United States Government Accountability Office

Report to Congressional Requesters

July 2016

SYRIA HUMANITARIAN ASSISTANCE

Some Risks of Providing Aid inside Syria Assessed, but U.S. Agencies Could Improve Fraud Oversight

GAO-16-629

GAO Highlights

SYRIA HUMANITARIAN ASSISTANCE

Some Risks of Providing Aid inside Syria Assessed, but U.S. Agencies Could Improve Fraud Oversight

Why GAO Did This Study

The conflict in Syria has created a complex humanitarian challenge, with an estimated 13.5 million people inside Syria in need of assistance. In response, the United States has provided more than $5 billion since 2011 in humanitarian assistance, with about half supporting those inside Syria. Without an embassy in Syria, State and USAID oversee assistance remotely from neighboring countries.

In this report GAO examines humanitarian assistance provided by State, USAID, and their implementing partners to people inside Syria, including (1) factors affecting delivery of such assistance; (2) the extent to which State, USAID, and their partners have assessed risks to the programs; and (3) implementation of controls to mitigate identified risks and ensure appropriate financial oversight of humanitarian assistance. GAO selected a nongeneralizable sample of 12 funding instruments involving 9 implementing partners and analyzed the partners' risk assessments and control activities, interviewed relevant officials, and conducted fieldwork in Jordan, where several implementing partners are based.

What GAO Recommends

To provide more complete information to assist oversight activities, State and USAID should require their implementing partners to conduct fraud risk assessments. In addition, USAID should ensure its field monitors are trained to identify potential fraud risks and collect information on them. State and USAID concurred with GAO's recommendations.

What GAO Found

Delivery of U.S. humanitarian assistance to people inside Syria is complicated by three factors including a dangerous operating environment, access constraints, and remote management of programs. Active conflict creates a dangerous environment characterized by attacks on aid facilities and workers, and humanitarian organizations face difficulties accessing those in need. Additionally, U.S. agency officials must manage programs in Syria remotely, increasing risks to the program, including opportunities for fraud. Despite these challenges, according to the U.S. Agency for International Development (USAID), U.S. humanitarian assistance has reached 4 million people inside Syria per month.

Examples of destruction to health facilities after aerial attacks

Source: U.S. Agency for International Development Office of U.S. Foreign Disaster Assistance (OFDA) partner. | GAO-16-629

The Department of State (State), USAID, and their implementing partners have assessed some types of risk to their programs inside Syria, but most partners have not assessed the risk of fraud. Of the 9 implementing partners in GAO's sample of funding instruments, most assessed risks related to safety and security, but only 4 of 9 assessed fraud risks. Such an assessment is important as USAID's Office of Inspector General (OIG) has uncovered multiple instances of fraud affecting U.S. programs delivering humanitarian assistance to Syria. In May 2016, USAID OIG reported that 1 of its active fraud investigations resulted in the suspension of 14 entities and individuals. Given the challenging environment in Syria, fraud risk assessments could help U.S. agencies better identify and address risks to help ensure aid reaches those in need.

Partners have implemented controls to mitigate certain risks, but U.S. agencies could improve financial oversight. For example, almost all partners in our sample have controls to mitigate safety risks and some use technology to monitor the transport of goods. Additionally, U.S. agencies have taken steps to oversee activities in Syria, such as quarterly meetings with partners and spot checks of partner warehouses. Further, in October 2015, USAID hired a third party monitor to improve oversight of its activities and help verify progress of its programs. However, the monitors' training curriculum lacks modules on identifying fraud risks. Without such training, monitors may overlook potential fraud risks and miss opportunities to collect data that could help USAID improve its financial oversight.

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Abbreviations

COSO	Committee of Sponsoring Organizations of the Treadway Commission
FFP	Office of Food for Peace
ISIS	Islamic State of Iraq and Syria
NGO	Nongovernmental organization
OFDA	Office of U.S. Foreign Disaster Assistance
OIG	Office of Inspector General
PRM	Bureau of Population, Refugees, and Migration
QR	Quick response
UN	United Nations
UNSG	United Nations Secretary General
USAID	United States Agency for International Development
WASH	Water, sanitation, and hygiene

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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July 14, 2016

Congressional Requesters

The conflict in Syria has created a complex humanitarian challenge. In May 2016, the United Nations (UN) reported that 13.5 million people inside Syria have been affected by the conflict and are in need of humanitarian assistance, such as food, shelter, and medicine. Since the start of the conflict in March 2011, the United States, through the Department of State (State) and the U.S. Agency for International Development (USAID), has provided over $5 billion in humanitarian assistance, about half of which has been provided for assistance to people inside Syria. The United States is the largest international donor of humanitarian assistance for those affected by the Syrian conflict.

We were asked to review U.S. efforts to provide humanitarian assistance to individuals affected by the crisis in Syria. In this report we examine humanitarian assistance provided by State, USAID, and their implementing partners to people inside Syria, including (1) factors affecting delivery of such assistance; (2) the extent to which State, USAID, and their partners have assessed risks to the programs; and (3) implementation of controls to mitigate identified risks and ensure appropriate financial oversight of humanitarian assistance projects.

To identify factors affecting delivery of humanitarian assistance, we reviewed UN reports and conducted interviews with officials from State, USAID, and their implementing partners. We conducted a content analysis of monthly United Nations Secretary General reports on the humanitarian situation in Syria to categorize and summarize observations contained in the reports. We also interviewed cognizant officials. To determine the extent to which State, USAID, and their partners have assessed risks to the programs, and to evaluate implementation of controls to mitigate risks and ensure appropriate financial oversight of assistance, we selected a nongeneralizable sample of 12 of 52 fiscal year

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2015 State and USAID funding instruments[1] from 9 different implementing partners. Using these funding instruments, as well as the *Standards for Internal Control in the Federal Government*[2] and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control-Integrated Framework*,[3] we analyzed relevant documents related to risk assessment and control activities, including policies, procedures, and manuals. We also requested and reviewed risk assessments related to delivery of assistance to people inside Syria. We interviewed officials from State and USAID in Washington, DC, and officials from State and implementing partner organizations in Geneva, Switzerland. In addition, we met with officials from State, USAID, and implementing partner organizations in Amman, Jordan; and conducted telephone interviews with officials from USAID and implementing partner organizations in Ankara and Antakya, Turkey, to discuss their policies and practices regarding risk assessment and control activities. We also conducted site visits to warehouses in Jordan maintained by two of the implementing partners.

We conducted this performance audit from July 2015 to July 2016 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.

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[1]For the purposes of this report, we use the term "funding instrument" to refer to assistance instruments that are used to transfer money, property, or services to accomplish a public purpose. Grants, cooperative agreements, and voluntary contributions are all types of funding instruments that the U.S. government uses to provide humanitarian assistance to people inside Syria.

[2]GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999). GAO recently revised and reissued *Standards for Internal Control in the Federal Government*, with the new revision effective beginning with fiscal year 2016. See GAO-14-704G (Washington, D.C.: September 2014).

[3]Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control-Integrated Framework* (May 2013).

Background

Estimated Numbers of People in Need within Syria

The ongoing conflict in Syria has created a serious humanitarian challenge. Syrians, as well as Palestinian and Iraqi refugees residing in Syria, have become increasingly vulnerable due to high levels of violence and insecurity, causing many to experience multiple displacements. As of May 2016, the UN reported that more than 4.8 million Syrians had fled the country and registered as refugees, 6.5 million people were internally displaced, and 13.5 million people inside Syria were in need of humanitarian assistance. In addition, millions of people inside Syria remain trapped in besieged and other hard-to-reach areas of the country where delivery of humanitarian assistance, including food, is rare or nonexistent.[4] According to the UN, the number of people in need of humanitarian assistance inside Syria has risen steadily since 2012, as shown in figure 1.

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[4]According to the UN, a besieged area is one surrounded by armed actors with the sustained effect that humanitarian assistance cannot regularly enter and civilians, including the sick and wounded, cannot regularly exit the area. A hard-to-reach area is one to which delivery of aid is difficult for any number of reasons, including active conflict.

Figure 1: Estimated Number of People inside Syria in Need of Humanitarian Assistance, 2012 through 2015
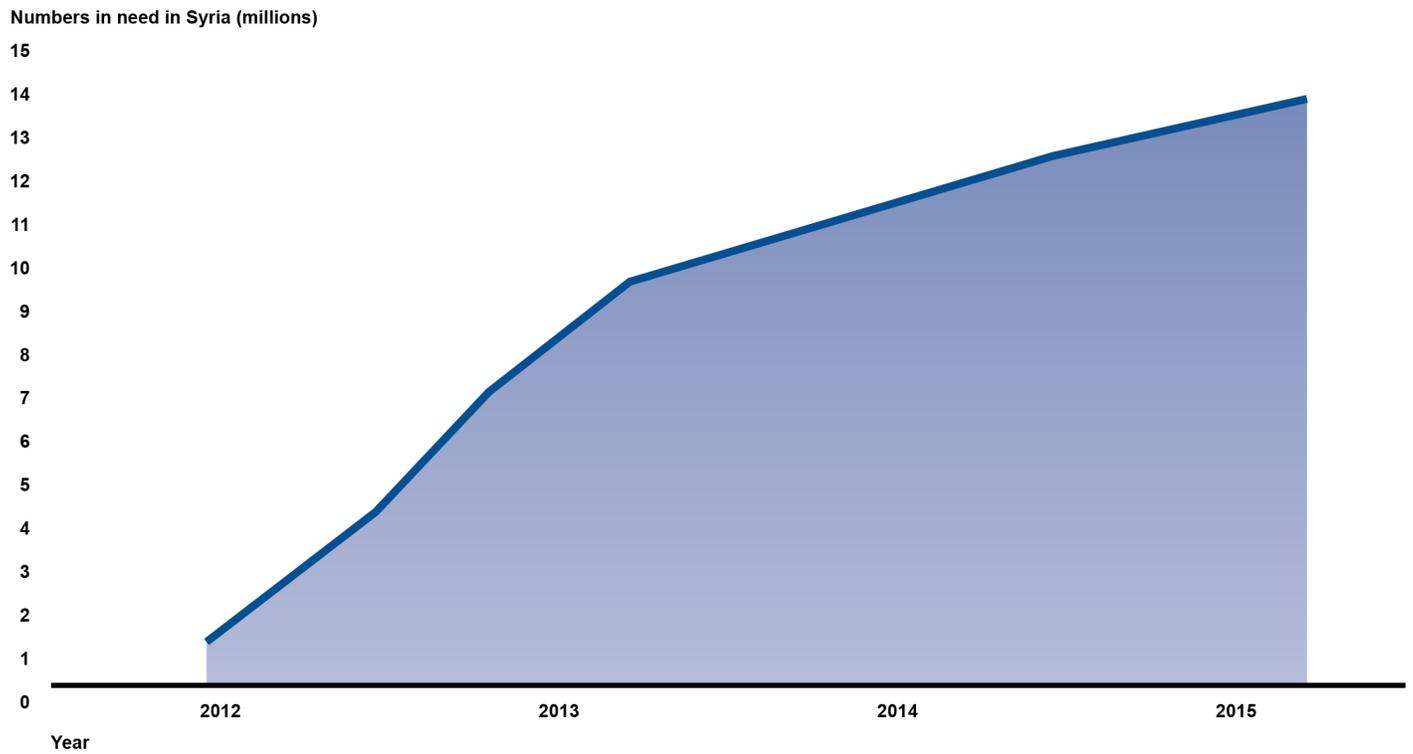
Numbers in need in Syria (millions)

Year

Funding for and Types of Humanitarian Assistance Provided

U.S. funding obligated in support of humanitarian assistance for people affected by the conflict in Syria began in fiscal year 2012 and totaled just over $5 billion, as of February 2016, as shown in figure 2.

Figure 2: Total U.S. Funding Obligated toward Humanitarian Assistance for People Affected by the Syrian Conflict, as of February 2016 (Cumulative)

USG Assistance to Syrian Response (U.S. dollars in billions)

Approximately half of obligated funding for humanitarian assistance for people affected by the Syrian conflict from fiscal year 2012 through fiscal year 2015 was provided to people inside Syria, while the other half was provided to support the more than 4.8 million people who have fled as refugees to neighboring countries.

The U.S. agencies and offices providing humanitarian assistance to people affected by the Syrian conflict include USAID's Office of U.S. Foreign Disaster Assistance (OFDA) and Office of Food for Peace (FFP), and State's Bureau of Population, Refugees, and Migration (PRM). From fiscal year 2012 through fiscal year 2015, USAID has obligated a majority of funding toward the response inside Syria—$1.7 billion for assistance inside Syria, and $694 million for assistance in the region. State has focused more on assistance to Syrian refugees in the region, providing $1.6 billion for refugees in the region and $547 million for assistance to people inside Syria, as reflected in figure 3.

Figure 3: USAID and State Funding Obligated in Support of Humanitarian Assistance for People Affected by the Conflict in Syria, Fiscal Years 2012 to 2015

Humanitarian assistance funding (U.S. dollars in millions)

USAID

State

Inside Syria

Region
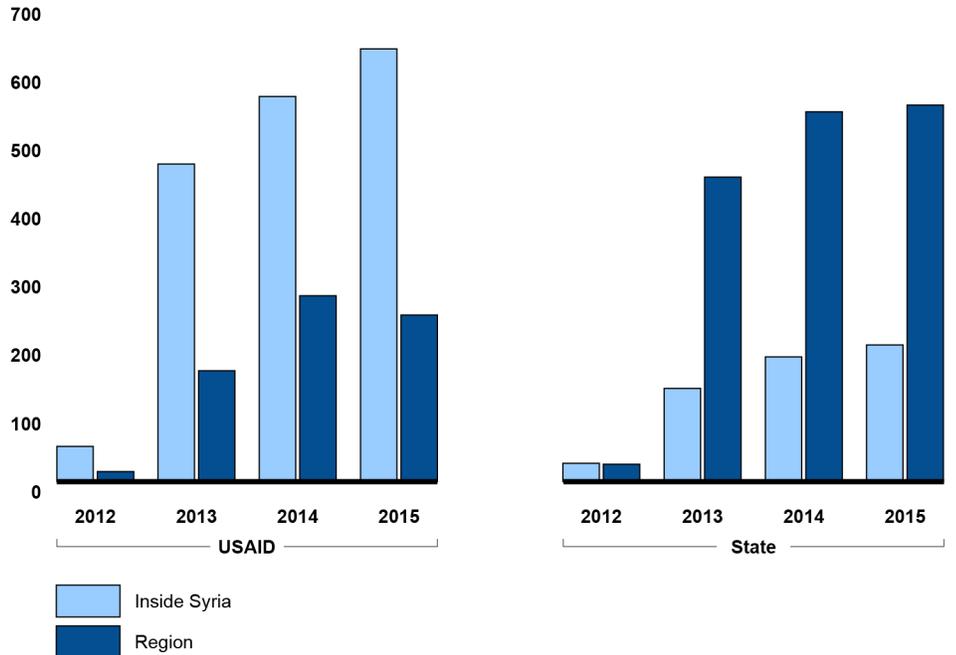
Source: GAO analysis of U.S. Agency for International Development (USAID) and Department of State (State) data. | GAO-16-629

The United States and the international community provide funding for a range of humanitarian assistance inside Syria. In general, food, shelter, nonfood items, health and nutrition, and water, sanitation and hygiene are among the main types of humanitarian assistance provided inside the country, reflecting the most acute needs. According to USAID, as of February 2016, U.S. government assistance was reaching 4 million people inside Syria per month. Figure 4 illustrates the relative amounts of the main types of assistance provided.

Figure 4: Percentages of Total International Funding in 2015 for the Main Types of Humanitarian Assistance Provided inside Syria

Food and agriculture:

In an effort to meet food needs while at the same time enhancing resilience through the provision of resources to rebuild livelihoods, food and agriculture assistance can include distribution of relief food items, monthly cash and vouchers, agricultural inputs (wheat and barley seeds), and flour to bakeries.

47%

| 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |

Percent of total
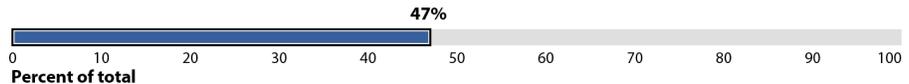
Shelter and nonfood items (NFIs):

Often the first element of emergency assistance to a crisis, NFIs can include basic household items, hygiene kits, clothing, new baby kits, and winterization kits. Shelter assistance can include the provision of adequate housing solutions, rehabilitation of public shelters, upgrading of private shelters, and the distribution of kits, tools, and shelter materials for shelter upgrade and rehabilitation.

11%

| 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |

Percent of total
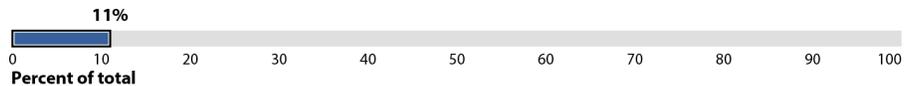
Health and nutrition:

Providing lifesaving and life sustaining humanitarian assistance through specific initiatives, health and nutrition assistance can include the provision of essential medicines, supplies, and preventive nutrition services;   strengthening trauma and injuries care, strengthening the management of noncommunicable diseases, reproductive health services, and immunization services.

11%

| 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |

Percent of total
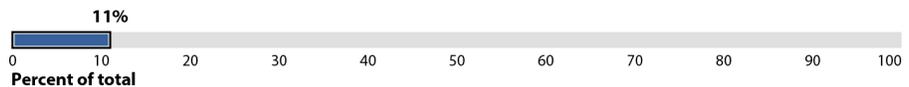
Water, sanitation, and hygiene (WASH):

WASH assistance involves both short term humanitarian assistance to meet immediate survival needs and long term support in sustaining operations. WASH assistance can include direct assistance such as water trucking and household water treatment; maintenance and operations of water, sanitation, and sewage systems; and providing access to improved WASH facilities and services.

6%

| 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |

Percent of total
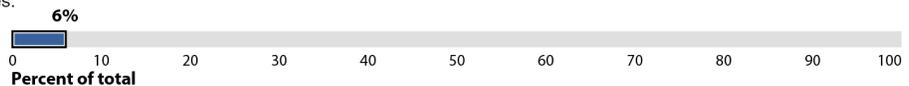
Education:

In an effort to provide access to safe and quality education to affected children and adolescents and to strengthen the capacity of education stakeholders, education assistance can include rehabilitating schools and establishing learning spaces, professional development for teaching staff, essential teaching and learning materials, and school feeding programs.
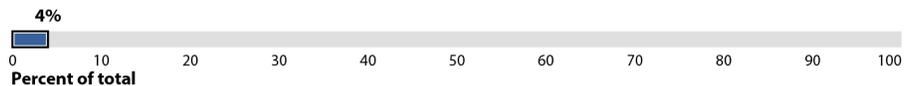
4%

| 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 |

Percent of total

Source: GAO analysis of United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) data. | GAO-16-629

Inside Syria, USAID provides funds to UN organizations and also works through nongovernmental organizations (NGO), while State works through three main partners—two UN organizations and one public

international organization. Humanitarian assistance provided by the United States in response to the conflict in Syria is part of a broader international response. Since 2013, the United States has consistently led global funding efforts. For instance, the United States provided more than a quarter of the total international funding for the 2015 Syria humanitarian response. Figure 5 shows the top ten international donors to this effort in 2015.

Figure 5: Top Ten International Donor Countries and Organizations Providing Humanitarian Assistance for the 2015 Syria Response, as of July 2016

Donor

Donor	U.S. dollars (in millions)
United States	$1,597
United Kingdom	$635
European Commission	$535
Germany	$519
Kuwait	$406
Netherlands	$199
Canada	$170
Norway	$158
Japan	$141
Saudi Arabia	$89

U.S. dollars (in millions)
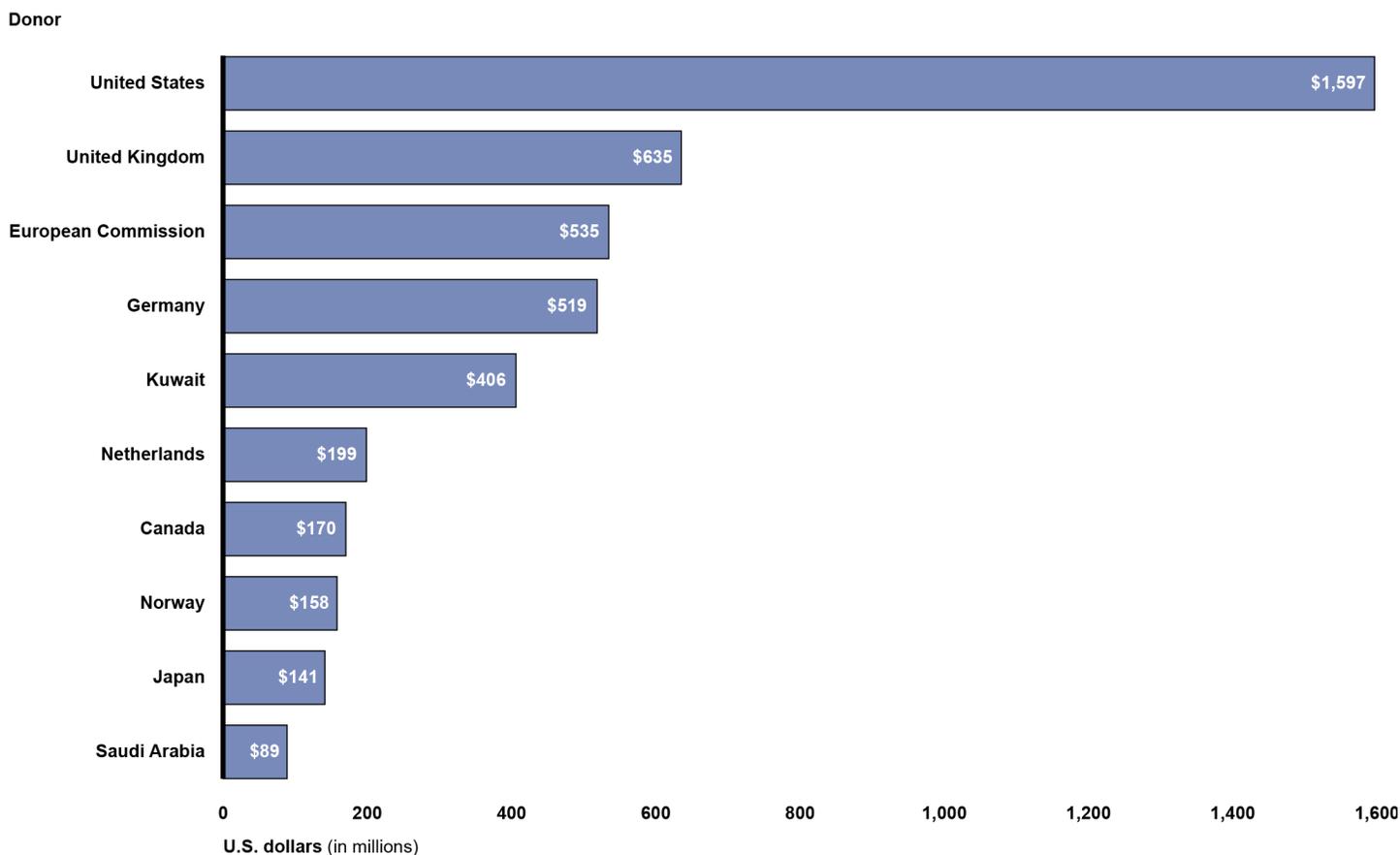
Source: GAO Analysis of data compiled by the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) on the basis of information provided by donors. | GAO-16-629

Humanitarian Assistance Operations

In February 2012, the U.S. embassy in Syria suspended operations because of concerns over staff safety due to escalating violence. Since then, the U.S. government has coordinated Syria-related activities—including nonlethal assistance, political transition assistance, and provision of humanitarian assistance—remotely from locations in Jordan

and Turkey through two interagency teams. The Southern Syria Assistance Platform, based in the U.S. embassy in Jordan, and the Syria Transition Assistance Response Team, based in the U.S. embassy and 3 other locations in Turkey, coordinate between themselves and with other State and USAID representatives, U.S. embassies, the Department of Defense, the governments of Jordan and Turkey, and other regional and international entities. Along with the Southern Syria Assistance Platform and the Syria Transition Assistance Response Team, State officials and USAID Disaster Assistance Response Teams manage humanitarian programs for Syria in partnership with UN agencies, international NGOs, and national organizations.

Humanitarian assistance operations on the ground inside Syria are heavily influenced by the ongoing conflict, which began in March 2011 when demonstrations turned into protests against the government of Bashar al-Assad. Over the past 5 years, the conflict has grown more complex as the number of participating armed actors has proliferated; they now include the Syrian government, non-state opposition groups, the Islamic State of Iraq and Syria (ISIS), and the al-Nusrah Front. In addition, a number of other countries, including Russia, Saudi Arabia, and Iran, have strategic interests in Syria and have been directly or indirectly involved in the conflict. In February 2016, the United States and Russia brokered a cessation of hostilities, excluding ISIS and the al-Nusrah Front. According to the UN, the reduction in violence following the cessation of hostilities agreement allowed for increased humanitarian assistance deliveries to hard-to-reach and besieged locations in Syria during the months of March and April 2016. However, according to State and USAID, persistent armed conflict and aerial attacks, including attacks on medical facilities, continue to negatively affect millions of Syrians, and the UN reports that the resumption of active conflict in several governorates has hindered the effective delivery of humanitarian assistance as well as people's access to essential services.

State's and USAID's implementing partners contend with the multitude of actors as well as shifting conflict lines. In general, implementing partners operating out of neighboring countries, mainly Jordan and Turkey, cross the border into Syria to deliver assistance into opposition controlled areas. UN and international organizations operating from Damascus largely remain within Syrian government controlled areas, but may also utilize cross-line deliveries—traveling from the Syrian government controlled area through checkpoints into opposition controlled areas. According to USAID, its NGO implementing partners rarely utilize cross-line deliveries. Figure 6 shows this complex operating environment.

TURKEY

Gaziantep

Al-Hasakeh

Antakya

Aleppo

Latakia

CYPRUS

SYRIA

Tartous

Homs

LEBANON

IRAQ

Mediterranean Sea

Beirut

Damascus

ISRAEL

JORDAN

Amman

	Support for overland humanitarian cargo deliveries		Border crossing point
	Inland humanitarian transport		Port
	Government controlled areas		
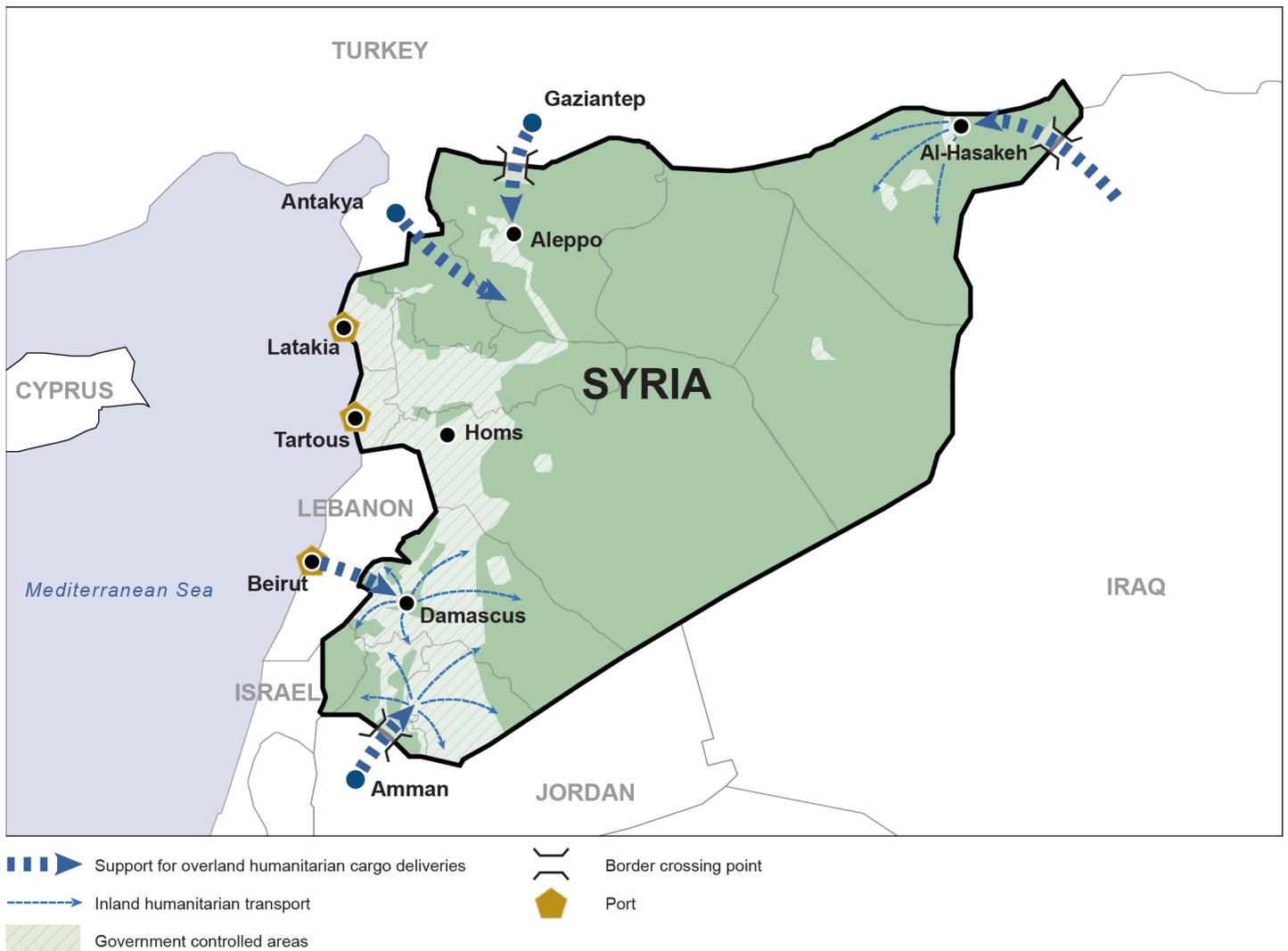
Source: GAO analysis of United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) data; Map Resources (map). | GAO-16-629

Financial Oversight

Financial oversight in humanitarian assistance programs includes managing program funds to ensure they are spent in accordance with funding instruments by, among other things, assessing financial risks and implementing controls to mitigate those risks, including controls to prevent fraud and losses due to theft and diversion. *Standards for Internal Control in the Federal Government* provides the overall framework for establishing and maintaining internal control in the federal programs. In

Internal Control Framework

The internal control standards and framework prescribed for federal agencies, and those accepted by and widely used by organizations around the world, contain five components:

1 **Control environment**

2 **Risk assessment**

3 **Control activities**

4 **Information and communication**

5 **Monitoring**

We focused on the risk assessment and control activities components to gauge the extent to which the Department of State, the U.S. Agency for International Development, and their implementing partners conduct risk assessments of humanitarian assistance into Syria and implement appropriate controls.

According to internal control standards prescribed for federal agencies, as well as those accepted by and widely used by organizations around the world, risk assessment and control activities involve, among other things:

- comprehensively identifying risks associated with achieving program objectives;

- analyzing those risks to determine their significance, likelihood of occurrence, and impact; and

- determining actions or controls to mitigate the risks.

addition, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) has issued an internal control framework that, according to COSO, has gained broad acceptance and is widely used around the world.[5] Both frameworks include the five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Internal control generally serves as a first line of defense in safeguarding assets, such as food and nonfood items. In implementing internal control standards, management is responsible for developing the detailed policies, procedures, and practices to fit the entity's operations and to ensure they are built into and are an integral part of operations.

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[5]COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent, private sector initiative that studied the causal factors that can lead to fraudulent financial reporting and developed recommendations for public companies and their independent auditors, the U.S. Securities and Exchange Commission and other regulators, and educational institutions. In 1992, COSO issued *Internal Control—Integrated Framework* to help businesses and other entities assess and enhance their internal control. Since that time, COSO's internal control framework has been recognized by regulatory standards setters and others as a comprehensive framework for evaluating internal control, including internal control over financial reporting. COSO updated its framework in May 2013 to enhance and clarify the framework's use and application.

Three Factors Complicate the Delivery of Humanitarian Assistance to People inside Syria

Effective delivery of U.S. humanitarian assistance to people inside Syria is complicated by three related factors—a dangerous operating environment, access issues, and remote management of programs. These factors can hinder the delivery of humanitarian assistance and, because U.S. agency officials must manage programs from outside of Syria, create challenges for financial oversight, such as increasing the opportunity for fraud and diversion.

The Deterioration of the Security Environment Hinders Effective Delivery of Humanitarian Assistance

The increasingly violent and widespread Syrian conflict has hindered effective delivery of humanitarian assistance. Based on our analysis of monthly UN Secretary General (UNSG) reports on the situation inside Syria, as well as interviews with officials providing assistance to Syria based both inside and outside of the country, humanitarian assistance is routinely prevented or delayed from reaching its intended target due to shifting conflict lines, attacks on aid facilities and workers, an inability to access besieged areas, and other factors related to active conflict.

The years of conflict have led to shifting areas of control as armed groups claim and lose territory. In late May 2015, for example, after ISIS took over the city of Palmyra, it reportedly seized the Syrian Arab Red Crescent warehouse, which contained food assistance for 35,000 people and hygiene kits for 15,000. According to USAID officials, this represented the largest loss USAID has experienced delivering aid inside Syria. In addition, the proliferation of armed actors has made the conflict extremely complex. According to one NGO based in Amman and operating in Syria, conflict lines in southern Syria that had been stable for a number of years began shifting rapidly in February 2016 due to Russian air strikes.

All UNSG reports from 2014 and 2015 include descriptions of indiscriminate aerial bombardment by government forces and indiscriminate shelling by armed opposition groups. Implementing partner officials based in Damascus, Syria, told us that they are constantly reaching out to contacts to determine the safety of planned delivery routes.

Humanitarian workers inside Syria must work within the insecure operating environment, affecting their ability to carry out their mission and placing their lives at risk. In addition, aid facilities are often indirectly impacted or directly targeted, leading to widespread damage. According

to the UN reports, there are frequent instances of gunfire, car bombs, barrel bombs[6], rocket strikes, and mortar attacks near aid facilities; direct attacks on medical facilities and personnel; missing or detained humanitarian workers; and injury or death of humanitarian workers. In one instance, an air strike hit the Syrian Arab Red Crescent offices in Idlib, destroying ambulances and vehicles. The UN reported that, as a result, the capacity of the Red Crescent to provide first aid services in the city was curtailed. Medical facilities have also been attacked (see figure 7). Physicians for Human Rights reported that as of November 2015, there had been 336 attacks on 240 separate medical facilities and 697 medical personnel killed inside Syria. In addition, as of the April 2016 UNSG Report, a total of 87 humanitarian workers have been killed in Syria in the conflict. This includes 17 staff members of the UN, 53 staff members and volunteers of the Syrian Arab Red Crescent, 8 volunteers and staff members of the Palestinian Red Crescent Society, and 9 staff members of international NGOs.

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[6]Barrel bombs are improvised, unguided bombs made from large, barrel-shaped metal containers packed with explosives and metal or other materials meant to increase fragment projection. According to State, the Syrian government has used them against the civilian population.

Figure 7: Damage to Health Facilities in Syria After Aerial Attack, Tel Shehab, Dara'a (left) and Al Khaf, Rural Damascus (right)

Source: USAID Office of U.S. Foreign Disaster Assistance implementing partner. | GAO-16-629

Humanitarian Organizations Face Difficulties Accessing Those in Need

Administrative procedures put in place by the Syrian government have delayed or limited the delivery of humanitarian assistance, according to UNSG reports. These reports detail multiple instances of unanswered requests for approvals of convoys, denial or removal of medical supplies from convoys, difficulty obtaining visas for humanitarian staff, and restrictions on international and national NGOs' ability to operate. According to the UNSG reports, international NGOs face restrictions, limiting their ability to partner with national humanitarian organizations, open suboffices, conduct missions, join interagency convoys, and undertake independent needs assessments. One organization told us that the Syrian government has effectively prohibited it from undertaking more permanent activities for displaced persons inside Syria, such as renovating and repairing community centers and other buildings. Furthermore, in early 2016 State reported that since the beginning of 2015, the Syrian government had received 113 requests from the UN to deliver humanitarian aid, of which 13 had been approved and implemented.

As of May 2016, the UNSG reported that 4.6 million people inside Syria are located in hard-to-reach areas and more than 500,000 of those remain besieged by ISIS, the government of Syria, or non-State armed opposition groups. Parties to the conflict heavily restrict or deny humanitarian access to besieged areas, and people risk infectious

disease, malnutrition, poor sanitation, and lack of medical care. For example, in early 2016, the UN estimated that the lives of roughly 42,000 people remained besieged by government forces in the towns of Madaya and Buqayn, where, according to the UN, deaths from diseases associated with malnutrition had been reported. Furthermore, the UN reported that in 2015, only 10 percent of all requests for UN inter-agency convoys to hard-to-reach and besieged areas were approved and delivered. In addition, according to implementing partner officials based in Damascus, even when these convoys were approved, the officials participating in delivering the assistance were sometimes subjected to hours-long delays, stretching into the middle of the night.

State's and USAID's implementing partners also told us that they rarely operate inside ISIS controlled areas because they cannot ensure that they will be able to operate within the humanitarian principles of humanity, impartiality, neutrality, and operational independence.[7] The UNSG reports contain multiple instances of ISIS blocking humanitarian and commercial access into and through areas under its control. For example, in November 2015, the UN reported that ISIS controlled and blocked humanitarian access to a stretch of highway leading to the western parts of Aleppo city. As a result, the UN was unable to deliver assistance to over 220,000 people.

Remote Management Creates Challenges for Financial Oversight of Humanitarian Assistance Delivered inside Syria

Due to restrictions, USAID and State staff manage the delivery of humanitarian assistance in Syria remotely from neighboring countries. The U.S. government closed its embassy in Damascus in 2012 due to security conditions and the safety of personnel, among other factors. According to State and USAID officials, the inability to access Syria limits the visibility that staff have over the provision of humanitarian assistance, including program monitoring and financial oversight. USAID officials noted, for instance, that unlike humanitarian responses conducted in other countries, including those in conflict situations like Afghanistan or Iraq, USAID staff are unable to visit project sites in Syria and speak with program beneficiaries. USAID officials also acknowledged several gaps in their monitoring system due to remote management, such as verifying

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[7]The World Health Organization has been able to successfully carry out polio vaccination campaigns in ISIS controlled areas.

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progress, obtaining comprehensive monitoring data on individual activities, and assessing the quality of monitoring data reported to USAID.

In the absence of direct program monitoring, USAID and State officials noted that they utilize information provided by implementing partners to help ensure effective delivery of assistance and to help their financial oversight, including mitigating risks such as fraud, theft, diversion, and loss. However, USAID officials in the region explained to us that while partners provide data and information, their inability to consistently access project sites—due to factors such as ongoing fighting, bombing raids, and border closures—limited the extent to which partners could obtain and verify progress. Similarly, staff from several USAID-funded implementing partners told us they were unable to access project sites in southern Syria, and relied on volunteers or paid NGO and subawardee staff to operate, monitor, and disseminate information on project status.

Past audit work has shown challenges to such an approach, including cases of partners not fully implementing monitoring practices, resulting in limited project accountability.[8] Further, USAID Office of Inspector General (OIG) has reported that assistance projects implemented in developing countries are at significant risk of fraud, waste, and abuse, and further noted that those risks are multiplied when projects unfold during a disaster or military contingency. Specifically, the USAID OIG has noted that aid organizations providing life-saving assistance in Syria and the surrounding region face an extremely high-risk environment, and that the absence of adequate internal controls, among other challenges, can jeopardize the integrity of these relief efforts and deny critical aid to those in need.

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[8]For instance, in 2012, we reported that security restrictions and limited resources—resulting in field monitoring constraints—weakened the ability of the World Food Program (WFP) to monitor its food distributions in Somalia, Kenya, and Ethiopia. In 2015, we reported that limited staff resources—such as USAID having two staff members in the field to oversee its Syria regional cash-based projects spread over five countries—and security constraints hindered financial oversight of cash-based food assistance projects. Similarly, an audit by the WFP OIG found that WFP had been able conduct only a quarter of planned verification activities in Syria due to security restrictions.

U.S. Agencies Do Not Require Comprehensive Risk Assessments from Implementing Partners and Most Partners Have Not Assessed Risks of Fraud

State and USAID do not require implementing partners to conduct comprehensive risk assessments for humanitarian assistance delivered to people inside Syria, and while most partners assessed safety and security risks associated with such programs, most did not assess financial risks, such as the risk of fraud. In the absence of such a requirement, USAID drafts memoranda highlighting potential risks for material support to terrorist groups and identifies the mitigation strategies implementing partners will use to reduce those risks. In addition, State asks its implementing partners to have internal control policies in place and report information on certain risks. U.S. humanitarian assistance programs in Syria have experienced instances of fraud, and without such formal assessments, implementing partners may not have all information needed to design appropriate controls to mitigate such risks. Moreover, U.S. agency officials charged with overseeing these programs may not have visibility into areas of risk, such as fraud and loss due to theft and diversion.

U.S. Agencies Do Not Require Comprehensive Risk Assessments for Humanitarian Assistance to People inside Syria

Neither USAID nor State requires implementing partners to conduct comprehensive risk assessments for humanitarian assistance to people inside Syria. Risk assessment involves comprehensively identifying risks associated with achieving program objectives; analyzing those risks to determine their significance, likelihood of occurrence, and impact; and determining actions or controls to mitigate the risk. GAO's *Standards for Internal Control in the Federal Government* and COSO's internal control framework both state that entities should comprehensively identify risks at both the entity-wide and activity levels.

While USAID requires implementing partners operating humanitarian assistance programs to people inside Syria to assess certain types of risk, it does not require these partners to create and maintain a comprehensive risk assessment for all relevant risks—which in this context could include theft and diversion; fraud; safety; security; program governance; and implementing partner capacity risks. USAID's Office of Food for Peace (FFP) and Office of U.S. Foreign Disaster Assistance (OFDA) require some implementing partners to create a Safety and Security Plan, which addresses security threats and vulnerabilities related to program locations and provides information such as contingency

planning and risk mitigation measures.[9] Moreover, in response to a GAO recommendation, FFP updated its program guidance in March 2015 to state that partners applying to conduct cash transfer and voucher-based food assistance programs should include in their applications an assessment of the risk of fraud or diversion. According to USAID, this represents a requirement that cash transfer and voucher-based food assistance programs conduct a fraud risk assessment, although it does not apply to all types of food assistance or to assistance provided through OFDA.[10] In the absence of a requirement for all implementing partners to conduct comprehensive risk assessments, USAID noted that it works closely with partners to ensure accountability and to ensure that assistance is reaching beneficiaries. For instance, according to USAID, while USAID does not have Syria-specific policies and guidance regarding risk assessments related to fraud, it has noted fraud risks in its Syria program related to the procurement process and partners have worked to address them. Relatedly, USAID officials noted that USAID has also implemented a process for documenting risks associated with programs in Syria through drafting memoranda highlighting potential risks for material support to terrorist groups and identifying the mitigation strategies implementing partners will use to reduce those risks.

State's humanitarian assistance to people inside Syria is funded through voluntary contributions to public international organizations, and neither the funding instruments for these contributions nor State's Federal Assistance Policy Directive[11] require the implementing partner to conduct comprehensive risk assessments specifically related to the assistance.[12] While there is not a requirement, according to State, it has established framework agreements with its implementing partners emphasizing the

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[9] According to USAID, they cannot require public international organizations to submit Safety and Security Plans.

[10] In 2015, FFP amended its program guidance to strongly encourage implementing partners delivering all types of food assistance to conduct risk assessments for fraud, but stopped short of making it a requirement.

[11] *U.S. Department of State Federal Assistance Policy Directive*, U.S. Department of State Office of the Procurement Executive A/OPE, January 14, 2016.

[12] State's *Federal Assistance Policy Directive* requires bureaus, offices, and posts to conduct risk assessments for assistance provided to foreign public entities, and to create monitoring plans using the results of the risk assessments, but these requirements do not apply to funding provided through voluntary contributions.

commitment of the partner to internal controls, including risk management. For example, State officials noted that the framework agreement for one of its implementing partners is updated every two years and tracks the progress of the organization's efforts to develop enterprise risk management. According to State, the basis of State's funding arrangements is that partner organizations should follow their own internal requirements for risk assessments, not only for State funding but for all contributions. However, the voluntary contribution agreements between State and these implementing partners do not reference the framework agreements or require comprehensive risk assessments. Moreover, acknowledging the need for additional information from partners operating in Syria, State has agreements with its implementing partners, called enhanced monitoring plans, asking implementing partners to regularly provide information on current conditions, including assessments of the risks of diversion and harm to staff. While collecting additional information on certain risks, the enhanced monitoring plans do not require implementing partners to conduct comprehensive risk assessments.

Most Implementing Partners Have Identified and Assessed Safety and Security Risks to Effective Aid Delivery inside Syria, But Most Have Not Assessed Risk of Fraud

All of the implementing partners in our sample have policies, procedures, or guidance related to conducting risk assessment for their programs to provide humanitarian assistance into Syria, including safety and security checklists, risk registers, and other tools for conducting various types of risk assessments. Nearly all of implementing partners in our sample (seven of nine) have policies, procedures or guidance specifically aimed at assessing risks of fraud, such as antifraud policies, procurement manuals, and risk assessment procedures for subawards.

Similarly, most of the implementing partners have conducted formal risk assessments for at least one type of risk, and several maintain risk registers that assess a wide variety of risks. For example, one implementing partner maintains a risk register that is updated on a quarterly basis and contains an analysis of ten categories of risk, such as funding, program governance, and logistics. Another partner based in Damascus has a risk register which, according to the partner, assesses 28 different risks. As shown in table 1, most implementing partners have conducted risk assessments for staff safety risks (seven of nine) or security risks (eight of nine). However, few implementing partners have

conducted risk assessments for the risk of fraud (four of nine), or for the risk of loss due to theft or diversion (four of nine). According to GAO's *A Framework for Managing Fraud Risks in Federal Programs*,[13] effective fraud risk management involves fully considering the specific fraud risks the agency or program faces, analyzing the potential likelihood and impact of fraud schemes, and prioritizing fraud risks. In addition, risk assessment is essential for ensuring that partners design appropriate and effective control activities. Control activities to mitigate the risk of fraud should be directly connected to the fraud risk assessments, and over time, managers may adjust the control activities if they determine that controls are not effectively designed or implemented to reduce the likelihood or impact of an inherent fraud risk to a tolerable risk level.

Table 1: Selected Risks Identified in Risk Assessments Conducted by Implementing Partners in Our Sample

Risk	Vulnerability	Number of implementing partners out of a total of 9 who conducted assessments for this type of risk
Safety of personnel	Road accidents, road banditry, and ambushes while driving are all safety risks for implementing partner personnel	7
Security environment	Gathering of large crowds for distribution of humanitarian assistance can cause security risks for beneficiaries	8
Loss due to theft or diversion	Diversion of humanitarian aid by armed groups or criminal elements	4
Fraud	Remote management of programs can weaken internal controls and increase opportunities for fraud and waste	4

Source: GAO analysis of implementing partner documents. | GAO-16-629

Although most of the implementing partners in our sample did not conduct assessments of the risk of fraud, there are elevated risks for fraud in U.S. funded humanitarian assistance projects for people inside Syria. For instance, in the second half of fiscal year 2015, the USAID OIG received 47 complaints reporting waste, fraud, and abuse in USAID programs related to the crises in Syria and Iraq. According to officials at the USAID OIG, they have four ongoing investigations of allegations of fraud and mismanagement related to programs for delivering humanitarian assistance to people inside Syria. Two of the investigations involve

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

allegations of procurement fraud, bribery, and product substitution in USAID funded humanitarian cross-border programs related to procurements of non-food items. One of the investigations found that the subawardee of the implementing partner failed to distribute nonfood items in southern Syria, instead subcontracting the distribution to another organization, but nevertheless billed USAID for the full cost of the project. Additionally, the subawardee was reliant on one individual to facilitate the transfer of materials and salaries, and this individual was involved in the alteration and falsification of records related to the distribution of the nonfood items. According to the USAID OIG, senior leadership at the subawardee was aware of these facts.[14] Further, in May 2016, USAID OIG reported the identification of bid-rigging and multiple bribery and kickback schemes related to contracts to deliver humanitarian aid in Syria, investigations of which resulted in the suspension of 14 entities and individuals involved with aid programs from Turkey. Without documented risk assessments, implementing partners may not have all of the information needed to design appropriate controls to mitigate fraud risks, and State and USAID may not have visibility into areas of risk, such as fraud and loss due to theft and diversion.

Partners Have Implemented Controls for Delivering Humanitarian Assistance inside Syria, but U.S. Agencies Could Improve Oversight

Implementing partners in our sample have developed and implemented controls over their programs delivering humanitarian assistance to people inside Syria. Despite these controls, the inability of some partners to consistently access areas in Syria and directly monitor programs has created challenges for oversight. To help address these issues, U.S. agencies have taken some steps to oversee partner programs; nevertheless, opportunities to assess and mitigate the potential impact of fraud risks remain.

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[14]According to the OIG, as result of OIG's investigative findings, USAID decided to terminate the sub-award and reduce its planned funding to the prime implementer by $10,500,000.

GAO-16-629 Syria Humanitarian Assistance

Partners Have Developed and Implemented Controls to Mitigate Risks

Implementing partners in our sample have developed and implemented controls over their programs that deliver humanitarian assistance to people inside Syria. For those partners that had conducted risk assessments, these controls generally responded to risks they had identified. See table 2.

Table 2: Selected Mitigating Control Activities That Responded to Identified Risks

Risk	Vulnerability	Mitigating Activity	Number of implementing partners out of a total of 9 who conducted assessments for this type of risk	Number of implementing partners out of a total of 9 with control activities for this type of risk
Safety of personnel	Road accidents, road banditry, and ambushes while driving are all safety risks for implementing partner personnel	Provide instruction to drivers on methods for taking evasive action and fleeing to safety	7	8
Security environment	Gathering of large crowds for distribution of humanitarian assistance can cause security risks for beneficiaries	Conduct door to door distribution—rather than distribution from a centralized location—in high risk environments	8	9
Loss due to theft or diversion	Diversion of aid by armed groups or criminal elements	Obtain community acceptance through liaising with local councils; track and monitor supplies	4	9
Fraud	Remote management of programs can weaken internal controls and increase opportunities for fraud and waste	Train new staff and existing staff on fraud awareness; triangulate data and information from monitoring in programmatic and financial operations	4	8

Source: GAO analysis of implementing partner documents. | GAO-16-629

We found that partners in our sample had implemented controls to account for safety and security risks to their personnel and beneficiaries receiving assistance in Syria. For example, some implementing partners identified aerial targeting of humanitarian aid workers and beneficiaries at distribution points as a major vulnerability, and implemented controls to mitigate this risk, such as distributing goods to beneficiaries on overcast days and making door to door deliveries of aid packages. Another partner with field sites in Damascus identified the risk of ambush as a vulnerability and provided its drivers with instructions on taking evasive actions and fleeing to safety.

Partners in our sample had also implemented controls to mitigate risks of fraud and loss within their operations; however, the majority of these

efforts were not informed by a risk assessment. Four of the nine partners in our sample conducted cross-border delivery operations from neighboring countries such as Turkey or Jordan and, therefore, procured goods in the host country or the region and warehoused them prior to transport into Syria. Officials from two implementing partners we interviewed in Amman stated that they conducted spot checks of assistance packages in warehouses to confirm the quantity of the contents and ensure that the quality of the items complied with the terms of the contract. According to another implementing partner, officials from its organization visit the vendor warehouses before signing contracts to verify that U.S. government commodity safety and quality assurance guidelines are met. In addition, partners used documentation such as packing slips and waybills to verify the contents of shipments. Once parcels arrived at warehouses in Syria, partners we interviewed stated that staff used technology, such as geotagged photographs, to document the arrival and contents of the shipment. Nonetheless, these partners stated that the lack of visibility over the assistance while in transit in Syria, and managing the projects remotely from Jordan, were risks to their operations and therefore required mitigating actions. Furthermore, partners we interviewed that relied on transporters to deliver assistance within Syria mitigated the risk of loss—including loss due to theft by the Syrian Army or armed opposition groups at checkpoints—by shifting liability to the transporter and only paying for parcels that were delivered to the intended destinations. According to one of the partners, the shift of liability to the transporter has limited the instances of diversion, although we did not confirm this.

Partners also implemented controls to mitigate fraud risks during the distribution process. For example, partners developed criteria for identifying and selecting eligible beneficiaries, and compiled this information into beneficiary lists to assist the process. Examples of people meeting selection criteria included internally displaced people, people with disabilities, and female heads of household. In addition, partners mentioned working with local councils to develop beneficiary lists. Officials at a partner organization we interviewed stated that during the distribution process, staff crosschecked the names of beneficiaries on the list with identification provided by the beneficiary, and then relayed that information to the partner's field office in Jordan for verification. Officials added that this method for verifying beneficiaries was an ongoing process, as the lists sometimes changed due to the movement of people.

Two implementing partners that we visited in Jordan, who delivered food and medical supplies, among other types of assistance in southern Syria, provide examples of the types of controls implemented.

- *Emergency food items*. By 2015, USAID had awarded roughly $50 million to an international NGO to deliver emergency food items to beneficiaries in southern Syria. We visited the organization's warehouse and observed officials randomly select parcels for inspection to verify the quantity and quality of the contents.

- *Medical supplies*. In fiscal year 2015, USAID awarded about $16 million through a cooperative agreement to an international NGO to deliver medical supplies and equipment in southern Syria to support health-related infrastructure, such as clinics, among other types of aid and services. In Jordan, we visited their warehouse where supplies were received, checked for quality, affixed with quick response (QR) codes, and packaged, as shown in figure 8.[15]

Figure 8: Contents of Food Parcel with Packing List and Medical Kit with Quick Response Code for Tracking
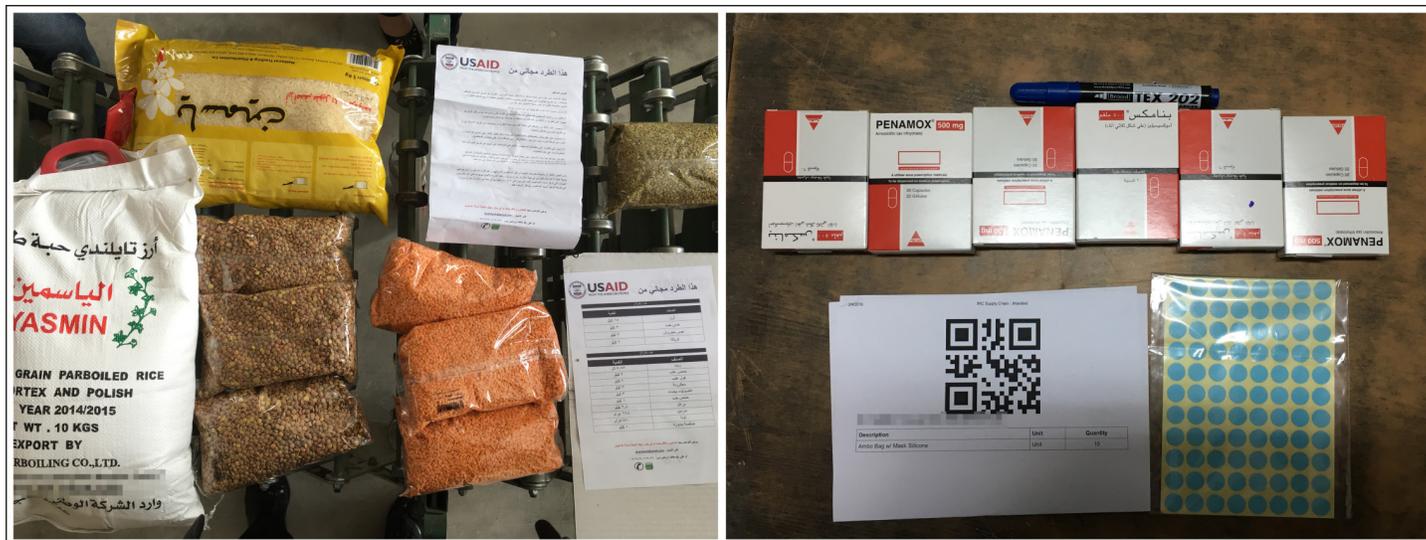
Source: GAO. | GAO-16-629

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[15]QR code stands for "quick response code," a bar code that can be used for monitoring and tracking inventory.

U.S. Agencies Have Taken Steps to Oversee Partner Programs but Could Strengthen Fraud Oversight

Steps Taken to Oversee Partner Programs

State and USAID have taken steps to oversee partner programs delivering humanitarian assistance inside Syria. State officials noted that State conducts a variety of oversight activities. For instance, State officials in the region conduct quarterly meetings with partners and collect information on programmatic objectives and on partner programs. State also has enhanced monitoring plans in place with its implementing partners to augment quarterly reporting with information on risks of diversion of assistance. State officials also told us that they ask partners to notify them upon discovering incidents of diversion. For example, one implementing partner provided frequent updates to State on losses it sustained from its transporters until the issue was resolved.

Similarly, USAID officials provided information on several measures taken to oversee programs implemented by partners. For example, USAID officials we spoke with in Washington explained that officials screen proposals from prospective partners to identify those that have appropriate measures to mitigate risks and operate in a hazardous environment such as Syria. They added that USAID officials in the region maintain regular contact with partners, attend monthly meetings with them, conduct random spot checks of aid packages at warehouse facilities, and coordinate activities among partners to reduce or eliminate duplication or overlap of assistance. USAID officials in the region also receive quarterly reports from partners to monitor progress before submitting them to USAID headquarters for additional review. USAID also noted that it has implemented an informal biweekly reporting system for all partners to provide reports notifying USAID of any challenges or potential risks facing the partner in the preceding two weeks. According to USAID officials in Washington, USAID officials in the region are the immediate officials to oversee programs and detect incidents of fraud; and, USAID officials in the region explained that the USAID OIG has conducted fraud awareness training for officials in the region to improve their ability to detect fraud, such as product substitution, when they conduct spot checks of aid packages at warehouse facilities. Further, in October 2015, USAID's OFDA hired a third party monitoring organization to review its projects in Syria. By February 2016, field monitors had conducted site visits and submitted monitoring reports to USAID,

providing information on the status of projects and including major concerns that field monitors identified.

Fraud Oversight Could Be Strengthened

Based on our analysis, USAID's third party monitoring contract and supporting documentation contain guidelines for verifying the progress of activities in Syria; however, they do not clearly instruct field monitors to identify potential fraud risks as they conduct site assessments of projects in Syria. Furthermore, the monitoring plan and site visit templates do not contain specific guidance on how to recognize fraud, and field monitors have not received the USAID OIG fraud awareness training, according to USAID officials. Leading practices in fraud risk management suggest evaluating outcomes using a risk-based approach and adapting activities to improve fraud risk management. This includes conducting risk-based monitoring and evaluation of fraud risk management activities with a focus on outcome measurement, and using the results to improve prevention, detection, and response.

The monitoring plan associated with the contract contains guidelines for field monitors to document their assessment of the project at the completion of a site visit. However, it lacks specific guidelines to identify potential fraud risks during site visits. For example, the guidelines in the monitoring plan instruct field monitors to use color-coded indicators, one of which states that issues at a project site require immediate attention and action, such as highly significant implementation problems, fraud, diversion, or other highly concerning findings. While fraud is mentioned with the indicator, it is presented as one of several examples of highly concerning findings to document, and could potentially be overlooked by the field monitor. Additionally, the templates created by the third party monitoring organization to document site visits instruct monitors to verify the presence or absence of supplies, and the quality of them, among other instructions. For example, templates we reviewed related to water and sanitation projects instructed field monitors to verify that water was delivered to a location, and that water quality tests had been conducted, when applicable, among other things. However, the template lacks specific indicators to alert field monitors to collect information on and identify potential fraud. Furthermore, the monitoring plan contains a training curriculum for field monitors, which has several objectives designed to familiarize them with the protocols, procedures, and instruments used for data collection and reporting. For example, training categories in the curriculum include basic monitoring and verification vocabulary, sampling of records and other secondary data, and color coding issues of concern. However, the curriculum lacks specific courses for recognizing potential or actual instances of fraud that may occur on

site. Additionally, USAID officials told us that the field monitors supporting the third party monitoring contract had not received fraud awareness training from USAID OIG, which has been provided to other implementing partners with which USAID works to provide humanitarian assistance to people in Syria. Given the opportunity for fraud that exists in humanitarian assistance programs, as well as the ongoing USAID OIG investigations, without instructions to specifically collect data on fraud and training to identify it, USAID may be missing an opportunity to assist in its activities to mitigate fraud risks and design appropriate controls.

Conclusions

The ongoing conflict in Syria has created a complex humanitarian emergency. As the largest donor, the United States has taken a leading role in providing humanitarian assistance to alleviate the suffering of individuals inside Syria who are affected by the conflict and delivers assistance to millions per month. Given the significant challenges of providing humanitarian assistance in a conflict zone, as well as State and USAID's inability to directly monitor programs inside Syria, the importance of financial oversight—which includes conducting risk assessments to identify, analyze, and respond to risks and implementing appropriate controls—is elevated. Despite the fact that fraud has been detected in these assistance programs, most of the partners in our sample did not assess fraud risks. Further, while USAID's third party monitoring contract provides a mechanism to gather additional information about its programs in Syria, providing clearer instructions to collect data on and training to recognize fraud risks may better assist USAID in its efforts to mitigate fraud. In the absence of such activities, fraudulent practices may go unnoticed or take longer to detect. In addition, State and USAID may not have visibility into areas of risk needed to effectively oversee programs and provide reasonable assurance that humanitarian assistance funding is being used for its intended purpose—to assist individuals in desperate need inside Syria.

Recommendations for Executive Action

To improve the financial oversight of U.S. programs to provide humanitarian assistance to people inside Syria, we recommend that the USAID Administrator take the following four actions:

- Update guidance to require non-governmental organizations to conduct risk assessments addressing the risk of fraud.

- Use risk assessments submitted by implementing partners to inform USAID oversight activities, for example, using information from

assessments to ensure that control activities for programs are designed to mitigate identified risks.

- Ensure that field monitors in Syria are trained on assessing and identifying potential fraud risks.

- Instruct the third party monitoring organization monitoring OFDA programs in Syria to modify the site visit forms to include specific guidance for documenting incidents of potential fraud.

To ensure that State has a comprehensive understanding of the risks facing its implementing partners providing humanitarian assistance to people inside Syria, we recommend that the Secretary of State take the following action:

- Include in its voluntary contribution agreements with implementing partners a requirement that the partner conduct risk assessments addressing the risk of fraud.

Agency Comments and Our Evaluation

We provided a draft of this report to State and the USAID for review and comment. State and USAID provided written comments that are reproduced in appendix II and appendix III. State and USAID also provided technical comments, which we incorporated as appropriate.

In its written comments on our report, State concurred with our recommendation. State noted risk assessment initiatives that it has in place with its implementing partners, and indicated that it would include provisions in future voluntary contribution agreements with its implementing partners that refer to risk assessment requirements, including fraud.

USAID also concurred with our recommendations, noting it has developed checklists to address fraud mitigation and will soon update its guidance to require its implementing partners to submit fraud mitigation plans to USAID. Related to our recommendation to provide training to field monitors, USAID noted that its third party monitoring in Syria is not intended to serve an auditing function or investigate allegations of fraud, but noted that USAID could work with the third party monitor to ensure that its field monitors are trained in methods to identify fraud risks. We agree that the field monitors do not audit the program, but they provide a crucial on the ground presence in areas unavailable to U.S. government employees. Based on USAID's comments, we clarified the language of this recommendation.

We are sending copies of this report to appropriate congressional committees, the Secretary of State, the Administrator of USAID, and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staffs should have any questions about this report, please contact me at (202) 512-9601 or melitot@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 IV.
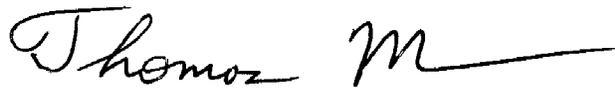
Thomas Melito
Director, International Affairs and Trade

List of Requesters

The Honorable Ileana Ros-Lehtinen
Chairman
The Honorable Ted Deutch
Ranking Member
Subcommittee on the Middle East and North Africa
Committee on Foreign Affairs
House of Representatives

The Honorable Gerald E. Connolly
House of Representatives

The Honorable Ron DeSantis
House of Representatives

Appendix I: Objectives, Scope, and Methodology

You asked us to review U.S. efforts to provide humanitarian assistance to individuals affected by the conflict in Syria. In this report we examine humanitarian assistance provided by the Department of State (State), the U.S. Agency for International Development (USAID), and implementing partners to people inside Syria, including (1) factors affecting delivery of such assistance; (2) the extent to which State, USAID, and their partners have assessed risks to the programs; and (3) implementation of controls to mitigate identified risks and ensure appropriate financial oversight of humanitarian assistance projects.

To identify factors affecting delivery of humanitarian assistance, we conducted a content analysis of all monthly United Nations Secretary General (UNSG) reports on the humanitarian situation in Syria from March 2014, when the reports began, through December 2015, to categorize and summarize observations contained in the reports. The reports, which are submitted to the Security Council pursuant to Resolution 2139 (2014), provide information on the humanitarian situation in Syria and on the implementation of the key elements of Resolution 2139, including the extent to which the parties to the conflict are allowing humanitarian relief organizations to access people in need inside the country. We also conducted interviews with officials from State (Population, Refugees, and Migration), and USAID (the Office of U.S. Foreign Disaster Assistance and Food for Peace), in Washington, D.C.; and we interviewed USAID and implementing partner officials based in Antakya and Ankara, Turkey. In addition, we traveled to Geneva, Switzerland, and Amman, Jordan to interview officials from State, USAID, and implementing partner organizations.

To determine the extent to which State, USAID, and their partners have assessed risks to the programs, we selected a nongeneralizable sample of 12 fiscal year 2015 State and USAID funding instruments, out of a total of 52 funding instruments, from 9 different implementing partners. Specifically, we obtained a list of all funding instruments from State and USAID based on the following criteria: (1) The funding instrument was awarded by State's Bureau of Population, Refugees and Migration, or USAID's Office of U.S. Foreign Disaster Assistance or Office of Food for Peace; (2) the funding instruments were obligated in fiscal year 2015; and (3) the implementing partner was based in Syria or a neighboring country from which cross-border operations into Syria were conducted. While the

results of our review of funding instruments cannot be generalized to the
entire list, they present a mix of instrument dollar values, implementing
partners and their locations, and types of humanitarian assistance.[1] Using
these funding instruments, as well as the *Standards for Internal Control in
the Federal Government*[2] and the Committee of Sponsoring
Organizations of the Treadway Commission (COSO) internal control
framework, we analyzed relevant documents from each of the
organizations related to risk assessment, including policies, procedures,
and manuals.[3] We also requested and reviewed risk assessments related
to delivery of assistance to people inside Syria. We interviewed State and
USAID officials in Washington, DC; and officials from State and
implementing partner organizations in Geneva, Switzerland. We also met
with officials from State, USAID, and implementing partner organizations
in Amman, Jordan; and conducted telephone interviews with officials in
Antakya and Ankara, Turkey, to discuss their policies and practices
regarding risk assessments.

To evaluate implementation of controls to mitigate risks and ensure
appropriate financial oversight of assistance, we used our
nongeneralizable sample of 12 fiscal year 2015 State and USAID funding
instruments, as well as the *Standards for Internal Control in the Federal
Government* and the COSO internal control framework, to analyze
relevant documents from each of the organizations related to control
activities, including policies, procedures, and manuals.[4] To determine the
extent to which U.S. agencies are overseeing the activities of
implementing partners, we interviewed officials from State and USAID in
Washington, D.C. and Amman, Jordan. We also reviewed USAID's
contract with the third party monitoring organization, and supporting
documentation, such as the monitoring plan, site visit template, and a
complete monitoring report for February 2016. We interviewed officials

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[1] After discussion with the USAID Office of Inspector General (OIG), we decided to
remove funding instruments under investigation by the USAID OIG from our sample. We
replaced these funding instruments with additional instruments.

[2] GAO*, Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1
(Washington, D.C.: Nov. 1999).

[3] Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control-
Integrated Framework* (May 2013).

[4] GAO/AIMD-00-21.3.1.

from State, and USAID in Washington, DC, and officials from State and
implementing partner organizations in Geneva, Switzerland. In addition,
we met with officials from State, USAID, and implementing partner
organizations in Amman, Jordan; and conducted telephone interviews
with officials from USAID and implementing partner organizations in
Ankara and Antakya, Turkey, to discuss their policies and practices
regarding control activities. We also conducted site visits to warehouses
in Jordan maintained by two of the implementing partners.

We conducted this performance audit from July 2015 to July 2016 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.

Appendix II: Comments from the Department of State

United States Department of State

Washington, D.C. 20520

Dr. Loren Yager
Managing Director
International Affairs and Trade
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548-0001

JUN 3 0 2016

Dear Dr. Yager:

We appreciate the opportunity to review your draft report, "SYRIA HUMANITARIAN ASSISTANCE: Some Risks of Providing Aid inside Syria Assessed, but U.S. Agencies Could Improve Fraud Oversight." GAO Job Code 100190.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Amy Norris, Syrian Team Lead, Office of Assistance for Asia and Near East, Bureau of Population, Refugees and Migration at (202) 453-9202.

Sincerely,

Christopher H. Flaggs

Enclosure:
As stated

cc: GAO – Thomas Melito
       PRM – Ann Richard
       State/OIG - Norman Brown

Department of State Comments on GAO Draft Report

**SYRIA HUMANITARIAN ASSISTANCE: Some Risks of Providing Aid
inside Syria Assessed, but U.S. Agencies Could Improve Fraud Oversight
(GAO-16-244, GAO Code 100190)**

The Department of State appreciates the opportunity to comment on the draft
report *SYRIA HUMANITARIAN ASSISTANCE: Some Risks of Providing Aid
inside Syria Assessed, but U.S. Agencies Could Improve Fraud Oversight.*

The Department of State agrees with the intent of GAO's recommendation to
include in its voluntary contribution agreements with implementing partners a
requirement that the partner conduct risk assessments addressing the risk of fraud.

The Department implements the federal assistance regulations outlined in the
Federal Assistance Policy Directive (FAPD). The FAPD regulations do not
technically require risk assessments for voluntary contributions to Public
International Organizations (PIOs). The U.S. government is a member of the
governing bodies and donor groups for the public international organizations it
funds through voluntary contributions that are addressed in this report. Through
governance and donor structures, as the representative of the USG, the Department
has participated in the establishment of each PIO's financial rules, which require
internal controls subject to external audit, frameworks and implementation
processes for Enterprise Risk Management (ERM) as part of those internal
controls, and regular reviews of ERM effectiveness. Through official reports,
PIO's provide assurances to the governing boards that these organizations comply
with their financial rules. Nonetheless, the Department will include provisions in
future voluntary contribution agreements with these applicable PIOs that refer to
each PIO's risk assessment requirements, including the risk of fraud.

This will be in addition to initiatives already in place. For example, the
Department's biennial cooperative framework with its largest humanitarian
assistance partner has consistently highlighted the importance that the Department
places on ERM implementation since it was first addressed in the organization's
external audit recommendations. The most recent framework notes that the
partner's successful mainstreaming of ERM in its normal operational management
cycle including the development of an accountability matrix and the plans for a
review of ERM policy in 2017. State's second largest humanitarian assistance
partner highlights in its annual report the advances in promoting risk management
practices, needs assessment and support, and staff training.

Appendix III: Comments from the U.S. Agency for International Development

USAID
FROM THE AMERICAN PEOPLE

JUN 3 0 2016

Thomas Melito
Director
International Affairs and Trade
U.S. Government Accountability Office
44 G Street
Washington, DC 20548

Re: SYRIA HUMANITARIAN ASSISTANCE: Some Risks of Providing Aid inside Syria
Assessed, but U.S. Agencies Could Improve Fraud Oversight, GAO-16-629

Mr. Melito:

I am pleased to provide the United States Agency for International Development's (USAID's) formal response to the Government Accountability Office (GAO) draft report entitled, *"SYRIA HUMANITARIAN ASSISTANCE: Some Risks of Providing Aid inside Syria Assessed, but U.S. Agencies Could Improve Fraud Oversight"* (GAO-16-629).

This letter, together with the enclosed USAID comments, is provided for incorporation as an appendix to the final report. Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff while conducting this GAO engagement.

Sincerely,

Angelique M. Crumbly
Assistant Administrator
Bureau for Management

Enclosure: a/s

- 2 -

USAID COMMENTS ON GAO DRAFT REPORT
No. GAO-16-629

We would like to thank the GAO for their engagement with our team on this audit. We particularly appreciate the collaboration with our Agency staff in Washington, D.C. and abroad to understand the various activities USAID is undertaking and the challenges our programs face operating in such a difficult environment. As noted in table two of the report, almost all implementing partners use mitigating control activities to protect against fraud and loss due to theft or diversion – important safeguards when implementing humanitarian assistance activities in complex and changing conflicts.

Below, please find our responses to your four recommendations to the USAID Administrator for action to improve the financial oversight of U.S. programs to provide humanitarian assistance to people inside Syria:

Recommendation 1: Update guidance to require non-governmental organizations to conduct risk assessments addressing the risk of fraud.

While USAID guidance has yet to be officially updated, USAID/OFDA will require all organizations seeking funding to directly address fraud risks and submit a detailed mitigation plan in an annex to their full proposal package submitted for funding review. USAID/FFP already requests these documents. The Disaster Assistance Response Team (DART), which includes both USAID/OFDA and USAID/FFP staff, strongly encouraged organizations to follow the recently distributed USAID/OIG "Implementing Partners and Fraud Prevention Pocket Guide," which includes risk mitigation steps specific to the USAID Syria response, as one source to inform and strengthen their fraud/risk mitigation plans.

USAID also recently developed a "Fraud Mitigation Self-Certification Checklist," based on the OIG "Implementing Partners and Fraud Prevention Pocket Guide" and the internal control requirements of 2 CFR 200, that USAID/OFDA will require all partners to complete as part of their request for funding submission to Washington, D.C. USAID/FFP is reviewing options to use a similar checklist based on the one used by USAID/OFDA.

Recommendation 2: Use risk assessments submitted by implementing partners to inform USAID oversight activities, for example, using information from assessments to ensure that control activities for programs are designed to mitigate identified risks.

We look forward to assessing the quality of fraud risk mitigation plans that organizations submit as part of their FY16 proposal packages, and in FY17 and beyond, and further tailoring our oversight activities to mitigate identified risks.

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USAID/OFDA and USAID/FFP are strengthening their ability to evaluate and provide recommendations for improvement on partners' fraud risk mitigation measures through additional human resources such as the hiring of a new Compliance Officer, who will deal full-time with fraud mitigation and other compliance issues for USAID/OFDA's and USAID/FFP's Syria and Iraq portfolios.

See comment 1.

Recommendation 3: Instruct the third party monitoring organization monitoring OFDA programs in Syria to provide training on assessing and identifying potential fraud risks for field monitors in Syria.

Monitoring and evaluation (M&E) are generally not auditing functions aimed at preventing or identifying waste, fraud, or abuse; instead, they are generally focused on whether, why and how project or activity performance objectives are met. In fact, in the contract with our implementer, USAID stated that the program "is not an audit exercise." Given the original scope and the current contract, our implementing partner is not selected based on ability to conduct an audit nor are their enumerators hired in order to conduct an audit function.

Recognizing the importance of addressing the risks identified in this report and by the Office of the Inspector General, USAID will work to provide our implementing partner and sub-awardees with information specific to the Syria context that identifies methods to detect fraud. We will then work with our partner to ensure that enumerators (data collectors) are trained in the risks our programs face and methods for identifying fraud in partner programming.

As part of this process, USAID will work with our implementing partner to ensure that, in the course of performing monitoring functions, their field monitors are also able to note potential instances of fraud and understand that these should be communicated to USAID immediately. It is important to note that monitoring is the systematic collection of data related to the progress and results of a program. It is not a financial, procurement, or program audit. The results of fraud, waste, and abuse can emerge in the monitoring data but the objective of the monitors is not to find or investigate allegations of fraud. For example, through monitoring activity X, the monitors could find that the clinics are out of Y drug at partner Z's clinics. When the partner or USAID/OFDA looks into the finding, they could find irregularities in their procurement processes for drugs. The key is that monitoring focuses on the program results and does not investigate allegations of fraud. Auditing and investigations of fraud are separate skill sets from M&E for which we are not trained and our contractor is not trained because it is not part of their contract.

Lastly, USAID/OFDA is in the process of hiring a Compliance Officer. Once this person is on board, we will develop training on fraud prevention for partners and our third-party monitoring team.

Recommendation 4: Instruct the third party monitoring organization monitoring OFDA programs in Syria to modify the site visit forms to include specific guidance for documents incidents of potential fraud.

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As stated in response to recommendation 3, USAID will work with our implementing partner to ensure that, in the course of performing monitoring functions, their field monitors are also able to train them on non-food item monitoring so they are able to note potential instances of fraud and understand that these should be communicated to USAID immediately. As such, USAID will seek to have site-visit forms revised to include indications of fraud, waste and abuse.

The following is GAO's comment on the U.S. Agency for International Development's letter dated June 30, 2016.

GAO Comments

1. Related to our recommendation to provide training to field monitors, USAID noted that its third party monitoring in Syria is not intended to serve an auditing function or investigate allegations of fraud, but noted that USAID could work with the third party monitor to ensure that its field monitors are trained in methods to identify fraud risks. We agree that the field monitors do not audit the program, but they provide a crucial on the ground presence in areas unavailable to U.S. government employees. Based on USAID's comments, we clarified the language of this recommendation.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact:	Thomas Melito, (202) 512-9601, or melitot@gao.gov
Staff Acknowledgments:	In addition to the contact named above, Elizabeth Repko (Assistant Director), Jennifer Young, Justine Lazaro, Cristina Norland, Kyerion Printup, Karen Deans, Kimberly McGatlin, Diane Morris, Justin Fisher, and Alex Welsh made key contributions to this report.