



September 2025

U.S. AFRICAN DEVELOPMENT FOUNDATION

Strategic Approach Needed to Mitigate Fraud Risks

Strategic Approach Needed to Mitigate Fraud Risks

GAO-25-107574

September 2025

A report to congressional requesters.

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What GAO Found

The U.S. African Development Foundation (USADF), as part of its overall internal controls, had some policies and procedures to mitigate fraud, waste, and abuse, but no strategic approach, from fiscal year 2020 through 2024. USADF did have conflict of interest rules, ethics training, and some financial controls; however, many of the related policies were outdated, not centrally located, and did not reflect actual practices. The President has indicated his intention to close USADF in his fiscal year 2026 budget request, and Congress has approved a partial rescission of USADF's fiscal year 2025 funding. However, no final decisions about the future of USADF have been made as of July 2025. If USADF continues to operate, an effective agency-wide internal control environment—where management uses processes to help an entity consistently and effectively achieve its objectives—could help USADF detect and mitigate potential fraud, waste, and abuse.

USADF has taken some steps but has implemented few leading practices for managing fraud risks. For example, USADF did not have a dedicated individual or entity to lead fraud risk management activities and had not followed leading practices to plan and conduct regular fraud risk assessments or to develop a strategy to mitigate them. Without strategically and systematically implementing leading practices for managing fraud risks, USADF is more vulnerable to fraud.

U.S. African Development Foundation Operates Throughout Africa



Source: United States African Development Foundation (logo); clockwise from top right: G7 Stock, VectorShop, G7 Stock, VectorShop, VectorShop, G7 Stock, Maya Palmer, G7 Stock, G7 Stock, G7 Stock/stock.adobe.com (flags). | GAO-25-107574

GAO also found that USADF had some policies and procedures to ensure award funds were used appropriately, but they were incomplete, and most were outdated. For example, many policies guiding the use of grants were outdated or undocumented, which opens the door for the misuse of funds. Further, GAO found that there were instances when USADF may have used an award type that did not align with legal requirements. Without adequate award policies and procedures and trained procurement staff, USADF could not ensure that it appropriately used funds to achieve its mission.

Why GAO Did This Study

Established in 1980 as a nonprofit government corporation, USADF has aimed to support African-led enterprises, while addressing challenges around food insecurity, insufficient energy access, and unemployment, particularly among women and youth. In fiscal year 2024, Congress appropriated \$45 million to USADF, which also received funds from other sources.

USADF has faced allegations of fraud, waste, and abuse, and the Office of Inspector General has an ongoing investigation into USADF. GAO was asked to review fraud risk management at USADF. This report examines the extent that USADF (1) had policies to systematically prevent, detect, and respond to the risk of fraud, waste and abuse, (2) followed leading practices for managing fraud risk, and (3) had policies to ensure funding for program and operational awards were used to achieve its mission.

GAO reviewed relevant laws and agency documents; interviewed USADF officials in Washington, DC, Zambia, and Nigeria; and conducted a site visit to USADF grantees in Zambia.

What GAO Recommends

GAO is making four recommendations for USADF or any entity assuming responsibility for its program. These include, implement policies for an effective internal control environment for managing fraud risks, waste, and abuse; and establish a strategic approach to managing fraud risks consistent with leading practices, such as developing a plan outlining how the program will respond to identified fraud. USADF concurred with our recommendations.

Contents

Letter		1
	Background	4
	USADF Had Outdated Policies and Procedures to Mitigate Fraud, Waste, and Abuse and No Strategic Approach	19
	USADF Had Not Implemented Many of the Leading Practices for Managing Fraud Risks	27
	USADF Had Inadequate Policies, Procedures, and Practices to Ensure the Appropriate Use of Award Funds	41
	Conclusions	50
	Recommendations for Executive Action	51
	Agency Comments	51
Appendix I	Objectives, Scope, and Methodology	53
Appendix II	Comments from the U.S. African Development Foundation	58
Appendix III	GAO Contact and Staff Acknowledgments	60
Tables		
	Table 1: U.S. African Development Foundation (USADF) Top Funded Countries, Fiscal Years 2020–2024	13
	Table 2: U.S. African Development Foundation (USADF) Had Not Fully Followed Leading Practices in Its Efforts to Create an Antifraud Culture and an Antifraud Entity, Fiscal Years 2020–2024	28
	Table 3: U.S. African Development Foundation (USADF) Had Not Followed Leading Practices in Its Efforts to Implement a Strategy to Assess Fraud Risks, Fiscal Years 2020–2024	30
	Table 4: U.S. African Development Foundation (USADF) Had Not Fully Followed Leading Practices in Its Efforts to Design and Implement a Strategy to Mitigate Fraud, Fiscal Years 2020–2024	34
Figures		
	Figure 1: U.S. African Development Foundation (USADF) Agriculture Grant in Zambia	5

Figure 2: U.S. African Development Foundation (USADF) Grant for Women’s Cooking Oil Business in Zambia	7
Figure 3: U.S. African Development Foundation High-level Organizational Chart, as of January 2025	8
Figure 4: U.S. African Development Foundation Had Grant Programs in 23 Countries and a Presence in 19 Countries in Africa, as of January 2025	10
Figure 5: U.S. African Development Foundation (USADF) Annual Budget by Funding Source, Fiscal Years 2020–2024	12
Figure 6: Fraud, Waste, and Abuse Definitions and Examples	15
Figure 7: The Government Accountability Office’s (GAO) Framework for Managing Fraud Risks in Federal Programs	17
Figure 8: Timeline of Developments at U.S. African Development Foundation (USADF) in 2025	18
Figure 9: U.S. African Development Foundation (USADF) Grant Process	43

Abbreviations

ARC	Department of Treasury, Administrative Resource Center
CAG	Cooperative agreement grants
CAP	Cooperative agreement partnerships
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COR	Contracting Officer's Representative
CPC	Country Program Coordinator
CPO	Chief Program Officer
ERM	Enterprise Risk Management
FAR	Federal Acquisition Regulation
FY	Fiscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget
PSC	Personal Services Contract
USADF	United States African Development Foundation
USAID	United States Agency for International Development

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September 15, 2025

The Honorable James E. Risch
Chairman
Committee on Foreign Relations
United States Senate

The Honorable Christopher A. Coons
United States Senate

The Honorable Tim Scott
United States Senate

The U.S. African Development Foundation (USADF) invested more than \$140 million dollars directly in more than 1,000 African-led community organizations and entrepreneurs between fiscal years 2019 and 2023, according to USADF documents. USADF investments aimed to promote local economic growth by increasing incomes, while addressing some of Africa's biggest challenges with food insecurity, insufficient energy access, and unemployment, particularly among women and youth. In 2024, over one billion people worldwide were living in poverty, approximately half of whom reside in Sub-Saharan Africa, according to the United Nations Development Program.

However, USADF—a small agency with approximately 40 staff headquartered in Washington, D.C., and operating in 19 African countries, as of January 2025—has faced allegations of fraud, waste, and abuse originating from former staff. These allegations include reports on the misuse of official funds, fraudulent spending, conflicts of interest, and inappropriate, abusive, and discriminatory management practices. The U.S. Agency for International Development's (USAID) Office of Inspector General (OIG) has an ongoing investigation into USADF.¹ In addition, some members of Congress have expressed concern regarding USADF operations.

Fraud, waste, and abuse pose a significant risk to the integrity of federal programs. Federal guidance has focused on the need for agencies to

¹USAID OIG provides inspector general services to USADF, and is authorized to supervise, direct, and control audit and investigative activities relating to programs and operations of USADF. Pub. L. No. 106–113, § 205, app. G, title II, subtitle A, 113 Stat. 1501, 1501A–422 (Nov. 29, 1999).

take a strategic approach to managing risks, including fraud.² Managers of U.S. agencies are responsible for preventing, detecting, and responding to fraud risks in their effort to fulfill their mission.³ How fraud risk is managed is influenced by factors such as an entity's size, its resources, the maturity of the program, and management's experience in managing fraud risk. In addition, a dangerous operating environment can limit personnel's access to certain geographic areas, which can result in lack of in-person oversight. This, in turn, increases the risk that assistance will be misused or diverted through fraud.

You asked us to review fraud risk management at USADF. This report examines the extent to which USADF (1) had policies and procedures in place to strategically prevent, detect, and respond to fraud, waste, and abuse, (2) followed leading practices for managing fraud risks, and (3) had policies and procedures to ensure funding for program and operational awards were used to achieve its mission.⁴

To examine the extent to which USADF had policies and procedures to strategically prevent, detect, and respond to fraud, waste, and abuse, we reviewed relevant laws and regulations, and agency documents and guidance outlining USADF policies and processes related to internal controls. We interviewed USADF officials in Washington, D.C., including the Board of Directors, and officials responsible for finance and administration, audit, and program oversight about internal control policies and processes. Our review covered USADF activities from fiscal year 2020 through 2024. Where possible, we provided information updated to fiscal year 2025.

We conducted case studies of two countries: Zambia and Nigeria. We reviewed documents and conducted interviews with program managers at headquarters, Country Program Coordinators, implementing partner staff, and grant recipients. We also traveled to Zambia where we interviewed

²See, for example, Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

³GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 28, 2015).

⁴For the purposes of this report, policy is a written document that establishes a standard by which the institution manages its affairs, and process is a description of the operational processes necessary to implement policy.

implementing partners and grant recipients and observed some businesses funded by USADF grants.

To assess the extent to which USADF followed leading practices for managing fraud risks, we analyzed agency documents and interviewed staff at both headquarters and in our two case study countries to learn about USADF policies and staff understanding of those policies and procedures. We compared USADF's policies and procedures against selected leading practices identified in GAO's Fraud Risk Framework (the fraud risk framework).⁵ We selected at least one leading practice from each of the following components of the fraud risk framework: commit to combating fraud, assess fraud risk, and design and implement a strategy for mitigating risk. Based on our findings from the first three components of the fraud risk framework, we did not assess whether USADF implemented the fourth component of the framework because we determined it was not applicable.⁶

To assess the extent to which USADF had policies and procedures to ensure funding for program and operational awards were used to achieve its mission, we examined relevant policies and procedures and interviewed USADF staff in headquarters and in our two case-study countries. We analyzed documents and interviewed officials from the Department of Treasury's Administrative Resource Center (ARC), who supported USADF contracting. We also selected and reviewed specific program and operational awards at headquarters and in our two case study countries during the fiscal years covered in our review. See appendix I for more information about our objectives, scope, and methodology.

It is important to note that the status of USADF operations began evolving in January 2025. As of July 2025, USADF was undergoing significant changes and potential closure or transfer of its functions to another agency.

⁵[GAO-15-593SP](#). OMB's Circular A-123 on Enterprise Risk Management advises agencies to implement the leading practices found in this framework.

⁶The fourth component of the fraud risk framework is to evaluate outcomes of the implementation of fraud risk management steps outlined in the first three components and adapt activities to improve fraud risk management. However, based on our findings from the first three components of the fraud risk framework, it would not have been possible for USADF to monitor, evaluate, and adapt fraud risk management activities that they had not developed or implemented. As a result, we did not evaluate this fourth component.

We conducted this performance audit from May 2024 to September 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

USADF Mission

USADF, established in 1980 as a nonprofit government corporation, supported African-led development that grows community enterprises by providing financial and technical support to African-owned and African-led enterprises that have faced barriers to resources.⁷ USADF supported broad U.S. foreign assistance priorities in hard-to-reach communities across Africa. USADF used an African-led and -managed development model that directs development resources to the vulnerable areas with greatest need and potential for impact, according to USADF documents.

USADF investments, which aim to help local communities and enterprises become self-sufficient and better integrated into local economies, focused on three programmatic areas.

- **Agriculture and food security.** USADF aimed to assist agricultural cooperatives to develop better enterprise management skills, improve production and distribution capabilities, access larger markets, improve marketing capabilities, and increase revenues and incomes for small farmers. For an example of an Agriculture and Food Security project funded by these grants in Zambia that we observed, see figure 1.
- **Off-grid energy access.** USADF supported off-grid energy access by promoting market-based solutions that connect people and businesses to electricity and are particularly impactful for marginalized communities.
- **Women and youth-led entrepreneurship and employment.** USADF aimed to provide youth and women entrepreneurs with the tools needed to invest in their own communities, employ marginalized people, train others, and create or expand markets.

⁷USADF's statutory provisions can be found at 22 U.S.C. §§ 290h–290h-8.

Figure 1: U.S. African Development Foundation (USADF) Agriculture Grant in Zambia

USADF provided grant funding to an agricultural company in Zambia to increase its capacity to produce livestock feed, expand its business operations, and improve business management practices.



Source: GAO. | GAO-25-107574

USADF Act

The African Development Foundation Act (USADF Act) states the purposes of USADF shall be to (1) strengthen the bonds of friendship and understanding between the people of Africa and the U.S., (2) support self-help activities at the local level designed to enlarge opportunities for community development, (3) stimulate and assist effective and expanding participation of Africans in their development process, and (4) encourage the establishment and growth of development institutions which are indigenous to particular countries in Africa and which can respond to the requirements of the poor in those countries.

Source: Pub. L. No. 96–533, title V, § 504, 94 Stat. 3131, 3152 (Dec. 16, 1980), codified at 22 U.S.C. § 290h-2. | GAO-25-107574

The USADF Act states that USADF should conduct its work in cooperation with, and in response to, organizations indigenous to Africa that are representative of the needs and aspirations of the poor in Africa.⁸ USADF is also required, to the extent possible, to coordinate its activities with the activities of the U.S. Government and private, regional, and international organizations.

USADF is authorized to make grants and loans to African organizations fostering local development institutions and those working towards the transfer of development resources, expertise, and knowledge within Africa, among other things. Each grant or loan must not exceed \$250,000 and must be directed to African entities that are representative and knowledgeable of, and sensitive to, the needs and aspirations of the poor. These entities further disburse the funds to other African entities to carry out the purposes of USADF. See figure 2 for an example of a USADF grant awarded to a small business in Zambia that we observed.

⁸The African Development Foundation Act, Pub. L. No. 96–533, title V, 94 Stat. 3151–3155 (Dec. 16, 1980), codified as amended at 22 U.S.C. §§ 290h–290h-8 (USADF Act).

Figure 2: U.S. African Development Foundation (USADF) Grant for Women's Cooking Oil Business in Zambia

With USADF grant funding, women farmers in southern Zambia transitioned to growing and processing sunflower, which is more sustainable than other crops and has several uses, most notably: cooking oil.



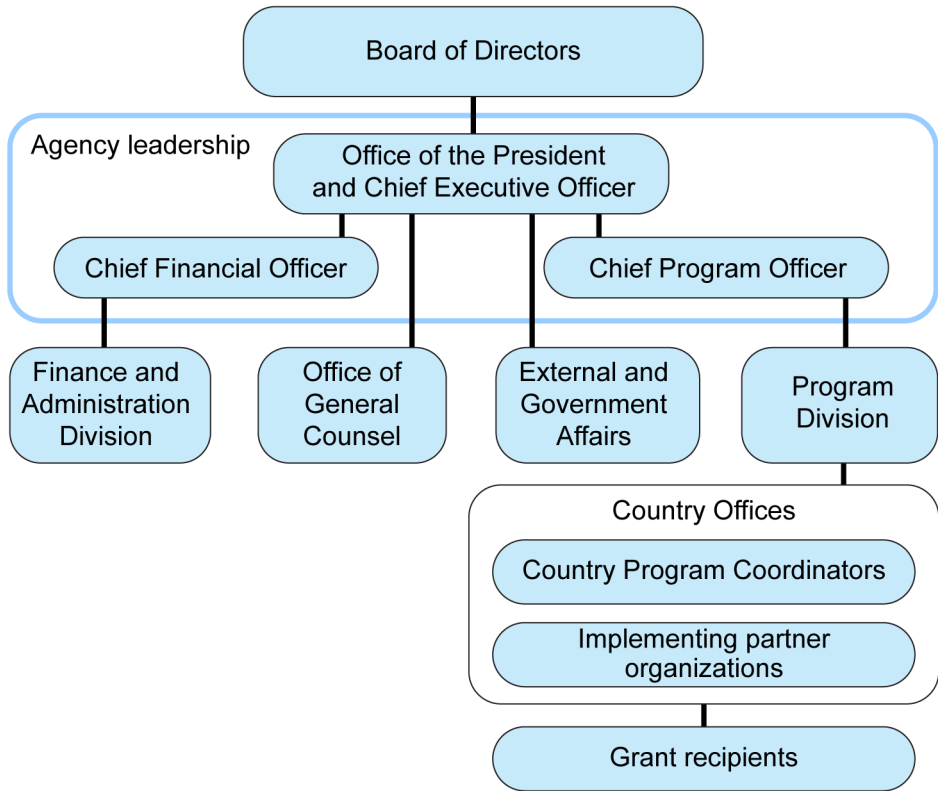
Source: GAO. | GAO-25-107574

USADF Roles and Responsibilities

According to the USADF Act, the foundation is to be led by a Board of Directors, and as of January 2025 USADF's leadership was composed of the President and Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Program Officer (CPO), according to USADF officials (see fig. 3). If all planned positions were filled, USADF would have 56 staff. USADF is authorized to employ up to 75 people to carry out its work, according to the USADF Act.⁹

⁹22 U.S.C. § 290h-4(a)(7).

Figure 3: U.S. African Development Foundation High-level Organizational Chart, as of January 2025



Source: GAO analysis of agency documentation. | GAO-25-107574

Board of Directors. USADF’s Board of Directors is required to be composed of seven people who are appointed by the United States President and confirmed by the Senate. Five of the seven members are to be from the private sector; the other two are to be representing the public sector from federal agencies concerned with African affairs.¹⁰ As of January 2025, the public sector dedicated seats had been vacant since 2016, according to USADF Board members and officials. The United States President must designate one of the seven members of the Board to serve as Chairperson of the Board, and another to serve as Vice Chairperson. The Board met at least four times a year, covering topics

¹⁰22 U.S.C. § 290h–5. According to the USADF Act, members of the Board shall be appointed so that no more than four members of the Board are members of any one political party.

such as agency finances and audit findings. The USADF Act also requires the Board to establish an advisory council and consult the council concerning USADF objectives and activities at least annually.

USADF leadership. The Board delegated management of USADF to the USADF President and CEO, who was appointed by and reports to the Board. Based on this delegation, the President and CEO had overall responsibility and authority for the conduct of the business and affairs of USADF, subject to the authority and oversight of the Board. USADF also had a CFO and CPO, who together with the President and CEO comprised agency leadership, according to USADF officials.

USADF Washington, D.C., headquarters. As of January 2025, USADF had 43 employees composed of 31 full-time equivalent employees, including the three agency leadership positions, plus 12 contracted employees in its headquarters office in Washington, D.C. Staff at headquarters conducted overall and financial management of the agency, established policies and procedures, and provided oversight of its country teams and grant programs in Africa. The Program Division was divided into three regions, each run by a Regional Portfolio Manager who managed program staff and a portfolio of country programs. The Program Division also included staff that worked across countries in all regions. For example, an energy advisor at USADF headquarters oversaw and facilitated the energy program grants.

USADF country teams. USADF employed African staff and local technical partners on the ground across Africa, according to officials. According to USADF documents, this model made USADF a foreign assistance provider that can operate in areas that are often too remote to be reached by other U.S. government development agencies. As of January 2025, USADF had programs in 23 countries and a staff presence in 19 of these countries, as shown in figure 4.

Figure 4: U.S. African Development Foundation Had Grant Programs in 23 Countries and a Presence in 19 Countries in Africa, as of January 2025



Source: GAO analysis of US African Development Foundation documents and data (data); Map Resources (map). | GAO-25-107574

Notes: "Active grants" countries had funding obligations for new grants in fiscal year 2024, but USADF did not have a Country Program Coordinator and implementing partner present in-country. USADF typically relies on local embassy staff and nearby country teams to provide oversight and support for grants in countries with non-program presence, according to a USADF official. "Country Program Coordinator and/or implementing partner presence" countries also had funding obligations for new grants in fiscal year 2024, except for Namibia and Zimbabwe. USADF also had an active Country Program Coordinator in Mali, as of January 2025, to conduct grant close-out activities and other activities, following the April 2024 closure of USADF programs in Mali, according to a USADF official.

USADF country teams were composed of two components:

- **Country Program Coordinator (CPC).** USADF had a CPC in 15 countries to issue the annual call for applications, screen grant applications, conduct initial site visits, and support the implementing partner with grant oversight.
- **Implementing partners.** USADF used local organizations to assist with project development and implementation, provide technical assistance to grantees, ensure compliance, and monitor project implementation and performance.

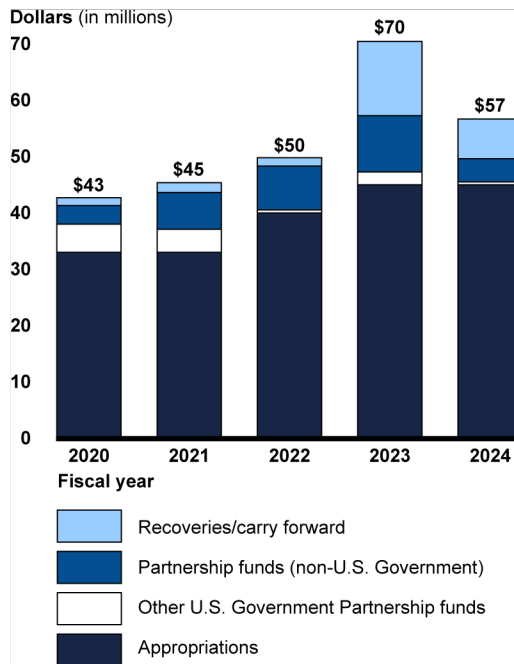
In each country where program operations were launched, USADF policy stated that USADF would negotiate a country accord with the host government. USADF policy also stated that the country program must conform to all host country laws and regulations and ensure full accountability and compliance with all USADF policies and requirements.

USADF Funding and Awards

USADF's annual operating budget in Fiscal Year (FY) 2024 was approximately \$57 million. USADF received most of its funding from appropriations, which were \$45 million in fiscal year 2024.¹¹ USADF's funding model supplemented its appropriations with funding from host African national and subnational governments that invest their own funds directly into USADF programs (see figure 5).

¹¹USADF's appropriation has had a two-year period of availability since at least FY20. For example, USADF's FY24 appropriation of \$45 million is available through the end of FY25. Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, 138 Stat. 460, 746 (Mar. 23, 2024).

Figure 5: U.S. African Development Foundation (USADF) Annual Budget by Funding Source, Fiscal Years 2020–2024



Source: GAO analysis of U.S. Africa Development Fund data. | GAO-25-107574

Note: Recoveries and carry forward are funds resulting from de-obligations or recovered grant funding from a previous fiscal year that are available for use in the current fiscal year, according to USADF officials.

USADF extended the reach of its appropriated funds through co-funding partnership agreements with private sector corporate and foundation partners, according to USADF documents. USADF also coordinated some of its programs with other U.S. government agencies and had interagency partnership funding agreements. For example, USADF partnered with the U.S. Department of State in funding grants to African women entrepreneurs under the Academy for Women Entrepreneurs program, according to USADF documents.

USADF grant funding went to 36 different countries across Africa, with the top ten funded countries receiving 70 percent of all USADF grant funding from fiscal years 2020 through 2024, see table 1.

Table 1: U.S. African Development Foundation (USADF) Top Funded Countries, Fiscal Years 2020–2024

	Country	Total USADF Grant Funding Obligations (in thousands)	Percent of Total USADF Grant Funding Obligations
	Nigeria	\$16,969	12%
	Uganda	\$12,409	9%
	Niger	\$11,099	8%
	Kenya	\$10,903	8%
	Cote D'Ivoire	\$10,377	8%
	Benin	\$9,177	7%
	Malawi	\$7,340	5%
	Burkina Faso	\$6,155	4%
	Zambia	\$6,080	4%
	Liberia	\$5,847	4%
	All other countries	\$41,124	30%
Total		\$137,481	100%

Source: GAO Analysis of USADF data; G7 Stock, VectorShop, Maya Palmer, Djerdj/stock.adobe.com (icons). | GAO-25-107574

Note: Percentages may not sum to 100 percent due to rounding.

USADF used several award types, such as contracts, grants, and cooperative agreements to conduct its work and implement programs.

Federal law requires that each award type be used for different principal purposes.¹² USADF used contracts to hire personnel and procure goods and services. USADF hired both Institutional Support Contractors and Personal Services Contracts (PSCs).¹³ The CPCs in-country were hired through contracts. Treasury's ARC provided contracting services to USADF to support its contracts.

USADF provided both project grants and cooperative agreements to African-owned entities in Africa. For example, USADF provided cooperative agreements to its African-owned implementing partner organizations, according to USADF officials. USADF provided grants to African-owned entities in Africa to build management capacity and encourage economic development, including agricultural cooperatives and producer groups, community-based organizations, and small and medium-sized enterprises, according to USADF documents.

USADF used various types of grants to fund projects in Africa. The two most common grants used were Capacity Building Grants and Enterprise Expansion Grants, according to USADF officials.

- **Capacity Building Grants.** Many enterprises require initial capacity building prior to pursuing expansion, and these grants were awarded to groups that had a potential for longer term growth and business success. However, these grantees needed business planning, management and financial systems development, training, and technical assistance to position themselves for follow-on investment. These grants were one to two years in length and ranged from \$50,000 to \$100,000, according to USADF documents.
- **Enterprise Expansion Grants.** These grants were the principal financing mechanism USADF used to assist grantees in generating increased revenues, increased incomes, improved profitability, creating jobs, and positioning themselves for future investments. These businesses must have a track record that reflects a strong production capacity, market knowledge, quality products, and well-developed financial systems that will enable them to obtain a USADF financial certification, according to USADF documents. These grants were typically three to four years in length and ranged from \$100,000 to \$250,000, according to USADF documents.

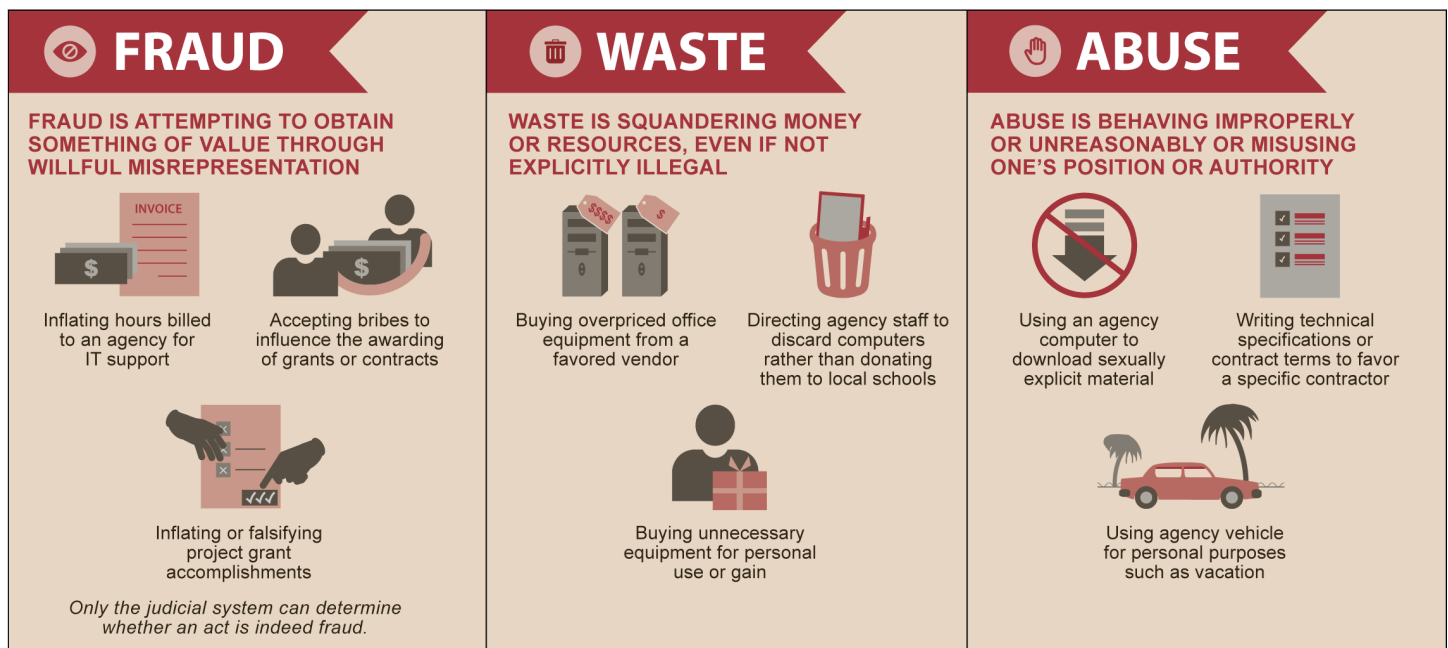
¹²31 U.S.C. §§ 6303-6305.

¹³Institutional support contractors are employed by a separate corporate entity but perform work for the government.

Federal Fraud, Waste, and Abuse Risk Management

Fraud, waste, and abuse of federal funds can cost millions of dollars (see fig. 6). Fraud can come from within or from outside an organization. For example, an employee, manager or executive within an organization may commit fraud by deceiving their own organization through embezzling funds or accepting bribes. Outside entities may also commit fraud against an organization. For example, vendors may lie about the work they did, or grantees may claim reimbursement for activities they did not perform.¹⁴

Figure 6: Fraud, Waste, and Abuse Definitions and Examples



Source: GAO data and icons. | GAO-25-107574

Several leading practices for managing fraud, waste, and abuse risks exist to guide federal agencies in developing policies and internal controls. GAO's *Standards for Internal Control in the Federal Government* calls for agency management to identify, analyze, and respond to risks related to achieving their objectives, including fraud risks.¹⁵ The internal control standards state that as part of this overall assessment,

¹⁴Fraud involves obtaining a thing of value through willful misrepresentation. Whether a particular act constitutes fraud is a determination to be made by a court of law.

¹⁵GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

management should consider the potential for fraud when identifying, analyzing, and responding to risks in their programs.

To help managers combat fraud and preserve integrity in government agencies and programs, GAO identified leading practices for managing fraud risks and organized them into a Fraud Risk Framework.¹⁶ The fraud risk framework encompasses activities to prevent, detect, and respond to fraud as well as structures and environmental factors that influence or help managers to mitigate fraud risks, see figure 7.¹⁷ The fraud risk framework is aligned with Principle 8 (“Assess Fraud Risk”) of the *Standards for Internal Control in the Federal Government*. One of the leading practices identified in the fraud risk framework is to conduct a fraud risk assessment that is tailored to risks at the program level.

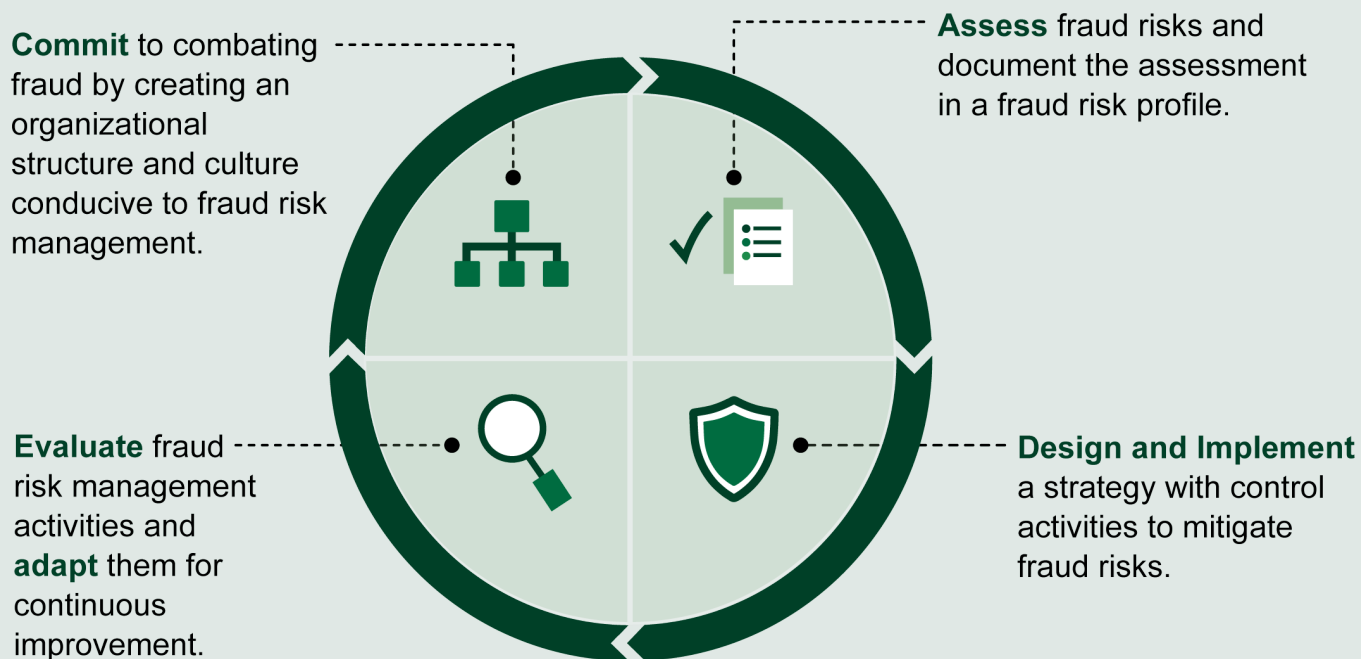
¹⁶The full benefits of fraud risk management activities can be difficult to measure because of challenges in distinguishing potential fraud from legitimate activity or other forms of improper payments, such as waste and abuse. [GAO-15-593SP](#).

¹⁷OMB Circular A-123, directs agencies to follow the leading practices identified in the Fraud Risk Framework as part of their efforts to effectively design, implement, and operate an internal control system that addresses fraud risks. The Payment Integrity Information Act of 2019 requires OMB to maintain guidelines for agencies to establish financial and administrative controls to identify and assess fraud risks and that incorporate leading practices detailed in our Fraud Risk Framework. Pub. L. No. 116-117, 134 Stat. 113 (Mar. 2, 2020), codified at 31 U.S.C. §§ 3351-58.

Figure 7: The Government Accountability Office's (GAO) Framework for Managing Fraud Risks in Federal Programs

What does GAO's Fraud Risk Management Framework include?

It includes leading practices in four components:



The Framework emphasizes using a risk-based approach and focusing on fraud prevention. The practices may be tailored to a program's operations, including environmental factors and the program's risks.

Source: GAO. | GAO-25-107574

USADF 2025 Developments

Beginning in January 2025, significant changes have occurred in the USADF workforce and programs, including the possibility of closure and the transfer of its functions to another agency, see fig. 8.

Figure 8: Timeline of Developments at U.S. African Development Foundation (USADF) in 2025



Legend: United States African Development Foundation = USADF.

Source: GAO analysis of various documents and statements by USADF officials. | GAO-25-107574

^aExec. Order No. 14169, *Reevaluating and Realigning United States Foreign Aid*, 90 Fed. Reg. 8619 (Jan. 20, 2025). The order called for a review of all U.S. foreign development assistance alongside a 90-day pause in new obligations and disbursements.

^bExec. Order No. 14217, *Commencing the Reduction of the Federal Bureaucracy*, 90 Fed. Reg. 10577 (Feb. 19, 2025). Under the order, USADF was directed to reduce the performance of its statutory functions and associated personnel to the minimum presence and function required by law, among other things.

^cOrder, *Rural Dev. Innovations Ltd., et al. v. Pete Marocco, et al.*, No. 25-cv-1631, dkt. 27 (D.D.C., Jul. 1, 2025).

The U.S. President's fiscal year 2026 budget request provides for the elimination of, or the elimination of federal funding for USADF. Congress,

in July 2025, approved a \$22 million rescission of USADF's fiscal year 2025 funding.¹⁸ Also, a bill has been introduced in Congress to repeal the USADF Act, which established the entity, and to transfer all of its functions to the Secretary of State, among other things.¹⁹

USADF Had Outdated Policies and Procedures to Mitigate Fraud, Waste, and Abuse and No Strategic Approach

USADF had some policies and procedures to manage fraud, waste, and abuse, as of fiscal year 2024, but many policies were outdated and had neither a systematic nor a strategic approach to implement them. This is because the agency did not prioritize obtaining or dedicating the personnel to maintain policies and implement fraud risk management tasks. Without workforce planning to support a systematic approach to update policies and procedures, or a strategic approach to implement them, USADF may be less able to detect and mitigate fraud, waste, and abuse risks.

USADF Had Some Policies and Procedures to Mitigate Fraud, Waste, and Abuse Risks, but Many Were Outdated

Our review of policies and procedures in place from fiscal years 2020 through 2024 found that USADF had some policies that were intended to mitigate fraud, waste, and abuse, but many of these policies were outdated. Specifically, USADF had employment and financial management policies and procedures to mitigate internal fraud, waste, and abuse.

USADF Policies and Procedures

Conflict of interest. USADF had some policies in place to address potential conflict-of-interest among staff that could mitigate fraud and abuse risks. The Ethics in Government Act of 1978, as amended, requires certain employees in Federal agencies to file financial disclosure reports. Agencies use the financial disclosure reports to determine whether employees covered by the Act have a conflict of interest in conducting their work. USADF policy documents established procedures for filing financial disclosure reports for those employees required to file them.

USADF policy on project development also contained a conflict-of-interest policy to help ensure that all participants in the grant selection and development processes had no conflict of interest. The policy outlined

¹⁸Recissions Act of 2025, Pub. L. No. 119-28, § 2(b)(18) (Jul. 24, 2025).

¹⁹S. 1054, 119th Congress (2025).

situations that would present a potential conflict-of-interest and provided instruction to relevant staff about who to notify in those potential situations. Agency training materials also stated that “employees shall not hold financial interests that conflict with the conscientious performance of duty.”

Employee policies. USADF policy documents on reporting allegations of criminal offenses, misuse of grant and contract funds, or improper conduct by employees outlined the responsibilities of all USADF employees in combatting and reporting fraud, waste, and abuse. USADF documents described the procedures for reporting allegations of improper conduct by employees, grantees, contractors, and others doing business with USADF.

The documents also notified employees about their rights and protections under various discrimination and whistleblower laws that could mitigate fraud, waste, and abuse risks. For example, USADF policy on reporting allegations stated that “management and supervisory personnel are responsible for fostering an organizational culture of integrity that provides a foundation for ensuring that fraud detection and prevention are active elements of a system of internal control to prevent, deter, and detect fraud.”

Travel policies. USADF also had policies and procedures to govern employee official travel to mitigate fraud, waste, and abuse risks. For example, the USADF travel policy required employees to use a government credit card for all official travel, in line with federal travel regulations, to mitigate fraud, waste, and abuse risk.²⁰ The travel charge card policy laid out an employee’s responsibilities for proper and improper use of the card and required that employees review a training document and sign a statement of responsibility prior to obtaining such a card.

A 2024 USAID OIG report to assess the risks of illegal, improper, or erroneous purchases and payments in USADF’s charge card program found that the charge card program posed a low risk to USADF. The OIG also found that the agency had adequate monitoring and reconciliation procedures to reduce the risk in the charge card programs, and policies

²⁰41 C.F.R. § 301-51.1.

and procedures that addressed the applicable charge card internal control requirements.²¹

Ethics training: The USADF General Counsel periodically conducted ethics training for headquarters employees, according to USADF officials. USADF training materials noted that ethics rules were to ensure that staff performed the agency's mission with the public's interest in mind to uphold the public's confidence in the integrity of the government. This ethics training covered a range of ethical issues and standards related to mitigating fraud, waste, and abuse risks, such as:

- not holding financial interests that conflict with the performance of duty,
- not using public office for private gain,
- not giving preferential treatment to any private organization or individual, and
- not using federal property other than for authorized activities.

The ethics training also outlined staff responsibilities regarding federal gift policies—gifts must be \$20 or less per occasion per source and no more in aggregate than \$50 per source in a calendar year.²² USADF's ethics training also outlined the staff's responsibility to report waste, fraud, abuse, corruption, and conflicts of interest to appropriate authorities. USADF in-country staff and implementing partners we spoke with in Zambia and Nigeria also told us that when USADF staff visited from headquarters, they used the opportunity to review the ethics training materials and retrain in-country staff.

However, in a 2024 management advisory, the OIG reported that USADF ethics training did not clearly specify that allegations of fraud should be reported to the OIG.²³ According to the OIG, USADF officials knew of

²¹This OIG report assessed the risks of illegal, improper, or erroneous purchases and payments in USADF's fiscal year 2023 charge card programs. The OIG determined that the charge card programs posed a low risk to USADF, and an audit or review of the program was not necessary since USADF's charge card spending did not exceed \$10 million. USAID OIG, *Charge Card Risk Assessment: USADF's Programs Showed Low Risk of Improper Purchases and Payments in Fiscal Year 2023* (O-ADF-24-002-S), July 11, 2024.

²²5 C.F.R. § 2635.204.

²³USAID OIG, *Nonreporting of Suspected Misuse of USADF Grant Funds and Equipment* (E- ADF-24-001-A), August 29, 2024.

suspected misuse of foundation funds and equipment purchased through foundation grants but failed to report this information to the OIG as required. The OIG also reported that USADF staff responsible for grant oversight were unaware of the OIG's role in preventing and detecting fraud, waste, and abuse, and ethics training materials did not clearly specify that such allegations of fraud should be reported to the OIG.

The OIG made a recommendation for USADF to update its training to incorporate information on USAID OIG oversight authorities and procedures for disclosing allegations of fraud, waste, and abuse. In its response, USADF concurred with the recommendation noting its full commitment to ensuring that staff are well-informed about OIG oversight authorities and procedures for disclosing fraud, waste, and abuse allegations—a vital part of their compliance strategy. USADF updated its ethics training material and provided the updated training to its staff.

Financial controls. USADF had some internal policies and procedures directed toward financial management. USADF utilized independent audits as a key element of its internal controls, according to USADF officials and documents. USADF's policy on audits established standards and frequency for audits of grants, implementing partners, and Country Program Coordinators, which were conducted by independent audit firms in the host countries.

USADF also had some financial controls related to the management of partner funds that were held in local bank accounts in host countries.²⁴ However, the 2024 OIG financial audit reported significant deficiencies in the internal controls over this process and made six recommendations for improvement. USADF concurred with the recommendations. The USADF President was required by USADF policy to submit annual assurance statements regarding USADF's effectiveness of internal controls over operations, and whether financial management systems conform to government-wide requirements.

USADF also relied on external oversight for some of its financial control policies and procedures. For example, Treasury's ARC provided various services for USADF financial transactions, including procurement, grant

²⁴According to USADF documents and officials, these partner funds are donations made by African governments and certain private sector entities for program purposes in about 10 countries which are maintained in commercial accounts in local currencies. USADF controls disbursements from these accounts. As of September 30, 2024, the amount of these funds was approximately \$9.3 million.

Outdated Policies and Procedures

disbursements, and payroll operations. According to USADF documents, USADF relied on those entities' systems of internal control to a great extent. However, as we discuss later, gaps in financial controls existed and ARC raised concerns about USADF's contracting practices. Financial statement audits of USADF were carried out by the OIG on an annual basis, which was another element of its financial controls.

Although USADF had some policies in place to mitigate the risk of fraud, waste, and abuse, many of the related policy manuals were outdated, not centrally located, and did not reflect current practices, according to USADF officials and our review of relevant documents. Most USADF policy documents were over 10 years old, and some were over 20 years old. USADF staff we spoke to reported that while the agency had several policies, existing guidance for conducting oversight and their work in general was insufficient and policies were often outdated.

As a result, some of the policy documents did not represent current practices. For example, while the policy manual had a section detailing the processes and purpose of its grants management database, the actual grants management database in use by program staff was different than the one referred to in the policy manual. USADF in-country staff and implementing partners in Zambia and Nigeria also told us that the guidance and policy documents provided by USADF headquarters were not sufficient. Instead, they developed additional policies and procedures to guide their oversight of grantees.

In addition, we found that policies were difficult to locate. The USADF policy manual covered a range of topics including internal controls, employment rules, and grant management. However, the manual was composed of approximately 70 separate documents that were not all stored in a single location, and USADF did not have a central list of its entire contents, according to USADF officials. As a result, some policies were difficult to locate, according to USADF officials. USADF staff told us that USADF did not have a process in place to ensure that current policies were documented, maintained in a centralized location, or updated on a regular basis.

According to USADF officials, the policy manual sections which guided agency internal control policies and fraud, waste, and abuse risk management activities had not been updated because USADF had neither sufficient staff nor resources to do so. Certain key positions did not exist, were vacant, or not sufficiently staffed. For example, USADF had one staff member in charge of audits, which is a key function for

mitigating fraud, waste, and abuse. That position became vacant in late 2024 with no plan in place to ensure this key role was filled.²⁵ Other key positions, such as the monitoring and evaluation specialist, the training officer, and a supervisory financial analyst, had been vacant for several months or years as of late 2024. USADF in-country staff and implementing partners in Zambia and Nigeria told us that their main point of contact at USADF headquarters, who was responsible for overseeing their work, turned over every year or two during their tenure.

Some USADF officials we interviewed acknowledged that this lack of sufficient staff or resources was because USADF leadership had not prioritized workforce planning. Leading practices in human capital management state that agencies should determine the critical skills and competencies that their personnel need to achieve programmatic results. Without workforce planning to determine the number and skills of staff needed to perform its various functions or the development of certain management processes, USADF was not best positioned to detect and mitigate fraud, waste, and abuse risks.

Agency decisions about which positions were needed and how quickly to fill vacancies were led by the USADF President, according to USADF officials. The USADF President reorganized the program division in 2023 to streamline program implementation and oversight, according to USADF staff and documents. The USADF President also made changes in the composition of agency leadership positions, such that agency leadership between 2020 and 2024 periodically included a Chief Operating Officer and Chief Strategy Officer. However, neither position existed in the organization at the time of our review.

Without these positions, including a leader to guide key internal control and fraud risk management activities, USADF was at a greater risk of being unable to mitigate fraud risks. According to USADF officials, the USADF President led an overhaul of most policy manual documents around 2012. Since that time, they had not prioritized dedicating the human resources needed to keep those policy manual sections updated.

The USADF Board of Directors—which is responsible for the overall management of USADF—had also affected USADF leadership decisions to minimize staffing levels at the agency, according to USADF officials and Board members. USADF Board members told us that they worked

²⁵This position became vacant as a result of a planned retirement.

with the USADF President to minimize the ratio of administrative costs to program costs. USADF leadership staff told us that they kept administrative costs down by maintaining lower staff numbers, rather than add positions that might enable additional resources to be dedicated to updating policies and managing fraud risk tasks.

According to Federal Internal Control standards, management should document responsibilities and procedures and use quality information to achieve the entity's objectives.²⁶ Without updated policies, staff do not have sufficient or accurate guidance to implement agency policies, conduct their work, and mitigate potential risks.

USADF Had Yet to Implement Comprehensive Internal Risk Mitigation Policies and Procedures Agency-wide

We found that USADF had developed some plans to implement policies to reduce fraud, waste, and abuse risks, but such plans had not been executed. USADF had a policy manual section that outlined management responsibility for internal control, last updated in 2015. Establishing comprehensive, agency-wide internal controls through policies and procedures enables an agency to strategically reduce risks that can hinder it from achieving its mission, including the risk of fraud, waste, and abuse. USADF's policy stated that the agency's internal controls must follow GAO's *Standards for Internal Control in the Federal Government*.

USADF's policy specified that internal control activities were to be led by the USADF President and an Internal Control Assessment Committee responsible for all matters relating to internal control at USADF, including the establishment, assessment, correction, and reporting on internal control. USADF policy also outlined the specific positions and divisions which should comprise the Committee. For example, the Committee was to be led by the head of Finance and Administration, with representation from other key offices such as the Office of General Counsel, Programs, and Audit.

The purpose of the Committee was to provide oversight of the assessment of internal controls over financial reporting and adherence to requirements. For example, the Committee would have been responsible for assisting management in implementing an internal control framework, fostering an organizational environment that supports continuous awareness of internal controls, developing a comprehensive internal control assessment program, and overseeing the conduct of periodic risk assessments. However, according to USADF officials, the Committee

²⁶[GAO-14-704G](#)

was never formed because USADF lacked personnel who could be devoted to developing and implementing these policies. And, as previously noted, USADF officials told us that agency leadership had not prioritized obtaining the human resources needed to implement these policies.

USADF also developed an Enterprise Risk Management (ERM) plan, but six years after its development had yet to implement it. The ERM plan, finalized in January 2019, was policy USADF wrote to comply with the Office of Management and Budget (OMB) Circular A-123 and GAO's *Standards for Internal Control in the Federal Government*, according to USADF officials.²⁷ According to the ERM plan, it was meant to improve mission delivery by integrating risk management and agency internal control systems in an agency-wide enterprise risk management framework. The plan was focused on the establishment of a risk management committee consisting of key members of agency leadership and chaired by the Chief Financial Officer. The committee was responsible for (1) creating a risk appetite statement, (2) creating the foundation's risk profile, (3) facilitating an ERM culture conversation throughout the agency, and (4) implementing the plan. According to the most recent ERM plan, USADF formed the ERM committee in 2018.

However, according to USADF officials, the committee only met once, and the ERM plan had not yet been implemented. The ERM was never implemented because USADF leadership did not prioritize the human resources needed to further develop and implement the plan, according to USADF officials.

As of January 2025, USADF officials reported that they were in the process of hiring a consultant to assist in further development and implementation of the plan. However, at the time of our review, USADF leadership had paused these efforts to respond to the planned changes to foreign assistance and USADF operations.

Establishing adequate internal controls, specifically employing a strategic approach to managing fraud risks, enables an agency to better mitigate fraud, waste, and abuse risks. By not dedicating enough human

²⁷OMB Circular No. A-123 emphasizes the importance of having appropriate risk management processes and systems to identify challenges early, to bring them to the attention of Agency leadership, and to develop solutions. The Circular is meant to ensure Federal managers are effectively managing risks an Agency faces toward achieving its strategic objectives and arising from its activities and operations.

resources to follow and update its policies and plans related to internal control, USADF has not fully established key policies and procedures to create an effective internal control environment. A key factor for improving accountability in achieving an entity's mission is to implement an effective internal control system. Without a comprehensive and agency-wide approach to internal controls, USADF faces an increased risk of fraud, waste, and abuse in its programs.

The USADF Board, which is responsible for management of USADF, did not establish and consult with an advisory council, as required by law. The USADF Act requires the Board to establish an advisory council composed of individuals knowledgeable about development activities in Africa and to consult the council at least annually concerning the objectives and activities of the Foundation.²⁸ However, according to the USADF Board members we spoke with, such an advisory council was never created. Therefore, the USADF Board did not fully meet its obligations in accordance with the law and did not benefit from potential input from the advisory council on risk mitigation.

USADF Had Not Implemented Many of the Leading Practices for Managing Fraud Risks

We found that USADF had taken some steps but had not implemented many of the leading practices for managing fraud risks, including establishing key policies, procedures, or personnel to specifically assess and mitigate fraud risks. Components for managing fraud risks listed in GAO's Fraud Risk Framework include some of the following:

1. committing to combating fraud by creating an organizational culture and structure conducive to fraud risk management,
2. assessing risks by conducting regular fraud risk assessments and developing a fraud risk profile, and
3. designing and implementing a strategy with specific control activities to mitigate assessed fraud risks and collaborating with stakeholders to help ensure effective implementation.

USADF Took Limited Steps to Create an Antifraud Culture and Structure

USADF had some policies aimed at creating an organization-wide culture for combating fraud, but its management had not implemented leading practices (see table 2). USADF's policy on the misuse of grant funds stated that management is responsible for fostering an organizational culture of integrity that provides a foundation for ensuring that fraud detection and prevention are active elements of a system of internal control to prevent, deter, and detect fraud. USADF staff, contractors, and

²⁸22 U.S.C. § 290h-5(e)(1)-(2).

grantee organizations were also responsible for assisting in efforts to combat fraud, waste, and abuse in all USADF programs, including questioning and identifying suspicious activities and reporting such activities. USADF policy also protected employees against retaliation or harassment for reporting real or apparent fraud, waste, or abuse. Persons reporting real or apparent fraud, waste or abuse may also remain anonymous if they choose. However, USADF’s implementation of its policies had shortcomings.

Table 2: U.S. African Development Foundation (USADF) Had Not Fully Followed Leading Practices in Its Efforts to Create an Antifraud Culture and an Antifraud Entity, Fiscal Years 2020–2024

Leading Practices (Commit to Combating Fraud)	USADF Antifraud Policies	Status
Create an organizational culture to combat fraud at all levels of the agency	USADF had a policy outlining how to handle allegations of fraud, but did not have an antifraud strategy or code of conduct to set expectations	Partially met
Designate an antifraud entity—either an individual or team to lead fraud risk management activities	No dedicated antifraud entity—either an individual or team to lead fraud risk management activities	Not met

Source: GAO analysis of USADF documents. | GAO-25-107574

Create an organizational culture to combat fraud at all levels of the agency. While USADF policy addressed certain aspects of fostering an organizational culture of integrity, we found weaknesses in the USADF’s implementation. For example, a senior official who oversaw ethics issues at USADF told us that they were unsure if USADF had a code of conduct for employees despite having a policy that references the Standards of Ethical Conduct for Employees of the Executive Branch.²⁹

Further, USADF officials told us that some staff were uncomfortable reporting instances of fraud, waste, or abuse if they did not have a good relationship with their supervisor. Some in-country staff we spoke with were unaware of an anonymous way to report fraud, waste, and abuse, while others knew of a confidential USADF email account where in-country staff could send reports. This inconsistency in awareness occurred because USADF leadership had not prioritized dedicating the staff or resources needed for updating, implementing, and communicating agency policies, related to fraud, waste, and abuse, according to USADF officials.

²⁹This rule outlines standards of ethical conduct that apply to federal employees. 5 C.F.R. Part 2635 (2024).

According to the fraud risk framework, managers who effectively manage fraud risks demonstrate a senior-level commitment to integrity and combating fraud. Without mechanisms in place such as a code of conduct, an attitude statement towards fraud, or clear reporting policies, employees may not have clear expectations or knowledge about a safe means to report fraud, waste, or abuse. Because USADF did not fully create an organizational culture to combat fraud, it was not positioned to most effectively assess and mitigate internal and external fraud risks.

Designate an individual or team to lead fraud risk management activities. We also found that USADF had not dedicated an individual or team to lead its fraud risk management activities. A leading practice for managing fraud risks is to designate an antifraud entity—either an individual or team—with the responsibility to design and oversee fraud risk management activities. The antifraud individual or team should:

1. understand the fraud risks and controls throughout the program,
2. have defined responsibilities, and
3. have a direct reporting line to senior-level managers.

The ERM plan also directed USADF to delegate certain tasks to various staff within headquarters to address identified risks. However, according to USADF officials, no single antifraud entity existed to respond to fraud risks. According to the fraud risk framework, dedicated antifraud entities or individuals are responsible for facilitating communication with management and stakeholders on fraud-related issues.

USADF officials told us that various staff across the agency carried out fraud risk management activities. For example, the General Counsel was responsible for reviewing financial disclosures and conducting ethics training for staff; the internal auditor led financial audits of in-country staff and grantees; and in-country staff were responsible for overseeing fraud risk management activities such as grant monitoring. USADF officials told us that the internal auditor position specifically oversaw the selection of local audit firms to conduct approximately 30 to 40 CPC and project grant audits each fiscal year.³⁰ Nevertheless, USADF could not provide

³⁰As of December 2024, the internal auditor position was vacant, according to USADF officials. Some USADF officials expressed interest in expanding responsibilities for the internal auditor position to include internal audits at the headquarters level.

documentation demonstrating that any person or office had been designated to lead fraud risk management activities.

While entities across the agency should be involved in fraud risk management activities, having a dedicated person or team to coordinate antifraud initiatives across the agency, including facilitating communication with management and among stakeholders on fraud-related issues, enables an agency to more effectively assess and mitigate internal and external fraud risks agency-wide.

USADF Had Not Conducted Fraud Risk Assessments or Developed a Fraud Risk Profile

We found that USADF had not conducted fraud risk assessments or developed a fraud risk profile to assess risks, see table 3. The fraud risk profile is an essential piece of an overall antifraud strategy and can inform the specific control activities that managers design and implement. The fraud risk framework identifies conducting regular fraud risk assessments and developing a fraud risk profile as a leading practice for fraud risk management. Further, Federal Internal Control Standards state that agency managers should consider potential fraud when identifying, analyzing, and responding to risks in their programs. Programs must conduct a risk assessment in order to create a fraud risk profile. Effectively assessing fraud risks involves documenting the key findings and conclusions from the risk assessment. The summation of these findings is the fraud risk profile.

Table 3: U.S. African Development Foundation (USADF) Had Not Followed Leading Practices in Its Efforts to Implement a Strategy to Assess Fraud Risks, Fiscal Years 2020–2024

Leading Practices (Assess Fraud Risks)	USADF Antifraud Policies	Status
Plan regular fraud risk assessments that are tailored to the program	No policies or procedures for assessing fraud risk	Not met
Identify and assess risks to determine the program’s fraud risk profile	No fraud risk profile or policy in place to establish one	Not met

Source: GAO analysis of USADF documents. | GAO-25-107574

Plan regular fraud risk assessments that are tailored to the program.
An effective program-specific risk assessment process involves:

- determining the types of fraud risks,
- their perceived likelihood and impact,
- managers’ risk tolerance, and

-
- the prioritization of risks.³¹

While the timing can vary, it is a leading practice for agencies to conduct effective fraud risk assessments at regular intervals and in response to changes to the program or operating environment. Fraud risk assessments are iterative and not meant to be onetime exercises, according to the fraud risk framework. Factors such as size, resources, maturity of the agency or program, and experience in managing risks can influence how the entity conducts the fraud risk assessment.

Identify and assess risks to determine the program's fraud risk profile. An agency's risk assessment process should result in the development of a fraud risk profile that, among other things, describes the suitability of existing fraud controls and prioritizes residual fraud risks. These risks are the ones that remain after management has implemented initial internal controls to reduce and manage threats. The leading practices of conducting risks assessments and developing a fraud risk profile based on that assessment work in tandem, but we found that USADF had not effectively implemented either practice.

In its response to the 2024 USAID OIG management advisory, USADF indicated its intention to develop and implement a comprehensive fraud risk management framework by January 2025. However, we found that it had not done so. USADF outlined plans that included risk assessment procedures, preventive controls, detection mechanisms, response protocols, regular monitoring, and review processes. USADF also described plans to develop continuous monitoring of the effectiveness of the fraud risk management framework with corresponding timelines after implementation. Despite the written statement that they would take these steps, USADF leadership had not prioritized putting such a framework in place. According to the agency's officials, this was because it did not have the necessary human resources to implement the changes.

We also found that USADF did not have policies or procedures for assessing fraud risk at the country level, according to USADF officials. While USADF's grant process involved project level risk assessment as

³¹According to *Standards for Internal Control in the Federal Government*, a risk tolerance is the acceptable level of variation in performance relative to the achievement of objectives. In the context of fraud risk management, if the objective is to mitigate fraud risks—in general, to have a very low level of fraud—the risk tolerance reflects managers' willingness to accept a higher level of fraud risks, and it may vary depending on the circumstances of the program.

part of its financial assessment of each grantee, it is important for agencies to assess risk at the program level as well.

According to the fraud risk framework, an agency should plan to conduct a fraud risk assessment at regular intervals and identify specific tools, methods, and sources for gathering information about fraud risks that are specific to their programs' characteristics. Agencies can identify these risks by collecting data on fraud schemes and trends from monitoring and detection activities. For example, some programs develop surveys or conduct focus groups that specifically address fraud risks and related control activities. However, according to USADF officials, it had no designated person or team to carry out a fraud risk assessment at the country level, nor had USADF completed a fraud risk assessment or fraud risk profile.

Additionally, tailoring fraud risk assessments to the specific operating environment is important because the prevalence or likelihood of certain fraud risks may vary for each country. Although, according to USADF officials, USADF had not conducted a fraud risk assessment at the country level, some partner organizations in-country had adjusted their procedures for grant monitoring based on past experiences or country need, which could be adopted in any future fraud risk assessments.

According to in-country staff in Nigeria, based on collaboration they had in the past with implementing partner staff in other countries USADF operates in, each country may have approached fraud risk and other operations differently. For example, according to in-country staff in Nigeria, they required some grantees to submit monthly reports, which is more frequent than USADF quarterly reporting requirements. According to in-country staff, they chose this approach so they could monitor grants more frequently and address concerns quickly. However, USADF had no strategic approach or policy guiding country-specific actions, according to agency officials. Therefore, without guidance from headquarters, countries may vary in whether they are taking such additional steps.

While according to USADF officials, it did not conduct fraud risk assessments or develop fraud risk profiles to guide risk management, USADF policy stated that in-country staff were expected to monitor fraud risks during site visits, audits, and quarterly reviews. According to in-country staff in Nigeria, if they identified a fraud risk during site visits or if auditors presented recommendations, in-country staff were expected to work with the grantee to implement corrective action. This occasionally led to grant termination, according to in-country staff.

USADF policy stated that USADF may terminate a grant due to (1) grant resources not being used as planned to achieve grant purposes, (2) external circumstances, or (3) the conduct of the grantee. However, conducting site visits was not always possible—inhibiting USADF’s ability to identify and address fraud risks.³² For example, in-country staff in Nigeria told us that visiting grantees in rural areas or areas with security concerns had been a challenge that, at times, prevented them from conducting these site visits.

As we have previously reported, guidance provided to foreign assistance program officials and partners on developing a fraud risk profile tailored to their country’s risk would better position them to systematically identify and address program fraud risks.³³ In this case, USADF in-country staff would be better able to effectively modify their procedures and controls to mitigate internal and country-specific fraud risks.

USADF Had Not Fully Designed and Implemented a Strategy to Mitigate Fraud

Effective fraud managers develop, document, and communicate an antifraud strategy based on the results of a fraud risk assessment, which USADF had not completed. USADF had taken some steps to design and implement a strategy to mitigate fraud but had not fully implemented leading practices such as:

1. **documenting** an antifraud strategy based on its overall susceptibility to fraudulent activities,
2. **designing and implementing** a strategy with specific control activities to mitigate assessed fraud risks,

³²USADF’s site visit policy stated that the CPC should conduct at least one site visit to every grantee at least once every two years, or as determined by an annual monitoring plan determined by the Regional Portfolio Manager. Each annual monitoring plan should ensure that all grantees receive a site visit from the in-country or headquarters staff. Implementing partner staff should visit programs at least three times during the first year of the project, and at least annually thereafter. Every site visit should be documented in a site visit report and reported to USADF headquarters.

³³In 2024, we found that USAID missions in conflict zones and other countries were not conducting fraud risk assessments that were specific to their program and country contexts. We recommended that USAID issue guidance requiring them to do so, noting that tailoring fraud risk assessments to the specific operating environment in a country is important because the prevalence or likelihood of certain fraud risks may vary for each country. See, GAO, *Foreign Assistance: USAID Should Strengthen Risk Management in Conflict Zones*, [GAO-24-106192](#), (Washington, D.C.: Apr. 30, 2024) and *Central America: USAID Should Strengthen Staffing and Fraud Risk Management for Initiative Addressing Migration to the U.S.*, [GAO-24-106232](#), (Washington, D.C.: Mar 14, 2024).

3. **developing a plan** outlining how the program will respond to identified fraud, and
4. **collaborating** with stakeholders to help ensure effective implementation, see table 4.

Table 4: U.S. African Development Foundation (USADF) Had Not Fully Followed Leading Practices in Its Efforts to Design and Implement a Strategy to Mitigate Fraud, Fiscal Years 2020–2024

Leading Practices (Design and implement fraud mitigation strategies)	USADF Antifraud Policies	Status
Determine risk responses and document an antifraud strategy based on the risk profile	No steps taken to develop an antifraud strategy	Not met
Design and implement specific control activities to prevent and detect fraud (e.g. fraud-awareness initiatives, employee-integrity activities, reporting mechanisms, and data-analytics activities)	Some control activities to prevent and detect fraud, but not all activities were consistently conducted	Partially met
Develop a plan outlining how the program will respond to identified instances of fraud	Some steps to outline how the program would respond to identified fraud among grantees, but not in other areas	Partially met
Establish collaborative relationships with stakeholders and create incentives to help ensure effective implementation of an antifraud strategy	Some policies in place to coordinate with stakeholders, but broader coordination was at the discretion of the local staff	Partially met

Source: GAO analysis of USADF documents. | GAO-25-107574

Determine risk responses and document an antifraud strategy based on risk profile. According to USADF officials, USADF had not completed a fraud risk assessment or fraud risk profile, therefore, it had not documented an antifraud strategy to address identified risks. We found that USADF had developed and documented some internal control policies to prevent, detect, and respond to fraud that it could use to implement leading practices in the future. For example, a USADF policy called for partners to visit projects at least once each year after the first year of implementation and that grantees were to submit quarterly reports documenting the status of funds and tracking project progress.

As mentioned above, USADF had a grant termination policy it used in response to fraudulent grantees and a policy that provided that employees and contractors had a responsibility to report suspected instances of fraud. In contrast to leading practices, USADF did not have a strategy for identifying and documenting risks to ensure internal control policies and processes mitigated them, according to USADF officials.

Design and implement specific control activities to prevent and detect fraud. According to the fraud risk framework, effective managers of fraud risks use the program’s fraud risk profile to determine the

suitability of existing fraud controls and to decide how to allocate resources to respond to residual fraud risks. Therefore, managers are expected to develop and document an antifraud strategy that describes the program's approach for addressing the prioritized fraud risks. As part of an antifraud strategy, managers who effectively manage fraud risks design and implement specific control activities including policies, procedures, techniques, and mechanisms to prevent and detect potential fraud. Managers may design and implement new control activities or revise existing control activities to reduce the likelihood or impact of a risk.

Effective management of fraud risks starts with fraud prevention. Preventing fraud helps to avoid a costly "pay-and-chase" model—when payments are made before a fraudulent transaction is detected and actions to pursue recovery of the funds are necessary. Control activities that effectively prevent and detect fraud may involve fraud-awareness initiatives, employee-integrity activities, reporting mechanisms, and data analytics activities.

- **Fraud-awareness initiatives.** Increasing managers' and employees' awareness of potential fraud schemes through training and education can serve a preventive purpose by helping to create a culture of integrity and compliance within the program. Moreover, increasing fraud awareness can enable managers and employees to better detect potential fraud. USADF officials told us that it periodically conducted fraud training for its headquarters staff but did not have a documented fraud awareness training policy. In its 2024 management advisory, the OIG reported that USADF headquarters staff received one fraud awareness briefing between 2020 and 2024. According to USADF officials, this was partially due to the pandemic.

In August 2024, the OIG recommended USADF schedule fraud awareness briefings and according to USADF officials, such training had since occurred for its headquarters staff. However, there remained no policy or plan to ensure such training happens regularly moving forward. The fraud training did not include USADF contractors or grantees, including Country Program Coordinators and implementing partner staff, according to USADF officials. In our interviews with in-country staff in Zambia and Nigeria, staff mentioned receiving ethics training on a regular basis, but some were not familiar with training provided specifically on fraud.

The fraud risk framework states that agencies should require all employees, including managers, to attend fraud awareness training upon hiring and on an ongoing basis thereafter, and maintain records to track compliance. Further, fraud awareness training should include stakeholders with responsibility for implementing aspects of the program, including contractors and other external entities responsible for fraud controls. Without regular training for USADF staff, contractors, and implementing partners, USADF cannot ensure that it is adequately protecting USADF funding from fraud risks.

- **Employee-integrity activities.** USADF had some procedures designed to prevent fraud among headquarters staff. As previously mentioned, the agency conducted ethics training separately from the USAID OIG fraud awareness training. The annual ethics training used the Uniform Standards of Ethical Conduct for Employees of the Executive Branch and included information for employees about:
 - receiving and giving gifts between outside sources and employees,
 - conflicts of interest, impartiality when performing official duties, and
 - the misuse of official positions.

However, USADF officials told us that while the ethics training was regularly conducted for headquarters staff, the training occurred only on an ad hoc basis for in-country staff. The ad hoc nature of the training occurred because there was no policy to ensure such training had been completed and because there were vacancies in the Office of General Counsel, according to USADF officials.

Other policies designed to prevent fraud among staff included financial disclosure requirements and identifying and reporting conflicts of interest in the grant selection and development processes, as previously mentioned. The fraud risk framework outlines leading practices that help ensure employee integrity. These include conducting background checks to screen employees for integrity issues as well as developing and communicating a standard of conduct that applies to all employees, including leadership. This communication should include general expectations of behavior, prohibited behavior, and the program's response to violations of the standard of conduct, among other things. Employee-integrity activities can prevent fraud by helping managers to establish a culture

conducive to fraud risk management. Without this culture, the agency is more vulnerable to fraud, waste, and abuse.

- **Reporting mechanisms.** An important part of an agency's response to fraud risks is referring instances of potential fraud to the OIG or other appropriate parties, such as law-enforcement entities or the Department of Justice. USADF officials in headquarters, and some in-country staff in the two case study countries that we examined, cited their awareness of several different avenues to report suspected fraud, waste, or abuse. For example, they told us that they were aware they could report suspicions to their supervisor or the General Counsel. In-country staff also told us that grantees can contact the implementing partner staff or Country Program Coordinator directly to report problems.

Although USADF policy included mail, phone, fax, and email contact information for employees, contractors, and others to report non-criminal or criminal misuse of grant or contract fund allegations, some USADF staff told us they would report such instances to their supervisor and did not mention the USADF policy. The fraud risk framework stipulates providing multiple options in addition to hotlines for reporting potential fraud, such as online systems, e-mail, fax, written formats, or face-to-face.

Even though USADF policy stated that persons reporting allegations of fraud, waste, or abuse may remain anonymous, some employees told us that they were unaware of a mechanism to report such suspicions anonymously. In addition, in USAID OIG's August 2024 management advisory, it stated that USADF's website lacked a direct link to the OIG's website, which is required by law to help facilitate reporting and awareness of OIG and its authorities. In response to USAID OIG's recommendation, USADF updated its website with a link to the OIG hotline.

The fraud risk framework also states that agencies should ensure individuals outside the agency such as vendors, program beneficiaries, and the public who may be aware of potential fraud, can report it. According to USADF policy, all USADF employees and contractors were expected to assist in efforts to combat fraud, waste, and abuse. USADF grantee organizations were encouraged, but not required, to report suspected fraud, waste, or abuse, per USADF policy.

Further, agencies should take steps to ensure individuals feel comfortable raising suspicions by providing them the opportunity to report suspicions anonymously if preferred, treating all reports confidentially and establishing policies that prohibit retaliation for employees who make reports in good faith. Reporting mechanisms help managers to detect instances of potential fraud, and they can also deter potential fraudulent behavior if there is a belief that it will be reported to the intended party.

- **Data analytics activities.** USADF had several control activities aimed at preventing or detecting fraud at the grantee level through collecting and analyzing data. Specific activities may have involved conducting site visits, verifying compliance with legal and financial policies, monitoring progress against performance indicators, and ensuring the project has a budget. Prior to approving grant applications, USADF officials and in-country staff conducted site visits for applicants and collected due diligence documentation, which assists in determining which organizations should or should not receive grant funding. For example, in-country staff told us that they conducted a site visit prior to grant approval and identified a potential fraudulent grantee. The in-country staff had traveled to conduct the due diligence site visit and asked for the organization, but found that community members were unaware of the organization's existence. Further investigation determined the organization was fictitious.

According to USADF documentation and staff, at a minimum, due diligence documentation requirements included:

- evidence the applicant had obtained or had applied for legal recognition from relevant country authorities,
- current organizational statutes or internal regulations,
- land ownership/use, or rental documents, if applicable,
- a most recent financial statement, if applicable,
- documents on any loan or outstanding debt, and
- the USADF disclosure statement.

According to USADF policy, USADF officials were supposed to review these documents to ensure applications contained accurate information. USADF and in-country staff then worked with the grantee to develop a grant proposal, which included a project budget, milestones, and a financial assessment. USADF headquarters staff also conducted a

compliance review of all grant proposals, which included a review of all legal, environmental, safety, and financial aspects of the project.

USADF policy required grantees to submit quarterly reports documenting the status and use of USADF funds received and tracking project progress toward grant objectives. USADF used data in these quarterly reports to monitor progress for each project. According to in-country staff, if they identified concerns in the quarterly reports, this may have prompted more frequent site visits and possible remediation, if needed. During site visits, in-country staff told us they reviewed financial and procurement records for corroboration and then submitted a site visit report to USADF headquarters.

The fraud risk framework notes that data on program implementation and integrity would ideally be collected in a variety of ways. Site visits can be an important part of this oversight process. The fraud risk framework also states that agencies can take a risk-based approach to data analytics and consider the benefits and costs of investing in specific data-analytic tools and techniques.

Develop a plan outlining how the program will respond to identified fraud. USADF outlined how the program would respond to identified fraud among grantees in its grant termination and misuse of funds policies, but according to USADF officials it did not address how it would respond to fraud within headquarters and leadership roles. In-country staff told us that when they identified suspected fraud among grantees, they reported the situation to their immediate supervisor or Country Program Coordinator, who then relayed the issue to the program staff and General Counsel in headquarters. One in-country staff member also mentioned that they were aware of USADF policy requirements to report suspected fraud to the USAID OIG hotline. However, as mentioned previously, other staff we spoke to did not know where to find this contact information. According to USADF policy, a project may be subject to termination for cause if a grantee had fraudulently misrepresented material facts during the application or project development process.

As noted above, USADF had some fraud prevention and reporting policies and procedures in place such as the misuse of grant funds policy and ethics trainings, but it did not have a plan outlining how the agency would respond to fraud at the headquarters level according to USADF officials. USADF officials told us that leadership had not prioritized dedicating the human resources needed for more fully designing and

implementing a plan to respond to fraud at the headquarters level, focusing instead on grantee policies and procedures.

Establish collaborative relationships with stakeholders and create incentives to help ensure effective implementation of the antifraud strategy. USADF had taken some steps to establish collaborative relationships with stakeholders to manage fraud risks, but improvements could be made to help ensure these relationships contribute to effective implementation of an antifraud strategy. For example, USADF policy stated that the President of USADF is responsible for sending a notification to the U.S. ambassador for the relevant country for all new activities in that country at least 15 days in advance of funding the activity. The notification consisted of a brief letter from the USADF President to the U.S. ambassador of the country where the proposed activity was located and an executive summary of the project, according to USADF policy. According to USADF officials, such notification gave the U.S. embassy the opportunity to respond and raise potential concerns regarding the organization USADF was considering for an award, such as identifying any applicants that were bad actors on record with the U.S. embassy. This vetting step could be used to inform USADF's decision on whether to fund a potential grantee, based on any known information about the applicant's risk level.

However, USADF notified the ambassador at the end of the grant award process, right before the grant is awarded, and the notification was largely seen as a formality, according to some senior USADF and U.S. embassy staff. U.S. embassy staff in Zambia also told us that they were not expected to respond to the ambassadorial notification.

Additionally, USADF officials told us that in-country staff collaboration with stakeholders, including the embassy, was at the discretion of the Country Program Coordinator, and it varied among countries. USADF had a policy that outlined its relationship with other foreign affairs agencies, which could have been used to ensure that better coordination occurs. However, we found that the level of collaboration with other U.S. government agencies varied among our case study countries and was limited in Zambia. According to embassy staff in Zambia, USAID previously worked with several trained and vetted small agriculture-based companies in Zambia that USADF could have leveraged if it had worked more closely with USAID. Information sharing with USAID in these cases could have also provided USADF with more information regarding any potential fraud risks associated with applications or emerging fraud schemes in Zambia.

Without standardized policies to guide collaboration with U.S. partners in the countries that USADF operates in, the agency misses the opportunity to obtain critical information related to potential grantees or other organizations in each country within which USADF operates. As a result, USADF's risk-based decision making about who and what projects it funds could be better informed. That information is particularly important in countries that are perceived as having higher levels of public corruption. Agencies that effectively manage fraud risks collaborate and communicate with internal and external stakeholders to share information on fraud risks and emerging fraud schemes as well as lessons learned related to fraud control activities, according to principles in the fraud risk framework.

USADF Had Inadequate Policies, Procedures, and Practices to Ensure the Appropriate Use of Award Funds

Although, as of fiscal year 2024, USADF had some policies and procedures to use award funds appropriately, they were sometimes not followed, unclear, outdated, undocumented, inadequate, or insufficiently managed. We found several instances where USADF potentially used an award type that did not align with legal requirements.³⁴ In addition, USADF in-country staff and implementing partners in Nigeria and Zambia told us that the USADF policies and procedures provided to them were not always sufficient to guide their work. Without updated and comprehensive award policies and procedures, USADF may be unable to ensure its award funds are used appropriately to achieve its mission and according to federal standards.

USADF Did Not Have Policies or Procedures for Guiding Decisions on Choosing Award Types

USADF did not have internal policies or procedures to help guide award type decisions, and we found instances where USADF may have chosen an award type that did not follow legal requirements. For example, USADF used a contract and cooperative agreement to obtain travel coordination services. The Federal Grant and Cooperative Agreement Act of 1977 provides agencies with criteria to be considered when making award type decisions. This includes the intended nature of the

³⁴31 U.S.C. §§ 6301-6305.

relationship between the agency and recipient and the principal purpose of the award.³⁵

Award type decisions impact other elements of awards because different regulations are applicable based on award type, and federal law requires that contracts, cooperative agreements, and grants be used for specific purposes. For example, competition and oversight requirements differ for contracts compared with grants and cooperative agreements. Based on the act, awards for travel coordination services that are directly used by the U.S. government would generally be awarded via a contract and not a cooperative agreement.

We also found an instance where USADF used a cooperative agreement to continue paying a PSC after their contract had expired, according to officials. Officials said they felt pressured by the USADF President to use this award type to prevent a gap in payment, which officials said they felt was inappropriate. Officials said this approach is not a best practice and that the use of this type of agreement should be limited and rare. USADF officials said they did not have sufficient agency policies or procedures to guide decisions on choosing an award type. They also noted that the reporting structure at USADF sometimes caused issues related to award type decisions. Having documented policies and procedures to guide award type decisions could help officials respond to pressure to choose the incorrect award type and promote accountability for these decisions.

USADF officials said they also did not document the rationale for choosing a specific award type. Officials acknowledged that documenting the rationale for choosing a specific award type would improve transparency, but it was not a requirement in agency policy. Officials noted that agency leadership had not prioritized dedicating human and technical resources to implementing policies for this internal control. *Standards for Internal Control in the Federal Government* states that management should design control activities to achieve objectives and

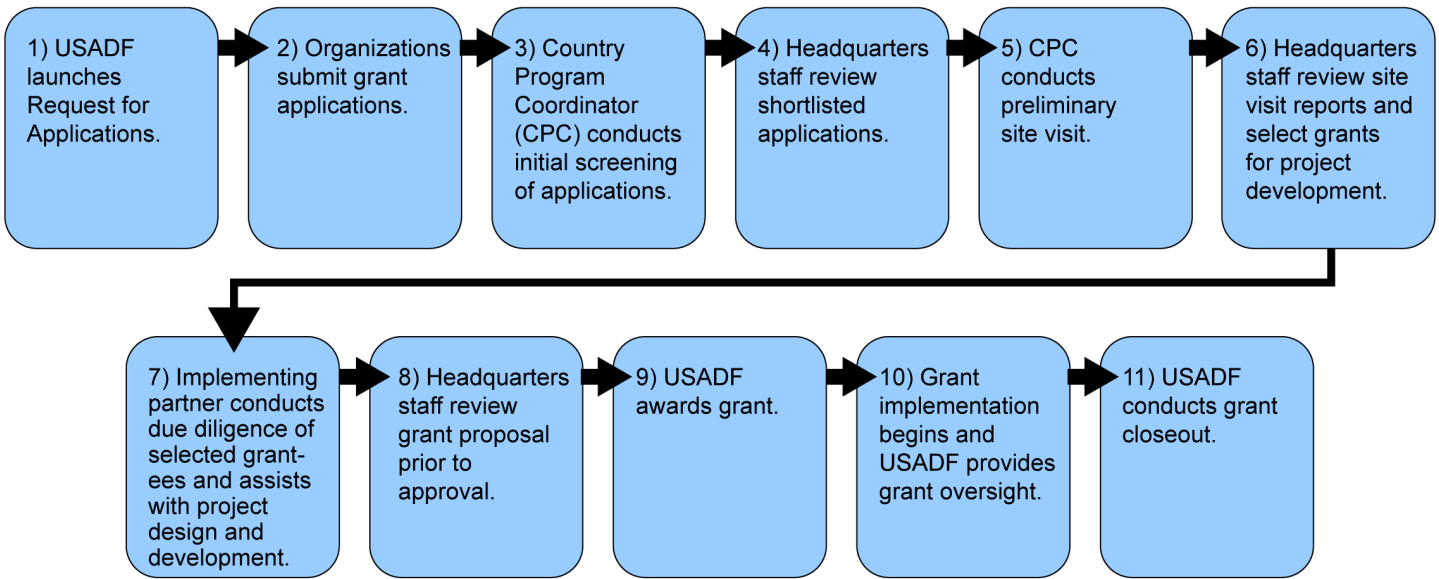
³⁵According to the act, cooperative agreements must be used when the principal purpose is the transfer of money, property, or services, or anything of value to a recipient to accomplish a public purpose authorized by law and substantial involvement is expected between the agency and the recipient. Grants must be used for the same principal purpose but when substantial involvement is not expected. Procurement contracts must be used when the principal purpose of the award is to acquire property or services for the direct benefit or use of the U.S. government, or when the agency decides in a specific instance that the use of a contract is appropriate. Pub. L. No. 95-224, 92 Stat. 3 (Feb. 3, 1978), codified as amended at 31 U.S.C. §§ 6301-6308. One of the stated purposes of the act is to maximize competition in making procurement contracts and encourage competition in making grants and cooperative agreements.

respond to risks, including ensuring appropriate documentation of internal controls.³⁶ A lack of sufficient policies and procedures to guide award funding decisions not only leads to a lack of transparency, but it creates the risk of potential misuse of funds and opens the door for management override, which increases the risk of fraud, waste, or abuse.

Many USADF Grant Policies and Procedures Were Outdated or Undocumented

USADF policies and procedures outlined the process for selecting, developing, monitoring, and overseeing USADF grants, but many of the policies were outdated or undocumented. We found that during USADF headquarters review of applications, staff used a due diligence checklist to ensure applicants qualified for USADF funding and provided all required documentation, see figure 9.

Figure 9: U.S. African Development Foundation (USADF) Grant Process



Source: GAO analysis of U.S. African Development Foundation (USADF) documents and testimony. | GAO-25-107574

However, many of the policies were outdated or undocumented. Outdated and undocumented policies and procedures can lead to misunderstandings or uncertainty about the correct award procedures to follow and creates financial risks.

³⁶[GAO-14-704G](#)

Outdated award policies and procedures. Various sections of the USADF policy manual outlined grant policies and procedures. However, although USADF policy stated that its policies should be updated when it becomes apparent that changes are required, these manual sections were out of date and did not match staff training materials or what was done in practice.

A USADF official said most of the General Counsel's time was spent reviewing USADF grants for compliance, with little or no time to review and update the policy manuals. According to officials, in May 2024, USADF hired a new Associate General Counsel, which staff hoped would free up more time to focus on important tasks such as updating the policy manual to match what was being done in practice. For example, officials told us that energy grants followed a policy manual section that was created in 2016, but that this section needed to be updated to reflect actual practices.

USADF officials told us that many energy grants required a waiver because while the policy manual section stated that this award type cannot be over \$100,000 or last longer than 18 months, they had learned that these requirements were not realistic because energy grants typically required more time and money. An official said a memo was submitted a few years ago to update the policy, but due to staff turnover in the Office of General Counsel, the policy had still not been updated as of February 2025. This difference in policy and actual practice opens the door for risk, if not managed appropriately.

USADF's grant disbursement policy, which was last updated in 2009, was also out of date. According to an official, the mechanisms described in the policy manual section were no longer accurate as the policy predated the current grant management system. An official said there were several written guidance documents that described the process, but some of the mechanisms included in the guidance were also no longer current. Officials responsible for updating USADF policies said they did not have time to focus on updating grant policies and procedures. One official said this was because USADF was understaffed.

Officials also said they did not have a process to update their policies. This was because, according to officials, agency leadership had not prioritized or dedicated personnel to ensure grant policies and procedures were current and comprehensive. In addition, officials said turnover and vacancies in the Office of General Counsel had impacted their ability to

update policies. Instead, there was more of an emphasis on updating training materials, according to officials.

Undocumented policies and procedures. USADF had several practices that were not documented in formal policies and procedures. This lack of documentation may have led to misunderstandings about what award processes and procedures to follow, or confusion about roles and responsibilities. For example, USADF’s policy manual did not mention expectations for how to use its current grant management system. According to officials, USADF leadership had prioritized providing such guidance to staff through training rather than through policies.

USADF also did not have policies or procedures to guide country programs that did not have a CPC on site, according to officials. USADF officials said they typically did not have a CPC in certain countries because the programs were small or only in one region of a country. Officials said the implementing partner typically took on the role of the CPC in countries without one, which meant they also conducted the solicitation for grants. As of January 2025, USADF did not have a CPC in the Democratic Republic of the Congo, South Sudan, Somalia, or Burundi. This undocumented policy and related procedures could lead to uncertainty about roles and responsibilities, potentially leading to a lack of segregation of duties, raising the risk of the misuse of funds.

USADF Policies and Procedures for Cooperative Agreements Were Sometimes Unclear, Outdated, or Undocumented

Although USADF had some policies and procedures for cooperative agreements, we found that they were sometimes unclear, outdated or undocumented, which could lead to confusion over which award type should be used, and how they should be managed. For example, USADF used cooperative agreements under two internally defined types, cooperative agreement partnerships (CAP) and cooperative agreement grants (CAG). USADF used CAPs to hire local implementing partners to oversee project grants and used CAGs for other purposes, such as to hire a travel agency to help with administrative and travel needs in Africa. However, these two award types were not defined anywhere in USADF policy, including their intended purposes.

We found that some implementing partners were funded through both a CAP and a CAG. For example, officials said when an implementing partner also oversaw partnership grants, USADF would typically award them a CAG for this work, in addition to their standard CAP. According to officials, CAG awards were not competitively awarded, but CAPs were. Officials said USADF conducted market research to find an organization to meet its needs for CAGs, but this process was informal and not

documented. Officials acknowledged that documenting this process would increase transparency for its CAG awards.

According to U.S. Code, government agencies must use cooperative agreements as opposed to grants when “substantial involvement” is anticipated between the government and the recipient. Conversely, grants must be used instead of cooperative agreements when such substantial involvement is not anticipated. USADF outlines the substantial involvement it anticipates in its CAP awards, but did not always do so in its CAG awards.

USADF also appeared to sometimes use the terms grants and cooperative agreements interchangeably, even though federal law defines them as distinct award types that contemplate different levels of involvement from the government. For example, USADF awarded a CAG to an organization in Cote D'Ivoire in 2020, but throughout the award agreement, the terms cooperative agreement and grant were both used.

According to USADF officials, CAGs followed USADF’s standard grant policies, which, as previously noted, were also outdated or undocumented. In addition, USADF’s policy manual did not document that CAGs should follow its grant policies. Officials told us that CAGs had different reporting requirements and budget structures, than CAPs. In addition, the level of engagement from headquarters staff was different. CAGs and CAPs also had different audit requirements, according to officials. According to USADF’s grant audit policy, with some exceptions, all grants over \$100,000 shall receive an audit at the appropriate time during the life cycle of the grant as well as up to three years after grant expiration. Agency officials told us the audit policy for grants should also apply to CAGs, but this was not documented. All CAPs should be audited annually, according to USADF grant audit policy.

USADF policies for CAP oversight covered disbursement procedures, financial and accounting requirements, and audit guidelines. However, we found that one of the policies was more than 10 years old, one was more than 15 years old, and another was more than 30 years old. USADF officials told us that as a result, many of their policies no longer matched what they did in practice. USADF officials said that other guidance for CAPs was documented in templates such as the request for application and the award agreement, and also in training materials. We found that some of the information included in these documents was not outlined in official policy. For example, the CAP award template outlined various ways in which the agreement could be terminated, but this was not

outlined in an official policy document. According to officials, agency leadership had not prioritized or dedicated resources to ensure all cooperative agreement policies and procedures were up-to-date and documented.

We also found that unclear or missing guidance contributed to instances where USADF may have used CAGs inappropriately. For example, according to an official, USADF wanted to pursue a contract with a technical partner, before deciding to enter into a cooperative agreement with a different organization, which then provided most of the funding to this technical partner. As noted previously, certain federal award types must be used for specific purposes and under specific anticipated circumstances. Without clear, up-to-date, and documented policies and procedures for cooperative agreements, including potential partners, USADF opens the door for the misuse of funds.

USADF Had Insufficient Internal Policies and Procedures on Contract Awards and Engaged in Questionable Contracting Practices

We found that USADF had insufficient internal policies and procedures for contract awards and, ARC officials told us about questionable practices in which USADF engaged when making awards. USADF used contracts for various purposes, including to hire staff both domestically and abroad. The agency used ARC services to support the awarding of these contracts, according to USADF officials.

USADF lacked policies or procedures outlining roles and responsibilities for contract management, which could make it easier for an individual to commit fraud. USADF also did not have written policies or procedures for the use of sole source contracts. USADF did not develop their own policies and procedures for contract awards because, according to officials, they used ARC's Customer Care Package as their policy instead.³⁷ However, ARC officials informed us that their package provided basic "cheat sheet" information for their clients and was not intended to be a policy document.

USADF officials said they also relied on other guidance, at times. For example, USADF officials said the Contracting Officer's Representative (COR) designation letters outlined some relevant guidance. Specifically, the letter identified authorities and duties for USADF's CORs. However, the information in the letter was general and was not included in USADF's official policy manual. In addition, the letter did not contain information

³⁷ARC's Customer Care Package outlines the services it provides to its government clients, along with guidance on what to include in an acquisition package and timelines and due dates.

outlining USADF's policy or process for assigning CORs or the required training to become a COR. It also did not include information specific to USADF, such as the role of program staff in overseeing contractors.

USADF also engaged in questionable contract award practices regarding the integrity of these awards, according to ARC officials. ARC officials reported raising with USADF various concerns about its contracting practices. For example, ARC officials said USADF staff had steered contracts to former USADF contractual employees, cancelled solicitations when desired prior contract employees did not win the contract, and directed ARC on who to hire and what to pay their former contractual employees. ARC officials noted that these practices all go against Federal Acquisition Regulation (FAR) provisions related to procurement integrity.³⁸ These practices can also be a sign of potential procurement fraud and abuse schemes, such as bid rigging and unjustified sole source awards.³⁹

According to USADF officials, part of the reason that they did not have contract award policies and procedures, was the lack of staff to develop and implement them. In addition, USADF last had its own contracting officer in 2011 and had struggled to fill the position, according to officials.

Due to its concerns about USADF's contract award practices, ARC notified USADF in September 2023 that it would no longer support future awards of certain contracts, such as those for USADF domestic PSCs, starting in fiscal year 2025.⁴⁰ In response, USADF officials reported that they hired a contracting officer at the end of fiscal year 2024, but this individual was not yet warranted at the time of our review, meaning they could not execute, modify, or terminate a contract. USADF officials said

³⁸FAR 3.104, *Procurement Integrity*.

³⁹Contract or procurement fraud typically occurs when a government employee or contractor knowingly and willfully executes a scheme to defraud the government or when a party obtains information by deception or misrepresentation to receive inappropriate payment from the government. Common schemes include collusive bidding or price fixing, unjustified sole source awards, or other schemes that manipulate the procurement process.

⁴⁰ARC contracting staff addressed and documented the various concerns regarding USADF's repetitive actions over the course of several years, dating back to at least 2021. Concerns persisted with USADF actions until 2023, at which time ARC procurement representatives notified USADF regarding the cessation of services with regard to domestic personal services contracts.

their goal was to have the contracting officer warranted before the current domestic PSCs were due to expire at the end of fiscal year 2025.

USADF faced similar challenges regarding the lack of policies and staff to implement COR contract oversight responsibilities. USADF officials acknowledged that there were no written policies or procedures related to the oversight of contractors outside of the COR designation letter. In addition, USADF officials said they did not have enough staff certified as CORs to adequately oversee its contractors, especially program staff who oversee grant implementation. The sole program staff member who was COR certified oversaw all 15 foreign PSCs and one domestic PSC. As of November 2024, USADF had three CORs on staff, but officials acknowledged that they had not conducted workforce planning to determine the appropriate number.

Without enough staff certified as CORs, USADF was not ideally situated to provide adequate oversight of its contractors. In addition, without conducting workforce planning, USADF was not positioned to determine the appropriate number of CORs it should have on staff to provide such oversight.

Overall, having internal policies and procedures for contract awards would help USADF ensure that its contract awards are correctly used to achieve its mission and reduce the risk of fraud, waste and abuse. Without such policies and procedures, USADF may award contracts in situations that are not in line with legal requirements. Further, without enough trained contracting personnel, USADF cannot ensure that it is conducting proper oversight of its contracts.

Recent Developments in Agency Staffing and Operations Increased Risk of Fraud, Waste, and Abuse

During the time of our review, USADF underwent significant changes to its staffing and operations which could limit the agency's ability to follow proper grant closure procedures, and increase the risk for potential fraud, waste, and abuse. As discussed earlier in this report, implementing partners operating in African countries have stopped implementing USADF programs, since January 2025.

The majority of USADF grants were terminated, according to USADF officials. However, USADF officials were unable to confirm which specific grants remained active or were terminated because of their lack of access to documentation. Specifically, between April and July 2025, all USADF employees and contractors, including the one remaining official, lost access to their grants management system and internal documents.

USADF grant closeout policies required a full reconciliation of disbursements and expenses for each grant and a summary of income generating activities over the course of the grant agreement, among other programmatic tasks. OMB Uniform Guidance requires grant closeout, and USADF policies stated that such activities should be completed no later than 150 days after grant agreement expiration.⁴¹

USADF officials' lack of access to their systems between April and July 2025, limited their ability to conduct award closeout activities. In addition, agency officials were not aware of any written plans with targets, timetables, or tracking systems to ensure an orderly closeout process is followed for the remaining active and completed grants. Sufficient staff are needed to conduct closeout activities, such as reconciliation and accounting for monetary assets in foreign bank accounts and ensuring proper disposition of equipment and vehicles owned by the U.S. Government. Without enough staff and resources to follow procedures for orderly closeout, there is an increased risk of fraud, waste, or abuse of unused taxpayer funds or assets being used for unintended purposes.

Conclusions

Since its creation in 1980, USADF has invested millions of dollars directly to African-led community organizations and entrepreneurs to address poverty in Africa, particularly among women and youth. However, USADF had not prioritized workforce planning to ensure the agency had adequate human resources to develop and implement a strategic approach to maintaining updated internal controls and managing its fraud risks. Managers of federal programs maintain the primary responsibility for ensuring program integrity. Federal guidance and internal control standards have increasingly focused on the need for program managers to take a strategic approach to managing risks, including fraud.

At the time of this report, USADF was undergoing significant changes and potential closure of its operations. Should USADF programs and operations continue or resume within this agency or another in the future, implementing a strategic approach to mitigating risks would help ensure that funding and awards achieve the program's mission and strategic goals, while reducing the risk of fraud, waste, and abuse. A framework of proactive fraud risk management would help ensure that taxpayer dollars serve their intended purposes.

⁴¹Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. § 200.344.

Recommendations for Executive Action

Should USADF programs and operations resume in the future or be transferred to another entity, GAO makes the following four recommendations to the USADF President or the head of any entity assuming responsibility for USADF's programs:

The USADF President should conduct workforce planning assessments to determine USADF's needs and ensure it has the necessary personnel to support, among other things, establishing internal control policies, assessing and mitigating fraud, ensuring appropriate separation of duties, managing procurements, and maintaining up-to-date policies and procedures. (Recommendation 1)

The USADF President should implement policies and processes for an effective and strategic internal control environment for managing fraud risks, waste, and abuse, such as ensuring the Board of Directors establishes the required advisory council. (Recommendation 2)

The USADF President should establish a strategic approach to managing fraud risks consistent with leading practices, such as designating someone within USADF to lead fraud risk management activities; planning regular program fraud risk assessments and developing a fraud risk profile; conducting regular fraud-awareness training; and developing a plan outlining how the program will respond to identified fraud. (Recommendation 3)

The USADF President should develop a process to ensure that its policies and procedures guiding decisions on and use of awards are documented, reviewed periodically, and reflect relevant laws and regulations. (Recommendation 4)

Agency Comments

We provided a draft of this report to USADF and Treasury for review and comment. In its comments, reproduced in appendix II, USADF concurred with our recommendations, stating that if USADF continues operations, it is committed to strengthening its internal control environment and aligning its practices with GAO's Fraud Risk Framework. Treasury did not have any comments on the report.

We are sending copies of this report to the appropriate congressional committees, USADF Executive Leadership, the Secretary of the Treasury, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact Latesha Love-Grayer at lovegrayerl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

//SIGNED//

Latesha Love-Grayer
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

This report examines the extent to which U.S. African Development Foundation (USADF) (1) had policies and procedures in place to strategically prevent, detect, and respond to fraud, waste, and abuse, (2) followed leading practices for managing fraud risks, and (3) had policies and procedures to ensure funding for program and operational awards were used to achieve its mission.

Our review covered programs and policies at USADF from fiscal years 2020 through 2024. However, given the significant changes occurring at USADF after that time, we continued to collect and include information related to our scope of fraud risk management, to fiscal year 2025, where possible. In developing our scope, and throughout the engagement, we coordinated closely with the USAID Office of the Inspector General (OIG) which also had ongoing work on USADF. When possible, we coordinated to minimize duplication and overlap between our work. For example, the OIG's scope focused on USADF grants funded through partnership arrangements with private organizations, other U.S. government agencies, and local African governments. Therefore, we chose to exclude partnership grants from our review and focus on grants funded solely by USADF, and activities funded through other mechanisms, such as cooperative agreements and contracts.

We selected two case study countries, Nigeria and Zambia, to examine USADF's policies and procedures for managing fraud risks at the country level. We based our selection of these countries on a number of criteria including country budget; number of active awards; length and scope of agency presence in location; fraud, waste, and abuse allegations raised; and geographic diversity. Lastly, we scoped out the countries visited by the USAID OIG as part of its related USADF work to minimize potential overlap or duplication in our work. We reviewed documents and conducted interviews with relevant program managers at headquarters overseeing programs in Nigeria and Zambia, Country Program Coordinators, and implementing partner staff. We also traveled to Zambia to observe the results of USADF grants and interview grantees.

To examine the extent to which USADF had policies and procedures to strategically prevent, detect, and respond to fraud, waste, and abuse, we reviewed relevant laws, regulations, and guidance, such as the Payment Integrity Information Act of 2019¹, Office of Management and Budget

¹Pub. L. No. 116-117, 134 Stat. 113 (Mar. 2, 2020), codified at 31 U.S.C. §§ 3351-58.

(OMB) Circular A-123², and GAO's *Standards for Internal Control in the Federal Government*. Specifically, we focused on principle 7, to identify, analyze, and respond to risks related to achieving the defined objectives, and principle 8, consider the potential for fraud when identifying, analyzing, and responding to risks.³ We collected agency documents and guidance and analyzed the extent to which they have policies and processes in place to prevent, detect, and mitigate fraud, waste, and abuse. These documents included policy and operations manuals, training materials, ethics guidance, and other internal memos and documents.

In addition to reviewing the written policies, we interviewed USADF leadership and staff to learn about the policies and procedures USADF has in place to strategically prevent, detect, and respond to fraud, waste, and abuse, and staff understanding of these policies. We interviewed USADF officials in Washington, D.C., including the Board of Directors, and in our two case study countries, USADF leadership including the Chief Financial Officer, Chief Program Officer, and General Counsel, and other officials throughout the agency who were responsible for aspects of finance and administration, audit, and program oversight.

We conducted a survey of all current USADF staff and contractors in fall 2024. This survey asked staff for their opinions and experiences related to several issues such as ethics; resources; communication; agency efforts to combat fraud, waste, and abuse; fraud risk assessments; and agency culture. However, after conducting the survey, concerns were raised about the ability of staff to honestly report their experiences and opinions. Therefore, we used the responses to inform our audit work and conduct individual interviews with USADF staff and contractors, but did not report the results independently.

To assess the extent to which USADF followed leading practices for managing fraud risks, we analyzed agency documents and interviewed staff at both headquarters and in our two case study countries. We collected and analyzed USADF policies and procedures including those related to project quality assurance, grant termination, and reporting allegations of improper conduct, among others. We also reviewed past reports and audits conducted by USAID OIG including its Management

²*Management's Responsibility for Enterprise Risk Management and Internal Control*, (July 15, 2016).

³[GAO-14-704G](#).

Advisory on Nonreporting of Suspected Misuse of USADF Grant Funds and Equipment, and Audits of USADF's Financial Statements. We identified leading practices from each of the following three components for effectively managing fraud risks in GAO's Fraud Risk Framework (the fraud risk framework):⁴

1. commit to combating fraud by creating an organizational culture and structure conducive to manage fraud risks,
2. plan regular fraud risk assessments and assess risks to determine a fraud risk profile, and
3. design and implement a strategy with specific control activities to identify and mitigate assessed fraud risks and collaborate to help ensure effective implementation.

We selected leading practices from the Commit and Assess components because establishing an organizational structure and identifying and assessing fraud risks are key initial steps to developing effective fraud risk management activities. Additionally, we selected leading practices from the Design and Implement component because they represent important steps for addressing the fraud risks USADF identified and assessed. Based on our findings from the first three components of the fraud risk framework, we did not assess whether USADF implemented the fourth component of the framework because it was not applicable.⁵ The leading practices we selected from each component were chosen because the use of these practices could be objectively verified.

For each of the leading practices, we compared agency steps, policies and procedures against the criteria in the fraud risk framework to determine whether USADF had generally met, partially met, or not met each leading practice. Specifically, we reviewed agency documentation to identify all steps and policies related to each leading practice. Two analysts made judgements about whether those steps and policies were generally met, partially met, or did not meet the standards laid out in the fraud risk framework. We also conducted interviews with USADF officials,

⁴GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 28, 2015).

⁵The fourth component of the fraud risk framework is to evaluate outcomes of the implementation of fraud risk management steps outlined in the first three components and adapt activities to improve fraud risk management. However, based on our findings from the first three components of the fraud risk framework, it would not have been possible for USADF to monitor, evaluate, and adapt fraud risk management activities that they had not developed or implemented.

headquarters staff, and in-country staff in our two case study countries, Nigeria and Zambia, where we inquired about fraud risk management policies and procedures within headquarters and in-country.

To assess the extent to which USADF had policies and procedures to ensure funding for program and operational awards were used to achieve its mission, we reviewed relevant regulations, and guidance including the Federal Acquisition Regulation (FAR)⁶, OMB Uniform Guidance⁷, OMB Circular A-123, and GAO's *Standards for Internal Control in the Federal Government*. We asked staff to identify relevant award policies and procedures and reviewed and analyzed these policies and procedures.

We also reviewed documentation for a selection of awards within our scope to help provide illustrative examples of USADF awards. These awards included contracts at both headquarters and in the field, including in our two case study countries, cooperative agreements in the field and in our two case study countries, and grants in our two case study countries. This documentation was provided by USADF staff and officials, awards recipients, and the Department of Treasury's Administrative Resource Center (ARC), who supported USADF contracting. We also collected some award documentation from USADF's grant management system, GISEL. We did not assess the extent to which USADF followed their award policies and procedures because many of their award policies were out of date or undocumented. In addition, the USAID OIG was conducting an assessment of USADF partnership awards, according to USAID OIG staff. We also interviewed relevant agency staff in Washington D.C. and staff and award recipients in our two case study countries about the policies and procedures they used to ensure award funding was used to achieve its mission. In addition, we asked agency staff to outline the guidance, laws, and regulations they are required to follow. We also interviewed officials from Treasury's ARC.

We conducted this performance audit from May 2024 to September 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that

⁶48 C.F.R. Chapter 1.

⁷2 C.F.R. Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Apr. 22, 2024).

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the U.S. African Development Foundation



Management Response to GAO Draft Report GAO-25-107574

"Strategic Approach Needed to Mitigate Fraud Risks"

Date: August 21, 2025

Overall Response

The U.S. African Development Foundation (USADF) appreciates the Government Accountability Office's (GAO) review of our policies and procedures for mitigating fraud, waste, and abuse. We concur with the report's findings and recommendations. While the future of the agency is under policy review, if USADF continues operations, we are committed to strengthening our internal control environment, aligning our practices with GAO's Fraud Risk Framework, and ensuring that our programs and resources are managed with the highest levels of accountability and integrity.

Management's Concurrence with GAO Recommendations

1. **Establish a Strategic Fraud Risk Management Framework**
 1. We concur. USADF will adopt GAO's Fraud Risk Framework and implement a comprehensive strategy, including fraud risk assessments, risk profiles, and documented mitigation plans.
2. **Designate an Antifraud Entity or Officer**
 1. We concur. USADF will designate a senior-level Antifraud Officer within the Office of the CFO, supported by a cross-functional Fraud Risk Committee, to coordinate fraud prevention, detection, and response.
3. **Update and Centralize Policies and Procedures**
 1. We concur. USADF will complete a top-to-bottom review and modernization of all policies, ensuring alignment with federal internal control standards. The Foundation will consolidate these in a centralized, accessible policy repository.
4. **Enhance Award and Procurement Oversight**
 1. We concur. USADF will revise its grants and procurement policies, require enhanced documentation, and expand training for staff and implementing partners.

Proposed Plan of Action (If Agency Continues Operations)

1. Governance and Leadership

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION
1400 EYE STREET NW SUITE 1000 WASHINGTON, DC 20005-2248 TEL 202-673-3916 FAX 202-673-3810 WEB WWW.USADF.GOV

1. Appoint a **Chief Risk and Compliance Officer (CRCO)** with responsibility for risk fraud management, reporting directly to the CEO and Board.
2. Reconstitute the **Internal Control Assessment Committee** and **Enterprise Risk Management (ERM) Committee**, meeting quarterly.
3. Establish an **Advisory Council** as required by statute to strengthen oversight.

2. Policy Modernization

1. Complete a **comprehensive review of all policy manuals** by June 2026, with priority updates to ethics, procurement, and grants management sections by March 2026.
2. Develop a **centralized digital repository** of policies accessible to all staff by July 2026.

3. Fraud Risk Assessment and Mitigation

1. Conduct the **first agency-wide fraud risk assessment** within 6 months of continued funding.
2. Develop a **fraud risk profile** identifying high-risk areas (e.g., grants, procurement, country operations).
3. Implement **continuous monitoring mechanisms**, including data analytics, to detect anomalies in grant disbursement and procurement.

4. Training and Awareness

1. Launch mandatory **fraud awareness training** for all staff, contractors, and implementing partners annually.
2. Update ethics training to require reporting of suspected fraud to OIG explicitly.
3. Introduce **country-specific fraud risk training** for field staff by FY2026.

5. Strengthened Financial and Grant Oversight

1. Expand the use of **independent third-party audits** for country programs.
2. Require **quarterly financial reconciliations** of partner-held funds.
3. Enhance **procurement review procedures** in line with FAR standards.

6. Reporting and Accountability

1. Submit **annual fraud risk management reports** to GAO and OIG.
2. Issue an **Annual Statement of Assurance** on internal controls signed by the President/CEO.

Conclusion

USADF recognizes that without systematic implementation of leading practices, the agency remains vulnerable to fraud, waste, and abuse. If the agency continues operations, management is committed to institutionalizing the measures outlined above to restore confidence in USADF's stewardship of public funds and ensure effective delivery of our mission in Africa.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Latesha Love-Grayer, lovegrayerl@gao.gov

Staff Acknowledgments

In addition to the contact named above, Godwin Agbara (Assistant Director), Diana Blumenfeld (Analyst in Charge), Jessie Biltz, Neil Doherty, Jeffrey Isaacs, Samantha Jorgensen, Donna Morgan, and Alex Welsh made key contributions to this report. Also contributing to this report were Seto J. Bagdoyan, Robert Bullock, Peter Del Toro, Toni Gillich, Shirley Hwang, Laura Pacheco, Terry Richardson, and Matthew Valenta.

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