Chairman Graham, Ranking Member Leahy, and Members of the Subcommittee, I am pleased to provide this written statement on behalf of the Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID). As USAID’s recently sworn-in Inspector General, I appreciate this opportunity to share my perspectives on the office and oversight of U.S. foreign assistance.
USAID Office of Inspector General Oversight

USAID OIG promotes economy, efficiency, and effectiveness in U.S. foreign assistance, and works to combat waste, fraud, and abuse across a variety of international settings. We provide oversight of USAID programs and operations, as well as those of the Millennium Challenge Corporation (MCC), the U.S. African Development Foundation (USADF), the Inter-American Foundation (IAF), and the Overseas Private Investment Corporation (OPIC). Together, these agencies apply billions of dollars in U.S. Government resources each year to development and humanitarian assistance objectives in more than 100 countries.

In executing our oversight mandate, OIG conducts and supervises audits and reviews, and makes recommendations to improve the use of federal resources and the performance of agency programs. OIG investigates allegations of fraud, bribery, and other types of misconduct—work that often leads to criminal and civil charges or administrative action against those who have abused the public trust. Our office raises awareness among development professionals and U.S. Government partners about their responsibilities to help prevent and report misconduct, and keeps agency management and Congress abreast of significant problems in foreign assistance efforts and the progress of remedial actions. To execute these core responsibilities, OIG maintains a staff of dedicated Foreign and Civil Service auditors, analysts, investigators, and Foreign Service Nationals. To ensure independence in performing this work, OIG’s human capital, administrative, and information technology systems and staff operate separately from the agencies we oversee. For this purpose, OIG also maintains autonomous channels for reporting on its work and a dedicated legal staff to provide counsel to the Inspector General.

OIG’s audit and investigative work reflects the office’s broad oversight portfolio and impact on U.S. foreign assistance. Last fiscal year (FY), OIG issued 698 financial and performance audits and reviews with more than 1,268 recommendations for improving foreign assistance programs. These audits identified approximately $290 million in questioned costs and funds to be put to better use. OIG’s investigative work led to 10 arrests and 91 administrative actions such as suspensions, debarments, and terminations of employment. OIG also realized nearly $85 million in savings and recoveries in FY 2015 as a result of its investigations. In addition, OIG provided 270 fraud awareness briefings and training sessions for close to 8,600 attendees in 36 countries.
These figures stand alongside qualitative gains such as strengthened management practices, adjustments in program design, and new and improved guidance that resulted from OIG audit and investigative work.

As USAID’s new Inspector General, I have been struck by the dedication of OIG staff and their strong commitment in discharging oversight and management responsibilities. OIG has repeatedly demonstrated its value to U.S. foreign assistance and I look forward to building upon its record of accomplishment.

In FY 2017, OIG will continue to meet existing mandates and step up to emerging requirements. OIG will work across a broad portfolio of development and humanitarian assistance programs and provide oversight of education, democracy and governance, agriculture, economic growth, and environmental programs, among others. We will balance coverage of these wide-ranging efforts with imperatives to provide intensive oversight of major U.S. Government initiatives that respond to acute humanitarian needs, address international public health concerns, and aid conflict-affected countries that have become key focal points of U.S. foreign policy. USAID OIG will, for example, continue to work to protect the integrity and effectiveness of humanitarian responses to the Syria crisis in coordination with the OIGs for the Departments of State and Defense. OIG will also closely monitor emerging public health threats like the rapid spread of the Zika virus in shaping oversight plans and continue to assess the progress of health programs under the President’s Emergency Plan for AIDS Relief and the President’s Malaria Initiative. OIG will continue its oversight of other major initiatives, such as Feed the Future, and consider requirements associated with USAID programs to address the causes of migration from Central America. OIG remains committed to providing oversight of assistance to Afghanistan and Pakistan, since this assistance plays a significant role in U.S. engagement with both countries. We will do this while completing mandatory work to promote the integrity of financial and information systems.

As we look to the future, I have begun to personally assess OIG’s work, management structure, policies, processes, and systems to ensure the office is best positioned to effectively oversee development assistance programs.
On the horizon are changes to improve OIG’s work to ensure it has a meaningful impact on the strategy, policy, and practice of U.S. foreign assistance. This includes building and maintaining a workforce equipped with the right guidance, skills, and resources to evaluate complex development programs, unravel sophisticated fraud schemes, and address new oversight requirements. Other changes will focus on improving OIG operations, and bolstering employee competencies and engagement. As OIG looks to deepen its technical expertise and strengthen its processes, we will prioritize staff development and give OIG’s workforce the tools it needs to provide insight into agency activities and operations.

In addition to recruiting and developing top-notch staff, I am committed to making certain that OIG has the right internal policies, processes, and systems in place to meet the highest standards for reliable and meaningful oversight. The quality of our audit and investigative work must be beyond question. This includes maintaining full compliance with standards governing OIG audits and investigations and adopting best practices from across the broader accountability community. As a significant step toward this end, OIG will move to establish an independent quality assurance unit with responsibility for providing assurance across all of OIG’s operating units. This unit will continuously review OIG’s work, processes, and reporting to make sure we always meet or exceed U.S. Government standards, regardless of where our work is performed or how we communicate about its results.

Positioning OIG to provide oversight as effectively as possible requires us to look outward as well. On this front, I will work to elevate the focus of our work, developing and issuing findings that speak to the progress of major cross-cutting initiatives and address strategic topics of concern to the foreign assistance community at large. We will pair this with an effort to bring together audit and investigative observations and issue products with the benefit of this richer perspective on the range of risks that confront foreign assistance activities.

We will also capitalize on a recently issued USAID memorandum affirming the importance of cooperation with the OIG in the course of our oversight work. After being sworn in as Inspector General, I prioritized communicating a shared understanding of our role and authority and worked with the Administrator to relay this message to agency staff. As a result of this engagement, the Administrator took the opportunity to stress her commitment to a positive
working relationship with the OIG, remind agency employees of their obligation to work with our office, and underscore her expectation that all USAID employees will assist the OIG and respond to our office in a timely and transparent way. I am appreciative of the support I received from USAID’s senior leadership in working to issue this affirmation of our role.

OIG will leverage this recognition of its mandate and authorities in ensuring that foreign assistance is properly managed and look to produce dividends for taxpayers in the process. OIG’s work produces real returns for the federal government. For every dollar OIG has spent over the past 5 years, we have returned over five dollars in questioned costs, recommendations that funds to be put to better use, and investigative savings and recoveries. In addition to these monetary returns, OIG findings and observations result in important changes to policies and procedures, improvements in internal control, and action against agency or implementer staff who abuse their positions. In a time of resource constraint, USAID OIG offers a solid investment for U.S. taxpayers and serves as a steadfast contributor to effective government.

**Challenges to the Management and Administration of Foreign Assistance**

I turn now to briefly highlight several of the top management challenges confronting U.S. foreign assistance efforts.

Work in nonpermissive environments is a leading challenge for foreign assistance agencies. Programs in conflict-affected settings face greater risks than those operating in more stable environments. These risks typically include a more acute threat to the lives of U.S. Government and implementer personnel. In these settings, in addition to limited access to projects and threats to safety, USAID often confronts dishonest and opportunistic actors who look to prey upon the influx of foreign aid. In some cases, instability and weak institutions threaten both the immediate progress and long-term benefit of development efforts. Agency staff and implementing partners alike face severe constraints in monitoring the progress of development and humanitarian assistance activities in these settings. Shortfalls in these activities can lead to health and environmental hazards, such as those we observed in a camp for displaced persons in Iraq. They can also create conditions for pervasive fraud and diversion. OIG, for example, recently documented the large-scale substitution of basic hygiene and food items intended for
displaced Syrians with substandard materials. In other cases, we have noted the diversion of humanitarian goods to terrorist groups, and uncovered a case in which a sub-implementer received funds for a range of humanitarian assistance activities that it never performed. Meanwhile, in Afghanistan we found that a lack of access to project sites constrained USAID’s ability to observe 74 percent of the projects it funded.

A second challenge is closely related: the collection, use, and reporting of unreliable data in connection with development programs. OIG has identified poor data quality as a concern across a spectrum of USAID’s programs, irrespective of geographic location or functional area. Of 196 performance audit and survey reports OIG published from FY 2013 to FY 2015, about 4 in 10 identified problems with data quality or sufficiency. OIG has repeatedly identified errors and overstatements, gaps in data collection and reporting, and problems in the consistency with which underlying calculations are made. Recent OIG work on USAID’s Ebola response activities, for example, found that the Office of Foreign Disaster Assistance lacked adequate performance measures given the nature of the Ebola crisis. OIG identifies data quality problems in more traditional development programs as well, as indicated in recent reports on justice system reform efforts, activities under the Feed the Future Initiative, and education programs. Without reliable data that meaningfully speaks to program results, USAID cannot effectively manage its programs or plan new ones. Moreover, absent reliable information on program progress, policymakers are unable to make fully informed decisions on the course of U.S. foreign assistance.

USAID’s long-term goal is to transfer ownership of its development initiatives so that the progress and results from its projects continue. To achieve this end, USAID is responsible for building sustainability into its plans and activities. Notwithstanding this aim, sustainability remains a major management challenge and OIG has often found that USAID planning for the end of projects has been inadequate. About a quarter of performance audit reports OIG issued from FY 2013 through FY 2015 contained recommendations to do more to ensure sustainability. In one case, we noted an HIV/AIDS project lacked a formal transition plan 3 years after the project began, threatening its continuation. In other cases, OIG has found that a lack of host country support, including the limited capacity of some USAID partners, reduced the likelihood
that development goals could be realized and sustained. Recent OIG reports on programs in Afghanistan and Armenia, for example, noted that local partners lacked the ability to effectively support or continue USAID programs.

The capacity of host country governments and local implementers can indeed determine the success or failure of development efforts. In recognition of the need for technical capacity within host country systems, USAID’s Local Solutions Initiative aims to provide direct funding to host governments and to local private and nonprofit entities. Yet, USAID’s risk mitigation efforts in association with this initiative have not been consistent and this constitutes another significant management challenge for the agency as a result. OIG audit and investigative work over the years has provided evidence that agency and partner controls are unable to effectively safeguard funds in many of these cases. The U.S. Government has channeled a sizable share of assistance to Afghanistan and Pakistan through local systems, for example, but not always demonstrated sufficient accountability for these funds. In FY 2015, we issued a report on USAID’s controls over direct assistance in Afghanistan, identifying shortcomings in both its oversight and in how it communicated about employees’ responsibilities and the expectations placed upon Afghan implementers. In Pakistan, a direct assistance program to support municipal services in Khyber Pakhtunkhwa (KP) fell short in part because the mission failed to effectively work with the grantee, KP’s Planning and Development Department, which lacked adequate capacity to implement the program on its own.

Notwithstanding the emphasis on selectivity in the 2010 Presidential Policy Directive on Global Development, USAID undertakes its core development work while also helping to advance numerous U.S. Government priorities and initiatives. Demands from across the U.S. Government and from within USAID have made it difficult for the agency to focus and have detracted from its central mission. USAID’s lack of focus stands as an additional management challenge, as recent audit work has pointed to budget considerations, new initiatives, and program-specific funding that all drive the selection of development objectives. In OIG’s survey of challenges related to the Arab Spring, we noted that a majority of the respondents to our survey had seen an increase in State Department influence over USAID programs. While USAID had reported taking action to reduce the number of program areas from 785 to 461 over
the past 5 years and revise planning guidance, it is too early to tell whether these changes will bring sufficient focus to Agency programs.

Two additional challenges facing USAID pertain to the management of its human resources and decentralized management of information technology (IT) and information security. Audit work last year continued to indicate that USAID faces a shortage of experienced, highly skilled personnel familiar with USAID guidelines, standards, and processes. Staff retained under the Development Leadership Initiative pointed to irrelevant training, poor support in preparation for overseas assignments, and being assigned roles that were less than those of other employees as problems facing a major hiring effort in recent years. We also found that staffing shortages have hampered program implementation and oversight in many locations where USAID operates. On the IT front, OIG has noted the lack of an effective risk management program as well as a substantial number of open recommendations from prior IT-related audits. OIG deems this to indicate a significant deficiency in the security of USAID-wide information systems, including financial systems. An audit relating to the agency’s privacy program for information technology identified new weaknesses and risks related to potential noncompliance with major privacy laws, including the Privacy Act of 1974, as amended.

Another noteworthy challenge relates to the oversight arrangement for OPIC. USAID OIG currently provides limited oversight of OPIC, but does not have the authorities to provide the full scope of oversight envisioned in the Inspector General Act. To help address such oversight limitations, this Committee has directed OPIC to enter into an annual agreement with OIG for oversight services. However, this agreement is routinely delayed. The result is oversight that is subject to negotiation, limitations, and delays—an unacceptable arrangement. In the coming year, I welcome engagement with OPIC, the Office of Management and Budget, Congress, and other stakeholders on this matter with the aim of establishing a more permanent solution for OPIC oversight that aligns with the Inspector General Act, as amended, and reflects community best practices.

On behalf of OIG, I thank you for this opportunity to address the Subcommittee. I look forward to continuing to work with you to ensure the effective design and delivery of U.S. foreign assistance and to protect the funds supporting development and humanitarian assistance efforts.
The agencies we oversee have important missions and make significant contributions worldwide to reduce poverty, promote economic growth, foster democratic governance, recover from disasters, and increase the quality of education and healthcare, among other areas. At the same time, in many parts of the world, extremism, instability, and open conflict make the jobs of development professionals working to achieve these goals that much harder. Meeting these and other challenges requires serious commitment; a thoughtful, informed approach; and effective collaboration to curb risks and change course when necessary. USAID OIG will continue to be an independent voice and steadfast partner in helping chart improvements to U.S. foreign assistance, and I look forward to working with you in the years to come to ensure that we provide maximum value to decision-makers, stakeholders, and, above all, the American people.