TESTIMONY OF

MICHAEL CARROLL,

ACTING INSPECTOR GENERAL,

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

BEFORE THE

SUBCOMMITTEE ON FINANCIAL AND CONTRACTING OVERSIGHT OF THE SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

"OVERSIGHT OF SMALL AGENCIES"

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Chairman McCaskill, Ranking Member Johnson, and members of the Committee, I am pleased to appear before you to testify on behalf of the Office of Inspector General (OIG) for the U.S. Agency for International Development (USAID). Today, I would like to discuss the challenges and opportunities of providing oversight of small agencies and the approaches we use to ensure accountability.

There are a number of possible approaches for providing oversight of smaller federal agencies. Such agencies can be identified as designated federal entities under the Inspector General Act and have inspectors general that are appointed by the head of that entity. Alternatively, individual agency inspectors general may be appointed by the President and subject to confirmation by the Senate. In either case, corresponding OIGs may perform the full suite of oversight activities themselves or work with other oversight bodies to perform this work. Another option is to provide a larger OIG with oversight authority over several related agencies. Finally, in some circumstances, agencies may enter into agreements with OIGs for oversight services. These last two arrangements are the models that we have operated under at USAID OIG and on which we are in the best position to comment. Accordingly, I will discuss the basis for our current oversight arrangements and the approaches that we have taken to oversight of smaller agencies.

USAID OIG was established in 1980 to combat waste, fraud, and abuse and promote economy, efficiency, and effectiveness in USAID programs and activities. Our oversight mandate has since grown to encompass the full portfolio of programs and activities at USAID, the U.S. African Development Foundation (USADF), Inter-American Foundation (IAF), and Millennium Challenge Corporation (MCC). OIG assumed audit and investigative oversight of USADF and IAF in 1999. We were given oversight responsibilities relating to the MCC when it was established in 2004. OIG also has a limited oversight role in association with the Overseas Private Investment Corporation (OPIC) that dates back to 1981.

Our mission is to provide independent oversight that promotes efficiency and effectiveness and safeguards the integrity of programs and operations under our jurisdiction. As is the case with any OIG, some of our work is mandated by statute or other requirements, while other work is performed on the basis of our priorities and assessments of where needs lie. In identifying and prioritizing discretionary audit and investigative activities we consider stakeholder interests and needs, alignment with strategic goals, program funding, and the risks associated with agency programs, including potential vulnerabilities in internal controls. We apply this approach to oversight to all of the agencies for which we have oversight responsibilities.

We bring significant resources and capabilities to bear on the oversight responsibilities with which we have been entrusted. We have substantial depth of experience and a considerable personnel base with expertise in the full range of core oversight-related fields. In executing our oversight mandate, we are able to rely on the work of a talented corps of dedicated performance auditors, financial auditors, certified public accountants, program and management analysts, information technology auditors, and criminal investigators.

Our consolidated, multiagency approach to oversight has several advantages. We can access a greater depth of in-house expertise in different technical and functional areas than would be the case if were we a smaller OIG. With more resources than a smaller OIG, we also have greater flexibility to address emerging risks across our oversight portfolio. This has enabled us, for example, to reallocate resources in response to pressing oversight demands arising from emerging contingency operations and humanitarian crises and ensure that high-risk activities and operations receive needed coverage.

Our size also enhances our independence. We have sufficient critical mass to support and maintain discrete management, human capital, and IT resources and systems independent of the agencies we oversee. Our engagement in multiple agency settings also lessens our vulnerability to potential pressure from any one agency seeking inappropriate influence on our work. Our ability to operate independent of improper influence is also reinforced by the appointment process for the USAID Inspector General (IG). Although I can personally attest to the difficulties that delays associated with the Presidential appointment and Senate confirmation process can impose on an individual, this rigorous process helps ensure that, at the end of the day, our IG will be fully vetted and enjoy an important measure of congressional support.

We have certain other institutional advantages in providing oversight of foreign assistance. Principal among these is our extensive international reach and experience. Our footprint extends to nine country and regional offices around the world, giving us on-the-ground visibility into the progress of foreign assistance programs and activities. Unlike other offices serving abroad, we are not subject to personnel ceilings imposed by the Secretary of State and enjoy greater latitude in assigning staff to respond to oversight needs in the nearly 100 countries in which the agencies we oversee operate. We also maintain our own cadre of Foreign Service personnel consisting of career auditors, investigators, and analysts to staff our offices abroad. We have built on our long experience abroad by developing a track record of effectively engaging host country law enforcement personnel, prosecutors, and courts to bring those who commit fraud and other unlawful acts to justice.

The fact that we have responsibility for oversight of multiple agencies also presents advantages. This feature places us in a unique position to provide oversight of cross-cutting initiatives like Power Africa that are implemented by more than one foreign assistance agency. Given the Administration’s emphasis on implementing foreign assistance through a whole-of-government approach in recent years, we anticipate having more opportunities for cross-cutting work to examine the effectiveness of multiagency efforts in the future.

Although our consolidated oversight model has many strengths, it also involves some challenges. Principal among these is the need to balance oversight responsibilities across multiple portfolios of varying sizes. USAID managed about $24 billion in budgetary resources in fiscal year (FY) 2013. For its part, MCC managed budgetary resources amounting to $2.7 billion. Meanwhile, USADF and IAF were responsible for significantly less, $36 and $35 million, respectively, in FY 2013.

While our oversight requirements are substantially greater for USAID than for other agencies with which we work, we invest proportionally more in oversight of small agencies when they are considered on a dollar-for-dollar basis. We perform core financial statement and Federal Information Security Management Act oversight work for all the agencies we oversee, and work to ensure that each agency receives a degree of oversight commensurate with associated program risks. We plan and execute performance audits and reviews and conduct investigative outreach efforts in line with this assessment. For USADF and IAF, we have performed less of this activity than for MCC, but remain engaged nevertheless. In the case of USADF, we completed a performance audit a few weeks ago on programs in Kenya, while one of our two Special Agents in Charge delivered fraud awareness briefings to staff at IAF last month. Meanwhile, due to the scale of MCC's programs and attendant risks, we established a performance audit unit with specific responsibility for MCC oversight along with a dedicated special agent position to focus on related investigations. By dedicating these resources to MCC oversight, we ensure a high degree of knowledge and understanding of MCC systems and processes and continuing vigilance regarding related risks.

The other oversight model under which we operate provides less assurance to taxpayers that risks are being appropriately addressed. Under this model, agencies enter into agreements with OIGs for oversight services. This is the case with OPIC, with regard to which we have a limited oversight role. We are not formally designated as OPIC's OIG and do not have explicit authority to conduct audits of OPIC programs and activities that we deem appropriate. Rather, our engagement with OPIC is a matter of agreement. In each of the past 2 years, Congress has directed that our offices enter into an agreement for oversight services.

Under this arrangement, OPIC has regarded oversight as negotiable. It has delayed related discussions with the predictable effect of limiting the amount of time available to perform oversight activities and possibly also increasing the costs of those activities. As a result of delays on OPIC's part, we did not reach an agreement on FY 2013 oversight until half way through the fiscal year and have yet to reach agreement for FY 2014 activities. In addition to delaying the execution of agreements, OPIC has sought to limit the scope of those activities, sometimes ruling out support for oversight activities without understanding the requirements associated with them or consulting with our office.

This arrangement—whereby the subject of oversight dictates the types of oversight it receives and the terms under which that oversight is provided—does not serve taxpayers well. Congress has recognized a need for improvement in the oversight framework surrounding OPIC and several related proposals have been advanced. However, an effective long-term solution for OPIC oversight has yet to emerge.

We are encouraged by the Committee's interest in this topic and have views on elements to be considered as part of any long-term legislative solution for OPIC oversight. Whatever oversight arrangement is ultimately set for OPIC should provide the chosen oversight entity with the authorities needed to conduct the full range of oversight activities and have access to the information, facilities, and personnel provided under the IG Act. That office would benefit by a transparent budgeting process and by the independent appointment of a principal, subject to removal only under the conditions specified in the IG Act. To ensure that any possible successor oversight body benefits by future measures to strengthen OIGs and to enhance their performance along the lines of those enacted through the IG Reform and Dodd-Frank Acts, we would also recommend its establishment within the context of the IG Act rather than as part of an agency's organic statute.

While there are opportunities to improve the legal framework around oversight of the other agencies we oversee, our most pressing legislative priorities relate to OPIC. The oversight framework under which OPIC operates should be reformed. Although we have been able to operate effectively with respect to the other organizations we oversee, the statutory basis for engagement with OPIC does not provide reasonable assurance that important risks will be addressed. We look forward to working with Congress to make corresponding improvements to the law and to discussing other possible statutory refinements to enhance oversight.

Thank you for this opportunity to address the Committee. We appreciate your continuing interest and attention to the oversight of small agencies. We look forward to continuing to work with Congress and the Administration to meet related challenges and move forward as a community in improving how we conduct oversight. I would be happy to answer any questions you may have at this time.