



U.S. International Development Finance Corporation Office of Inspector General

Semiannual Report to Congress
April 1, 2022 — September 30, 2022





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Message from the Inspector General



I am pleased to present the U.S. International Development Finance Corporation, Office of Inspector General's (DFC OIG) Semiannual Report to the Congress for the reporting period April 1, 2022, through September 30, 2022, in accordance with the Inspector General Act of 1978, as amended (IG Act). DFC OIG is an independent and objective oversight office created within DFC by the Better Utilization of Investments Leading to Development Act of 2018 (BUILD Act). DFC OIG has grown to nine full-time staff since I started as Inspector General in August 2020. In accordance with the IG Act, we conduct audits and investigations of DFC programs and operations to prevent, detect, and deter fraud, waste, and abuse.

We conduct audits from a forward-looking perspective aimed at addressing potential risks that could prevent DFC from achieving its mission. Currently, our audit planning prioritizes oversight work based on mandatory audits, congressional requests, and risks identified by prior audit work performed by the U.S. Agency for International Development OIG (USAID OIG) and the U.S. Government Accountability Office (GAO). During this reporting period, our Office of Audits published two performance audit reports that found DFC complied with Payment Integrity Information Act of 2019 requirements in FY 2021, and DFC has made significant progress in implementing the provisions of the BUILD Act. In addition, we oversaw annual mandatory audits related to DFC's financial statements and compliance with the Federal Information Security Modernization Act (FISMA), which will be issued this fall. We also announced a performance audit of India's renewable energy and financing for micro, small, and medium enterprise (MSME) portfolios, as requested by the U.S. House of Representatives (House) Committee on Appropriations, as well as an audit of DFC's compliance with its charge card program. We will also be announcing an audit in the next reporting period to assess DFC's compliance with annual appropriations requirements, as requested by the House Committee on Appropriations.

During this reporting period, our Office of Investigations continued to receive substantial interagency assistance from USAID OIG, as well as other law enforcement partners at the U.S. Department of the Treasury, U.S. Department of Justice (DOJ), and U.S. Customs and Border Protection – as we await law enforcement authority from Congress or DOJ. At the end of this reporting period, we had 13 open investigations and three persons had been referred to DOJ for prosecution. We issued three Reports of Investigation to DFC executive management related to a proactive initiative involving the solar supply chain for a project in India, a preliminary inquiry into an alleged conflict of interest of an executive staff member at DFC, and a proactive initiative involving a proposed DFC project sponsor alleged to have engaged in predatory lending practices in a developing country.



In addition, we identified the following top management challenges facing DFC in FY 2023, which are summarized in this report.

- 1) improving monitoring and evaluating actual development impact;
- 2) improving performance management, transparency, accuracy, and availability of project data as DFC's commitments grow;
- 3) balancing heightened expectations of Congress and stakeholders while managing risks; and
- 4) managing organizational transition while building internal controls around core management systems.

I am proud of what DFC OIG has accomplished to deliver oversight given our short tenure. This past fiscal year we had our first monetary impact finding of over \$753,000, achieving our first positive return on investment. Our work during this reporting period also underscores the key role we play in rooting out bad actors and identifying opportunities to make DFC more effective and efficient. As we carry out our FY 2023 work plan, we will continue to address new and evolving vulnerabilities and challenges to providing financial support to projects around the world — while consulting with Congress, the Board of Directors, DFC management, and our other stakeholders — to provide the most impactful oversight possible. DFC OIG has shown remarkable resilience and flexibility this past year, and I am impressed with our staff's tireless contributions to our mission. As we mark the start of our third year, it is reassuring to see our office continue to demonstrate the commitment and resolve needed to safeguard and strengthen U.S. financial support of private sector investment through timely, relevant, and impactful oversight.

Sincerely,

A handwritten signature in black ink, reading "Anthony Zakel". The signature is written in a cursive, flowing style.

Anthony “Tony” Zakel
Inspector General

U.S. International Development Finance Corporation

Office of Inspector General

Our Mission

The U.S. International Development Finance Corporation (DFC), Office of Inspector General's (OIG) mission is to prevent, detect, and deter fraud, waste, and abuse in DFC's programs and operations around the world by conducting audits, investigations, inspections, and evaluations of DFC's projects, systems, employees, and contractors.

Our Core Values

The OIG commits to carrying out its mission in accordance with the following values:

Integrity

Is the OIG's foundation. The OIG maintains the highest standards of integrity for the American people, Congress, the DFC Board of Directors, Chief Executive Officer, and senior officials, and strives to set the example for objectivity, accuracy, and transparency.

Accountability

Is the heart of the OIG's work. We provide accountability through independent and fair audits and investigations that seek to ensure that DFC is accountable for its results and the resources the public invests into it.

Respect

Is central to the OIG's identity. We have a deep respect for DFC's mission, and we strive to promote a fair and professional work environment to maintain the highest standards of conduct.

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About DFC OIG



DFC OIG was established by the BUILD Act ([Public Law 115-254](#)) and gets its authority from the [IG Act](#) as [amended](#). The OIG was organized in August 2020 following the appointment of its first Inspector General and was created to promote the integrity, transparency, and efficiency of DFC programs and operations. Through its audits and investigations, the OIG prevents, detects, and deters fraud, waste, and abuse affecting DFC’s investments, projects, systems, employees, and contractors.

DFC’s financial solutions provide a critical bridge between federal resources and private sector development, with investments and projects across sectors including energy, healthcare, critical infrastructure, and technology. Additionally, DFC currently has development initiatives in four regions: Africa and the Middle East; Latin America and the Caribbean; Indo-Pacific; and Eastern Europe and Eurasia. DFC products include debt financing, equity investments, feasibility studies, investment funds, political risk insurance, and technical assistance. The European Energy Security and Diversification Act of 2019 mandates DFC to also support certain energy and energy-related investments in eligible European and Eurasian countries without regard to host-country income classification. See www.dfc.gov and Appendix E to learn more about DFC products.

DFC’s development investments include commitments of over \$7 billion and a portfolio of over \$35 billion in FY 2022 (above FY 2021’s \$32.8 billion) and are expected to grow in the coming years. There have been legislative proposals to increase the agency’s portfolio. DFC has publicly outlined its strategy to catalyze \$75 billion between January 2020 and December 2025, to maximize development impact while creating strategic and sustainable growth across priority lower-income countries (LICs) and lower-middle-income countries (LMICs) to reach 30 million people. DFC funds are flowing quickly, with urgency to mobilize private capital to meet U.S. strategic and foreign policy objectives in economies that may not have adequate safeguards to address fraud and corruption.

DFC has an important mission that benefits many people around the world, making the OIG’s primary goal to continue building an effective and efficient oversight agency imperative. DFC OIG



is lean and one of the smallest of the 75 federal inspectors general. The DFC Inspector General is appointed by and reports to the DFC Board of Directors. Although the OIG is located within DFC, it must conduct its work independently. The OIG consists of the Office of Audits and the Office of Investigations, supported by the Office of General Counsel.

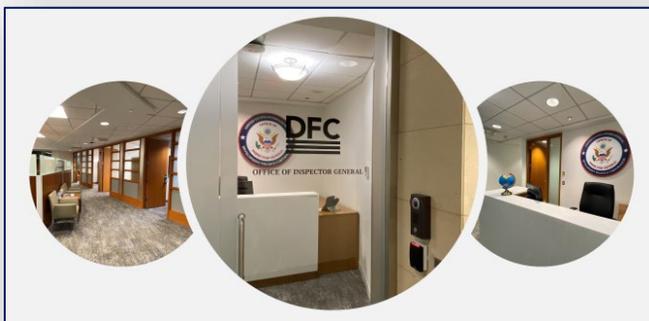
- The Office of Audits conducts a variety of independent statutorily mandated and discretionary reviews assessing DFC programs and operations and making recommendations addressing internal control weaknesses.
- The Office of Investigations conducts inquiries and investigations into allegations of fraud and other illegal activity, which may result in convictions, fines, or other sanctions.

DFC OIG Administrative and Operational Activity

The OIG has made significant strides toward building an organization with the expertise, tools, resources, and support needed to accomplish its mission. The goal is to ensure that OIG audits, investigations, and reviews are conducted thoroughly and professionally and performed in accordance with the rigorous standards of objectivity, accuracy, and transparency. The OIG's administrative and operational efforts provide critical tools that support our audit and investigative work. During this reporting period, administrative and operational achievements included the following.

- Human Resources – increased staff to nine employees and two Pathways interns. We also obtained a CIGIE fellow who is providing investigative support.
- Office of Audits – implemented an electronic audit worksheet system.
- Office of Investigations – identified domestic and international resources to support investigative efforts.

Office Space



In September 2022, OIG moved into office space located in the same building as DFC. The space is secure; provides OIG employees a dedicated place to conduct daily business; and most importantly provides a protected space for whistleblowers. OIG appreciates continued support from DFC's Facilities team, who helped with the move and other resources.



Hotline

Report Fraud, Waste, and Abuse	
OIG's confidential hotline receives allegations of fraud, waste, abuse, and other misconduct.	
<ul style="list-style-type: none">○ Federal employees must disclose fraud, waste, abuse, and corruption to appropriate authorities, such as an agency OIG.	
<ul style="list-style-type: none">○ Contractors and recipients of U.S. funds must report allegations of fraud and misconduct based on mandatory disclosure requirements in Federal and agency-specific rules.	
<ul style="list-style-type: none">○ Others, including beneficiaries of investment programs and employees of federal contractors and recipients, may report allegations to the OIG directly.	
Contact Hotline	
<p>Call Toll Free +1 (833) OIG-4DFC</p> <p>Or visit:</p> <p><u>DFC OIG Hotline</u></p>	<p>By Mail</p> <p>U.S. International Development Finance Corporation Attention: Office of Inspector General 1100 New York Avenue, NW Suite 270 West Washington, DC 20527</p>



Top Management Challenges Facing DFC in FY 2023

As required by the Reports Consolidation Act of 2000 ([Public Law 106-531](#)), DFC OIG published [Top Management Challenges Facing DFC in FY 2023](#), discussing four challenges facing DFC that we expect will continue over the next several years.

- 1. Improving Monitoring and Evaluating Actual Development Impact.** DFC has made some progress in this area, particularly in estimating development impact as part of its investment decision-making process. However, DFC must find appropriate methods to oversee projects to ensure it meets development impact goals as it progresses through completion. DFC still relies primarily on client self-reporting. Now that COVID-19 pandemic related travel restrictions have been lifted, and as DFC continues to increase the size of its investment portfolio, DFC must take action to make actual development impact achieved and promotion of our nation's foreign policy the primary metrics of its success.
- 2. Improving Performance Management, Transparency, Accuracy, and Availability of Project Data as DFC's Commitments Grow.** The BUILD Act requires DFC to create a performance measurement system to evaluate and monitor projects, and to guide plans for future projects. The BUILD Act also requires DFC to prioritize investment in lower income countries (LICs) and lower middle-income countries (LMICs). DFC has also deployed a new system to track the receipt, review, and certification of all project deliverables and is currently working to improve monitoring projects and reporting borrower evaluations. However, our BUILD Act audit found that DFC had not finalized and communicated its FY 2022 financial performance standards for its portfolio.
- 3. Balancing Heightened Expectations of Congress and Stakeholders While Managing Risks.** DFC has many stakeholders, both in the United States and around the world, who are interested in what it does and how it achieves its goals. DFC also faces difficult choices in making investments that balance the competing interests of development impact, foreign policy, and financial performance. Finding the proper balance between these competing priorities presents a significant challenge. DFC OIG believes DFC will continue to face significant challenges in the constantly evolving global environment to advance development through its investments while meeting the heightened expectations of Congress and other stakeholders.
- 4. Managing Organizational Transition While Building Internal Controls Around Core Management Systems.** DFC inherited many talented and experienced employees from its predecessor agencies, OPIC and DCA and plans to dramatically grow its workforce to 700 staff by September 2023. However, DFC faces recruitment challenges. Although DFC is the United States' development financial institution, it does not offer the higher pay rates of other federal financial institutions, such as the Federal Deposit Insurance Corporation, the Federal Reserve, the Federal Housing Finance Agency, and the National Credit Union Administration. The OIG has also identified internal control weaknesses through our audit of DFC's purchase card program and Federal Information Security Modernization Act of 2014 (FISMA) compliance. Managing a transition to a larger organization while strengthening its internal controls and management systems will continue to be a challenge as DFC grows.

The OIG previously published [Top Management Challenges Facing DFC in FY 2022](#), which can be found on the DFC OIG website, www.dfc.gov/oig.



**Audits
Investigations
Outreach
&
Other Activities**



Office of Audits

The Office of Audits (OA) conducts and supervises a variety of independent statutorily mandated and discretionary performance audits assessing controls of DFC programs and operations to detect and deter waste, fraud, abuse, and mismanagement. Audits include evaluating the efficiency and effectiveness of DFC development finance investment programs and operations at headquarters and around the world. These audits lead to recommendations that may result in policy and programmatic changes to help DFC better accomplish its mission.

Audit Activity

During the reporting period, April 1, 2022 – September 30, 2022, OA completed two audits. The table below provides a summary of audit statistics followed by a summary of completed audit report findings and recommendations. Each audit report summary includes a link to the report located on the OIG’s external website. Appendix B provides additional statistical details, and Appendix C provides the definitions for audit metrics. For transparency, OIG audit reports (and other publications) are posted on our external website: <https://www.dfc.gov/oig>.

**U.S. International Development Finance Corporation
Office of Inspector General
Summary of Audit Statistics: April 1, 2022 – September 30, 2022**

Findings / Recommendations Produced	Audits in Progress	Recommendations Closed	Open / Unresolved Recommendations
6	4	1	17

Payment Integrity Information Act Report Summary

[DFC Complied with Payment Integrity Information Act of 2019 Requirements in FY 2021](#), (Report Number DFC-22-004-C, issued June 17, 2022)

What We Reviewed

DFC OIG conducted an audit to determine if DFC’s improper payment reporting in its FY 2021 Annual Management Report (AMR) complied with the Payment Integrity Information Act of 2019 (PIIA) for the fiscal year (FY) ending September 30, 2021. The review was conducted in accordance with 1) the Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*; 2) Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guidance for Payment Integrity Information Act Compliance Reviews* (PIIA Guide); and 3) CIGIE’s *Quality Standards for Inspection and Evaluation* (Blue Book). Our review period was from March 2022 through May 2022. We also evaluated DFC’s quantitative and qualitative risk assessment and re-performed FY 2020 testing of FY 2021 disbursement data using the same criteria to determine



the accuracy of DFCs calculated improper payment rate. OIG contracted with RMA Associates, LLC (RMA) to conduct a review.

What We Found

We determined that DFC complied with PIIA for FY 2021. We also determined DFC’s performance in identifying, reducing, and recapturing improper payments to be accurate and complete.

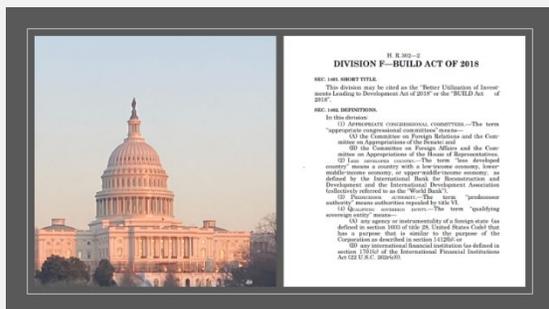
Recommendations

Our report did not make any recommendations.

BUILD Act Report Summary

[DFC Made Significant Progress Implementing Provisions of the Better Utilization of Investments Leading to Development Act](#), (Report Number: DFC-22-005-C, issued September 22, 2022)

What We Reviewed



DFC OIG conducted foundational work assessing DFC’s implementation of the provisions of the Better Utilization of Investments Leading to Development Act of 2018 (BUILD Act). Each assessed section and subsection of the BUILD Act was summarized in a scorecard located in Appendix II of the report.

What We Found

We determined that DFC made significant progress in implementing provisions of the BUILD Act. DFC has accomplished this while facing organizational challenges, including administration changes and the Continuing Resolution, which affected DFC’s budget and its ability to hire.

Specifically, of the 118 subsections of the BUILD Act reviewed, as of May 2022, we found that DFC complied with and implemented 116 of the 118 subsections of the BUILD Act. Based on our review, we identified 2 of 118 subsections were not fully implemented. The two subsections not fully implemented relate to: (1) the roles, responsibilities, and authorities of the Chief Development Officer and Chief Risk Officer; and (2) DFC publicly reporting performance metrics including development impact on a country-by-country basis in accordance with section 1442(c). In addition, we noted two observations regarding (1) the methodology of calculating and tracking the progress of investments in LICs and LMICs, and (2) the Annual Report timeliness.



Recommendations

We made six recommendations to DFC that will further strengthen DFC's implementation of the BUILD Act, when completed. Recommendation one was addressed to the CEO in conjunction with the DFC Board of Directors. Recommendations two through six were addressed to DFC's Chief Executive Officer (CEO).

- **Recommendation 1:** Review the roles, responsibilities, and authorities of the Chief Development Officer and Chief Risk Officer.
- **Recommendation 2:** Develop and communicate a clear methodology for categorizing income level classifications for projects operating in multiple countries in internal reporting systems and ensure a consistent methodology is used to track progress towards the LIC/LMIC project goal throughout the year and at fiscal year-end.
- **Recommendation 3:** Finalize and communicate policies and procedures around the Presidential certification of support to UMICs.
- **Recommendation 4:** Finalize the approval and communication of financial performance standards.
- **Recommendation 5:** Develop procedures and report performance metrics on DFC's portfolio and development impact on a country-by-country basis.
- **Recommendation 6:** Develop procedures to complete the BUILD Act Annual Report in a timely manner based on the expectations of DFC's congressional stakeholders.

Significant Audits in Progress



The Office of Audits currently has four significant audits in progress. The first is an audit of DFC's renewable energy and microfinancing investments in India. The audit was requested by the U.S. House of Representatives, Committee on Appropriations Subcommittee on State, Foreign Operations, And Related Programs ([HR Report 116-444](#)), which mandated that DFC OIG assess the integration and efficiency of DFC policies, procedures, and processes. After consulting with the Committee on Appropriations, they were interested in DFC OIG completing a follow-up audit similar to the USAID OIG audit of the Overseas Private Investment Corporation's (now DFC) Chile Energy Sector Portfolio completed in 2019 ([9-OPC-19-002-P](#)). This audit will evaluate



projects involving India rather than the Chile energy sector. The objectives of this follow-up audit will be the same as the USAID OIG audit report published in 2019. The OIG will:

- Determine if DFC involved the U.S. private sector and supported local country development in alignment with its mission;
- Assess the inputs, data, and analyses used to assess and approve the projects; and
- Assess the process and internal controls DFC used to identify and mitigate certain risks.

We expect to provide DFC management, DFC's Board of Directors, and Congress with the audit results late next summer. The results will also be included in the fall semiannual report and posted on our external website.



In addition to the audit of DFC funded renewable energy and microfinancing projects in India, OIG is also conducting the following mandatory audits.

1. DFC's compliance with the Federal Information Security Modernization Act of 2014 (FISMA). FISMA requires federal agencies to have an annual independent assessment performed of their information security program and practices to determine the effectiveness of such programs and practices and report the assessments' results to OMB.
2. DFC's Fiscal Year 2022 Financial Statement Audit. Our objective will include an opinion on whether DFC's financial statements as of and for the FY ended September 30, 2022, are fairly presented, in all material respects, in accordance with generally accepted accounting principles in the United States.
3. DFC's Charge Card Program in Fiscal Year 2022 in accordance with the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act). This audit was announced in September 2022 and the objective is to determine whether DFC's charge card program complies with requirements of the Charge Card Act, as well as OMB and General Services Administration (GSA) requirements and standards.



Office of Investigations



The Office of Investigations (OI) conducts inquiries and investigations of suspected fraudulent, illegal, or unethical activities, which may result in criminal, civil, or administrative sanctions. OIG investigations can originate from hotline or whistleblower complaints, congressional inquiries, or proactive initiatives. OIG investigations protect whistleblowers and address critical and sensitive issues affecting DFC’s programs and investments, as well as U.S. foreign policy objectives and national security interests.

During this reporting period, April 1, 2022 – September 30, 2022, OI continued to develop its capacity to investigate a broad spectrum of allegations ranging from internal complaints of abuse of authority to external criminal fraud against DFC. A summary of investigative statistics is provided below, and Appendix D provides definitions for investigation metrics.

**U.S. International Development Finance Corporation
Office of Inspector General
Summary of Investigative Statistics: April 1, 2022 – September 30, 2022**

Activity	Number
Complaints received	9
Cases initiated	7
Cases open at the beginning of the reporting period	10
Cases closed during the reporting period	4
Cases open at the end of the reporting period	13
Investigative reports issued	3
Persons referred for criminal prosecution (Department of Justice)	3
Persons referred for criminal prosecution (state, local, and foreign authorities)	0
Cases referred to agency management for administrative action	3

OI is hampered in its ability to independently conduct certain law enforcement activities because the OIG’s request for law enforcement authority has been pending with the U.S. Attorney General’s Office since December 2020. The OIG continues to work with key stakeholders, including Congress and the DOJ, to obtain law enforcement authority so OI can effectively and efficiently conduct its investigations. Having such authority is crucial as DFC OIG replaced USAID OIG as the dedicated OIG for DFC but does not have the full law enforcement authority USAID had for



its oversight of DFC. DFC OIG needs law enforcement authority to effectively investigate crimes involving DFC programs and operations. Not having this authority also hampers OIG's authority to recruit and hire experienced investigators and is a safety issue for our investigators.

Investigative Activity

As it continues to develop its investigative capacity, OI is grateful to the U.S. Department of Agriculture, Office of Inspector General, which detailed a Special Agent in Charge to our office part-time under the CIGIE Fellows Program. OI also appreciates the assistance of Homeland Security Investigations; the U.S. Customs and Border Protection, Office of Field Operations; the Diplomatic Security Service, Criminal Investigative Liaison Branch; the DOJ; the Embassy of the Republic of Bulgaria; the Embassy of Estonia; the Norcross, Georgia Police Department; the Department of Commerce, Office of Export Enforcement; the FBI; and the OIGs of the U.S. Agency for International Development, and Department of State.

During this semiannual period, OI intensified its engagement with regional partners and stakeholders in anticipation of increased DFC involvement -- and associated investigative casework -- in eastern Europe. One of OI's key allies in this effort was Georgi Ovcharov, former Counselor and Police Liaison, Embassy of the Republic of Bulgaria, whose posting to Washington concluded in summer 2022. OI appreciates Mr. Ovcharov's partnership in our mutual anti-corruption efforts. The photograph shows Inspector General Zakel (*left*) presenting an award to Mr. Ovcharov (*right*) recognizing his support for the OIG at the Embassy of Bulgaria in July 2022.



During the reporting period, April 1, 2022 – September 30, 2022, DFC OIG engaged in substantial investigative activity in multiple ongoing cases, including several with interagency partners. The following provides a summary of two notable investigations that were closed during this reporting period.

U.S. International Development Finance Corporation Office of Inspector General Summary of Investigations: April 1, 2022 – September 30, 2022

Possible Conflict of Interest Involving Senior Official

A Preliminary Inquiry was initiated upon receipt of information that a senior DFC official was allegedly working for DFC while simultaneously working for a private investment company with possible links to DFC projects. The senior official's social network profile reflected concurrent employment at both entities, as did the company's website. When the senior official was advised of this by the OIG, the official updated their social media profile to reflect that their association with the company had ended, and they contacted the company and had the listing removed. The investigation disclosed that although no actual conflict of interest existed, the social media posting created the appearance of a conflict of interest. The matter was reported to DFC, which declined to take any action.



Proactive Initiative Concerning Micro Lenders

The OIG proactively initiated a review of host country complaints concerning microfinance institutions receiving DFC funds. The OIG contacted the government of a Latin American country, which provided a listing of the number of “defense actions” taken against micro lenders by consumer protection authorities between January and August 2022 (defense actions may include basic technical assistance, consultations, specialized legal guidance, conciliation, collection management, ruling requests, free legal defense, etc.). Investigation disclosed that the micro lender with the greatest number of complaints had applied for and was an active project potentially on track to receive millions of dollars of financing and insurance from DFC. The OIG reported the matter to DFC and the proposed project was terminated.





Whistleblower Protection and Whistleblower Retaliation

Ensuring individuals' rights to report wrongdoing without fear of reprisal is essential to our mission. DFC OIG prioritizes assessing and responding to allegations of whistleblower retaliation by DFC management or DFC's partners and contractors. We review these complaints in a timely and thorough manner, in accordance with applicable law.

 <h3>DFC OIG Whistleblower Protection Coordinator Responsibilities</h3>	
DFC OIG's statutorily designated Whistleblower Protection Coordinator educates employees about their right to make protected disclosures and the protections available should they choose to come forward. The Whistleblower Protection Coordinator:	
	Educates agency employees on their legal right to disclose fraud, waste, abuse, and other misconduct, free from reprisal.
	Delivers information and materials on whistleblower protections at each DFC New Employee Orientation, and quarterly via an OIG newsletter to DFC employees. During the reporting period, this included six sessions and one newsletter.
	Works with our Office of Investigations to ensure DFC employees and employees of DFC partners and contractors receive information on whistleblower rights and remedies. DFC OIG Office of General Counsel also works with DFC's Office of General Counsel to effectively address any personnel or other actions taken or not taken because of whistleblower activity.
DFC OIG also provides information about whistleblower rights and remedies on its public website at https://www.dfc.gov/oig and DFC OIG Whistleblower Rights and Protections .	



Outreach and Other Activities

DFC OIG's outreach and engagement efforts give stakeholders, oversight partners, and the public timely and relevant information about the OIG's work. The OIG also seeks stakeholder input to inform its work and strengthen partnerships with other oversight offices worldwide. In addition, the OIG engages in ongoing discussions with congressional officials, policymakers, researchers, and high-level Government officials on DFC programs and challenges. DFC OIG has also conducted numerous outreach activities with DFC's Board of Directors, executives, and other personnel to inform DFC on who we are, what we do, and why we perform audits, investigations, and other reviews.

Outreach

As DFC OIG continues to perform its oversight role, we recognize that it is important to inform our stakeholders – Congress; DFC's Board of Directors, CEO, and employees; the international development finance industry; domestic and international law enforcement partners; and the American public – about our mission and work. During this reporting period, we conducted the following outreach efforts, among others.



DFC Board of Directors. The Inspector General (IG) held regular briefings with the DFC Board of Directors and attended Risk Committee meetings. The Board was kept informed of OIG activity, including the issuance of audit announcements and reports.

DFC Chief Executive Officer. Meetings between IG Zakel and CEO Scott Nathan and his executive staff.

DFC General Counsel. We collaborate regularly with the DFC Office of General Counsel. This year, OIG succeeded in having the recently updated DFC [Application for Finance](#) include language to inform on the OIG's role and facilitate OIG access to information.

DFC Executives and Employees. In addition to as needed meetings between IG Zakel and DFC executives, the OIG issued quarterly newsletters to DFC employees. The newsletter is designed to communicate directly to DFC employees to share who we are and what we do. In addition, it provides contact information for the Hotline, explains whistleblower rights and protections, and provides fraud awareness tips. The OIG also continued to present to new onboarding DFC employees on OIG work, how to reach us, and how we protect whistleblowers.



Congressional Appropriation and Oversight Committee Briefings. The OIG regularly briefed congressional committee staff on our progress building DFC OIG and on our audits and investigations. We also shared our efforts to obtain law enforcement authority from DOJ. Our request has been pending with DOJ since December 2020. During this reporting period, we held briefings with the following:

- Senate Foreign Relations Committee, Subcommittee on Multilateral International Development, Multilateral Institutions, and International



Economic, Energy, and Environmental Policy; and Subcommittee on State Department and USAID Management, International Operations, and Bilateral International Development

- House Foreign Affairs Committee, Subcommittee on International Development, International Organizations and Global Corporate Social Impact
- House Committee on Oversight and Reform
- Senate and House Appropriations Committees and Subcommittees on State, Foreign Operations, and Related Programs
- Senate Homeland Security and Governmental Affairs Committee



Meetings with Other Offices of Inspectors General. The OIG continues to reach out to other OIGs seeking advice and guidance on many operational and mission-specific topics. During this reporting period, the OIG communicated with the following.

- Export/Import Bank OIG, USAID OIG, AbilityOne OIG, and Peace Corps OIG to discuss:
 - Coordination with USAID OIG on the Complex Emergencies Working Group (CEWG). CEWG is an international consortium of donor and development agencies, NGOs, and oversight bodies that share information and resources to make their response to complex emergencies more effective and efficient. CEWG is currently focused on Ukraine.
 - Coordination with State Department and the Election Assistance Commission OIG regarding policy and procedure best practices.

Other Activities



Council of the Inspectors General on Integrity and Efficiency. DFC OIG is an active participant in the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which is a statutorily created, independent entity within the executive branch. Congress established CIGIE to address integrity, economy, and effectiveness issues that transcend individual Federal Government agencies, and to aid in the establishment of a professional, well-trained, and highly skilled workforce in the Offices of Inspectors General. During this reporting period, the OIG participated in the following activities.

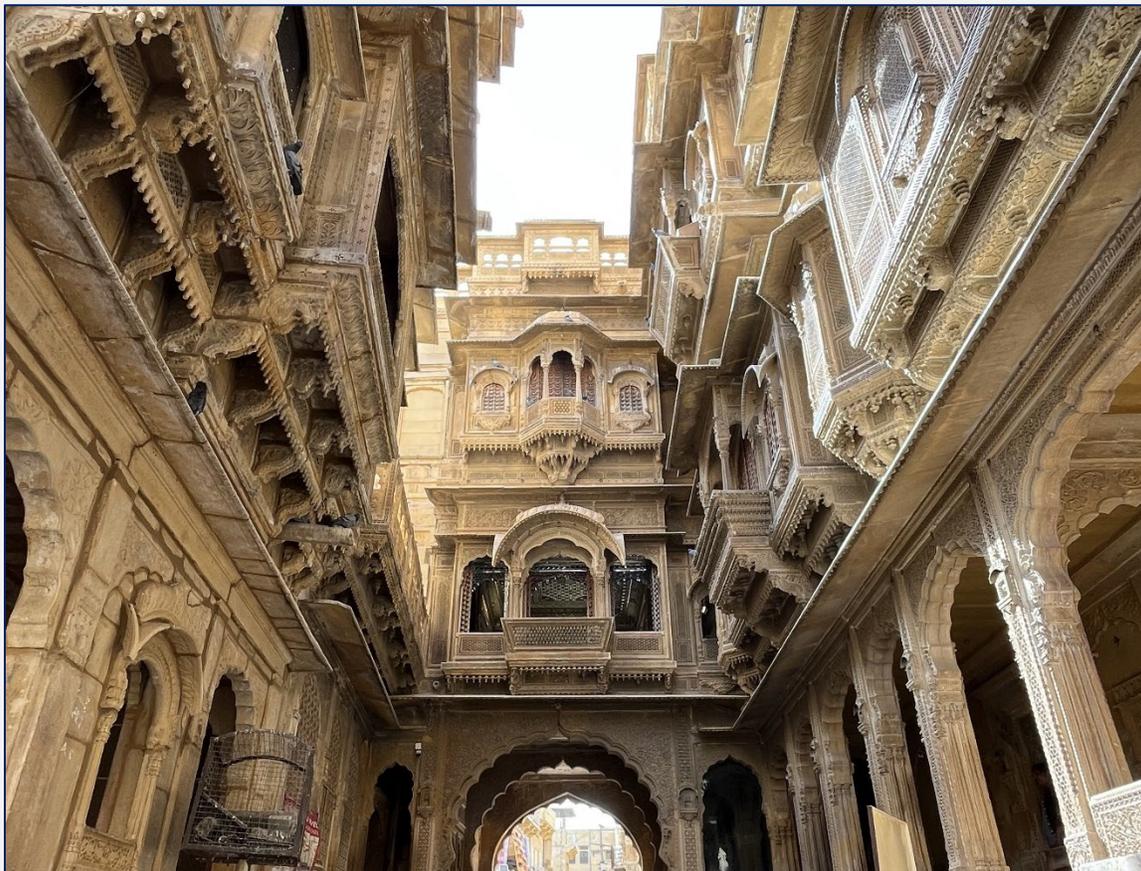
- The IG participates in CIGIE's Legislative Committee, reviewing existing and proposed legislation and regulations to make recommendations concerning the impact of such legislation on the IG community.
- The OIG's attorneys participate in the Council of Counsels to the Inspectors General (CCIG). CCIG holds monthly meetings to ensure legal advice is justifiable, consistent, and reflects best practices, and organizes training for new attorneys joining the OIG community. CCIG has a subgroup for counsels working at smaller OIGs designed to share legal, access, and resource challenges and solutions for investigations in which we participate.



- The OIG also participates in CIGIE’s subgroup for Inspectors General and Deputy Inspectors General reporting to Boards, the professional development committee’s mentoring pilot group, Investigative Attorneys, and the GAO-CIGIE Coordination Meeting.
- The OIG Assistant Inspector General for Audits and General Counsel actively participated as mentors in CIGIE’s mentoring pilot program.

Interagency Suspension and Debarment Committee. DFC OIG continues to work with DFC’s Office of the General Counsel to establish a Suspension and Debarment Program for DFC, which will help protect DFC and other federal agencies from disreputable contractors.

International Engagements. As the OIG’s Office of Investigations continues to build a foundation for international investigations, it is proactively conducting outreach to pertinent law enforcement entities. During this reporting period, the OIG attended the Three Seas Initiative Summit, and met with police, prosecutors, an anticorruption NGO, and anticorruption authorities in the Baltic states and eastern Europe. The OIG also continued to work with partner agencies on multiple international investigations, both in the United States and abroad.





Required Reporting

Appendix A: Required Reporting

The following pages present summary tables and tables containing statistical and other data, as required by the IG Act and other statutes.

IG Act Section	Requirement	Results	Page Number
	Statistical Summary of Audit-Related Accomplishments (April 1, 2022 – September 30, 2022)	~	13
	Statistical Summary of Investigative-Related Accomplishments (April 1, 2022 – September 30, 2022)	~	17
5(a)(1) and 5(a)(2)	Significant Problems, Abuses, and Deficiencies Related to the Administration of Programs and Operations	None	~
5(a)(3)	Significant Recommendations Described in Previous Semiannual Reports to Congress on which Corrective Action has Not Been Completed	None	~
5(a)(4)	Matters Referred to Prosecutive Authorities	3	17
5(a)(5) and 6(c)(2)	Summary of Instances Where Information or Assistance Was Refused or Not Provided	None	~
5(a)(8)	Questioned Costs-Audits and Other Reports with Questioned Cost or Unsupported Cost	None	~
5(a)(9)	Better Use of Funds-Audit and Other Reports with Recommendations for Better Use of Funds	None	~
5(a)(10)	Unresolved Reports-Unresolved Audit and Other Reports Issued Prior to Reporting Period	6	27
5(a)(10)(B)	Reports for which No Agency Comment was Returned to the OIG within 60 Days of Issuance	None	~
5(a)(10)(C)	Outstanding Unimplemented Recommendations with Aggregate Potential Cost Savings	None	~
5(a)(11)	Significant Revised Management Decisions	None	~
5(a)(12)	Significant Management Decisions with Which the OIG Disagreed	None	~
5(a)(13)	Unmet Intermediate Target Dates Established by the Agency Under the Federal Financial Management Improvement Act of 1996	None	~
5(a)(14)	Peer Review Results	None	~

IG Act Section	Requirement	Results	Page Number
5(a)(17)	Investigative Reports Issued		
	<ul style="list-style-type: none"> Numbers of Persons Referred to the U.S. Department of Justice 	3	17
	<ul style="list-style-type: none"> Number of Persons Referred to State and Local Prosecuting Authorities 	None	~
	<ul style="list-style-type: none"> Indictments and Criminal Information that Resulted from Prior Referrals to Prosecuting Authorities 	None	~
5(a)(18)	Description of the Metrics Used for Developing the Investigative Data for the Statistical Tables under 5(a)(17)	~	30
5(a)(19)	Report on Each Investigation Conducted by the OIG Involving a Senior Governmental Employee (GS-15 or above) Where the allegations of Misconduct were Substantiated	None	~
5(a)(20)	Description of Instances of Whistleblower Retaliation	None	~
5(a)(21)	Description of Attempt by Agency to Interfere with OIG Independence	None	~
5(a)(22)(A)	Description of Audits or Inspections Closed but Not Disclosed to the Public	None	~
5(a)(22)(B)	Description of Investigations Involving Senior Government Employees (GS-15 or above) that were Closed but Not Disclosed to the Public	None	~

Appendix B: Tables

Table 1: Audit and Other Reports Issued During the Reporting Period

Report Number	Report Title	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings
DFC-22-004-C	DFC Complied with Payment Integrity Information Act of 2019 Requirements in FY 2021, issued 6/17/2022	0	0	N/A
DFC-22-005-C	DFC Made Significant Progress Implementing Provisions of the Better Utilization of Investments Leading to Development Act, issued 9/22/2022	3	3	N/A

Table 2: Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed

Report Title Number, and Link	Open Significant Recs	Open Other Recs	Value of Potential Cost Savings
OPIC Implemented Controls in Support of FISMA for Fiscal Year 2017 but Improvements Are Needed (A-OPC-17-007-C , 9/28/2017)	None	1	N/A
OPIC Has Generally Implemented Controls in Support of FISMA for Fiscal Year 2018 (A-OPC-19-006-C , 1/30/2019)	None	2	N/A
DFC Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA (A-DFC-21-005-C , 1/28/2021)	None	1	N/A
DFC Implemented an Effective Information Security Program for FY 2021 in Support of FISMA (A-DFC-22-003-C , 12/1/2021)	None	3	N/A
DFC Generally Complied with the Digital Accountability and Transparency Act in FY 2021 (DFC-22-001-C , 3/8/2022)	None	3	N/A
DFC Generally Implemented an Effective Government Charge Card Program for Fiscal Years 2020 and 2021 (DFC-22-002-C , 3/8/2022)	None	1	N/A

Table 3: Audit and Other Reports with Questioned or Unsupported Costs

Requirement	Number	Unsupported Questioned Costs	Amount
Inspector General Act, Section 5(a)(8)	~	None	N/A

Appendix C: Metrics for Audit Reporting

Metric	Description
Questioned Cost	A cost that is unnecessary, unreasonable, unsupported, or an alleged violation of law, regulation, and contract
Unsupported Cost	A cost that is not supported by adequate documentation. Unsupported costs are included with the amounts shown as Unsupported Questioned Costs.
Funds Put to Better Use	Funds that could be used more efficiently by implementing recommended actions.
Total Number of Reports Issued	The number of audit reports issued during the reporting period.
Recommendations	Recommendations highlight actions that will improve entity performance when implemented. The appropriate and timely implementation of audit recommendations agreed to by management is an important part of realizing the full benefit of an audit.
Unresolved Recommendations	A recommendation that management has not concurred with and for which a resolution has not been reached between the OIG and management. These recommendations remain open until resolved.

Appendix D: Metrics for Investigative Reporting

Metric	Description
Investigation Opened	<p>When a complaint or disclosure meets the following conditions:</p> <ul style="list-style-type: none"> There is identifiable evidence of a potential violation of a law or policy with a nexus to DFC. The allegation falls within a stated management priority, or an investigation of it can otherwise be justified. <p>OIG management is committed to expending the necessary resources to fully investigate the matter.</p>
Investigations Closed	When all investigative activity has concluded, all legal and administrative actions have been finalized, and all case results have been recorded in OIG’s case management system.
Total Number of Reports Issued	Referrals of investigative activity are referred to one or more recipients outside of OIG. As part of the referral process, OIG provides referral recipients with a written summary of its investigative findings that inform decision-makers considering potential administrative action.
Prosecutive Referrals	Referrals: Matters referred by OIG to the appropriate entity responsible for initiating criminal prosecution when investigative activity identifies evidence of potential violations of criminal law.
Arrests	Instances in which an individual has been seized pursuant to legal process and taken into custody in connection with an OIG investigation.
Criminal Indictments / Information	<ul style="list-style-type: none"> Indictment: An accusation in writing found and presented by a grand jury, legally convoked and sworn, to the court in which it is impaneled, charging that a person therein named has done some act, or been guilty of some omission, which by law is a public offense, punishable on indictment. A formal written accusation originating with a prosecutor and issued by a grand jury against a party charged with a crime. An indictment is referred to as a “true bill,” whereas failure to indict is called a “no bill.” Information: An accusation exhibited against a person for some criminal offense, without an indictment. An accusation in the nature of an indictment, from which it differs only in being presented by a competent public officer on his oath of office, instead of a grand jury on their oath. A written accusation made by a public prosecutor, without the intervention of a grand jury.
Convictions	An adjudication of a criminal defendant’s guilt; specifically, it is the act or judicial process of finding a criminal defendant guilty of a charged offense.
Sentencings	The formal legal consequences associated with a conviction.
Fines	Monetary penalties are imposed on a defendant as part of sentencing.
Special Assessments	Monetary penalties are imposed on a defendant as part of sentencing. Special assessments are applied on a per-count basis and are collected in the same manner as fines for criminal cases.
Restitution	Monetary penalties are imposed on a defendant as part of sentencing. Restitution serves as recompense to a victim for injury or loss.
Personnel Suspensions	The placement of Federal employees in a temporary non-duty status for disciplinary reasons.
Resignations	Voluntary separation of employees from the Federal agency. Employees who tender their resignations as the result of an OIG investigation typically do so in lieu of removal.

Metric	Description
Removals	The involuntary separation of agency employees from the agency.
Suspensions	The temporary disqualification of firms or individuals from receiving U.S. government awards.
Debarments	Actions are taken by a debarring official to exclude a contractor or grantee, or individual from government contracting and assistance awards for a specified period.
Judicial Recoveries	Monetary amounts are recovered from firms or individuals as part of a criminal or civil sentencing or settlement.
Administrative Recoveries	Funds that were already distributed and for which the agency formally issued a bill of collection or another recovery mechanism after an OIG investigation revealed that the funds were lost, misappropriated, stolen, or misused, and all or a portion of the recovery was paid back.
Savings	Funds that were obligated, but not yet distributed, to be spent as part of an agency's award that was preserved and made available for better uses after an OIG investigation revealed evidence that those funds were vulnerable to fraud or waste. Savings often accompany contract terminations or the discovery of disallowed, questioned, or unsupported costs.
Cost Avoidance	Federal funds were obligated and subsequently set aside and made available for other uses resulting from an OIG investigation. This includes instances in which the awarding agency made substantial changes to the implementation of the project based on an OIG referral. The key operating factor in claiming these as cost avoidance is that the funds were not de-obligated.
Other	<p>Includes a number of investigative results, the most significant of which are the following, relating to U.S. employees, Foreign Service Nationals, and/or personal services contractors:</p> <ul style="list-style-type: none"> • Reprimand: An official written rebuke, censure, or disapproval of a specific action or actions by a Federal employee. • Demotion: A change of a Federal employee's status to a lower grade or a position with a lower rate of pay. • Audit Scheduled: An instance in which the responsible organization schedules an audit of the organization or program that OIG's investigation deems to be vulnerable to fraud, waste, or abuse resulting from.



Acronyms
Definitions
DFC Products

Appendix E: Acronyms, Definitions, DFC Products

Acronyms

Term	Definition
BUILD Act	Better Utilization of Investments Leading to Development Act of 2018; DFC's authorizing statute
CDO	Chief Development Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CRO	Chief Risk Officer
DFI	Development Finance Institution
FAA	Foreign Assistance Act of 1961, as amended (P.L. 97-195) codified at 22 U.S.C. §2191 et. seq.
HIC	High Income Country
IQ	Impact Quotient (Development Impact Assessment Tool)
LIC	Low Income Country
LMIC	Lower Middle-Income Country
OOA	Office of Accountability
ODC	Office of Development Credit
OPIC	Overseas Private Investment Corporation
SME	Small and Medium Enterprise
UMIC	Upper-Middle-Income Country
2X	DFC's Women's Economic Empowerment Initiative
WBG	World Bank Group
IFC	International Finance Corporation

Definitions

Term	Definition
Additionality	The quality of DFC provides support that the private sector cannot provide. Please see the full definition in Directive PD-008.
Commitment	A binding offer to provide insurance or financing (i.e., loan or guaranty) under explicit terms and conditions for a specified period of time. The commitment may precede the execution of a loan agreement or insurance contract, but binds the agency to issue the loan, guaranty, or issuance coverage provided the terms and conditions of the offer are met within the specified time period
Country Status	The status of whether DFC can provide support for projects in a given country, which may be subject to certain restrictions.
DFC Policy Requirements	Those policy requirements, preferences, and restrictions are imposed by DFC from time to time on sponsors, investors, and projects. DFC Policy Requirements are imposed as a result of statutory and foreign policy guidance, good corporate governance, and other agency considerations.
Eligible Investor	(1) United States citizens; (2) corporations, partnerships, or other associations including nonprofit associations, created under the laws of the United States, any State or territory thereof, or the District of Columbia, and substantially beneficially owned by United States citizens; and (3) foreign corporations, partnerships, or other associations: Provided, however, that the eligibility of such foreign corporation shall be determined without regard to any shares, in aggregate less than 5 per centum of the total of issued and subscribed share capital, held by other than the United States owners: Provided further, that in the case of any loan investment a final determination of eligibility may be made at the time the insurance or guaranty is issued; in all other cases, the investor must be eligible at the time a claim arises as well as at the time the insurance or guaranty is issued.
Expropriation	One of the types of risks that may be covered under DFC’s political risk coverage.
Financing	DFC investment guaranty, direct loan, and local currency authorities.
Foreign government	“Foreign government” means: (1) Any unit of a foreign government, including any national, State, local, and municipal government, and their foreign equivalents; (2) Any international or multinational organization whose membership is composed of any unit of a foreign government; and (3) Any agent or representative of any such foreign government unit or organization while acting as such.
Internationally Recognized Worker Rights	Defined by section 507(4) of the Trade Act of 1974. Includes: (A) the right of association; (B) the right to organize and bargain collectively; (C) a prohibition on the use of any form of forced or compulsory labor; (D) a minimum age for the employment of children; and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.
ODP Policy Requirements	A subset of DFC Policy Requirements. ODP Policy Requirements are those project-related restrictions and requirements in the areas of the environment, worker rights, human rights, U.S. effects, and developmental benefits. The application of these requirements is handled by ODP. ODP Policy Requirements are imposed because of statutory and foreign policy guidance, good corporate governance, and other agency considerations.

DFC Products

DFC products include debt financing, equity investments, feasibility studies, investment funds, political risk insurance, and technical assistance. Below is a brief description of DFC products and learn more by visiting its website at www.dfc.gov.

	DFC Product Descriptions
	Debt Financing. Direct loans and guarantees of up to \$1 billion for tenors as long as 25 years, with specific programs targeting small and medium U.S. businesses. DFC provides financing of more than \$50 million to projects in critical infrastructure, energy, and other projects requiring large investments.
	Equity Investments. DFC direct equity investments can provide critical support to companies committed to creating developmental impact. Equity investments can be highly developmental because of their ability to support early and growth-stage companies that would otherwise not be able to take on debt, especially companies in low and lower-middle-income countries.
	Feasibility Studies. Support for the analysis of a potential DFC project. In most cases, grants for feasibility studies and technical assistance will be designed to increase the developmental impact or improve the commercial sustainability of a project that has received or may receive, DFC financing or insurance support.
	Investment Funds. Support for emerging market private equity funds to help address the shortfall of investment capital. DFC can invest debt and equity into emerging market private equity funds to help address the shortfall of private equity capital in developing countries and help these economies access long-term growth capital, management skills, and financial expertise, all of which are key factors in expanding economic development and creating new opportunities for people in low-income and developing nations.
	Political Risk Insurance. Coverage of up to \$1 billion against losses due to currency inconvertibility, government interference, and political violence including terrorism. DFC also offers reinsurance to increase underwriting capacity.
	Technical Assistance. Support to increase the developmental impact or commercial sustainability of existing DFC projects or develop potential DFC projects.

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