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Statement for U.S. House Foreign Affairs Subcommittee on Oversight and Intelligence

*Waste, Fraud, and Abuse in Foreign Assistance:
Lessons Learned and Charting a Path Forward*

March 17, 2026

Chairman Mills, Ranking Member Moskowitz, and Members of the Subcommittee:

Thank you for the opportunity to testify on fraud, waste, and abuse in U.S. foreign assistance programs—and ways to mitigate future risks to American taxpayer dollars programmed overseas.

No organization has more experience fighting corruption in foreign aid than the USAID Office of Inspector General (USAID OIG). Since Congress established USAID OIG in 1980, our sole focus has been independent oversight of U.S. foreign assistance implemented by multiple agencies. We employ expert criminal investigators and auditors who understand how aid is implemented on the ground. We have longstanding relationships with aid organizations, recipient governments, and U.S. and host-nation law enforcement agencies. And we astutely track patterns of fraud, corruption, and diversion of aid delivered in nonpermissive overseas environments. With the unparalleled expertise that USAID OIG brings to combatting fraud and corruption in foreign aid, we appreciate Congress' support to ensure continuity for our independent oversight of foreign assistance moved to the Department of State and multiple Federal agencies, in addition to the remaining operations of USAID.

Central to ensuring accountability over foreign assistance programs is having an uncompromising office of inspector general (OIG) that employs the right people with the right skillsets. I am proud to say that even in a year of vast change, USAID OIG has continued to achieve unprecedented results, including: uncovering and investigating a \$550 million bribery scheme involving a USAID contracting officer and an 8(a) company; the extradition, conviction, and sentencing of a foreign national involved in a kickback scheme to defraud a major U.S.-funded power grid project in Pakistan; shutting down a transnational racketeering, money laundering, and visa fraud scheme in Colombia; and the first ever U.S. government debarment of a United Nations (UN) official involved in the Hamas terrorist attacks in Israel on October 7, with more to come.

Our tenacity is not the only thing that makes us unique. As the only OIG with foreign service personnel, our offices in Ukraine, Israel, El Salvador, South Africa, and Thailand allow for timely and aggressive oversight close to American-funded projects on the ground. In this respect,

our knowledge of the international aid system, combined with relationships with key partners—from Israel’s Ministry of Foreign Affairs to the European Union’s Anti-Fraud Office to the World Food Programme OIG—is unrivaled.

The best OIGs do not play Monday morning quarterback when it comes to identifying risks to Federal funds. Rather, the best OIGs are in the pregame huddle, offering insights to Congress and Federal agencies at the onset of new and significant programming. USAID OIG is uniquely forward leaning in this respect. For example, after Congress enacted the 2024 Israel Security Supplemental Appropriations Act, which appropriated an additional \$1 billion in humanitarian assistance to Gaza, we issued a timely report identifying shortcomings and vulnerabilities in USAID’s and the Department of State’s oversight controls designed to prevent the diversion of aid to Hamas. At the outset of Russia’s full-scale invasion of Ukraine, we similarly transmitted an advisory to Congress and the USAID Administrator identifying risks and fraud schemes likely to interfere with the developing U.S. response in Ukraine. And in Kenya, a USAID OIG investigation elicited allegations of fraud and corruption at the highest levels of the Kenyan Medical Supplies Authority (KEMSA), the recipient of a \$650 million USAID award. As a result of our work, USAID reprogrammed over \$32 million, and the Secretary of State informed the Kenyan government that U.S. funding would not resume until KEMSA undertook needed anticorruption reforms.

We have already begun sharing our insights with the Department of State. We have flagged such vulnerabilities as the lack of cooperation, investigative capacity, and vetting of personnel by UN agencies; risks to humanitarian assistance programming in Gaza; and fraud schemes compromising U.S. humanitarian assistance in Ethiopia. With continued funding for USAID OIG and its expert personnel, the Department can continue to rely on such timely insights.

Challenges to Protecting U.S. Taxpayer Dollars Abroad: Know Your Implementer

While the architecture of U.S. foreign assistance has undergone tremendous changes in the last year, the long-standing, difficult challenges facing the implementation of overseas spending have not. Many of the top challenges we have previously identified were not unique to USAID; rather, they reflected broader, systemic issues with providing humanitarian and development assistance that require consistent, focused attention. While USAID had rigorous mechanisms and dedicated personnel to identify and manage risks to overseas programs, OIG dutifully raised red flags where appropriate, and routinely identified shortcomings and vulnerabilities to agency policy, which this testimony will outline.

At the core of preventing fraud, waste, and abuse in foreign assistance programs is a fundamental principle: protecting U.S. taxpayer dollars abroad requires **knowing your implementer**. Funding agencies must understand the responsibility and capability of host nations and aid organizations to manage Federal funds *before sending money out the door*. My testimony today will discuss three core challenges of implementing this principle in practice:

1. Ensuring full and transparent access to implementer information;
2. Establishing appropriate award conditions and conducting robust pre-award risk assessments and vetting; and
3. Maintaining effective oversight once funds have been disbursed.

Ensuring Full and Transparent Access to Implementer Information

To detect, prevent, and investigate fraud and corruption in foreign assistance, Federal officials must have timely access to information and receive maximum cooperation from contractors and grantees. As the frontline law enforcement agency investigating fraud and corruption in foreign aid, USAID OIG has encountered every excuse imaginable for why organizations *cannot* cooperate with our investigations. This includes: foreign nongovernmental organizations (NGOs) vaguely citing European Union or host-nation data privacy laws to withhold the names of individuals believed to have engaged in massive fraud schemes or sexual abuse of beneficiaries, misplaced claims of privileges and immunities by UN agencies to avoid providing information on widescale food diversion in Africa, and resistance to sharing information about employees implementing programs in high-risk environments such as Gaza. Our creativity, relationships with host-nation law enforcement, and refusal to take “no” for an answer has led to workarounds and successful results. However, structural changes are necessary to make it clear: if you receive U.S. funds, you must open your books to U.S. investigators and auditors.

Due to the complex emergency environments in which USAID worked, the Agency relied on award recipients to self-report potential misconduct affecting programming. USAID’s contractual self-reporting requirements, also known as “mandatory disclosures,” were intended to allow USAID OIG law enforcement officers to swiftly respond to allegations of fraud, corruption, terrorist diversion, and other malfeasance. Self-reporting by aid organizations is especially vital in nonpermissive environments that are inaccessible to U.S. officials. And we are serious when we say that the consequences for the cover-up can be worse than the crime. For example, we referred a major for-profit corporation for suspension and debarment when we learned from a whistleblower that the company had concealed allegations of false invoices for programming in northern Africa.

With respect to contractors and NGOs, there has been a notable, positive shift over the past several years with respect to timely and transparent disclosures of potential fraud, and cooperation with USAID OIG investigators. However, the same cannot be said of UN agencies receiving U.S. funds. We continue to encounter significant delays in self-reporting from the UN, and if we do receive an allegation, we often face obstruction or outright refusal by the UN to provide the investigative information we need to assess the claims. To illustrate: in recent years, we have sought information from 5 different UN agencies related to 10 different matters. The shortest response time of those five agencies was 6 months; the longest exceeded 2 years.

In another instance, the delays were so significant that they prevented USAID OIG from taking any further action with the Department of Justice due to an expired statute of limitations.

Tightening mandatory disclosure requirements for the UN and adding clear consequences for failure to comply and/or attempting to conceal allegations will improve accountability and deter misconduct. To this end, it is essential that UN agencies comply with applicable reporting requirements and that the Department of State require the UN to give OIGs and the Government Accountability Office access to UN records as a material contractual provision, as mandated by Section 7048(h) of the 2024 Consolidated Appropriations Act.

Notably, the same access principles must apply to U.S. funding that flows directly to partner governments, known as government-to-government (G2G) awards. USAID OIG has cautioned that our capacity to oversee G2G funds and pursue civil, criminal, or administrative remedies is severely limited. For instance, despite programmatic reviews and assessments designed to identify the very vulnerabilities, diversion, and theft affecting USAID's global health awards in Kenya outlined previously, much would have gone *undetected* without the confidential allegations our office received from sources outside the Kenyan government. Further, the U.S. government's ability to pursue civil or criminal action against KEMSA was greatly complicated by the involvement and interests of Kenyan officials.

Through either legislation or policy, future agreements with UN agencies, foreign NGOs, and foreign governments must provide for timely and transparent reporting of allegations to the U.S. government and unimpeded access to information for USAID OIG investigators and auditors.

Establishing Appropriate Award Conditions and Conducting Robust Pre-award Risk Assessments and Vetting

Foreign assistance programs, no matter which agency administers them, are targets for fraud, corruption, and diversion to terrorist organizations. USAID's rigorous pre-award assessments, standard award provisions, and vetting requirements worked to identify and, ideally, mitigate these risks. Nevertheless, USAID OIG's independent oversight identified several gaps in USAID's implementation of these policies that should be addressed in future U.S.-funded foreign assistance programs.

One such weakness is the government's ability to hold foreign NGOs accountable in U.S. courts. In 2021, a Federal judge dismissed a False Claims Act lawsuit against a British-based NGO accused of submitting false certifications to USAID regarding past support for Hezbollah. The case was dismissed on jurisdictional grounds that the NGO could not be sued in a U.S. court due to the absence of a relevant clause in its award agreement with USAID, noting that had "the agency wished to ensure jurisdiction over any suits arising out of the certifications, it could have included a forum selection clause."¹ On appeal, the Second Circuit upheld this decision,² setting a precedent that hinders the United States' ability to bring fraud cases against foreign NGOs. Over the past several years, USAID OIG repeatedly urged USAID to insert a forum selection

¹ United States ex rel. TZAC, Inc., v. Christian Aid, No. 17-cv-4135, 2021 WL 2354985 (S.D.N.Y. June 9, 2021).

² United States Ex Rel TZAC, Inc. v. Christian Aid, No. 21-1542, 2022 WL 2165751 (2d Cir. 2022).

clause into agreements with foreign NGOs to enhance the Agency's ability to hold bad actors accountable in U.S. courts. However, USAID declined to do so, arguing that such a clause would have a "chilling effect" on overseas implementers' willingness to bid for or accept U.S. taxpayer funds because they could be sued if they committed fraud.

Additional gaps existed in USAID's pre-award certifications for grantees and contractors. For example, in an attempt to understand whether a prospective awardee had provided past material support to terrorists, USAID required grant applicants to make the following certification:

The undersigned represents, to the best of its knowledge, that...the applicant did not, within the previous three years, knowingly engage in transactions with, or provide material support or resources to, any individual or entity who was, at the time, subject to sanctions administered by the Office of Foreign Assets Control.

This pre-award certification enhanced USAID's ability to make informed decisions about awards to prospective grantees. It also provided an enforcement mechanism in the form of criminal, civil, and administrative remedies for those awardees that concealed their ties to terrorist organizations. With our partners at the Department of Justice (DOJ), we settled False Claims Act cases against grantees for concealing their ties to terrorist organizations, including a Norwegian NGO that provided material support to Iran and a Lebanese university that concealed past material support to three organizations affiliated with Hezbollah. Despite these successes, a similar case could not be brought against a *contractor* because USAID's pre-award antiterrorism certification only applied to prospective grantees. The absence of a required certification for U.S.-funded contractors working in regions where designated terrorist organizations such as Hamas, Hezbollah, and Latin American cartels operate leaves U.S. programming vulnerable.

Lastly, Congress may wish to consider expanding current pre-award partner vetting requirements for recipients of U.S. funds. Most glaringly, UN organizations were exempted from USAID's partner vetting of recipients for staff ties to terrorists. The lack of U.S. government-required partner vetting for UN agency personnel continues to pose risks to foreign assistance programs implemented by UN agencies. As a workaround, USAID OIG is independently pursuing investigations of UN staff to stop their recirculation across the aid sector, particularly in Gaza. Unfortunately, UN agencies have declined to adequately share information about personnel implementing U.S.-funded projects, forcing us again to find creative workarounds to protect taxpayer dollars.

Even when *we* receive full information to justify action, a notable gap exists: The U.S. government may suspend or debar individuals and prohibit them from participating in Federal contracting and grant programs. But there is no mandatory requirement for *all* implementers to consult U.S. databases, such as the exclusion list on SAM.gov, prior to hiring an individual. This gap creates a real risk that, despite our best efforts, individuals barred from U.S. programs could recirculate throughout the broader aid sector and commit further fraud.

Maintaining Effective Oversight Once Funds Have Been Disbursed

Preventing fraud and corruption in foreign aid requires more than simply procuring costly monitoring contracts, often with limited success. It requires dedicated professionals on the ground, testing whether program objectives are being achieved, and tracing funds down to the subawardees who are responsible for much of the actual implementation of projects.

Nonpermissive environments, particularly those controlled by terrorist organizations, constrain the United States' ability to effectively execute its foreign assistance programs. For example, most U.S. government personnel face restrictions when traveling outside of a limited "Green Zone" around Kyiv and from entering any part of Gaza. To address these limitations in direct oversight of awards, USAID has historically contracted with third-party monitors (TPMs) to serve as its "eyes and ears" in the field. However, USAID OIG has identified challenges in relying upon these entities to monitor USAID programs. For example, in Somalia, our audit found that USAID lacked a standardized process for managing recommendations from TPMs. As such, the Agency missed opportunities to improve implementation of its programs. Relatedly, in a Dubai warehouse prepositioning emergency aid, our audit found that USAID did not enforce third-party inspector contract requirements for monitoring warehouse and commodity conditions. Thus, the Agency could not ensure that commodities stored in the Dubai warehouse remained unspoiled and in operable condition. Comprehensive guidance on using TPMs and other monitoring methods to truly mitigate misuse, waste, and diversion is critical for the programs now administered by the Department of State.

Similarly, our recent audit of USAID's \$26 billion in direct budget support to the government of Ukraine revealed that USAID had a severely limited ability to ensure that the government of Ukraine could receive and use the funds as intended. This occurred because the major international contractors USAID hired to support oversight efforts failed to provide required reports on time or, in some cases, at all. This has obvious implications for the effectiveness of said oversight efforts.

In addition, we observed that USAID's overreliance on contractors, short-term and rotational assignments, gaps in key oversight roles, prolonged vacancies, and high turnover resulted in the loss of institutional knowledge and diminished oversight.³ We have reported that this type of unsustainable workforce structure undermined the effectiveness of USAID's humanitarian responses. In addition, we've found that USAID's responses, such as those in Burma, Ethiopia, and West Africa, consistently had too few designated officials to provide the required oversight and administration of humanitarian assistance awards. In Ethiopia, where widespread diversion of food assistance put a halt to all USAID programs in the country, our evaluation found that only 6 of the requested 16 additional positions to assist with the 2022 dramatic increase in

³ For example, the workforces of USAID's Bureau for Humanitarian Assistance and the Office of Transition Initiatives were at one point more than 70 percent and 90 percent personal services contractors and institutional support contractors, respectively.

funding in USAID/Ethiopia’s Office of Humanitarian Assistance were filled. A senior official stated that by spring 2023, they received “the bare minimum” number of staff and continued to lack important capacity, such as a dedicated monitoring and evaluation specialist. Another official acknowledged that their reliance on implementers in Ethiopia was not “really doing monitoring” and that they were “late [and] kind of failed” with their limited monitoring approach. With appropriate staffing and monitoring, officials might have detected and dealt with food assistance diversions more quickly.

Lastly, limited transparency around subawardees has hindered program oversight and obstructed the Agency’s and our ability to follow the money. Despite heavy reliance on subawardees for actual activity implementation, USAID lacked a central internal database of subawardees. Although implementers report some subaward information to broader Federal databases, reporting is incomplete and oftentimes omitted. Without a centralized database maintained by foreign assistance agencies, it is much more difficult to investigate claims of subawardee misconduct, which is often precisely where the fraud occurs.⁴

For those now tasked with managing large-scale foreign assistance portfolios, these outcomes illustrate how oversight must continually adapt, as the procurement process and program operations in fragile environments are often at risk of compromise. Inheriting these challenges means reinforcing field-level monitoring, strengthening safeguards without stifling program delivery, and demanding maximum transparency from recipients. It also means drawing on multiple sources of information, including aid workers and potential whistleblowers. As part of *our* commitment to this mission, USAID OIG provides fraud awareness briefings around the world on whistleblower protections, so that individuals understand their ability to safely come forward and report misuse of U.S. funds.

Challenges to Protecting U.S. Taxpayer Dollars Abroad: Having the Right People in the Right Places

At the center of every oversight challenge outlined in my testimony is a simple principle: knowing your awardee matters. But principles and platitudes alone do not protect taxpayer dollars or ensure that assistance reaches those it was intended to help. People do. USAID OIG’s oversight of foreign assistance is carried out by a workforce unlike any other in the Federal government. We lead by actual results that can only be obtained by traveling far beyond conference rooms in DC, to remote communities where U.S.-funded programs are implemented and where those with deep knowledge of the programs and their unique problems exist. This work requires people who are willing to go where the money goes, ask difficult questions, and

⁴ For instance, in 2024, Chemonics International agreed to pay the government to resolve allegations that it failed to detect fraudulent charges by its subcontractor, which was performing last-mile delivery of commodities throughout Nigeria. Over a 3-year period, the subcontractor fraudulently charged Chemonics for its delivery services, which the company failed to detect due to inadequate monitoring and oversight. This settlement underscores that there must be systems in place to detect and prevent false invoices submitted by subawardees.

follow the evidence wherever it leads. It requires technical expertise, operational resilience, and a deep commitment to public service.

Our unique authority to employ foreign service officers allows our criminal investigators and auditors to routinely travel to project sites that few outside the implementing organization have ever visited. In doing so, we have uncovered roads that were reported as complete but never built, water systems that existed only on paper, and distribution sites where food assistance that was reported as delivered never arrived. Without independent verification on the ground, those losses would remain hidden and the schemes would continue, with great losses suffered by U.S. taxpayers. When assistance is stolen or diverted, the consequences are also felt directly by families who depend on those programs for survival. USAID OIG has exposed situations where assistance intended for vulnerable populations was replaced with inferior or unusable goods. Examples include low-grade animal feed substituting for edible grain and light sweatshirts replacing warm winter coats for children.

At the same time, we work to protect and empower sources who face real risks for coming forward, including those who are victims of the most egregious crimes. Last month, our team helped secure a life sentence for a Maryland man convicted of rape against two children in Burkina Faso. USAID OIG investigators helped arrange for the children to travel to the United States to attend the sentencing. After an exhausting 48-hour journey, and despite the horrific circumstances that brought them here, they were thrilled to see snow on the ground for the first time in their lives. At sentencing, after the perpetrator gave his statement, one child bravely decided to stand up to provide a victim impact statement. We are incredibly proud of their courage, and it reminds us of why this work matters.

Congress and the American people deserve confidence that their taxpayer dollars are protected, and the communities around the world who rely on U.S. assistance deserve the assurance that the support intended for them is not lost to fraud, corruption, or abuse. In a year of significant change to the structure and implementation of foreign assistance, Congress can rest assured that USAID OIG remains deeply committed to safeguarding U.S. taxpayer dollars and ensuring accountability over foreign assistance. We look forward to continuing to work with this committee and the administration on implementing our recommendations.

Thank you, and I look forward to your questions.