

# U.S. International Development Finance Corporation Office of Inspector General



## Semiannual Report to Congress

October 1, 2022 – March 31, 2023



## Message from the Inspector General



I am pleased to present the U.S. International Development Finance Corporation (DFC), Office of Inspector General's (OIG) Semiannual Report to Congress for the reporting period October 1, 2022, through March 31, 2023, in accordance with the Inspector General Act of 1978, as amended (IG Act). DFC OIG is an independent and objective oversight office created within DFC by the Better Utilization of Investments Leading to Development Act of 2018 (BUILD Act). In accordance with the IG Act, we conduct audits and investigations of DFC programs and operations to prevent, detect, and deter fraud, waste, and abuse. DFC OIG has grown to eleven full-time staff since I started as Inspector General in August 2020.

Currently, our audit planning prioritizes mandatory audits, congressional requests, and risks identified in our prior audit work, as well as audits performed previously by the U.S. Agency for International Development (USAID) OIG. During this reporting period, our Office of Audits issued two mandatory audit reports, one on DFC's financial statements and another on DFC's compliance with the Federal Information Security Modernization Act (FISMA). In the FISMA audit, we found that DFC implemented an ineffective information security program by achieving an overall "defined" maturity level. During the reporting period, we had another 5 audits in progress, which included visiting DFC-funded projects as part of our audit of renewable energy and microfinancing investments in India, which is discussed in more detail below.

Our Office of Investigations received interagency assistance from law enforcement partners at the Homeland Security Investigations; U.S. Customs and Border Protection, Office of field Operations; Diplomatic Security Service, Criminal Investigative Liaison Branch; DOJ; Department of Commerce, Office of Export Enforcement; FBI, and the OIGs of the USAID, Department of Agriculture, and Department of State. We continue to rely on these partners to assist us with our investigative caseload because we still lack much-needed law enforcement authority. Our request for this fundamental OIG authority has been pending at the Attorney General's office since December 2020. At the end of this reporting period, we had 15 open investigations, including one referral to DOJ for prosecution. We issued one Report of Investigation to DFC management related to a bid for an information technology contract.

In the past six months we have also conducted extensive outreach to advance our mission, including:

- Providing training to DFC executive management on whistleblower protections and remedies for retaliation; and emphasizing the OIG's responsibility and role to protect whistleblowers.
- Establishing international anti-fraud partnerships, including executing Memoranda of Agreement (MOA) with the United Nations Office of Project Services (UNOPS) Internal Audit and Investigations Group, and the European Anti-Fraud Office (known by the acronym OLAF).
- Participating in the Complex Emergencies Work Group (CEWG) and coordinating with other OIGs to prepare for oversight of DFC-financed investments in Ukraine.
- Collaborating with DFC on a management advisory highlighting potential risks associated with future investments in Ukraine, which we anticipate publishing in late spring.





- Engaging our congressional and industry stakeholders on our current and future audit and investigative work.

As mentioned above, I would like to highlight our performance audit assessing renewable energy and microfinance loans in India. Our audit team, along with DFC staff, traveled to India in February and March and visited eight DFC-financed projects. This was our first audit where we had “boots on the ground” and were able to see DFC’s impact in developing countries firsthand. For example, we saw the development impact created by DFC when we visited a school in rural India that received solar power and internet access from a DFC project sponsor as part of the sponsor’s corporate social responsibility program. This was not only a great example of development impact, but also demonstrated the challenges DFC faces in quantifying its impact through its investments in the local community. We look forward to finalizing and publishing the audit report early in fall.



**OIG Audit Team visit a school powered by solar energy**  
Members of the DFC OIG audit team along with DFC employees and project sponsor staff while visiting a solar plant in India

Our work this period underscores the important role we play in making DFC’s programs and operations more effective and efficient through timely, relevant, and impactful oversight. As we carry out our fiscal year 2023 plans, we will continue to address new vulnerabilities and challenges, and will consult with Congress, our Board of Directors, OMB, and other stakeholders to provide the most impactful oversight possible. My staff has shown remarkable resilience in recent years, and I am impressed with their professionalism and dedication. As we mark our third year, I want to thank DFC and my staff for their continued commitment to our oversight mission.

Sincerely,

**Anthony “Tony” Zakel**  
Inspector General



**Inspector General Zakel (2<sup>nd</sup> from left)** participates in a panel discussion on oversight of financial support to Ukraine at the Complex Emergency Working Group’s November 2022 meeting at The Hague.

# U.S. International Development Finance Corporation Office of Inspector General

## Our Mission

The U.S. International Development Finance Corporation (DFC), Office of Inspector General's (OIG) mission is to prevent, detect, and deter fraud, waste, and abuse in DFC's programs and operations around the world by conducting audits, investigations, inspections, and evaluations of DFC's projects, systems, employees, and contractors.

## Our Core Values

The OIG commits to carrying out its mission in accordance with the following values:

### Accountability

Is the heart of the OIG's work. We provide accountability through independent and fair audits and investigations that seek to ensure that DFC is accountable for its results and the resources the public invests into it.

### Integrity

Is the OIG's foundation. The OIG maintains the highest standards of integrity for the American people, Congress, the DFC Board of Directors, Chief Executive Officer, and senior officials, and strives to set the example for objectivity, accuracy, and transparency.

### Respect

Is central to the OIG's identity. We have a deep respect for DFC's mission, and we strive to promote a fair and professional work environment to maintain the highest standards of conduct.





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# About DFC OIG



DFC OIG was established by the BUILD Act ([Public Law 115-254](#)) and gets its authority from the [IG Act](#). The OIG was organized in August 2020 following the appointment of its first Inspector General and was created to promote the integrity, transparency, and efficiency of DFC programs and operations. Through its audits and investigations, the OIG prevents, detects, and deters fraud, waste, and abuse affecting DFC’s investments, projects, systems, employees, and contractors. DFC offers debt financing,

equity investments, feasibility studies, investment funds, political risk insurance, and technical assistance. DFC partners with the private sector on projects across sectors including energy, healthcare, critical infrastructure, and technology. In addition, DFC currently has an active portfolio in Africa, the Middle East, Latin America and the Caribbean, Indo-Pacific, and Europe. The European Energy Security and Diversification Act of 2019 also authorizes DFC to support certain energy and energy-related investments in eligible European and Eurasian countries without regard to host-country income classification. See [www.dfc.gov](http://www.dfc.gov) and Appendix E to learn more about DFC products.

## SECTORS

	Energy
	Health
	Infrastructure
	Food Security & Agriculture
	Information & Communication Technology
	Education
	COVID-19 Response
	Climate
	Financial Inclusion

DFC’s development investments include commitments of over \$7 billion and a portfolio of over \$35 billion in FY 2022 (above FY 2021’s \$32.8 billion) and are expected to grow in the coming years. DFC has publicly outlined its strategy to catalyze \$75 billion between January 2020 and December 2025, to maximize development impact while creating strategic and sustainable growth across priority lower-income countries (LICs) and lower-middle-income countries (LMICs) to reach 30 million people. DFC funds are flowing quickly, with urgency to mobilize private capital to meet U.S. strategic and foreign policy objectives in economies that may not have adequate safeguards to address fraud and corruption.

DFC has an important mission that benefits many people around the world. Accordingly, it is imperative that DFC OIG continue to build an effective and efficient oversight agency. DFC OIG is one of the





smallest of more than 70 federal inspectors general and is leanly staffed. The DFC Inspector General is appointed by and reports to the DFC Board of Directors. Although the OIG is located within DFC, it conducts its work independently. The OIG consists of the Office of Audits and the Office of Investigations, supported by the General Counsel.

**The Office of Audits** conducts a variety of independent statutorily mandated and discretionary audits, of DFC programs and operations and makes recommendations addressing internal control weaknesses.

**The Office of Investigations** conducts inquiries and investigations into allegations of fraud, misconduct, corruption, and other illegal activity, which may result in convictions, fines, or other sanctions.

**General Counsel** provides legal support for audit and investigative work and oversees matter involving legislative and public affairs efforts, ethics, and Freedom of Information Act (FOIA) requests.



## *DFC OIG Administrative and Operational Activity*

The OIG has made significant strides toward building an organization with the expertise, tools, resources, and support needed to accomplish its mission. The OIG’s administrative and operational efforts provide critical tools that support our audit and investigative work. During this reporting period, OIG administrative and operational activities included increasing the staff to 11 FTEs.



## DFC OIG Hotline



### Report Fraud, Waste, and Abuse

OIG's confidential hotline receives allegations of fraud, waste, abuse, and other misconduct.

- Federal employees must disclose fraud, waste, abuse, and corruption to appropriate authorities, such as the OIG.
- Contractors and recipients of U.S. funds must report allegations of fraud and misconduct based on mandatory disclosure requirements in Federal and agency-specific rules.
- Others, including beneficiaries of investment programs and employees of federal contractors and recipients, may report allegations to the OIG directly.

### Contact DFC OIG Hotline

**Call Toll Free  
+1 (833) OIG-4DFC**

Or visit:

**[DFC OIG Hotline](#)**

**Stop By Office & Mailing Address**

U.S. International Development Finance Corporation  
Attention: Office of Inspector General  
1100 New York Avenue, NW  
Suite 270 West  
Washington, DC 20527





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## Top Management Challenges Facing DFC in FY 2023

As required by the Reports Consolidation Act of 2000 ([Public Law 106-531](#)), DFC OIG published [Top Management Challenges Facing DFC in FY 2023](#), discussing four challenges facing DFC that we expect will continue over the next several years.

- 1. Improving Monitoring and Evaluating Actual Development Impact.** DFC has made some progress in this area, particularly in estimating development impact as part of its investment decision-making process. However, DFC must find appropriate methods to oversee projects to ensure it meets development impact goals as it progresses through completion. DFC still relies primarily on client self-reporting. Now that COVID-19 pandemic related travel restrictions have been lifted, and as DFC continues to increase the size of its investment portfolio, DFC must take action to make actual development impact achieved and promotion of our nation's foreign policy the primary metrics of its success.
- 2. Improving Performance Management, Transparency, Accuracy, and Availability of Project Data as DFC's Commitments Grow.** The BUILD Act requires DFC to create a performance measurement system to evaluate and monitor projects, and to guide plans for future projects. The BUILD Act also requires DFC to prioritize investment in lower income countries (LICs) and lower middle-income countries (LMICs). DFC has deployed a new system to track the receipt, review, and certification of all project deliverables and is currently working to improve monitoring projects and reporting borrower evaluations. However, our BUILD Act audit found that DFC had not finalized and communicated its FY 2022 financial performance standards for its portfolio.
- 3. Balancing Heightened Expectations of Congress and Stakeholders While Managing Risks.** DFC has many stakeholders, both in the United States and around the world, who are interested in what it does and how it achieves its goals. DFC faces difficult choices in making investments that balance the competing interests of development impact, foreign policy, and financial performance. Finding the proper balance between these competing priorities presents a significant challenge. DFC OIG believes DFC will continue to face significant challenges in the constantly evolving global environment to advance development through its investments while meeting the heightened expectations of Congress and other stakeholders.
- 4. Managing Organizational Transition While Building Internal Controls Around Core Management Systems.** DFC inherited many talented and experienced employees from its predecessor agencies, OPIC and DCA, and plans to dramatically grow its workforce to 700 staff by September 2023. However, DFC faces recruitment challenges. Although DFC is the United States' development financial institution, it does not offer the higher pay rates of other federal financial institutions, such as the Federal Deposit Insurance Corporation, the Federal Reserve, the Federal Housing Finance Agency, and the National Credit Union Administration. The OIG has also identified internal control weaknesses through our audits of DFC's purchase card program and Federal Information Security Modernization Act of 2014 (FISMA) compliance. Managing the transition to a larger organization while strengthening its internal controls and management systems will continue to be a challenge as DFC grows.

The OIG previously published [Top Management Challenges Facing DFC in FY 2022](#), which can be found on the DFC OIG website, [www.dfc.gov/oig](http://www.dfc.gov/oig).



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**Audits  
Investigations  
Outreach  
&  
Other Activities**



## Office of Audits

The Office of Audits (OA) conducts and supervises a variety of independent statutorily mandated and discretionary performance audits assessing controls of DFC programs and operations to detect and deter waste, fraud, abuse, and mismanagement. Audits include evaluating the efficiency and effectiveness of DFC development finance investment programs and operations at headquarters and around the world. These audits lead to recommendations that may result in policy and programmatic changes to help DFC better accomplish its mission.

### Audit Activity

During the reporting period, October 1, 2022 – March 31, 2023, OA completed 2 audits, and had 5 audits in progress. The box on the right provides a summary of audit statistics followed by a summary of completed audit report findings and recommendations. Each audit report summary includes a link to the report located on the OIG’s external website. Appendix B provides additional statistical details, and Appendix C provides the definitions for audit metrics. For transparency, OIG audit reports (and other publications) are posted on our external website: <https://www.dfc.gov/oig>.

## SUMMARY OF AUDIT STATISTICS

OCTOBER 1, 2022 – MARCH 31, 2023



Audit Report Summaries	
<b>Report Title</b>	<a href="#">FY 2022 DFC Federal Information Security Modernization Act of 2014 Audit</a> , (Audit Report DFC-23-001-C, issued November 9, 2023)
<b>What We Reviewed</b>	OIG contracted RMA to conduct the DFC FY 2022 Federal Information Security Modernization Act of 2014 (FISMA) audit. The audit evaluated the effectiveness of the DFC's information security program and practices and determined DFC's maturity level as outlined in the FY 2022 Core Inspector General (IG) FISMA Metrics. The FY 2022 Core IG Metrics classifies information security programs and practices into five maturity model levels: Ad Hoc, Defined, Consistently Implemented, Managed and Measurable, and Optimized.
<b>What We Found</b>	DFC's information security program and practices were ineffective for FY 2022, and the overall maturity level was Defined. We identified the following three factors that contributed to the root cause of why DFC was downgraded from Managed and Measurable (effective) in FY 2021 to Defined (ineffective) in FY 2022.





	<ol style="list-style-type: none"> <li>1. DFC did not execute the security practices required by the Office of Management and Budget (OMB) and U.S. Department of Homeland Security (DHS).</li> <li>2. The decrease of 66 metrics in FY 2021 to 20 in FY 2022 affected the FISMA scoring methodology.</li> <li>3. The time constraints in the FY 2022 FISMA audit period (OMB compressed the schedule to three months sooner this year – IG FISMA Metrics reports are now due by July instead of October).</li> </ol>
<p><b>Recommendations</b></p>	<p>The report made six recommendations to the DFC Chief Information Officer that will further strengthen DFC’s information security program.</p> <ol style="list-style-type: none"> <li>1. Update DFCs Authorization to Operate and system-level Security Assessment Reports annually.</li> <li>2. Implement a plan to replace or upgrade the unsupported software within DFC's network.</li> <li>3. Document and implement lessons learned to enhance the continuous monitoring process to instruct employees to record, analyze, and revise control activities on a cyclical basis to continuously improve DFC security posture as defined in the Security Continuous Monitoring Plan.</li> <li>4. Perform the breach tabletop exercises annually.</li> <li>5. Develop a methodology and implement a tool to track the timely review of periodic updates for BIAs and contingency tests.</li> <li>6. Update DFC's Vulnerability and Risk Management Program to differentiate vulnerabilities remediation timeframe between internal and external facing systems and align with timeframes in the DHS's FY 2022 Core IG FISMA Metrics.</li> </ol> <p>DFC management officials took corrective actions during the audit to address recommendations 4 and 6, therefore those recommendations were closed when the final audit report was issued.</p>
<p><b>Report Title</b></p>	<p><a href="#">DFC's Consolidated Financial Statements for FY 2022</a>, (Report Number DFC-23-002-C, issued November 15, 2022)</p>
<p><b>What We Reviewed</b></p>	<p>OIG contracted RMA to audit DFC’s consolidated financial statements for the fiscal year ended September 30, 2022, report on internal control over financial reporting, and report on compliance with laws and other matters. The audit was performed in accordance with U.S. generally accepted auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office’s and Council of the Inspectors General on Integrity and Efficiency’s Financial Audit Manual.</p>
<p><b>What We Found</b></p>	<p>The audit revealed the following.</p> <ul style="list-style-type: none"> <li>• DFC’s consolidated financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles.</li> </ul>



	<ul style="list-style-type: none"> <li>• We found one material weakness<sup>1</sup> and no significant deficiencies in internal control over financial reporting.</li> <li>• We found no reportable noncompliance with provisions of laws tested and other matters.</li> </ul> <p>RMA reported a material weakness in DFC’s internal control over financial reporting regarding the FY 2021 Statement of Budgetary Resources (SBR). Because the Department of Treasury Fiscal Service did not include DFC in its listing of agencies with Distributed Offsetting Receipts, DFC overstated the financial statement line for Distributed Offsetting Receipts in its Combined SBR by \$460 million. DFC corrected the error and implemented policies and procedures necessary to properly record and report these types of deposits going forward; therefore, no further recommendation is necessary.</p>
<b>Recommendation</b>	We did not make any recommendations.

## Significant Audits in Progress



DFC OIG audit team members (*left to right*) Nicholas Broemmel, Erika Ersland, and Jatin Wahi visit a borrower during audit in India

The Office of Audits has five significant audits in progress. The first is an audit of DFC’s renewable energy and microfinancing investments in India. The audit was requested by the U.S. House of Representatives, Committee on Appropriations Subcommittee on State, Foreign Operations, And Related Programs ([HR Report 116-444](#)), requesting DFC OIG to assess the integration and efficiency of DFC policies, procedures, and processes. After consulting with the Committee on Appropriations, DFC OIG is completing a follow-up audit similar to the USAID OIG audit of the Overseas Private Investment Corporation’s (now DFC) Chile Energy Sector Portfolio completed in 2019 ([9-OPC-19-002-P](#)). However, the OIG is evaluating projects in India rather than

the Chile energy sector. The objectives of this follow-up audit are the same as the USAID OIG audit report published in 2019 and include.

- Determining if DFC involved the U.S. private sector and supported local country development in alignment with its mission;
- Assessing the inputs, data, and analyses used to assess and approve the projects; and

<sup>1</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



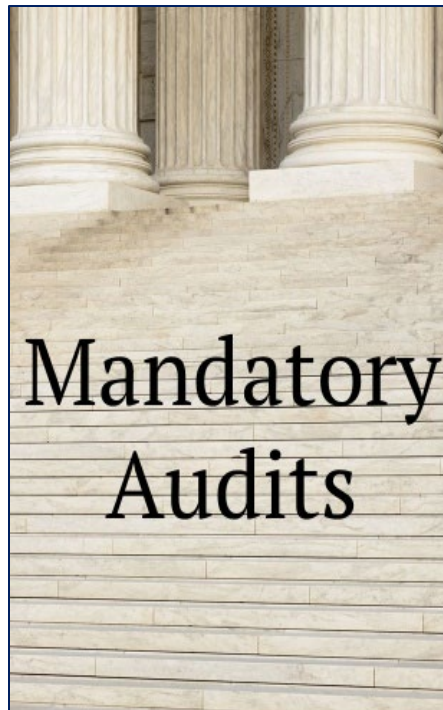


- Assessing the process and internal controls DFC used to identify and mitigate certain risks.

We expect to provide DFC management, DFC’s Board of Directors, and Congress with the audit results in early fall. The results will also be included in the fall semiannual report and posted on the OIG external website.

In addition to the audit of DFC-funded renewable energy and microfinancing projects in India, the OIG is also conducting the following mandatory audits that will be reported in the next SARC.

1. DFC’s compliance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) for FY 2022 audit will determine whether DFC's charge card program complies with requirements of the Charge Card Act, as well as Office of Management and Budget (OMB) and General Services Administration (GSA) requirements and standards.
2. An audit of DFC’s FY 2022 Financial Statement will include an opinion on whether DFC’s financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles. In addition, we will determine whether DFC’s financial management system complies with the Federal Financial Management Improvement Act requirements. The audit will also report on any significant internal control deficiencies and material weaknesses.
3. DFC’s compliance with the Payment Integrity Information Act of 2019 (PIIA) in FY 2022 audit will include a required review of the payment integrity section of the Agency Financial Report (AFR)/Performance and Accountability Report (PAR) to determine whether the agency is in compliance with PIIA and evaluate the agency’s (a) risk assessment methodology, (b) improper payment rate estimates, (c) sampling and estimation plan(s), (d) corrective action plan(s), and (e) efforts to prevent and reduce improper payments.
4. An audit of DFC’s implementation of an effective information security program in FY 2023 that complies with the Federal Information Security Modernization Act of 2014 (FISMA).





## Office of Investigations

The Office of Investigations (OI) conducts inquiries and investigations of suspected fraudulent, illegal, or unethical activities, which may result in criminal, civil, or administrative sanctions. OIG investigations can originate from hotline or whistleblower complaints, congressional inquiries, or proactive initiatives. OIG investigations protect whistleblowers and address critical and sensitive issues affecting DFC's programs and investments, as well as U.S. foreign policy objectives and national security interests.

During this reporting period, October 1, 2022 – March 31, 2023, OI continued to develop its capacity to investigate a broad spectrum of allegations ranging from internal complaints of abuse of authority to external criminal fraud against DFC. A summary of investigative statistics is provided below, and Appendix D provides definitions for investigation metrics.

OI is hampered in its ability to independently conduct certain law enforcement activities because the OIG does not have much-needed law enforcement authority. The OIG's request for law enforcement authority has been pending with the Attorney General's Office since December 2020. The OIG continues to work with key stakeholders, including Congress and DOJ, to obtain law enforcement authority so that OI can effectively and efficiently conduct its investigations. Having such authority is crucial as DFC OIG has the same oversight responsibilities for DFC that USAID OIG had for OPIC, but does not have the full law enforcement authority USAID had (and has). DFC OIG needs law enforcement authority to effectively investigate crimes involving DFC programs and operations. Not having this authority also hampers OIG's authority to recruit and hire experienced investigators and is a safety issue for our investigators.

### SUMMARY OF INVESTIGATION STATISTICS

OCTOBER 1, 2022 – MARCH 31, 2023

**Complaints Received: 9**

**Cases Initiated: 5**

**Cases Open at Beginning of  
Reporting Period: 14**

**Cases Closed During Reporting  
Period: 4**

**Cases Open at End of Reporting  
Period: 15**

**Investigative Reports Issued: 1**

**Persons Referred for Criminal  
Prosecution (DOJ): 1**

**Persons Referred for Criminal  
Prosecution (State, Local, and  
Foreign Authorities): 0**

**Cases Referred to Agency  
Management for Administrative  
Action: 1**





## Investigative Activity

As it continues to develop its investigative capacity, OI is grateful to the U.S. Department of Agriculture, Office of Inspector General, which detailed a Special Agent in Charge to our office part-time under the CIGIE Fellows Program. OI also appreciates the partnership of Homeland Security Investigations; the U.S. Customs and Border Protection, Office of Field Operations; the Diplomatic Security Service, Criminal Investigative Liaison Branch; the DOJ; the Department of Commerce, Office of Export Enforcement; the FBI; and the OIGs of the U.S. Agency for International Development, and Department of State.



DFC OIG AIGI John Warren (r) thanks CIGIE Fellow Robert Baggett (l) for providing investigative support.

The OIG had the pleasure of working with a CIGIE fellow who supported investigative activity. Robert Baggett joined the OIG in the spring of 2022 providing much needed assistance with a review involving pandemic relief fraud, the establishment of an interagency working group focused on international fraud investigations, the sourcing of an electronic case management system, and engagement with international partners in the Complex Emergencies Working Group.

During the reporting period, October 1, 2022 – March 31, 2023, DFC OIG engaged in substantial investigative activity in multiple ongoing cases, including several with interagency partners. The following provides a

summary of two notable investigations that were closed during this reporting period.

### Investigation Summaries

#### Allegation of Contractor Exceeding Computer Systems Access

OIG received information that anomalous activity on the agency computer network may have been the result of a contractor exceeding their permitted computer systems access. The contractor was removed from their duties, and OIG recovered DFC-owned computer equipment from the contractor. The contractor explained that the anomalies were the result of a computer command error.

#### Alleged Quarantine of Certain Bids

OIG initiated an investigation upon receipt of a complaint that a company submitted a bid on a DFC contract by email, as required by the solicitation; however, the emailed submission was quarantined for several weeks by DFC’s firewall, resulting in the bid being disqualified as late. The investigation determined that it is an open legal question whether the bid should be considered timely under the “government control exception” of the FAR; however, there is recent case law that supports such a conclusion. The matter was reported to DFC management, which took no action.






## Senior Executive & Whistleblower Reprisal Investigations

DFC OIG investigates allegations of improprieties by DFC senior executives and reprisals against whistleblowers. During this reporting period, the OIG initiated one investigation of alleged improprieties by a senior executive, which is ongoing. We review all such complaints in a timely and thorough manner, in accordance with applicable law. Ensuring individuals' rights to report wrongdoing without fear of reprisal is essential to our mission. DFC OIG prioritizes assessing and responding to allegations of whistleblower reprisal by DFC management or DFC's partners and contractors.



DFC OIG's statutorily designated Whistleblower Protection Coordinator educates employees about their right to make protected disclosures and the protections available should they choose to come forward. The Whistleblower Protection Coordinator:

	Educates agency employees on their legal right to disclose fraud, waste, abuse, and other misconduct, free from reprisal.
	Delivers information and materials on whistleblower protections at each DFC New Employee Orientation, and quarterly via an OIG newsletter to DFC employees. During the reporting period, this included six sessions and one newsletter.
	Works with our Office of Investigations to ensure DFC employees and employees of DFC partners and contractors receive information on whistleblower rights and remedies. DFC OIG Office of General Counsel also works with DFC's Office of General Counsel to effectively address any personnel or other actions taken or not taken because of whistleblower activity.

DFC OIG also provides information about whistleblower rights and remedies on its public website at <https://www.dfc.gov/oig> and [DFC OIG Whistleblower Rights and Protections](#).



## Outreach and Other Activities

DFC OIG's outreach and engagement efforts give stakeholders, oversight partners, and the public timely and relevant information about the OIG's work. The OIG also seeks stakeholder input to inform its work and strengthen partnerships with other oversight offices worldwide. In addition, the OIG engages in ongoing discussions with congressional officials, policymakers, researchers, and high-level government officials on DFC programs and challenges. DFC OIG has also conducted numerous outreach activities with DFC's Board of Directors, executives, and other personnel to inform DFC about who we are, what we do, and why we perform audits, investigations, and other reviews.

### Outreach

As DFC OIG continues to perform its oversight role, we recognize that it is important to inform our stakeholders – Congress; DFC's Board of Directors, CEO, and employees; the international development finance industry; domestic and international law enforcement partners; and the American public – about our mission and work. During this reporting period, we conducted the following outreach efforts, among others.



**DFC Board of Directors.** Inspector General (IG) Zakel held regular briefings with the DFC Board of Directors and attended Risk Committee meetings. The Board was kept informed of OIG activity, including the issuance of audit announcements and reports.

**DFC Chief Executive Officer.** IG Zakel met with CEO Scott Nathan and his executive staff on regular basis, generally at least a bi-weekly.

**DFC General Counsel.** The OIG's General Counsel and Senior Attorney regularly meet with DFC's Office of General Counsel. They continued to collaborate on establishing a suspension and debarment program for DFC.

**DFC Executives and Employees.** In addition to meetings between IG Zakel and DFC executives, the OIG issued two quarterly newsletters to DFC employees. The newsletter is designed to communicate directly to DFC employees to share who we are and what we do. In addition, it provides contact information for the Hotline, explains whistleblower rights and protections, and provides fraud awareness tips. The OIG also continued to present to new onboarding DFC employees about OIG work, how to reach us, and how we protect whistleblowers.



**Congressional Appropriation and Oversight Committee Briefings.** The OIG regularly briefed congressional committee staff on our progress building DFC OIG and on our audits and investigations. During this reporting period, we shared our efforts to obtain law enforcement authority from DOJ. Our request has been pending with DOJ since December 2020. During this reporting period, we held briefings with the following:

- Senate Foreign Relations Committee, Subcommittee on Multilateral International Development, Multilateral Institutions, and International Economic, Energy, and Environmental Policy; and Subcommittee on State Department and USAID Management, International Operations, and Bilateral International Development
- House Foreign Affairs Committee, Subcommittee on International Development, International Organizations and Global Corporate Social Impact





- House Committee on Oversight and Reform
- Senate and House Appropriations Committees and Subcommittees on State, Foreign Operations, and Related Programs
- Senate Homeland Security and Governmental Affairs Committee



**Meetings with Other Offices of Inspectors General.** The OIG continues to reach out to other OIGs seeking advice and guidance on many operational and mission-specific topics. During this reporting period, the OIG communicated with the following.

- Export/Import Bank (EXIM Bank) OIG, USAID OIG, AbilityOne OIG, and Peace Corps OIG to discuss coordination on matters of mutual interest. Further, we assisted EXIM Bank in interviewing perspective candidates for their assistant inspector general for audit.
- USAID OIG on the Complex Emergencies Working Group (CEWG). CEWG is an international consortium of donor and development agencies, NGOs, and oversight bodies that share information and resources to make their response to complex emergencies more effective and efficient. CEWG is currently focused on Ukraine.



**Meetings with Other Oversight and Assurance Offices.** The OIG continues to reach out to other oversight and assurance organizations seeking advice and guidance on many operational and mission-specific topics. During this reporting period, the OIG communicated with the following:

- The European Union’s Anti-Fraud Office, known as OLAF
- United Nations Office for Project Services (UNOPS)
- World Bank Group Internal Audit (GIA)



**DFC OIG Signs MOU with UNOPS**

Abdoul Dieng (*l*) Director, Internal Audit and Investigations, UNOPS and Inspector General Zakel (*r*), shake hands after signing the MOA



**DFC OIG Signs MOU with OLAF**

John Warren (*l*), Assistant Inspector General for Investigations and Ville Itala (*r*), Director General, OLAF shake hands after signing the MOA.



## Other Activities



**Council of the Inspectors General on Integrity and Efficiency.** DFC OIG is an active participant in the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which is a statutorily created, independent entity within the executive branch. Congress established CIGIE to address integrity, economy, and effectiveness issues that transcend individual Federal Government agencies, and to aid in the establishment of a professional, well-trained, and highly skilled workforce in the Offices of Inspectors General. During this reporting period, the OIG participated in the following activities.

- The IG participates in CIGIE’s Legislative Committee and the Small/Unique OIG Working Group, reviewing existing and proposed legislation and regulations to make recommendations concerning the impact of such legislation on the IG community.
- The OIG’s attorneys participate in the Council of Counsels to the Inspectors General (CCIG). CCIG holds monthly meetings to ensure legal advice is justifiable, consistent, and reflects best practices, and organizes training for new attorneys joining the OIG community. CCIG has a subgroup for counsels working at smaller OIGs designed to share legal, access, and resource challenges and solutions for investigations in which we participate.
- The OIG also participates in CIGIE’s subgroup for Inspectors General and Deputy Inspectors General reporting to Boards, the professional development committee’s mentoring pilot group, Investigative Attorneys, and the GAO-CIGIE Coordination Meeting.
- The OIG Assistant Inspector General for Audits and General Counsel actively participated as mentors in CIGIE’s mentoring pilot program.

**Interagency Suspension and Debarment Committee.** DFC OIG continues to work with DFC’s Office of the General Counsel to establish a Suspension and Debarment Program for DFC, which will help protect DFC and other federal agencies from disreputable contractors.

**International Engagements.** As the OIG’s Office of Investigations continues to build a foundation for international investigations, it is proactively conducting outreach to pertinent law enforcement entities. During this reporting period, the OIG initiated an interagency working group with several other OIGs to collectively engage with Nigerian law enforcement organizations.



**International Anti-Corruption Conference (IACC)** DFC OIG Deputy Inspector General and General Counsel participated in the Transparency International hosted IACC in December 2022, along with USAID OIG, and MCC. The workshop sought and shared global best practices to engage benefit recipients, journalists, and other donor organizations to actively participate in helping to safeguard the integrity of programs and prevent loss of resources to corruption or fraud.



**DFC OIG Participates in IACC** (left to right) Adam Kaplan, General Counsel, USAID OIG; Gladis Griffith, Deputy Inspector General and Chief Counsel, DFC OIG; Jonathon Walz, General Counsel, EXIM Bank OIG; Shqipe Neziri Vela, Millennium Challenge Corporation (MCC)/Kosovo Project Management Specialist, Energy & Governance; Christopher P. Williams, Senior Director for Anti-Fraud and Corruption, MCC





# Required Reporting

## Appendix A: Required Reporting

The following pages present summary tables and tables containing statistical and other data, as required by the IG Act and other statutes.

IG Act Section	Requirement	Results	Page Number
	Statistical Summary of Audit-Related Accomplishments (April 1, 2022 – September 30, 2022)	~	12
	Statistical Summary of Investigative-Related Accomplishments (April 1, 2022 – September 30, 2022)	~	16
<b>5(a)(1) and 5(a)(2)</b>	Significant Problems, Abuses, and Deficiencies Related to the Administration of Programs and Operations	None	~
<b>5(a)(3)</b>	Significant Recommendations Described in Previous Semiannual Reports to Congress on which Corrective Action has Not Been Completed	None	~
<b>5(a)(4)</b>	Matters Referred to Prosecutive Authorities		16
<b>5(a)(5) and 6(c)(2)</b>	Summary of Instances Where Information or Assistance Was Refused or Not Provided	None	~
<b>5(a)(8)</b>	Questioned Costs-Audits and Other Reports with Questioned Cost or Unsupported Cost	None	~
<b>5(a)(9)</b>	Better Use of Funds-Audit and Other Reports with Recommendations for Better Use of Funds	None	~
<b>5(a)(10)</b>	Unresolved Reports-Unresolved Audit and Other Reports Issued Prior to Reporting Period		26
<b>5(a)(10)(B)</b>	Reports for which No Agency Comment was Returned to the OIG within 60 Days of Issuance	None	~
<b>5(a)(10)(C)</b>	Outstanding Unimplemented Recommendations with Aggregate Potential Cost Savings	None	~
<b>5(a)(11)</b>	Significant Revised Management Decisions	None	~
<b>5(a)(12)</b>	Significant Management Decisions with Which the OIG Disagreed	None	~
<b>5(a)(13)</b>	Unmet Intermediate Target Dates Established by the Agency Under the Federal Financial Management Improvement Act of 1996	None	~
<b>5(a)(14)</b>	Peer Review Results	None	~

IG Act Section	Requirement	Results	Page Number
5(a)(17)	Investigative Reports Issued		
	<ul style="list-style-type: none"> <li>Numbers of Persons Referred to the U.S. Department of Justice</li> </ul>	1	16
	<ul style="list-style-type: none"> <li>Number of Persons Referred to State and Local Prosecuting Authorities</li> </ul>	None	~
	<ul style="list-style-type: none"> <li>Indictments and Criminal Information that Resulted from Prior Referrals to Prosecuting Authorities</li> </ul>	None	~
5(a)(18)	Description of the Metrics Used for Developing the Investigative Data for the Statistical Tables under 5(a)(17)	~	28
5(a)(19)	Report on Each Investigation Conducted by the OIG Involving a Senior Governmental Employee (GS-15 or above) Where the allegations of Misconduct were Substantiated	None	~
5(a)(20)	Description of Instances of Whistleblower Retaliation	None	~
5(a)(21)	Description of Attempt by Agency to Interfere with OIG Independence	None	~
5(a)(22)(A)	Description of Audits or Inspections Closed but Not Disclosed to the Public	None	~
5(a)(22)(B)	Description of Investigations Involving Senior Government Employees (GS-15 or above) that were Closed but Not Disclosed to the Public	None	~



## Appendix B: Audit Tables

**Table 1: Audit and Other Reports Issued During the Reporting Period**

Report Number	Report Title	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings
<a href="#">DFC-23-001-C</a>	FY 2022 DFC Federal Information Security Modernization Act of 2014 Audit (issued November 9, 2023)	0	4	N/A
<a href="#">DFC-23-002-C</a>	DFC's Consolidated Financial Statements for FY 2022 (issued November 15, 2022)	0	0	N/A

**Table 2: Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed**

Report Title Number, and Link	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings
OPIC Implemented Controls in Support of FISMA for Fiscal Year 2017 but Improvements Are Needed ( <a href="#">A-OPC-17-007-C</a> , 9/28/2017)	None	1	N/A
OPIC Has Generally Implemented Controls in Support of FISMA for Fiscal Year 2018 ( <a href="#">A-OPC-19-006-C</a> , 1/30/2019)	None	2	N/A
DFC Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA ( <a href="#">A-DFC-21-005-C</a> , 1/28/2021)	None	1	N/A
DFC Implemented an Effective Information Security Program for FY 2021 in Support of FISMA ( <a href="#">A-DFC-22-003-C</a> , 12/1/2021)	None	1	N/A
DFC Made Significant Progress Implementing Provisions of the Better Utilization of Investments Leading to Development Act ( <a href="#">DFC-22-005-C</a> , 9/22/2022)	None	4	N/A

**Table 3: Audit and Other Reports with Questioned or Unsupported Costs**

Requirement	Number	Unsupported Questioned Costs	Amount
<b>Inspector General Act, Section 5(a)(8)</b>	~	None	N/A

## Appendix C: Metrics for Audit Reporting

Metric	Description
Questioned Cost	A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, and contract
Unsupported Cost	A cost that is not supported by adequate documentation. Unsupported costs are included with the amounts shown as Unsupported Questioned Costs.
Funds Put to Better Use	Funds that could be used more efficiently by implementing recommended actions.
Total Number of Reports Issued	The number of audit reports issued during the reporting period.
Recommendations	Recommendations highlight actions that will improve entity performance when implemented. The appropriate and timely implementation of audit recommendations agreed to by management is an important part of realizing the full benefit of an audit.
Unresolved Recommendations	A recommendation that management has not concurred with and for which a resolution has not been reached between the OIG and management. These recommendations remain open until resolved.

## Appendix D: Metrics for Investigative Reporting

Metric	Description
Investigation Opened	<p>When a complaint or disclosure meets the following conditions:</p> <ul style="list-style-type: none"> <li>• There is identifiable evidence of a potential violation of a law or policy with a nexus to DFC.</li> <li>• The allegation falls within a stated management priority, or an investigation of it can otherwise be justified.</li> </ul> <p>OIG management is committed to expending the necessary resources to fully investigate the matter.</p>
Investigations Closed	When all investigative activity has concluded, all legal and administrative actions have been finalized, and all case results have been recorded in OIG’s case management system.
Total Number of Reports Issued	Referrals of investigative activity are referred to one or more recipients outside of OIG. As part of the referral process, OIG provides referral recipients with a written summary of its investigative findings that inform decision-makers considering potential administrative action.
Prosecutive Referrals	Referrals: Matters referred by OIG to the appropriate entity responsible for initiating criminal prosecution when investigative activity identifies evidence of potential violations of criminal law.
Arrests	Instances in which an individual has been seized pursuant to legal process and taken into custody in connection with an OIG investigation.
Criminal Indictments / Information	<ul style="list-style-type: none"> <li>• <b>Indictment:</b> An accusation in writing found and presented by a grand jury, legally convoked and sworn, to the court in which it is impaneled, charging that a person therein named has done some act, or been guilty of some omission, which by law is a public offense, punishable on indictment. A formal written accusation originating with a prosecutor and issued by a grand jury against a party charged with a crime. An indictment is referred to as a “true bill,” whereas failure to indict is called a “no bill.”</li> <li>• <b>Information:</b> An accusation exhibited against a person for some criminal offense, without an indictment. An accusation in the nature of an indictment, from which it differs only in being presented by a competent public officer on his oath of office, instead of a grand jury on their oath. A written accusation made by a public prosecutor, without the intervention of a grand jury.</li> </ul>
Convictions	An adjudication of a criminal defendant’s guilt; specifically, it is the act or judicial process of finding a criminal defendant guilty of a charged offense.
Sentencings	The formal legal consequences associated with a conviction.
Fines	Monetary penalties are imposed on a defendant as part of sentencing.
Special Assessments	Monetary penalties are imposed on a defendant as part of sentencing. Special assessments are applied on a per-count basis and are collected in the same manner as fines for criminal cases.
Restitution	Monetary penalties are imposed on a defendant as part of sentencing. Restitution serves as recompense to a victim for injury or loss.
Personnel Suspensions	The placement of Federal employees in a temporary non-duty status for disciplinary reasons.
Resignations	Voluntary separation of employees from the Federal agency. Employees who tender their resignations as the result of an OIG investigation typically do so in lieu of removal.



Metric	Description
Removals	The involuntary separation of agency employees from the agency.
Suspensions	The temporary disqualification of firms or individuals from receiving U.S. government awards.
Debarments	Actions are taken by a debarment official to exclude a contractor or grantee, or individual from government contracting and assistance awards for a specified period.
Judicial Recoveries	Monetary amounts are recovered from firms or individuals as part of a criminal or civil sentencing or settlement.
Administrative Recoveries	Funds that were already distributed and for which the agency formally issued a bill of collection or another recovery mechanism after an OIG investigation revealed that the funds were lost, misappropriated, stolen, or misused, and all or a portion of the recovery was paid back.
Savings	Funds that were obligated, but not yet distributed, to be spent as part of an agency's award that was preserved and made available for better uses after an OIG investigation revealed evidence that those funds were vulnerable to fraud or waste. Savings often accompany contract terminations or the discovery of disallowed, questioned, or unsupported costs.
Cost Avoidance	Federal funds were obligated and subsequently set aside and made available for other uses resulting from an OIG investigation. This includes instances in which the awarding agency made substantial changes to the implementation of the project based on an OIG referral. The key operating factor in claiming these as cost avoidance is that the funds were not de-obligated.
Other	<p data-bbox="451 1026 1321 1115">Includes a number of investigative results, the most significant of which are the following, relating to U.S. employees, Foreign Service Nationals, and/or personal services contractors:</p> <ul data-bbox="451 1119 1344 1331" style="list-style-type: none"> <li data-bbox="451 1119 1317 1178">• <b>Reprimand:</b> An official written rebuke, censure, or disapproval of a specific action or actions by a Federal employee.</li> <li data-bbox="451 1182 1284 1241">• <b>Demotion:</b> A change of a Federal employee's status to a lower grade or a position with a lower rate of pay.</li> <li data-bbox="451 1245 1344 1331">• <b>Audit Scheduled:</b> An instance in which the responsible organization schedules an audit of the organization or program that OIG's investigation deems to be vulnerable to fraud, waste, or abuse resulting from.</li> </ul>

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**Acronyms**  
**Definitions**  
**DFC Products**



## Appendix E: Acronyms, Definitions, DFC Products

### Acronyms







Term	Definition
BUILD Act	Better Utilization of Investments Leading to Development Act of 2018; DFC's authorizing statute
CDO	Chief Development Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CRO	Chief Risk Officer
DFI	Development Finance Institution
FAA	Foreign Assistance Act of 1961, as amended (P.L. 97-195) codified at 22 U.S.C. §2191 et. seq.
HIC	High Income Country
IQ	Impact Quotient (Development Impact Assessment Tool)
LIC	Low Income Country
LMIC	Lower Middle-Income Country
OOA	Office of Accountability
ODC	Office of Development Credit
OPIC	Overseas Private Investment Corporation
SME	Small and Medium Enterprise
UMIC	Upper-Middle-Income Country
2X	DFC's Women's Economic Empowerment Initiative
WBG	World Bank Group
IFC	International Finance Corporation

## Definitions

Term	Definition
Additionality	The quality of DFC provides support that the private sector cannot provide. Please see the full definition in Directive PD-008.
Commitment	A binding offer to provide insurance or financing (i.e., loan or guaranty) under explicit terms and conditions for a specified period of time. The commitment may precede the execution of a loan agreement or insurance contract, but binds the agency to issue the loan, guaranty, or issuance coverage provided the terms and conditions of the offer are met within the specified time period
Country Status	The status of whether DFC can provide support for projects in a given country, which may be subject to certain restrictions.
DFC Policy Requirements	Those policy requirements, preferences, and restrictions are imposed by DFC from time to time on sponsors, investors, and projects. DFC Policy Requirements are imposed as a result of statutory and foreign policy guidance, good corporate governance, and other agency considerations.
Eligible Investor	(1) United States citizens; (2) corporations, partnerships, or other associations including nonprofit associations, created under the laws of the United States, any State or territory thereof, or the District of Columbia, and substantially beneficially owned by United States citizens; and (3) foreign corporations, partnerships, or other associations: Provided, however, that the eligibility of such foreign corporation shall be determined without regard to any shares, in aggregate less than 5 per centum of the total of issued and subscribed share capital, held by other than the United States owners: Provided further, that in the case of any loan investment a final determination of eligibility may be made at the time the insurance or guaranty is issued; in all other cases, the investor must be eligible at the time a claim arises as well as at the time the insurance or guaranty is issued.
Expropriation	One of the types of risks that may be covered under DFC’s political risk coverage.
Financing	DFC investment guaranty, direct loan, and local currency authorities.
Foreign government	“Foreign government” means: (1) Any unit of a foreign government, including any national, State, local, and municipal government, and their foreign equivalents; (2) Any international or multinational organization whose membership is composed of any unit of a foreign government; and (3) Any agent or representative of any such foreign government unit or organization while acting as such.
Internationally Recognized Worker Rights	Defined by section 507(4) of the Trade Act of 1974. Includes: (A) the right of association; (B) the right to organize and bargain collectively; (C) a prohibition on the use of any form of forced or compulsory labor; (D) a minimum age for the employment of children; and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.
ODP Policy Requirements	A subset of DFC Policy Requirements. ODP Policy Requirements are those project-related restrictions and requirements in the areas of the environment, worker rights, human rights, U.S. effects, and developmental benefits. The application of these requirements is handled by ODP. ODP Policy Requirements are imposed because of statutory and foreign policy guidance, good corporate governance, and other agency considerations.

## DFC Products

DFC products include debt financing, equity investments, feasibility studies, investment funds, political risk insurance, and technical assistance. Below is a brief description of DFC products and learn more by visiting its website at [www.dfc.gov](http://www.dfc.gov).

	DFC Product Descriptions
	<b>Debt Financing.</b> Direct loans and guarantees of up to \$1 billion for tenors as long as 25 years, with specific programs targeting small and medium U.S. businesses. DFC provides financing of more than \$50 million to projects in critical infrastructure, energy, and other projects requiring large investments.
	<b>Equity Investments.</b> DFC direct equity investments can provide critical support to companies committed to creating developmental impact. Equity investments can be highly developmental because of their ability to support early and growth-stage companies that would otherwise not be able to take on debt, especially companies in low and lower-middle-income countries.
	<b>Feasibility Studies.</b> Support for the analysis of a potential DFC project. In most cases, grants for feasibility studies and technical assistance will be designed to increase the developmental impact or improve the commercial sustainability of a project that has received or may receive, DFC financing or insurance support.
	<b>Investment Funds.</b> Support for emerging market private equity funds to help address the shortfall of investment capital. DFC can invest debt and equity into emerging market private equity funds to help address the shortfall of private equity capital in developing countries and help these economies access long-term growth capital, management skills, and financial expertise, all of which are key factors in expanding economic development and creating new opportunities for people in low-income and developing nations.
	<b>Political Risk Insurance.</b> Coverage of up to \$1 billion against losses due to currency inconvertibility, government interference, and political violence including terrorism. DFC also offers reinsurance to increase underwriting capacity.
	<b>Technical Assistance.</b> Support to increase the developmental impact or commercial sustainability of existing DFC projects or develop potential DFC projects.



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