Office of Inspector General
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OVERSIGHT, TRANSPARENCY, AND ACCOUNTABILITY OF UKRAINE ASSISTANCE

STATEMENT BY
DIANA R. SHAW
DEPUTY INSPECTOR GENERAL*
(*PERFORMING THE DUTIES OF THE INSPECTOR GENERAL)
FOR THE U.S. DEPARTMENT OF STATE AND THE U.S. AGENCY FOR GLOBAL MEDIA

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Introduction

Good morning, Chairman McCaul, Ranking Member Meeks, and distinguished Members of the Committee. Thank you for inviting me to appear before you to discuss the Department of State Office of Inspector General's (OIG) ongoing oversight of the U.S. response to the war in Ukraine. Given the level of assistance flowing to Ukraine, the breadth of the response effort, and its attendant risks, this oversight is our top priority.

Congress appropriated more than $113 billion in supplemental funds for Ukraine response efforts, including security and economic and humanitarian assistance. The overwhelming majority of that funding (95 percent) has gone to the Department of State, the Department of Defense (DoD), and the U.S. Agency for International Development (USAID). As a result, I am pleased to be joined today by my counterparts from DoD OIG and USAID OIG as we discuss oversight of this expansive response effort.

Oversight Approach

State OIG has taken a strategic, agile, and coordinated approach to Ukraine response oversight. Our team has closely monitored the evolving situation, engaging early and often to identify leading challenges to Department programs and operations. We have developed workplans that target major risks and strategic areas of focus, while continuing to adjust our oversight plans when necessary.

Building on our own internal efforts and the early recognition that the U.S. government response to the war in Ukraine would be an interagency affair, we, in collaboration with DoD and USAID OIGs, established the Ukraine Oversight Interagency Working Group in June 2022 to ensure a whole-of-government approach to oversight. Similar to the model developed for overseas contingency operations, this approach has proven effective at driving collaboration and coordination across the many oversight agencies doing work in this space. At the working level, our auditors, investigators, inspectors, and other oversight professionals regularly collaborate to develop work plans that are complementary, avoid duplication of effort, and employ a risk-based approach. At the principal level, I meet on a regular basis with my fellow witnesses on this panel to discuss developments in Ukraine and the related oversight mission. We also participate regularly in joint engagements, including trips to the region.

During our most recent trip, we spent a day in Kyiv where we met with various Ukrainian officials and civil society representatives, focusing on accountability. Our unified message that every dollar of U.S. assistance must be utilized transparently and that fraud and corruption affecting such assistance will not be tolerated was uniformly well received. I believe we successfully demonstrated that we are bringing a laser focus to the situation in Ukraine and that we expect full, sustained cooperation—including timely and transparent information sharing—in support of our oversight work.

Earlier this year, our organizations issued a Joint Strategic Oversight Plan (JSOP) that reflects the work plans of various oversight offices that participate in the working group. In developing the JSOP, we identified three strategic areas for oversight: security assistance and coordination, non-security assistance and coordination, and management and operations. Across these areas, the JSOP lays out an extensive list of oversight projects that working group members plan to conduct throughout the year to ensure accountability for every dollar of U.S. assistance to Ukraine.

As with any oversight plan, the JSOP, which is publicly available on our websites, reflects our best assessment of where the leading challenges and risks are and where our oversight work can add the most value. After our recent trip to the area, I am confident that our current plans are addressing the highest risk, highest priority areas. However, given that the war in Ukraine is a dynamic situation, we in the oversight community recognize the need to take an adaptive approach. We are routinely refining our workplans based on what we learn from ongoing projects. Accordingly, my DoD and USAID colleagues and I, along with our respective teams, will update the JSOP as necessary to ensure our oversight is comprehensive and relevant, and that it is communicated to Congress and the public in a timely manner.

Department of State Oversight

For our part at State OIG, about one-third of our workforce—more than 100 staff members—is supporting Ukraine oversight efforts, with 43 staff assigned to work on Ukraine oversight projects full time. To date, we have received $13.5 million in dedicated funding for Ukraine response oversight, with a period of availability through FY 2024. As I hope this testimony makes clear, we are developing aggressive plans to build our Ukraine oversight capacity, and we expect to fully use these funds over the course of the eight quarters they are available. Our current work plan details more than two dozen Ukraine-related oversight products covering the waterfront of our strategic oversight areas; we have already completed five projects. With respect to our ongoing work, per our professional standards and policies we cannot preview findings until our work is completed. We are confident that we will have timely and relevant findings and we will share those findings with Congress and our other stakeholders as soon as they are available.

Now I would like to highlight some key examples of how State OIG is contributing in each of our three strategic oversight areas: security assistance and coordination, non-security assistance and coordination, and management and operations. I will also describe some of the proactive efforts we are taking related to detecting and investigating fraud and corruption allegations.

Security Assistance and Coordination

We are focusing oversight resources on the Department's programs and operations related to security assistance as it represents a substantial portion of the U.S. government's response. For example, we are currently reviewing the Department's end-use monitoring of U.S.-origin defense articles and other equipment in Ukraine.

The risk of diversion and misallocation is elevated given the volume and speed of assistance and the wartime operating environment. Accordingly, our review will summarize the responsibilities of the three Department bureaus that are responsible for end-use monitoring: the Bureaus of Political-Military Affairs, International Narcotics and Law Enforcement Affairs, and International Security and Nonproliferation. The review will also look at adaptations the bureaus have made to conduct end-use monitoring under wartime conditions and explore steps the Department can take to strengthen its programs and reduce diversion risks.

Additionally, in the next month we will issue our inspection of the U.S. Mission to the North Atlantic Treaty Organization (USNATO), which focuses on USNATO's coordination with other entities that are playing roles in coordinating lethal, non-lethal, and humanitarian assistance. We also expect soon to publish our inspection of the U.S. Mission to the European Union, which also focuses on coordination issues, particularly between the U.S. and the European Union, on a wide-ranging agenda related to energy and financial sanctions, humanitarian relief, war crimes prosecutions, and security assistance.

Non-security Assistance and Coordination

Non-security assistance, including economic and humanitarian assistance, and related coordination activities are also taking place on a large scale and, accordingly, represent an important focus of our work. In January we published a mandated report assessing the Department's process for certifying and reporting to Congress on direct financial support oversight mechanisms and safeguards, which we found were conducted and completed as required. As part of the same mandate, USAID OIG focused on the seven key safeguards and monitoring mechanisms of USAID's direct financial support to Ukraine. USAID OIG assessed that identified safeguards and monitoring mechanisms aligned with GAO federal internal control principles.

In this area, we are also conducting an audit of humanitarian assistance to Ukraine. The war in Ukraine has resulted in increased economic insecurity and limited access to basic services for the people of Ukraine. According to the United Nations, there were 17.7 million Ukrainians in need of urgent humanitarian assistance as of December 2022. The purpose of this audit is to describe the Department's humanitarian assistance response for people impacted by the war in Ukraine and to determine whether the Department has implemented Ukraine-related humanitarian assistance in accordance with Department policies, guidance, and award terms and conditions to ensure funds achieve the intended objectives.

Additionally, we are finalizing a review of the agency charged with providing accurate and timely international reporting and broadcasting—the U.S. Agency for Global Media's (USAGM)—response to the situation in Ukraine. Our forthcoming report examines such topics as how USAGM and its broadcasting networks addressed program content and delivery, personnel security, and strategic planning challenges associated with Russia's invasion of Ukraine.

Finally, given the Department's critical role in coordinating non-security assistance, we are conducting a review to determine whether the Department has established a strategy to inform and guide foreign assistance programs for Ukraine and whether it is exercising all required foreign assistance coordination and monitoring responsibilities.

Management and Operations

Recognizing that effective management and operations are fundamental to the Department's ability to perform basic diplomatic and administrative functions and engage, as needed, in Ukraine, we are focusing significant oversight efforts in this area. In December, we published an information brief drawing on our past work and that of other federal oversight bodies that detailed observations and lessons learned from other contexts that the Department should consider as it executes Ukraine response programs and operations.

For example, in the brief we noted that Embassy Kyiv's dispersed operations, in which some essential functions are simultaneously based in Poland and Ukraine, present a distinct set of leadership and management challenges that are similar to those faced by remote missions we assessed in past work. We highlighted effective practices for addressing such challenges, including using memoranda of understanding to document agreed-upon roles and responsibilities across distinct units that support common operations and establishing supplementary management supervision arrangements for remote operating units.

In the brief, we also noted the challenge of conducting official activities in Ukraine where there are significant security restrictions. Although this makes monitoring and evaluation activities difficult, we shared practices from past work that have been successful in addressing such circumstances, including establishing third-party monitoring contracts to increase visibility on the ground and properly documenting monitoring and evaluation practices.

Another component to our oversight in this area is our work to examine the Department's progress in reestablishing operations in Embassy Kyiv, focusing on facilities, security, and staffing issues critical to continuity of operations. The Department and other agencies depend on the embassy as a platform to carry out their vital work supporting Ukraine in countering Russian aggression, alleviating human suffering, and overseeing billions of dollars in programs. However, the embassy faces wartime security conditions and has encountered a very challenging operating environment since reopening in May 2022. We recently issued a classified management alert identifying Embassy Kyiv technical security challenges and providing time-sensitive recommendations to help ensure the embassy has the operational capacity to perform essential functions while safeguarding national security. We expect this work and future reports in this area to assist the Department and Congress in understanding progress to date and identifying additional challenges as the situation on the ground continues to evolve.

Fraud and Corruption Efforts

An important and cross-cutting aspect to our oversight work is our anti-fraud and counter-corruption efforts. Ukraine has historically struggled with corruption, ranking among the most corrupt countries in Europe, according to Transparency International's corruption perceptions index. Reports of dismissals and arrests of Ukrainian officials for fraud and misconduct in the last few months have underscored the ongoing risk in this area. During our recent trip to the region, we stressed the importance of identifying and calling out corruption and delivered the message directly to Ukrainian officials that every dollar of U.S. assistance must be accounted for in a transparent manner. Although our message was well-received, we in the oversight community know that the real test will be whether Ukraine can establish controls and enforce accountability in practice.

We are executing a proactive oversight approach by working with our OIG counterparts to increase fraud awareness and reporting by disseminating joint hotline posters in both English and Ukrainian, resulting in an increased number of reports to our respective hotlines. In addition, we issued an alert—and will soon issue a companion video—that details common fraud schemes that could compromise the Department's Ukraine response efforts, as well as practices for mitigating fraud vulnerabilities. Furthermore, we recently began research for an audit of the Department's anticorruption programs in the region, and we are increasing our investigative data analytics capacity to help identify trends in fraud reporting and common criminal schemes affecting response efforts.

Moreover, to assist with investigating any fraud allegations we may receive related to direct support to the government of Ukraine, we have engaged with Ukrainian law enforcement and prosecutorial entities to set the stage for future information sharing. In collaboration with Department of Justice counterparts, we plan additional outreach to, and exchange with, Ukrainian authorities to build the relationships we will need to deliver maximum accountability when fraud arises related to U.S. assistance.

Priorities

I have great confidence in the quality of the Ukraine-related oversight work we have performed to date. Leveraging technology and practices acquired and honed throughout the disruption of the pandemic, State OIG has a proven ability to conduct effective oversight in the hybrid context currently demanded by the situation in Ukraine. We have maximized the use of virtual interviews and strategically arranged for meetings with Embassy Kyiv staff when they rotate out from post, as well as on highly focused site visits to Kyiv. Moreover, we have audit and investigative staff in Frankfurt, Germany, that can quickly deploy to the region on temporary trips when needed.

That said, a major priority for State OIG involves pursuing a permanent presence for some of our oversight professionals at Embassy Kyiv. In-person engagement and direct observation in situations where large scale assistance programs and operations are underway, as is the case in

Ukraine, are undoubtedly important to the performance of effective oversight. As a result, we are working closely with Embassy Kyiv management on a phased approach to maintaining a routine OIG presence at the embassy. As part of this effort, we have initiated the formal request process for establishing three OIG positions at Embassy Kyiv and are awaiting the final decision from Embassy Kyiv and Department officials.

One major challenge to executing our oversight plan is securing additional quality professionals to meet increasing oversight demands. I am fortunate to lead an organization with dedicated and talented staff members who have quickly pivoted to support our ambitious slate of Ukraine-related work. However, we cannot let the increased focus on Ukraine keep us from meeting our overall oversight mission, which spans the globe. We will need to ramp up staffing to fulfill our broad oversight mandate.

The chief obstacle we face in ramping up staffing is that the current selection and appointment requirements add months to the onboarding process for new hires, which not only delays our ability to meet our Ukraine-related staffing needs, but also makes effectively deploying our supplemental funding difficult. To address this challenge and meet the critical hiring needs associated with Ukraine-related oversight, we are starting the necessary conversations to secure selection and appointment flexibilities consistent with direct hire authority. Additionally, we are seeking a legislative solution that would give us the same flexible hiring authorities we have in overseas contingency operation environments, allowing us to retain personnel on a temporary basis in the context of our Ukraine-related oversight.

Conclusion

Thank you for the opportunity to testify and elaborate on the vitally important work that State OIG is performing related to U.S. Ukraine response efforts. We appreciate the committee's interest in our work. I will continue to work with my DoD OIG and USAID OIG counterparts who join me today, as well as the other members of the oversight community, to advance quality oversight in this context and keep you and the public up to date on our efforts.