GAO Highlights

Highlights of GAO-17-224, a report to the Chairman, Committee on Agriculture, House of Representatives

March 2017

INTERNATIONAL FOOD ASSISTANCE

USAID Has Controls for Implementation and Support Costs but Should Strengthen Financial Oversight

Why GAO Did This Study

In recent years, USAID has awarded about $1.4 billion annually for international food assistance projects under Title II of the Food for Peace Act (Title II). This funding has traditionally been used to provide U.S.-purchased commodities to food-insecure beneficiaries overseas. Section 202(e) of the Food for Peace Act authorizes USAID to also provide funding to cover project implementation costs, which have typically included administrative expenses such as implementing partner staff salaries. The Agricultural Act of 2014 (2014 Farm Bill) increased the amount of 202(e) funding USAID can use for implementation costs from 13 to 20 percent of the annual Title II appropriation and also expanded the eligible uses of these funds. USAID's utilization of these new authorities presents potential oversight challenges.

GAO was asked to review Title II implementation costs. This report examines (1) any changes in USAID's use of Title II funding to implement and support projects since the 2014 Farm Bill and (2) USAID's financial oversight of this funding for selected projects. GAO analyzed USAID funding data for fiscal years 2012 through 2015 (the most recent available), reviewed USAID and partner documents, and interviewed officials. GAO conducted financial reviews of a nongeneralizable sample of seven Title II projects, selected on the basis of project funding and implemented modalities.

What GAO Recommends

GAO is making five recommendations to USAID—for example, to conduct financial reviews, collect monitoring data, and assess risks. USAID concurred with the recommendations.

View GAO-17-224. For more information, contact Thomas Melito at (202)512-9601 or MelitoT@gao.gov

What GAO Found

The U.S. Agency for International Development (USAID) has used most of the 2014 Farm Bill's increase in authorized funding for section 202(e) of the Food for Peace Act to provide cash transfers, food vouchers, and locally or regionally procured food—modalities not previously supported through Title II. Of the additional authorized funding that the agency utilized, USAID obligated 75 percent in fiscal year 2014 and 96 percent in fiscal year 2015 for these modalities. In addition, to better meet beneficiaries' needs, USAID has increasingly used funds from accounts authorized by the Foreign Assistance Act, along with 202(e) funding, to implement and support projects—costs that 202(e) funding has typically covered. Also, in some cases, USAID has used funds from those accounts along with 202(e) funding to provide cash transfers, food vouchers, or local or regional procurement in a single project.

Warehouse Workers Packaging Food Aid for Beneficiaries in Haiti

Source: GAO. | GAO-17-224

USAID and its partners have various controls for financial oversight of Title II funding used for implementation and support costs; however, GAO found certain deficiencies in USAID's oversight. USAID reviews partners' detailed planned budgets for these costs and high-level quarterly financial reports, according to USAID officials, but it generally has not conducted systematic, targeted financial reviews of partners' actual spending on these costs. While GAO found that partners' internal controls generally included policies and procedures to help ensure proper use of funds, GAO's limited, nongeneralizable financial transactions testing identified instances of misspending, such as charging a 202(e) cost to one project that should have been charged to another. Also, USAID has not obtained key monitoring data from partners related to these costs that could identify areas needing additional financial oversight. Moreover, USAID does not require partners to conduct comprehensive assessments of financial and fraud risks for cash transfers and food vouchers in development projects, although it requires risk assessments for emergency projects. GAO found that partners for selected development projects provided broad discussions of risk to USAID but did not provide comprehensive risk assessments. As a result, USAID is limited in its ability to ensure that partners are spending funds as planned.