



OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

USAID Top Management Challenges and OIG Initiatives

Statement of the Honorable Ann Calvaresi Barr
Before the Senate Committee on Foreign Relations,
Subcommittee on State Department and USAID Management,
International Operations, and Bilateral International
Development

Chairman Perdue, Ranking Member Kaine, and Members of the Subcommittee:

Thank you for inviting me to take part in this important hearing to help inform the next administration and the incoming Congress on the current challenges in providing U.S. foreign assistance. As you know, since the U.S. Agency for International Development (USAID) was established in 1961, successive Congresses and administrations have consistently supported the United States' continued leadership in international engagement, reinforcing financial and security interests and building and strengthening ties around the world.

As Inspector General, I am charged with leading the independent oversight of up to \$15 billion spent annually on foreign assistance provided through USAID, the Millennium Challenge Corporation (MCC),¹ the U.S. African Development Foundation (USADF),² the Inter-American Foundation (IAF),³ and the Overseas Private Investment Corporation (OPIC).⁴ Today, I will focus on USAID and the major management challenges the Agency faces in carrying out its mission. I will also highlight OIG's numerous initiatives and reforms for advancing my vision for a high-performing organization—one that provides comprehensive, timely, and risk-based assessments of USAID programs and operations, and keeps Congress informed of our work on USAID and the other foreign assistance entities we oversee.

SUMMARY

The complex and frequently inhospitable environments USAID works in create major challenges for the Agency in carrying out its mission. Among these challenges, we identified five that need particular attention in fiscal year 2017. These challenges stem largely from the complexities in coordinating and implementing foreign assistance efforts jointly with multiple and diverse stakeholders; a lack of local capacity and qualified personnel to execute USAID-funded projects; and weak project design, monitoring, and internal controls. Weaknesses in these areas limit the impact of USAID projects or derail them before they began; leave programs vulnerable to fraud, waste, and abuse; or both. The magnitude of our investigations related to humanitarian assistance programs in Syria demonstrate the extent to which USAID programs can be vulnerable to exploitation. Our investigations exposed fraud schemes involving collusion between vendors and implementers, product substitution, inflated billing, and false claims. While USAID has suspended several implementing partner programs, vendors, and individuals, these abuses raise serious concerns about implementers' contracting processes and USAID's oversight of them.

To provide the level of oversight needed to help USAID address these complex challenges, OIG has capitalized on opportunities I identified to improve our operations—with independence as our grounding principle. Since I was sworn in a year ago, OIG has significantly advanced my vision for a high-performing organization. That vision begins with how we scope and execute our work. In addition to auditing and investigating individual USAID programs and projects, we are now targeting weaknesses that cut across USAID and the other entities we oversee in areas such as human capital management and training; vetting implementers of USAID programs; coordination among U. S. Government agencies; and efforts to strengthen financial and information technology management. This crosscutting work will

¹ Created in 2004, MCC competitively selects countries that demonstrate commitment to good governance, economic freedom, and investment in citizens, and provides them with large-scale grants to fund projects that promote sustainable economic growth, open markets, and improved living standards.

² Created in 1980, USADF provides small development grants to underserved and marginalized populations in conflict and post-conflict areas in Africa.

³ Created in 1969, IAF provides small development grants directly to grassroots and nongovernment organizations in Latin America and the Caribbean.

⁴ Created in 1971 as the U.S. Government's development finance institution, OPIC mobilizes private capital to help solve critical development challenges abroad.

provide solutions that link headquarters-based strategies to field-level implementation. To better position my staff to carry out this work, I have launched a number of initiatives, some of which have already been completed.

- First, I added more rigor to how we prioritize our work and coordinate with oversight partners. Our new audit and investigation plans assess risk, follow high-dollar initiatives, and account for stakeholders' informational and decision-making needs, while providing the flexibility to pivot to emerging oversight needs.
- Second, I called for multidiscipline teams comprising audit and investigations staff from headquarters and the field, as well as technical experts such as methodologists, writers, and information technology specialists. To provide for controlled engagement of these cross-cutting teams, I consolidated 11 overseas offices to 4 hub offices, with heads of audit, investigation, and management involved in every aspect of their units.
- Third, I have taken steps to revitalize our workforce. Notably, I recruited new leaders to strengthen OIG's executive team, elevated performance standards, and commissioned a review to identify the training and resources staff need to succeed. To help ensure these steps take root, I am holding OIG executives, managers, and supervisors accountable for workplace inclusivity and excellence.
- Finally, I have taken action to solidify our independence. Within weeks after my confirmation, I established a cooperation memorandum with the USAID Administrator to formalize OIG's authority, and we are working to take back responsibility for assessing actions taken to address our recommendations. We continue to develop and implement major reforms, including revisiting audit and investigation policies and procedures, to provide reliable and meaningful oversight, while being good stewards of taxpayer dollars.

BACKGROUND

With the passage of the Foreign Assistance Act and the establishment of USAID 55 years ago, the United States solidified its bipartisan commitment to address basic human needs and advance the rights of the world's most disenfranchised people, and thereby encourage adoption of our Nation's core values.⁵ While U.S. foreign assistance remains rooted in humanitarianism, it has evolved over the decades to emphasize development, economic stability, and sustainability. Today, professionals work around the world to help promote democracy and free markets, while aiding individuals and nations struggling to recover from natural disasters and health crises, rebuild after years of conflict and war, and achieve freedom and dignity.

USAID is the principal U.S. agency for providing development assistance to countries around the world: USAID programs aim to support economic growth, combat the spread of disease, promote democratic reform, and address food insecurity. The agency also provides assistance to countries working to alleviate poverty, and recovering from disaster or periods of conflict. USAID undertakes development and humanitarian assistance activities to expand stable, free societies and create markets and trade partners for the United States. Headquartered in Washington, D.C., with missions around the world, USAID works with private voluntary organizations, indigenous organizations, universities, the private sector, international agencies, foreign governments, and other U.S. Government agencies.

My office provides independent oversight of USAID operations and programs, as well those of MCC, USADF, IAF, and OPIC. With an amendment to the Inspector General Act in 2013, my OIG also

⁵ Public Law 87-195, September 1961.

provides joint oversight of overseas contingency operations. Currently, we partner with the Departments of State and Defense OIGs on Operation Inherent Resolve (OIR), the operation dedicated to countering the terrorist threat posed by the Islamic State of Iraq and the Levant in Iraq, Syria, and the surrounding region.

We currently have 275 staff working at headquarters in Washington, D.C., and throughout the world. Our fiscal year 2016 base appropriation was \$66 million.⁶

TOP MANAGEMENT CHALLENGES USAID CONFRONTS IN IMPLEMENTING ITS PROGRAMS AND OPERATIONS

USAID frequently works in environments affected by conflict or civil unrest, natural disasters, or disease. These inhospitable environments create major challenges, including protecting overseas agency personnel and accessing project locales for monitoring. Local laws and restrictions, political repression, corruption, and travel constraints create additional challenges, including coordinating and communicating with implementing partners and other stakeholders to formulate and execute projects.

Given the dollars and programs that are at stake, our office provides continued oversight of USAID and other U.S. foreign assistance operations to identify opportunities and make recommendations for improvement. As required by law, we report each November on the top management challenges facing the agencies we oversee.⁷ USAID has taken many actions to respond to our recommendations, as well as other constructive actions to achieve its mission. However, we identified five top management challenges for USAID in fiscal year 2017. These challenges stem largely from the complexities in coordinating and implementing foreign assistance efforts jointly with multiple and diverse stakeholders; a lack of local capacity and qualified personnel to execute USAID-funded projects; and weak project design, monitoring, and internal controls.

Developing Strategies To Work Effectively In Nonpermissive and Contingency Environments.

USAID acknowledges that working in nonpermissive and overseas contingency environments—environments characterized by conflict, government instability, or cataclysmic natural events—is one of its longest-standing operational challenges. Challenges include finding qualified contractors and grantees willing to work in dangerous environments, protecting overseas agency personnel, and gaining access to project locales for appropriate monitoring.

USAID's Office of Transition Initiatives notes that the "nature of these environments requires flexible responses and iterative processes adapted to specific country contexts."⁸ For example, to compensate for the drawdown of U.S. Armed Forces and reductions in USAID staff in Afghanistan, USAID planned to use multitiered monitoring to leverage data and observations from U.S. and Afghan Government sources, other donors, USAID partners, beneficiaries, and contractors hired to monitor activities. However, as we reported in December 2015, USAID/Afghanistan could only demonstrate that 1 of the 127 awards made between January 2013 and September 2014 used multitiered monitoring.⁹ The

⁶ In addition to base appropriations, OIG draws on other sources of funding, which include supplemental appropriations, prior year balances, and reimbursements from the agencies we oversee to fully support our work.

⁷ Reports Consolidation Act of 2000, Public Law 106-531.

⁸ Office of Transition Initiatives, "Lessons Learned: Monitoring and Evaluation in Complex, High-Threat Environments," April 2010.

⁹ "Audit of USAID/Afghanistan's Strategy for Monitoring and Evaluating Programs Throughout Afghanistan," Report No. F-306-16-001-P, December 10, 2015.

mission's limited use of multitiered monitoring was largely due to insufficient guidance and monitoring plans, as well as a lack of systems for collecting and using data.

Moreover, relying on ad hoc approaches to design, implement, and monitor programs in environments designated as nonpermissive can leave programs vulnerable to fraud, waste, and abuse. For example, in Afghanistan, we found cases of contract steering, contractor overbilling and overcharging, bribe solicitation, fraudulent hiring practices by contractors, and embezzlement by a contractor employee. Our investigations in Nigeria similarly demonstrate program risks in nonpermissive environments. One investigation and subsequent OIG audit determined that more than a third of a \$17 million award for an AIDS-related health-care program was diverted for personal use or misdirected from the project. The magnitude of our investigations related to humanitarian assistance programs in Syria provide a case study of the extent to which USAID programs can be vulnerable to exploitation. As we testified in July, our investigations exposed fraud schemes involving collusion between vendors and implementers' procurement and logistics staff.¹⁰ We also identified product substitution schemes (food and nonfood items), inflated billing, and false claims. While USAID has suspended several implementing partner programs, vendors, and individuals, these abuses raise serious concerns about implementers' contracting processes, including using less than full and open competition; the rigor and timeliness of their responses to allegations of fraud; and their logistics, quality control, and monitoring procedures. They also raise questions about USAID's oversight of implementers and their progress.

To help USAID and its implementing partners combat fraud in nonpermissive environments, our Office of Investigations developed a quick reference guide that covers internal control deficiencies, fraud indicators, and best practices for preventing fraud.¹¹ While the guide has already proven to be an effective tool, assuring stakeholders that programs are not susceptible to fraud and waste will remain a challenge for USAID until oversight gaps have been identified and closed.

Strengthening Local Capacity and Sustainability While Ensuring Adequate Oversight of USAID Funds. To better ensure local partners can sustain USAID-supported development projects, the Agency calls for investing in communities that have a stake in continuing activities and services after USAID involvement ends, building the skills of local stakeholders, and ensuring public- or private-sector participation and financial backing. While sustainability has been a precept of development programs since the enactment of the Foreign Assistance Act in 1961, the ability of some host countries to sustain USAID programs remains uncertain.

Consider the following examples:

- As we reported in 2016, 5 of 19 USAID-funded road construction projects in the West Bank show signs of deterioration. A mission-commissioned study found that due to competing budget priorities, the Palestinian Authority did not allocate funds from fuel-tax revenue to support road maintenance. Consequently, USAID-funded road projects will not be fully sustainable until the authority dedicates tax revenue to maintain these critical civic resources.
- Under the terms of its contract with USAID, Haiti's health ministry was expected to assume some costs for a health services project. However, the project lacked a plan to transfer responsibility for paying health worker salaries at 80 health-care facilities from USAID to other sources after the project ends. Contractor officials assumed that because the Haitian Government could not pay the salaries, USAID or other donors would continue to pay them.

¹⁰ Statement before the Committee on Foreign Affairs Subcommittee on the Middle East and North Africa, United States House of Representatives, "Fraud Investigations Expose Weaknesses in Syria Humanitarian Aid Programs," July 14, 2016.

¹¹ The guide was designed for the Middle East humanitarian response but is useful for USAID programs in other regions.

USAID's Local Solutions initiative, a reform strategy under USAID Forward, has not always met expectations.¹² The Local Solutions initiative aims to promote country ownership and sustainability of development outcomes by providing program funding directly to partner governments and local organizations. However, securing host country commitment to sustain USAID's investment, vetting local capacity to manage funds in accordance with U.S. regulations, and planning and monitoring have presented major challenges in missions' implementation of the initiative. Take the following examples:

- USAID/Paraguay implemented a program through a local organization to strengthen the internal management and government systems of select public institutions. However, the mission failed to ascertain in its preaward survey that the organization lacked sufficient financial and managerial capacity to manage USAID funds, assess results, or track program progress—ultimately putting \$24.4 million at risk.
- Our investigations of local implementers revealed risks consistent with our audit findings. Most of the cases we surveyed involved allegations of inappropriate or fraudulent actions taken by senior or key staff, pointing to a propensity for weak corporate governance. We also found that local implementers typically failed to self-disclose fraud to the Agency or OIG.

The U.S. Government Accountability Office (GAO) pointed out that USAID relied primarily on a single indicator—funds obligated—to measure Local Solutions' progress, not what these investments yielded.¹³ Without more robust indicators, such as risk assessments and program monitoring, GAO found that USAID cannot determine the status of activities prior to and following the obligation of funds. Further, while USAID has laid some groundwork for evaluating the Local Solutions initiative, the Agency has not demonstrated it has the means to determine the extent to which missions are conducting performance evaluations to assess the effectiveness of programs implemented through local organizations.

Reconciling Interagency Priorities To Advance International Development. In carrying out contingency and other operations that require coordination with multiple U.S. Government agencies, USAID employees are sometimes unclear as to how to balance USAID's development priorities with other agencies' priorities and to manage additional layers of review.

This was the case with the implementation of the Enhanced Partnership with Pakistan Act (EPPA) of 2009, which authorized \$7.5 billion over 5 years for civilian assistance. The State Department has the lead role in assistance activities in Pakistan, giving it responsibility for budget and project decisions.¹⁴ As we reported in September 2016, USAID/Pakistan has struggled to reconcile its long-term development objectives with State's diplomatic aims. At the outset, USAID/Pakistan followed State's strategy, which lacked long-term development goals. In 2013, the mission implemented a formal strategy that linked activities to a long-term development goal but lacked indicators to measure progress. The strategy also focused on repairing and upgrading Pakistan's energy infrastructure—mirroring State's focus on energy as key to long-term growth—but not on other priority areas, such as health, education, and economic growth.

The difficulties USAID and State have confronted in implementing EPPA revealed a trend. For a previous audit of USAID and State's response to the protest movements across the Middle East, known as the Arab Spring, we surveyed 70 USAID employees working on programs in Egypt, Tunisia, Libya, and

¹² In 2010, USAID launched USAID Forward, a series of reforms to focus on results, promote sustainable development, and scale up innovative solutions.

¹³ U.S. Government Accountability Office, FOREIGN AID: USAID Has Increased Funding to Partner-Country Organizations but Could Better Track Progress (GAO-14-355), April 16, 2014.

¹⁴ Department of State, "2010 Quadrennial Diplomacy and Development Review: Leading Through Civilian Power."

Yemen to identify the challenges they faced. According to surveyed staff, the State Department's increased influence over USAID programs after the Arab Spring added a layer of review that slowed operations and strained USAID resources, as employees had to dedicate additional time to building consensus and gaining external parties' approval.

As a result of our EPPA audit, we recommended that USAID institute an interagency forum to better ensure its development goals are taken into account in countries where State takes the lead. In response, USAID's Administrator has engaged State Department leadership to discuss solutions, including better reconciling any conflicting interests at the beginning of planning and programming, to help USAID and State pursue their respective objectives simultaneously. We also recommended that USAID formalize its policy to clearly define its roles and responsibilities for designing and implementing development programs when it is subject to State Department control in critical priority countries.

Improving Program Design and Contractor and Grantee Monitoring. Poor design can limit the impact of USAID projects or derailed them before they begin. For example, contract flaws, such as a lack of clear deliverables, complicated the implementation of an \$88 million agricultural program in Haiti. In addition, a procurement design issue resulted in a lengthy award approval process and difficulties in implementing emergency programs to address food shortages caused by quarantines, border closures, and a depleted farm workforce delayed USAID's Ebola response in Guinea, Liberia, and Sierra Leone—the countries most affected by the outbreak in West Africa. In both cases, insufficient or inexperienced staff contributed to the programs' poor designs.

Performance monitoring of contractors and grantees has been undermined by persistent weaknesses in collected and reported data. For example, in September 2016, we reported that our prior audits of USAID missions in Egypt, Jordan, and West Bank and Gaza between fiscal years 2011 and 2013 consistently found instances of unreliable data. We also reported that these missions did not adequately develop or use internal controls—policies, procedures, systems, or other tools—to ensure quality data, monitoring, and evaluation. The weaknesses stemmed from staffing shortages, lack of employee training, and managers' lack of enforcement, as well as from frequently shifting budgets and priorities.

Our audit and investigation work also points to a need for USAID to provide more rigorous monitoring to identify contractors and grantees who take advantage of weak internal controls to commit fraud, waste, or abuse. For example, our investigations uncovered fraud in two USAID health programs. In one case, a West African was charged with defrauding a USAID-supported antimalaria program of more than \$12 million in funds intended for insecticide-treated nets. To curb such fraud, our office set up malaria hotline campaigns in three countries, which have led to joint operations with the host nations' law enforcement and seizures, arrests, and prosecutions. In the second case, a USAID employee shared sensitive procurement information with a favored candidate for a \$55 million cooperative agreement. As a result of our investigation, USAID stopped the procurement process that prevented the agreement from being improperly awarded.

Meeting Governmentwide Financial and Information Management Requirements. Longstanding internal control weaknesses have limited USAID's ability to meet some of the Federal Government's financial management requirements—established to better ensure agencies are effective stewards of Government resources. Some reported weaknesses relate to reconciling transactions between USAID and other Federal agencies—which are typically recorded in different accounting periods or use different methodologies. Treasury reported that as of September 30, 2016, USAID had more than \$3 billion in unreconciled transactions with other agencies. Although USAID has increased its efforts and continually researches intragovernmental activity to resolve unreconciled amounts, differences persist. Reconciling differences between USAID's Fund Balance with Treasury account and the Department of

Treasury's records has also been problematic. As of September 30, 2016, the net difference between USAID's general ledger and the amount in Treasury's records was approximately \$195 million—\$141 million of which cannot be explained.

USAID has taken great strides in implementing the complex requirements of the Federal Information Security Modernization Act of 2014 (FISMA) and removing significant deficiencies.¹⁵ However, concerns remain. Notably, the USAID chief information officer (CIO) reported to the assistant administrator for the Bureau of Management—not directly to the agency Administrator or Deputy Administrator, as required. As a result, the CIO may have limited authority in ensuring information technology projects and actions are funded, tracked, and prioritized at a level commensurate with the direction and goals of the Agency as a whole. In addition, USAID did not maintain the appropriate segregation of duties. Specifically, one staff member carries out the roles of both the deputy CIO and the chief information security officer. As a result, the individual not only performs security control activities but reviews those activities for compliance with FISMA, calling into question the independence of USAID's FISMA compliance reviews.

Finally, USAID's classification policy does not meet Federal requirements for establishing a uniform system for classifying, safeguarding, and declassifying national security information.¹⁶ We found systemic noncompliance related to security education and training, classification markings and guidance, and reporting of program activities and results.

OIG REFORMS AND INITIATIVES FOR ACHIEVING GREATER IMPACT

OIG's portfolio of work helps ensure USAID and the other entities we oversee not only meet their mission objectives but achieve the highest return on taxpayer investment—a standard our office continues to model. For every dollar we spent in fiscal year 2016, we identified more than 3 dollars in questioned costs, funds put to better use, and investigative savings and recoveries. While I am proud of these accomplishments, we can improve our operations to achieve greater returns on investment, have a more profound impact on agency outcomes, and keep Congress and other stakeholders fully informed.

Since I was sworn in as Inspector General a year ago, I have taken a comprehensive and critical look at our operations and identified opportunities to improve how we work—with independence as our grounding principle. In just 1 year, OIG has significantly advanced my vision for a high-performing organization.

That vision begins with how we scope and execute our work. While auditing and investigating individual USAID programs and projects around the world can yield findings that demand action and help individual missions improve their operations, this approach does not always get at the systemic causes of the problems we uncover. Therefore, we are targeting our work to identify weaknesses that cut across USAID, MCC, USADF, IAF, and OPIC in areas such as human capital management and training and vetting implementers of USAID programs; coordination among implementers; and efforts to strengthen financial and information technology management. By looking across programs and projects and all the agencies we oversee, our work will have greater impact at the agency level and provide solutions that link headquarters-based strategies to field-level implementation.

¹⁵ The Federal Information Security Modernization Act of 2014 (Public Law No. 113-283) updated and largely supersedes the Federal Information Security Management Act of 2002 (Public Law No. 107-347, Title III) but retains many of the requirements for Federal agencies' information security programs previously set by the 2002 law.

¹⁶ Executive Order 13526 (2009).

A number of completed and ongoing initiatives that I have launched will better position OIG staff to carry out this oversight. First, we have added more rigor to how we prioritize our work and coordinate with oversight partners. Our new audit and investigation plans assess risk, follow high-dollar and cross-cutting initiatives, and account for stakeholders' informational and decision-making needs. For example, our ongoing audit of the Power Africa program will determine whether projects in this complex program—which requires extensive coordination among USAID, MCC, OPIC, USADF, and other Federal components; multiple African governments; and private industry—are on track to achieve the program's goal to greatly expand access to electricity in sub-Saharan Africa by providing at least 60 million new households and businesses with on- and off-grid power solutions.

At the same time, our plans provide the flexibility to pivot to emerging oversight needs. Our global health work provides examples. Notably, we have identified lessons learned from USAID's response to the Ebola outbreak to help inform and readily assess USAID's preparedness to respond to future public health emergencies, such as the Zika virus in Central and South America. Similarly, to provide comprehensive oversight of USAID's recent award of a \$9.5 billion global health supply chain program for purchasing and distributing life-saving medicine and health supplies, we continued our "Make a Difference" campaign, establishing confidential hotlines for reporting fraud; joined an interagency Malaria Drug Theft Task Force; and conducted targeted outreach.¹⁷ These initiatives have yielded significant results. For example, our investigations led to the seizure of stolen USAID-funded antimalarial medications from 8 of the 17 locations in Malawi that were searched, and the arrest, conviction, and sentencing of 6 individuals. Our investigations work has also brought to light vulnerabilities in the security of other supplies, including HIV/AIDS test kits.

Joint oversight of initiatives such as OIR also demands upfront planning and ongoing coordination. Therefore, in stepping up our scrutiny of OIR and other initiatives that involve multiple agencies, we continue to expand collaborative efforts with our oversight partners. Over a third of one USAID office's implementers responding to the Syria crisis also receive State Department funding,¹⁸ so we are working with State OIG to provide fraud awareness briefings to implementers¹⁹ and are currently conducting three joint investigations. We are also collaborating with our oversight counterparts at other bilateral donors and public international organizations through the Syria Investigations Working Group, which OIG stood up in October 2015. Programmatic and budgetary overlaps of USAID, U.N. agencies, and public international organizations are associated with potential vulnerabilities and are investigative interests. Public international organizations, such as the United Nations World Food Programme, collectively receive about 40 percent of USAID's budget for the humanitarian response in Syria. To date, we have sent 32 referrals to group members and foreign law enforcement offices.

Second, OIG teams now include staff from across our organization to facilitate and encourage coordination between audit and investigation as well as headquarters and the field. To support these cross-cutting teams, I reorganized our office, consolidating 11 largely independent overseas offices to 4 strategically located hub offices,²⁰ which allows for controlled engagement, with heads of audit, investigation, and management involved in every aspect of their units. I also realigned our management structure to enable us to better target our oversight on foreign assistance activities susceptible to fraud, waste, and abuse, and on programs and functions that present the most challenges to plan and

¹⁷ Our agents have provided fraud awareness training to 142 prime implementer and subcontractor staff in Washington, D.C., and approximately 160 procurement and supply management project staff in Nigeria, and conducted risk analysis meetings, addressing vulnerabilities in financial and operational accountability, with USAID and the prime implementer.

¹⁸ USAID Office of Foreign Disaster Assistance.

¹⁹ USAID OIG and State OIG have provided 5 joint fraud awareness presentations to 83 implementer staff in Jordan to help combat fraud in Syria.

²⁰ Central/South America, Eastern Europe/Middle East, Asia, and Africa.

implement. For example, our investigations raised questions about USAID's oversight of funds provided to public international organizations, prompting us to conduct an audit looking at how USAID assesses risks prior to award, mitigates any risks during implementation, and monitors public international organization programs. The realignment also builds in inclusivity and employee engagement in decision making and obtains buy in.

Third, I have instituted a number of actions to revitalize our greatest asset—human capital. Within the first few months of my tenure as Inspector General, I recruited new leaders to strengthen OIG's executive team and established high standards for myself and our leaders, providing them the training and tools they need to succeed, including 360 feedback and coaching. To make the most of our investment in employee development, we started a top-down review of staff skill levels and capabilities. OIG is also elevating performance standards across the board and holding OIG executives, managers, and supervisors accountable for workplace inclusivity, civility, and improved performance. These measures have paid quick dividends, as our leaders and front-line staff have already proven that they have the capacity and drive to meet the standards. Ensuring our staff receive fair and reasonable compensation for their work is also paramount. To that end, I am seeking to align our system of pay for Foreign Service investigators with that of the rest of the Federal law enforcement community to provide for a level playing field in recruiting and retaining these dedicated professionals.

I am also standing up a Quality Assurance Team to continuously monitor the execution of our work and ensure it and our corresponding policies and procedures meet the highest standards set by law and regulations, the accountability community, and our office. To further build quality into our work, I hired a communication manager to establish a writing team that fully participates in audit engagements, bringing unique critical thinking skills in developing high-impact reports; a training director to improve employee development processes; and a business process engineer to analyze and revise as needed our policies, processes, and procedures. We have already begun to institute new streamlined processes for developing more robust and responsive audit reports and cleared a backlog of our investigative cases.

Finally, our work and the processes we employ must be completely independent. Within weeks after my confirmation, I established a cooperation memorandum with the USAID Administrator to formalize OIG's authority to have full access to the documentation and people our auditors and investigators need to carry out our mission. To further solidify our independence, we have plans under way to reverse a longstanding practice and take back responsibility for assessing actions taken to address our recommendations and determining whether these actions are timely and meet our intent. I am also seeking clarification regarding our audit authority over OPIC. Because OIG does not have full authority to oversee OPIC programs and operations, we currently conduct audit and other activities under an annual agreement that has been subject to negotiation, limitations, and delays. This middle ground is untenable. Therefore, we are looking to engage with Congress and other stakeholders to find a more permanent solution that aligns with the Inspector General Act.

Our ongoing and planned audits and investigations will help USAID address the challenges we identified and link the Agency's strategic goals with their tactical implementation. During fiscal year 2017, we will continue to develop and implement major reforms to ensure our dedicated workforce at headquarters and around the world have the policies, processes, training, technologies, and other tools needed to provide reliable and meaningful oversight and, more importantly, to be good stewards of taxpayer dollars. I am confident that we will enter the next fiscal year in a position to make these reforms standard business practices that will last for years to come.

I am as passionate about our oversight role today as I was when I first began working in the accountability community 3 decades ago. I remain committed to ensuring that USAID and the other

foreign assistance entities we oversee prudently use every dollar they get. Given the environment and risk that foreign assistance programs work in, this is no easy task, but it makes our work—along with this Subcommittee’s oversight and commitment—even more compelling and needed to ensure we get it right.

This concludes my prepared statement. I will be happy to answer any questions you may have for me at this time.