implemented by the United Nations Development Programme. The scope also included the two third-party monitoring contracts with IBTCI to monitor USAID's humanitarian assistance and stabilization programs in Iraq.

The audit period covered fiscal years 2017 and 2018. During this time USAID obligated \$643 million for its humanitarian assistance programs and \$173 million for its stabilization program in Iraq.⁹ We selected this time period to capture the most recent history of USAID's work in Iraq available at the start of fieldwork. As fieldwork continued into September 2019, we reviewed and considered updated information including policies and procedures, documents, and communications. This audit was conducted as part of USAID OIG's oversight responsibility of the overseas contingency operation within the Lead Inspector General Framework for Operation Inherent Resolve. We performed fieldwork from Washington, DC, reviewing supporting documentation and interviewing USAID staff in-person or by telephone conference.

For the first audit objective we determined that a data reliability assessment of computer-processed data was not necessary. For the second audit objective we included steps to test the accuracy of the data stored in the Performance Management and Support Program for Iraq (PMSP) site visit report database.

In addition, we included steps in our audit methodology to address internal control components and activities that we considered to be significant to our audit objectives. For example, we performed limited testing to determine the extent to which awardees incorporated transition strategies into grants and cooperative agreements. We also performed limited testing of third-party monitoring reports for humanitarian assistance and stabilization projects to assess the accuracy of information reported for different types of site visits. We followed up with agency officials and obtained evidence as to the effectiveness of the controls tested through direct observation and other techniques. We reviewed humanitarian assistance policies and procedures on strategy development and modification. We also reviewed USAID's policies and procedures for oversight in Iraq, including TPM and contract requirements for monitoring.

⁹ Total obligated funds were reported by USAID and not verified in the audit.

To assess USAID's management of its transition strategy for humanitarian assistance in Iraq, we conducted research on the crisis in Iraq by reviewing reports from international sources, including the United Nations Humanitarian Needs Overview, the 2017 and 2018 Humanitarian Response Plans (HRP), and data from the International Organization for Migration. We reviewed USAID policies including its Automated Directive System 251 on International Disaster Assistance, USAID Policy Framework 2011-2015, and USAID's 2019 Policy Framework "Ending the Need for Foreign Assistance." We also reviewed broader U.S. Government documents including the State/USAID/Department of Defense Stabilization Assistance Review and the Integrated Country Strategy for Iraq. We reviewed strategic planning documents, including OFDA's Implementation Plans and FFP's Strategic Response Frameworks for FY 2017 and 2018, to determine whether they contained transition plans and whether the plans aligned with the priorities outlined in the broader USAID, U.S. Government, and international community strategies for Iraq.

We also reviewed OFDA's proposal guidance, which requires that an exit strategy be included in proposals for OFDA's review. We reviewed the entire population of 59 humanitarian assistance awards made to nongovernmental organizations (NGOs) between FY 2017 and 2018 to determine whether the awards included transition plans with all the required elements outlined in the proposal guidelines. We excluded awards to public international organizations from our review because they are not subject to the same requirement.

In our analysis of OFDA's and its implementer's transition plans, we reviewed USAID's policies and procedures that guided the development of these plans. We interviewed members of the Iraq DART and RMT to determine who was involved with transition planning as well as what policies were in place to guide a transition away from humanitarian assistance. We also interviewed senior mission officials and staff from USAID/Iraq to determine how development assistance was being integrated into the transition planning. We interviewed staff from OFDA and USAID/Iraq, and reviewed records from their meetings, to understand how USAID coordinated its humanitarian assistance and stabilization activities.

To assess USAID's use of third-party monitors in the oversight of its humanitarian assistance and stabilization activities in Iraq, we reviewed the two TPM contracts with implementer IBTCI: the Iraq Monitoring & Evaluation Project (IMEP) awarded by OFDA for monitoring of OFDA and FFP activities, and the PMSP awarded by USAID/Iraq. For IMEP, we obtained and reviewed the 16 site visit reports (11 for OFDA and 5 for FFP) that identified significant findings for immediate attention, out of a population of 102 site visit reports for the base year contract period of October 2017-October 2018. We interviewed OFDA and the TPM staff to determine the process for tracking and resolving the identified issues. From the 412 site visit reports stored in the PMSP database, we obtained and reviewed 32 TPM reports from 2017 and 2018 that identified significant findings in USAID's activities and traced them to actions the Agency took to address the findings. We limited our review to the actions as reported by USAID and did not verify the corrective actions in the field. In addition, we reviewed the methods

USAID used to track TPM findings and corresponding actions for completeness, accuracy, and evidence of resolution.

For the two objectives, we conducted a total of 27 interviews with officials across OFDA, FFP, USAID/Iraq and TPM implementers to include USAID/Iraq's mission director and acting deputy director, the chiefs of party to TPM awards, risk management specialists, and OFDA deputy team leads. In total, we interviewed 32 individuals responsible for the management and oversight of USAID activities in Iraq.

APPENDIX B. AGENCY COMMENTS



TO: USAID Principal Deputy Assistant Inspector General for Audit,
Van Nguyen

FROM: USAID Bureau for Humanitarian Assistance,
Assistant to the Administrator, Trey Hicks /s/

USAID Bureau for the Middle East,
Assistant Administrator, Michael T. Harvey /s/

DATE: December 14, 2020

SUBJECT: Thirty-Day Management Comments to Respond to the Draft Audit
Report Produced by the Office of Inspector General of the U.S. Agency
for International Development (USAID) titled, *Enhanced Guidance
and Practices Would Improve USAID's Transition Planning and
Third-Party Monitoring in Iraq* (9-266-21-00X-P), Task No.
991C0518

The Bureaus for Humanitarian Assistance (BHA) and the Middle East (ME) of the U.S. Agency for International Development (USAID) would like to thank the Office of Inspector General (OIG) for the opportunity to provide Management Comments on draft audit report 9-266-21-00X-P (Tab 1). BHA agrees with Recommendations One through Four, and ME agrees with Recommendation Five. Both BHA and ME herein provide plans for implementing the recommendations and report on significant progress already made.

In the Republic of Iraq, USAID prioritizes the delivery of emergency aid based on humanitarian needs countrywide, and the provision of stabilization assistance to communities formerly occupied by the so-called Islamic State of Iraq and Syria (ISIS). The period covered by the OIG's audit, Fiscal Years (FY) 2017 and 2018, was the height of the humanitarian crisis in Iraq. This period coincided with military advancements against ISIS in Ninewa, Kirkuk, and Al-Anbar Governorates, and also included the Kurdistan Independence Referendum (September 2017) and the ensuing fighting between Federal Iraqi Forces and the Kurdish Regional Government in Kirkuk. The resulting massive, wide-scale displacement created significant humanitarian need. Paramilitary militias, known as Popular Mobilization Forces (PMF), which are partially funded by the

Government of Iraq (GOI), highly influenced by Iranian proxies, and hostile to the U.S. presence in the country, also filled the security vacuum on the ground and continue to dominate areas formerly occupied by ISIS.

The OIG's recommendations are timely, for the end of the research period for the audit, FY 2019, marked a turning point in the crisis. At the time, the former Offices of U.S. Foreign Disaster Assistance (OFDA) and Food for Peace (FFP), now merged into BHA, increasingly were planning for the transition to stabilization and development programs in Iraq. In 2019, OFDA also entered into the second year of its third-party monitoring (TPM) contract for Iraq, and began to implement many lessons learned about communicating with and tracking findings raised by the TPM contractor. While BHA already has taken action to address many of the recommendations in draft audit report 9-266-21-00X-P, the Bureau appreciates the OIG's insights and will take additional actions to address them, as detailed below.

In July 2015, USAID's Mission in Baghdad awarded a Public International Organization (PIO) grant to the United Nations Development Programme (UNDP) as a vehicle to make a contribution to the multi-donor Funding Facility for Stabilization in Iraq (FFS). The UNDP-FFS aims to help the GOI promote the safe and voluntary return of internally displaced persons (IDPs) to communities liberated from ISIS. USAID's funding to the UNDP-FFS finances health, education, water, electricity, and livelihood activities in Anbar, Salah al-Din, and Ninewa Governorates. In November 2017, USAID required that the UNDP-FFS cooperate with the TPM contractor hired by USAID/Iraq as a condition for additional funding (Tab 2). In January 2018, USAID modified our grant agreement with UNDP for the FFS to include additional requirements to protect against possible waste, fraud, and abuse. UNDP's Office of Audit and Investigations assigned an investigator specifically to focus on the UNDP-FFS, and must provide regular updates on vulnerabilities discovered in projects, as well as conduct enhanced monitoring and evaluation. USAID reviews UNDP's implementation on a regular basis pursuant to the terms of our modified grant agreement, and our TPM contractor makes multiple site visits at each project under way to ensure satisfactory quality.

USAID/Iraq has provided a response to draft audit report 9-266-21-00X-P's Recommendation Five in and illustrated a proposed series of steps to address it. The stabilization team at our Mission in Baghdad currently tracks the findings made by our TPM contractors through a database, which serves as the entry point for the monitoring reports and concerns/issues observed by site visits. The process of verification and response that follows involves several steps, which include detailed, USAID-led follow-up with the relevant implementing partner and reasonable resolution of the issue/concerns raised by the TPM contractor. The Mission acknowledges that the current means of tracking this follow-up, an online data sheet, needs further improvement. The stabilization team at the Mission is planning to incorporate information on follow-up and resolution in the TPM database, so that it will go beyond logging site visits and any resultant initial concerns. This step, when accomplished, will allow the Mission to have one data repository that tracks site visits/verification, raises emerging challenges, and captures information on resolutions.

USAID, including both BHA and ME, appreciates the work of the OIG's auditing team, and the opportunity to improve our internal controls for the provision of humanitarian assistance and development programming in Iraq.

MANAGEMENT COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) TO THE FINAL REPORT RELEASED BY THE USAID OFFICE OF INSPECTOR GENERAL (OIG) TITLED, "ENHANCED GUIDANCE AND PRACTICES WOULD IMPROVE USAID'S TRANSITION PLANNING AND THIRD-PARTY MONITORING IN IRAQ" (9-266-21-00X-P), Task No. 991C0518

Please find below the Management Comments by the U.S. Agency for International Development (USAID), including the Bureaus for Humanitarian Assistance (BHA) and the Middle East (ME), on the draft report produced by the USAID Office of Inspector General (OIG), which contains five recommendations for the Agency:

Recommendation 1: We recommend that the Bureau for Humanitarian Assistance, for its work in Iraq: Develop and implement guidance for the Disaster Assistance and Response Team and the Response Management Team (DART/RMT) to prepare annual implementation plans, including specific guidance for exit or transition from humanitarian assistance.

- **Management Comment:** USAID agrees with this recommendation, with the modification that, since BHA has demobilized the former Iraq DART and the supporting RMT, the Bureau's Iraq Team under the Middle East and the Levant Division in the Office of Middle East, North Africa, and Europe now manages our humanitarian work in the Republic of Iraq. Therefore, the guidance will apply to that team.

BHA, which combines the legacy Offices of U.S. Foreign Disaster Assistance (OFDA) and Food for Peace (FFP), now refers to annual implementation plans as "annual response strategies." BHA's staff follow all relevant technical guidance in developing these annual response strategies; most relevant to the OIG's recommendation is OFDA's 2017 *Guidance for Early-Recovery and Transition Programming* ("guidance") (Tab 3). This internal guidance provides an understanding of the eight elements required for proper planning for early recovery and transition; highlights country case studies; and also addresses some obstacles, such as conflict and weak governance.

OFDA's response strategy during the time frame of the audit focused on addressing the immediate humanitarian needs on the ground in Iraq, which, in light of the ongoing conflict, remained significant during Fiscal Years (FYs) 2017 and 2018. After this time period, and following years of war with the so-called Islamic State in Iraq and Syria (ISIS) and Iraq's transition to a post-conflict

landscape, on August 31, 2019, USAID demobilized the Middle East Crisis Humanitarian Response Team (MECHR RMT), based in Washington, D.C., and the field-based Iraq DART. The steady-state Iraq Team in BHA has continued to follow the *Guidance for Early-Recovery and Transition Programming* in developing our exit strategy for Iraq. Because of a more-stable operating environment in the country, OFDA's *FY 2020 Approach and Exit Strategy for Iraq* ("strategy") (Tab 4) articulated a geographic and technical sectoral re-scoping of USAID's humanitarian assistance in Iraq and enhanced coordination with the Agency's stabilization and development programs in the country and those funded by other donors. For example, OFDA did not fund livelihoods programming and de-emphasized relief assistance in areas with significant stabilization programming.

Similar to previous years, as part of the budget-planning process for FY 2021, BHA's Iraq Team followed guidance provided by the Bureau's Office of Middle East, North Africa, and Europe (MENAE) (*BHA/MENAE FY 2021 Country Response Strategy Template*) (Tab 5) to develop an annual response strategy. BHA's *FY 2021 Approach and Exit Strategy for Iraq* (Tab 6) affirms that USAID has recalibrated and decreased significantly the size and scope of our humanitarian programs in Iraq to focus on the needs of vulnerable populations within camps for internally displaced person (IDPs) and informal settlements, as well as those in areas of secondary displacement not prioritized by stabilization and development actors.

To address this recommendation, BHA/MENAE will continue to provide guidance to our staff on preparing annual response strategies, which will include the appropriate exit or transition from humanitarian assistance, as the context allows.

- **Target Completion Date:** February 15, 2021.

Recommendation 2: We recommend that the Bureau for Humanitarian Assistance, for its work in Iraq: Work with USAID/Iraq to develop and implement a process to improve coordination between humanitarian assistance and stabilization programs.

- **Management Comment:** USAID agrees with this recommendation, and acknowledges the need for strong coordination among our humanitarian assistance and stabilization, and development programs in Iraq. Effective coordination among USAID's Bureaus/Independent Offices (B/IOs) is the key to a successful and seamless transition from relief to stabilization and development assistance anywhere in the world. Since FY 2019, BHA has improved coordination between humanitarian assistance and the stabilization programs funded by USAID's Mission in Iraq by (1) communicating frequently with USAID/Iraq to avoid duplication in programming in Iraq; and, (2) engaging with USAID/Iraq on the development of BHA's annual response strategy for Iraq.

Another key component of improving internal coordination between humanitarian assistance, development, and stabilization at USAID is the new Relief, Response, and Resilience (R3) family of Bureaus. BHA and the Bureau for Conflict Prevention and Stabilization (CPS) use the new R3 structure to plan programming and engagement on policy for settings in which both Bureaus operate. This increased coordination includes sharing information on situational updates, best practices, and programmatic developments. The leadership of the R3 Front Office on policy issues also elevates humanitarian and stabilization equities inside the Agency and across the U.S. Government.

In addition, the Trump Administration formed the Humanitarian Assistance Steering Council (HASC) in 2018 in an attempt to increase efficiencies across the humanitarian portfolio of the U.S. Government. As part of this effort, the Bureau for Population, Refugees, and Migration at the U.S. Department of State (State/PRM) and BHA signed a Memorandum of Understanding (MOU) (Tab 7) in January 2020. The MOU, which replaces a document from 2004, clarifies the respective roles and responsibilities of the two Bureaus with the aim of minimizing potential gaps and preventing the duplication of assistance in areas where both State/PRM and USAID make humanitarian investments. The MOU also provides a framework for coordinating funding and oversight across a range of public international organizations that both Bureaus fund. Under this framework, State/PRM and BHA should share information prior to approving funding and finalizing agreements in situations where both Bureaus are directly financing shared partners in the same location for the same or co-located beneficiary populations (refugees, IDPs, host communities, or other populations of concern).

In response to this recommendation, BHA's Iraq Team will continue to work with USAID/Iraq to develop and implement a process to improve coordination between humanitarian assistance and stabilization programs.

- **Target Completion Date:** February 15, 2021.

Recommendation 3: We recommend that the Bureau for Humanitarian Assistance, for its work in Iraq: Develop a process for reviewing implementer transition plans for adherence to requirements prior to approving proposals.

- **Management Comment:** USAID agrees with this recommendation.

BHA's newly issued *Emergency Application Guidelines* ("Application Guidelines") (Tab 8) require non-governmental organizations (NGOs) that are applying for humanitarian funding from USAID to include a transition or exit strategy that describes the desired end-state of the activity or milestone, including the conditions that will ensure the sustainability of achievements under the award, mark the end of humanitarian needs, and indicate a transition toward future sustainability. BHA's Application Guidelines take into consideration the protracted nature of complex emergencies or chronic crises, and note the

challenges in transitioning to early recovery or longer-term programming. In these instances, NGO applicants must describe any current factors that prevent transitioning from humanitarian assistance, as well as any potential for change in the current operational context; measures they will take, including outreach to other financial donors beyond BHA, to prepare for the transition of their activity to early recovery or more development-oriented programming, should conditions warrant; and any possibility of shifting from USAID resources to alternate sources of emergency funding.

To address the OIG's recommendation, BHA's Iraq Team will prioritize completing the requisite internal training on the Bureau's Application Guidelines, which include the requirements for the transition or exit strategy, as well as the specifies the roles and responsibilities of BHA staff with respect to the application-review process (Tab 9). Further, BHA's Iraq Team will review applications to ensure that all NGOs that are seeking humanitarian funding from USAID respond to the requirements listed in the "Transition or Exit Strategy" section (Section 6.3.3.4) of the Application Guidelines. Applicants that do not comply with these requirements will not proceed further in the application-review process. As BHA will be facilitating training on an ongoing basis, and the Iraq Team will prioritize mandatory training on the Bureau's Application Guidelines, USAID requests closure of this recommendation.

- **Target Completion Date:** USAID requests closure of this recommendation upon the OIG's issuance of its Final Report.

Recommendation 4: We recommend that the Bureau for Humanitarian Assistance, for its work in Iraq: Develop and implement a process with defined roles and responsibilities to track and respond to findings raised by third-party monitors, including actions undertaken by the implementer.

- **Management Comment:** BHA agrees with this recommendation.

BHA acknowledges the need to establish well-defined roles and responsibilities to track and respond to findings raised by our third-party monitoring (TPM), including appropriate follow-up with implementing partners. In November 2019, OFDA developed an internal *Monitoring, Evaluation, Accountability, and Learning Policy* (MEAL) (Tab 10) for reviewing TPM reports to ensure our staff regularly follow up on our contractor's findings. The Bureau's contract for TPM in Iraq requires that the contractor update its implementation plan annually. The implementation plan requires the inclusion of a template for monitoring reports, which formalizes the process for our TPM contractor to report findings.

BHA's Iraq Team follows an internal process for reviewing TPM reports, including a procedure and timeline for members of the team and the Bureau's technical/sectoral advisors to provide comments and feedback to the TPM contractor and implementing partners for response, all recorded in a tracker for follow-up. Additional actions in the process follow-up with implementing

partners by BHA's field- and D.C.-based teams on Iraq on any questions and challenges raised within the monthly monitoring reports.

To address this recommendation, BHA's Iraq Team will continue to refine its internal process for reviewing TPM monitoring reports every month and establish clearly defined Standard Operating Procedures with roles and responsibilities to track and respond to findings raised by our TPM contractor in Iraq, including any subsequent actions undertaken by implementing partners.

- **Target Completion Date:** February 15, 2021.

Recommendation 5: We recommend that USAID/Iraq: Develop and implement a process to track and respond to findings raised by third-party monitors, including actions undertaken by the implementer.

- **Management Comment:** USAID agrees with this recommendation.

While USAID's Mission in Iraq currently tracks findings by TPM contractors and the subsequent actions and responses by implementing partners in our stabilization portfolio, a more sustainable and robust process will benefit the overall program. The current system and process for USAID to track findings maintains both clarity and aspects that are sustainable: TPM contractors upload reports into the database of the Mission's platform for Monitoring, Evaluation, and Learning (MEL) and tag them as either "Alerts," for issues that relate to non-compliance of some element of an award (such as quality, required branding, or similar); or "Informational Awareness," for issues that might not be the responsibility of the implementer and/or not a requirement of the award, but involve an issue/data-point of which USAID should be aware (for example, a rehabilitated school is standing empty because on-going security issues prevent returns of IDPs or refugees).

Once our TPM contractor uploads a report, the members of USAID's stabilization team for Iraq receive an e-mail to announce the upload, indicate whether the related report has a "Alert" or "Informational Awareness" tag associated with it, and identify the number of tagged items in the report. USAID's stabilization team for Iraq then reviews the report. For all reports with "Alert" or "Informational Awareness" tags—or any other finding that the technical staff deems as needing follow-up—the relevant team member then transfers this information (including on about the specific activity, type of concern[s], type of issue[s], city, Province, coordinates under the Global Positioning System, and visit date) into a dedicated internally shared and maintained shared online data sheet. The Senior Stabilization Advisor or Senior Performance-Management Specialist (as well as the cognizant Agreement Officer's Representative [AOR] and alternate AOR, if that is a different individual) reviews the information. For problems that need follow-up from the implementing partner, rather than USAID, the stabilization team for Iraq separates the issues and moves them into an external (continuously updated) shared online data sheet. The team then shares the sheet (and, if

necessary, the report of the site visit[s], scrubbed of personally identifiable information) with the partner. The implementing partner then has the opportunity to submit a response/explanation/solution for each issue raised in the data sheet. USAID then follows up with the partner to ensure a reasonable resolution, and records that information in the data sheet. A follow-up visit by our TPM contractor often precedes this step, as the monitors revisit the site/issue to ensure a reasonable resolution of the concern.

While effective, this process, particularly the manual inputs, is extremely time-consuming, labor-intensive, and onerous for an already-overstretched stabilization team. Among the other limitations of the current process is that the shared data sheet is tied to specific account holders and not codified in a fail-safe form that would easily accommodate for staff turnover.

The Mission will continue to work with the Office of Chief Information Officer within USAID's Bureau for Management and the Agency's existing MEL platforms to explore means to record feedback from implementing partners directly into the database, as well as perhaps allow for partners to have access to reports with tagged as "Alerts" or "Informational Awareness," which would also allow for a streamlined process. It is possible that the Agency's Development Information System, planned for broad roll-out in FY 2021, could provide the necessary functionality for these purposes.

- **Target Completion Date:** March 31, 2021.

In view of the above, we request that the OIG inform USAID of its response to our Management Comments.

APPENDIX C. MAJOR CONTRIBUTORS TO THIS REPORT

The following people were major contributors to this report: Pamela Hamilton, assistant audit director; Ryan McGonagle, assistant audit director; Ming Liu, program analyst; John Nelson, auditor; Laura Pirocanac, supervisory writer-editor; Steven Ramonas, auditor; Tovah Rom, writer-editor; Dirk Rousseau, program analyst; and Marianne Soliman, auditor.