

GAO Highlights

Highlights of [GAO-15-328](#), a report to the Chairman, Committee on Foreign Relations, U.S. Senate

Why GAO Did This Study

For over 60 years, the United States has provided assistance to food-insecure countries primarily in the form of food commodities procured in the United States and transported overseas. In recent years, the United States has joined other major donors in increasingly providing food assistance in the form of cash or vouchers. In fiscal year 2014, U.S.-funded cash and voucher projects in 28 countries totaled about \$410 million, the majority of which was for the Syria crisis, making the United States the largest single donor of cash-based food assistance. GAO was asked to review USAID's use of cash-based food assistance. In this report, GAO (1) reviews USAID's processes for awarding and modifying cash-based food assistance projects and (2) assesses the extent to which USAID and its implementing partners have implemented financial controls to help ensure appropriate oversight of such projects. GAO analyzed program data and documents for selected projects in Jordan, Kenya, Niger, and Somalia; interviewed relevant officials; and conducted fieldwork in Jordan, Kenya, and Niger.

What GAO Recommends

GAO is making recommendations to strengthen USAID's guidance for staff on approving award modifications and its guidance for partners on responding to changing market conditions. GAO is also making recommendations to strengthen financial oversight of cash-based food assistance projects by addressing gaps in USAID's guidance on risk assessments and mitigation plans and on financial control activities. USAID concurred with the recommendations.

View [GAO-15-328](#). For more information, contact Thomas Melito at (202) 512-9601 or mellitot@gao.gov.

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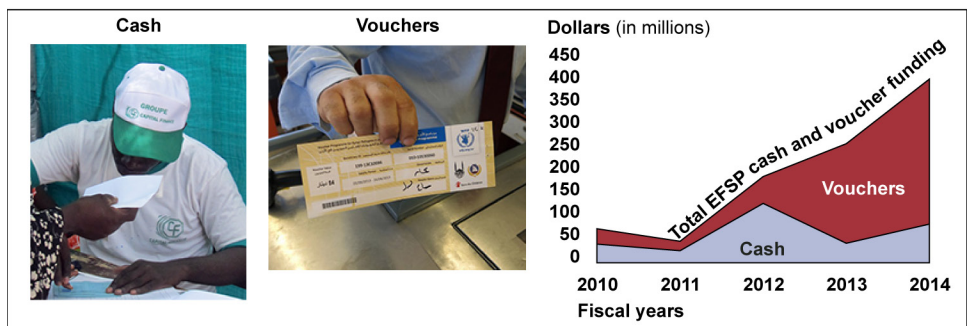
INTERNATIONAL CASH-BASED FOOD ASSISTANCE

USAID Has Developed Processes for Initial Project Approval but Should Strengthen Financial Oversight

What GAO Found

The U.S. Agency for International Development (USAID) awards new cash-based food assistance grants under its Emergency Food Security Program (EFSP) through a competitive proposal review or an expedited noncompetitive process; however, USAID lacks formal internal guidance for modifying awards. In its review of 22 grant awards, GAO found that USAID made 13 through its competitive process, 7 through an abbreviated noncompetitive review, and 2 under authorities allowing an expedited emergency response. According to USAID, the agency follows a similar process for cost modification requests. Partners may propose cost or no-cost modifications for a variety of reasons, such as an increase in the number of beneficiaries or changing market conditions affecting food prices. In a review of 13 grant awards that had been modified, GAO found that 8 had cost modifications resulting in funding for all 13 awards increasing from about \$91 million to \$626 million. According to USAID, draft procedures for modifying awards are under review and will be incorporated into its guidance, but it could not provide a time frame. Until USAID institutes formal guidance, it cannot hold its staff and implementing partners accountable for taking all necessary steps to justify and document the modification of awards. GAO also found that though USAID requires partners to monitor market conditions—a key factor that may trigger an award modification—it does not provide guidance on when and how to respond to changing market conditions.

Emergency Food Security Program (EFSP) Cash and Voucher Awards, Fiscal Years 2010-2014



Source: GAO analysis of USAID data. | GAO-15-328

USAID relies on implementing partners for financial oversight of EFSP projects but does not require them to conduct comprehensive risk assessments to plan financial oversight activities, and it provides little related procedural guidance to partners and its own staff. For projects in four case study countries, GAO found that neither USAID nor its implementing partners conducted comprehensive risk assessments to identify and mitigate financial vulnerabilities. Additionally, although USAID's partners had generally implemented financial controls over cash and voucher distributions that GAO reviewed, some partners' guidance for financial oversight had weaknesses, such as a lack of information on how to estimate and report losses. In addition, GAO found that USAID had limited guidance on financial control activities and provided no information to aid partners in estimating and reporting losses. As a result, partners may neglect to implement appropriate financial controls in areas that are most vulnerable to fraud, diversion, and misuse of EFSP funding.