

STATEMENT OF EVERETT L. MOSLEY.

INSPECTOR GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

HOUSE COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON NATIONAL SECURITY, VETERANS AFFAIRS,
AND INTERNATIONAL RELATIONS

MARCH 15, 2001

CHAIRMAN SHAYS, RANKING MEMBER KUCINICH, MEMBERS OF THE SUBCOMMITTEE, AND SUBCOMMITTEE STAFF -- GOOD AFTERNOON, AND THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE THIS SUBCOMMITTEE.

TODAY I WOULD LIKE TO GIVE THIS SUBCOMMITTEE BRIEF OVERVIEWS OF BOTH THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) OFFICE OF INSPECTOR GENERAL (OIG) AND OF THE AGENCY ITSELF. I WILL DISCUSS OIG RESOURCES, ORGANIZATION, STAFFING AND ACCOMPLISHMENTS. I WILL ALSO DISCUSS USAID'S MAJOR MANAGEMENT CHALLENGES, USAID MANAGEMENT'S RESPONSE TO THOSE CHALLENGES AND OUR ACTIONS TO ASSIST MANAGEMENT IN ADDRESSING THOSE CHALLENGES.

PART I
OIG OVERVIEW

THE USAID OFFICE OF INSPECTOR GENERAL WAS ESTABLISHED ON DECEMBER 29, 1981 BY PUBLIC LAW 97-113. ON NOVEMBER 29, 1999 ITS RESPONSIBILITIES WERE BROADENED WHEN PUBLIC LAW 106-113 MADE THE USAID INSPECTOR GENERAL RESPONSIBLE FOR AUDITS AND INVESTIGATIONS OF THE AFRICAN DEVELOPMENT FOUNDATION (ADF) AND THE INTER-AMERICAN FOUNDATION (IDF), AS WELL AS USAID.

THE USAID OFFICE OF INSPECTOR GENERAL IS CURRENTLY ORGANIZED INTO THREE UNITS: (1) AUDIT, (2) INVESTIGATIONS AND (3) MANAGEMENT.

AUDIT

THE ASSISTANT INSPECTOR GENERAL FOR AUDIT IS RESPONSIBLE FOR SUPERVISING THE PERFORMANCE OF AUDIT ACTIVITIES RELATING TO USAID WORLDWIDE PROGRAMS AND OPERATIONS AND THE ADF AND IAF. AUDIT IS ALLOTTED 126 POSITIONS AND IS ORGANIZED ALONG FUNCTIONAL LINES IN ITS WASHINGTON, D.C. HEADQUARTERS AND ALONG GEOGRAPHICAL LINES

OVERSEAS. IG/A/WASHINGTON CONSISTS OF FOUR DIVISIONS: PERFORMANCE AUDITS, FINANCIAL AUDITS, INFORMATION TECHNOLOGY AND SPECIAL AUDITS, AND HEADQUARTERS LIAISON AND COORDINATION. FIELD OFFICES ARE LOCATED IN CAIRO, EGYPT; SAN SALVADOR, EL SALVADOR; BUDAPEST, HUNGARY; MANILA, PHILIPPINES; DAKAR, SENEGAL; AND PRETORIA, SOUTH AFRICA. MOST AUDIT WORK IS CENTRALLY PLANNED AND MANAGED BY WASHINGTON DIVISIONS, WITH REGIONAL INSPECTORS GENERAL PROVIDING FIELDWORK SUPPORT IN THEIR REGIONS.

AUDITING ACTIVITIES INCLUDE BOTH FINANCIAL AND PERFORMANCE AUDITS OF USAID PROGRAMS AND OPERATIONS. USAID AUDIT ACTIVITY TOTALED 597 AUDIT AND RELATED REPORTS DURING OUR LAST TWO SEMIANNUAL REPORTING PERIODS (FY 2000). THOSE REPORTS IDENTIFIED APPROXIMATELY \$87.0 MILLION IN QUESTIONED COSTS OR FUNDS WHICH COULD BE PUT TO BETTER USE.

WHILE COMING UNDER THE GENERAL HEADINGS OF FINANCIAL AND PERFORMANCE AUDITS, AUDIT ACTIVITIES ACTUALLY COVER A WIDE VARIETY OF WORK, INCLUDING: FINANCIAL STATEMENT AUDITS OF USAID PROGRAMS AND OPERATIONS (1 REPORT UNDER THE CHIEF FINANCIAL OFFICERS (CFO) ACT OF 1990 AND THE GOVERNMENT MANAGEMENT REFORM ACT (GMRA) OF 1994), FINANCIAL AUDITS OF USAID CONTRACTORS AND GRANTEEES MANY OF WHICH ARE COVERED UNDER THE SINGLE AUDIT ACT (475 REPORTS WITH \$70.7 MILLION IN MONETARY QUESTIONED COSTS OR MONETARY SAVINGS), FINANCIAL RELATED AUDITS OF USAID PROGRAMS AND OPERATIONS (19 REPORTS WITH \$258 THOUSAND IN MONETARY RECOMMENDATIONS), AND PERFORMANCE AUDITS (45 REPORTS WITH \$16 MILLION IN MONETARY SAVINGS). WE ALSO PRODUCED AUDIT REPORTS COVERING ENTERPRISE FUNDS (SIXTEEN REPORTS) AND VARIOUS SURVEY AND MISCELLANEOUS REPORTS (41 REPORTS).

WE DEVOTE SUBSTANTIAL RESOURCES TO AUDITING USAID GRANTEEES AND CONTRACTORS. WE ADDRESS SINGLE AUDIT ACT AND OMB CIRCULAR A-133 REQUIREMENTS THROUGH AUDITS OF USAID'S U.S. GRANTEEES. WE OVERSEE A PROGRAM EXTENDING SIMILAR AUDIT REQUIREMENTS TO NON-U.S. GRANTEEES. WE ALSO AUDIT USAID'S U.S. AND NON-U.S. CONTRACTORS ACCORDING TO THE TERMS OF THEIR INDIVIDUAL CONTRACTS. OUR GOAL IS TO HELP USAID MAINTAIN ACCOUNTABILITY OVER MOST OF THE MONEY IT TRANSFERS TO GRANTEEES AND CONTRACTORS IN FURTHERANCE OF AGENCY PROGRAMS AND OPERATIONS.

OVER THE PAST 10 YEARS, OUR FOCUS ON IMPROVING AND EXPANDING ACCOUNTABILITY OVER NON-U.S. GRANTEEES HAS LED US TO WORK EVER MORE CLOSELY WITH A NUMBER OF RECIPIENT GOVERNMENT AUDIT ORGANIZATIONS COMMONLY CALLED SUPREME AUDIT INSTITUTIONS. THESE ORGANIZATIONS PRESENT US WITH AN OPPORTUNITY NOT ONLY TO IMPROVE ACCOUNTABILITY OVER FOREIGN ASSISTANCE, BUT ALSO TO HELP DEVELOP A RECIPIENT COUNTRY'S OWN AUDIT CAPACITY. OVER THE PAST SEVERAL YEARS, WE HAVE HOSTED REGIONAL CONFERENCES BRINGING TOGETHER RECIPIENT COUNTRY OFFICIALS, REPRESENTATIVES OF OTHER NATIONAL

ASSISTANCE AGENCIES INCLUDING THE WORLD BANK, GRANTEES, USAID OFFICIALS AND LOCAL COMMERCIAL AUDITORS TO DISCUSS COMMON ACCOUNTABILITY CONCERNS.

FOR EXAMPLE, I--ALONG WITH GRAHAM JOSCELYNE, AUDITOR GENERAL OF THE WORLD BANK AND WILLIAM TAYLOR, THE AUDITOR GENERAL OF THE INTER-AMERICAN DEVELOPMENT BANK--WAS A CO-CHAIR OF THE "ANTI-CORRUPTION SUMMIT 2000," WHICH WAS HELD IN SEPTEMBER 2000. THIS SUMMIT WAS ATTENDED BY INTERNATIONAL REPRESENTATIVES FROM SUPREME AUDIT INSTITUTIONS AND INSPECTORS GENERAL OFFICES AS WELL AS CIVIL SERVANTS AND PRIVATE SECTOR PROFESSIONALS. A VARIETY OF ANTI-CORRUPTION TOPICS WERE DISCUSSED, INCLUDING A KEYNOTE ADDRESS CONCERNING THE NEED FOR A GLOBAL RESPONSE TO CORRUPTION SUCH AS INTERNATIONAL MONEY-LAUNDERING AND THE INSTITUTIONS THAT FACILITATE THE MOVEMENT OF "DIRTY" MONEY FROM TERRORISTS, DRUG CARTELS, CRIME GROUPS AND CORRUPT FOREIGN OFFICIALS.

SUCH MEETINGS HAVE LED TO CLOSER COOPERATION BETWEEN THE USAID OIG AND THESE SUPREME AUDITING AGENCIES. OUR REGIONAL INSPECTORS GENERAL PROVIDE TRAINING, GUIDANCE AND INSTRUCTION TO MANY SUPREME AUDIT INSTITUTIONS WORLDWIDE, INCLUDING THE FOLLOWING, WITH WHICH WE HAVE WRITTEN AGREEMENTS THAT GUIDE OUR COOPERATIVE EFFORTS: BENIN, BOLIVIA, ETHIOPIA, EL SALVADOR, GHANA, HONDURAS, INDONESIA, MALI, PERU, SENEGAL, SOUTH AFRICA, ST. LUCIA, TANZANIA, THAILAND, UGANDA, ZAMBIA AND ZIMBABWE. WE HAVE FOUND THIS TO BE A VERY COST EFFECTIVE METHOD OF EXPANDING OUR AUDIT REACH WHILE HELPING DEVELOPING COUNTRIES TO STRENGTHEN THEIR OWN CAPABILITIES.

DURING THE PERIOD COVERED BY OUR LAST TWO SEMIANNUAL REPORTS TO CONGRESS, WE REVIEWED AND DISTRIBUTED SIXTEEN FINANCIAL AUDIT REPORTS PRODUCED BY NON-FEDERAL AUDITORS COVERING ENTERPRISE FUND OPERATIONS. ENTERPRISE FUNDS ARE U.S.-BASED NONPROFIT ENTITIES ESTABLISHED UNDER THE SUPPORT FOR EAST EUROPEAN DEMOCRACY (SEED) ACT OF 1989. ACCORDING TO THE SEED ACT, THESE FUNDS ARE SUBJECT TO AN ANNUAL FINANCIAL STATEMENT AUDIT PERFORMED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS.

INVESTIGATIONS

THE ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS IS RESPONSIBLE FOR SUPERVISING THE PERFORMANCE OF INVESTIGATIVE ACTIVITIES RELATING TO USAID, ADF AND IAF PROGRAMS AND OPERATIONS. INVESTIGATIONS OF CRIMINAL, CIVIL, AND ADMINISTRATIVE VIOLATIONS COVER ALL FACETS OF THE WORLDWIDE OPERATIONS OF THESE ENTITIES.

THE INVESTIGATIONS STAFF IS ALLOCATED 32 FULL-TIME POSITIONS AND IS ORGANIZED INTO THREE DIVISIONS: THE DOMESTIC DIVISION, THE OVERSEAS DIVISION AND THE

HEADQUARTERS LIAISON AND SPECIAL INVESTIGATIONS DIVISION. THE DOMESTIC DIVISION PROVIDES INVESTIGATIVE COVERAGE FOR USAID, ADF AND IAF PROGRAMS AND OPERATIONS IN THE UNITED STATES, CENTRAL AMERICA AND SOUTH AMERICA. IT ALSO HAS COGNIZANCE OVER THE SAN SALVADOR FIELD OFFICE.

THE OVERSEAS DIVISION IS HEADQUARTERED IN BUDAPEST, HUNGARY, WITH RESIDENT AGENTS ALSO ASSIGNED TO FIELD OFFICES IN CAIRO, EGYPT; DAKAR, SENEGAL; MANILA, PHILIPPINES AND PRETORIA, SOUTH AFRICA. THE OVERSEAS DIVISION PROVIDES INVESTIGATIVE COVERAGE FOR USAID AND ADF PROGRAMS AND OPERATIONS IN EUROPE, ASIA AND AFRICA.

THE HEADQUARTERS LIAISON AND SPECIAL INVESTIGATIONS DIVISION IS MADE UP OF TWO UNITS: POLICY, PLANNING AND QUALITY ASSURANCE AND SPECIAL INVESTIGATIONS. THIS DIVISION COORDINATES INVESTIGATIVE POLICY, PLANNING, AND QUALITY ASSURANCE EFFORTS WITHIN THE OIG AND INVESTIGATES CASES OF EMPLOYEE INTEGRITY ISSUES.

OIG INVESTIGATES APPARENT VIOLATIONS OF LAWS, RULES, AND REGULATIONS. WHEN THERE IS REASON TO BELIEVE THERE HAS BEEN A VIOLATION OF FEDERAL CRIMINAL LAW, WE REPORT DIRECTLY TO THE DEPARTMENT OF JUSTICE (DOJ). WE ALSO WORK CLOSELY WITH USAID'S OFFICE OF GENERAL COUNSEL AND THE DOJ IN MATTERS WHICH MAY RESULT IN CIVIL CLAIMS OR OTHER CIVIL ACTION.

OIG INVESTIGATES COMPLAINTS INVOLVING SERIOUS ADMINISTRATIVE IRREGULARITIES AND OTHER CONDUCT PREJUDICIAL TO USAID, ADF AND IAF PROGRAMS AND OPERATIONS. INQUIRIES WHICH DISCLOSE VIOLATIONS OF FEDERAL OR AGENCY RULES AND REGULATIONS ARE REFERRED TO USAID MANAGEMENT FOR ACTION. OIG ALSO CONDUCTS INQUIRIES AND DEVELOPS INFORMATION REQUESTED BY SENIOR MANAGEMENT OR CONGRESS TO FULFILL THEIR OVERSIGHT RESPONSIBILITIES.

OVERSEAS INVESTIGATIONS OFFER SPECIAL CHALLENGES AND DIFFER FROM DOMESTIC INVESTIGATIONS. USAID OIG INVESTIGATORS WORKING OVERSEAS MUST COPE WITH LANGUAGE AND CULTURAL DIFFERENCES, AND COMPLY WITH HOST COUNTRY LAWS GOVERNING THE INVESTIGATIVE PROCESS. OVERSEAS CRIMINAL INVESTIGATIONS ARE OFTEN COMPLICATED BY THE NEED TO INVOLVE THE HOST COUNTRY FOREIGN MINISTRY AND HOST COUNTRY INVESTIGATIVE AGENCIES. OIG INVESTIGATORS ARE LIMITED IN THEIR AUTHORITY TO QUESTION HOST COUNTRY NATIONALS. WHEN THIS IS PERMITTED, THE INVESTIGATOR MUST FOLLOW THE PARTICULAR STEPS FOUND IN LEGAL ASSISTANCE TREATIES OR AGREEMENTS.

OIG INVESTIGATIVE PRIORITIES ARE PROGRAM FRAUD, ANTI-CORRUPTION AND EMPLOYEE INTEGRITY. WE EMPHASIS A PROACTIVE APPROACH THROUGH FRAUD AWARENESS TRAINING TO AGENCY EMPLOYEES, CONTRACTORS AND GRANTEEES THAT HIGHLIGHTS FRAUD

INDICATORS, PROCEDURES FOR REPORTING SUSPICIOUS OR ILLEGAL ACTIVITY, AND USE OF THE OIG HOTLINE. A FRAUD INDICATORS HANDBOOK HAS ALSO BEEN DEVELOPED AND DISTRIBUTED DURING TRAINING. THE HANDBOOK CONTAINS VALUABLE INFORMATION ON HOW TO DETECT FRAUD IN GOVERNMENT CONTRACTS, HOW TO RECOGNIZE FRAUDULENT SCHEMES IN PROJECTS AND PROCUREMENTS, AND HOW TO SPOT INDICATORS OF FINANCIAL FRAUD. ALTHOUGH DEVELOPED IN ENGLISH, THE HANDBOOK HAS ALSO BEEN TRANSLATED INTO SPANISH AND FRENCH TO MORE EFFECTIVELY COMMUNICATE THE ANTI-FRAUD INFORMATION TO NON-ENGLISH SPEAKING AUDIENCES. ADDITIONALLY, THE OIG FRAUD AWARENESS TRAINING PROGRAM HAS BEEN RECORDED ON VIDEOTAPE FOR DISTRIBUTION TO LOCATIONS WHERE THE ACTUAL TRAINING HAS NOT BEEN SCHEDULED.

OIG HAS ALSO DEVELOPED AND IMPLEMENTED AN ANTI-CORRUPTION STRATEGY CONSISTING OF THE FOLLOWING SIX PARTS: (1) SURVEY THE ENVIRONMENT - WE ASSESS HISTORICAL CORRUPTION IN HOST COUNTRIES AND IDENTIFY LOCAL THREATS AND VULNERABILITIES TO USAID, ADF OR IAF PROGRAMS. (2) ESTABLISH A CLOSE WORKING RELATIONSHIP - WE WORK CLOSELY WITH USAID, ADF AND IAF MANAGEMENT, NONGOVERNMENTAL ORGANIZATIONS, PRIVATE VOLUNTARY ORGANIZATIONS AND HOST GOVERNMENTS TO PROMOTE COOPERATION AND COLLABORATION WITH USAID, ADF AND IAF. (3) EMPHASIZE A TEAM APPROACH - WE ENCOURAGE THE TIMELY SUBMISSION OF REFERRALS AND WORK TOWARD THE EARLY SOLUTION OF PROBLEMS. (4) EDUCATE EMPLOYEES ABOUT FRAUD AWARENESS ISSUES - WE TRAIN EMPLOYEES AND PARTNERS IN FRAUD AWARENESS AND ANTI-CORRUPTION ISSUES TO ENSURE THAT EACH IS AWARE OF THEIR RESPONSIBILITIES WHEN CONFRONTED WITH FRAUD OR CORRUPTION. (5) ENFORCE THE FOREIGN CORRUPT PRACTICES ACT (FCPA) AGGRESSIVELY - THE FCPA PROHIBITS A U.S. FIRM OR AGENT OF THE FIRM FROM MAKING A "CORRUPT" PAYMENT TO A FOREIGN OFFICIAL FOR THE PURPOSE OF PROCURING OR RETAINING BUSINESS. OIG INVESTIGATORS WORK CLOSELY WITH THE DEPARTMENT OF JUSTICE (DOJ) IN INVESTIGATING FCPA VIOLATIONS AND USE THE FCPA AS A TOOL IN FIGHTING CORRUPTION IN USAID PROGRAMS. (6) OFFER RECOMMENDATIONS FOR SYSTEMIC IMPROVEMENT - WE RECOMMEND SYSTEMIC IMPROVEMENTS IF A WEAKNESS IS UNCOVERED IN A PROGRAM OR OPERATION AND WORK WITH USAID, ADF OR IAF TO CORRECT THE PROBLEM.

THE FOLLOWING CASE DEMONSTRATES SOME RECENT INVESTIGATIVE RESULTS ENSUING FROM THIS STRATEGY. DURING FY 2000, AN ONGOING OIG INVESTIGATION RESULTED IN THE CONVICTION OF TWO SEPARATE COMPANIES (ONE GERMAN AND ONE AMERICAN) ON ONE FELONY COUNT EACH OF PARTICIPATING IN A CRIMINAL CONSPIRACY TO RIG BIDS ON USAID-FUNDED CONSTRUCTION CONTRACTS IN VIOLATION OF THE SHERMAN ANTITRUST ACT. THE GERMAN COMPANY HAD PARTICIPATED IN A CONSPIRACY TO SUPPRESS AND ELIMINATE COMPETITION BY RIGGING BIDS ON TWO USAID-FUNDED WASTEWATER CONSTRUCTION PROJECTS IN EGYPT. THE COMPANY ACKNOWLEDGED THAT THE OBJECTIVE OF THE CONSPIRACY WAS TO PROTECT THE BIDS OF ITS SUBSIDIARY AND ENSURE THAT IT WOULD BE AWARDED THE LUCRATIVE USAID CONTRACT AT A HIGHLY

INFLATED PRICE. THE AMERICAN COMPANY ALSO ADMITTED TO HAVING CONSPIRED WITH OTHER PRE-QUALIFIED BIDDERS TO MANIPULATE BIDS ON SELECTED USAID-FUNDED CONSTRUCTION CONTRACTS IN EGYPT. A \$30 MILLION CRIMINAL FINE WAS IMPOSED UPON THE GERMAN COMPANY, A \$4.2 MILLION CRIMINAL FINE AND A \$500,000 CIVIL RESTITUTION ON THE AMERICAN COMPANY.

IN ANOTHER CASE, A LARGE U.S. ENVIRONMENTAL ENGINEERING FIRM AGREED TO PAY A CIVIL PENALTY OF \$400,000 AND GOVERNMENT INVESTIGATIVE COSTS OF \$50,000 TO RESOLVE ALLEGATIONS THAT IT HAD VIOLATED THE FOREIGN CORRUPT PRACTICES ACT. THE ENVIRONMENTAL ENGINEERING FIRM HAD PROVIDED BENEFITS TO THE CHAIRMAN OF A FOREIGN ORGANIZATION TO INDUCE HIM TO USE HIS OFFICIAL INFLUENCE TO SUPPORT THE AWARD OF APPROXIMATELY \$36 MILLION IN CONTRACTS TO THE FIRM. THE FOREIGN ORGANIZATION, AN INSTRUMENTALITY OF THE GOVERNMENT OF THE UNITED ARAB REPUBLIC OF EGYPT, WAS RESPONSIBLE FOR OPERATING SEWAGE AND WASTEWATER TREATMENT FACILITIES IN EGYPT. THE FIRM CONSENTED TO COOPERATE IN THE GOVERNMENT'S ONGOING INVESTIGATION AND TO INSTITUTE CERTAIN REMEDIAL ACTIONS, INCLUDING MODIFYING ITS EXISTING COMPLIANCE PROGRAM.

IN ANOTHER CASE, A U.S. SUBSIDIARY OF AN ITALIAN MANUFACTURER OF FLOUR MILLING EQUIPMENT PLED GUILTY TO ONE-COUNT OF OBSTRUCTION OF JUSTICE AND AGREED TO PAY A CRIMINAL FINE OF \$325,000 AS A RESULT OF ACTIONS IT TOOK TO OBSTRUCT A JOINT USAID/OIG-U.S.CUSTOMS INVESTIGATION. WHEN THE COMPANY PRESIDENT DECLINED TO TALK WITH INVESTIGATORS, THE COMPANY'S LEGAL COUNSEL WAS CONTACTED BY AN ASSISTANT UNITED STATES ATTORNEY AND TOLD THAT SUBPOENAS FOR BOOKS AND RECORDS WOULD BE ISSUED. THAT NIGHT, INVESTIGATORS SEIZED THE COMPANY PRESIDENT'S TRASH, REVEALING THAT HE HAD DISCARDED DIARIES AND NOTEBOOKS SPANNING A THREE-YEAR PERIOD, AND NOTES AND REFERENCES AROUND WHICH THE INVESTIGATION WAS BASED. THE ATTEMPT TO DESTROY THESE RECORDS WAS THE BASIS OF THE OBSTRUCTION OF JUSTICE CHARGE AGAINST THE COMPANY. IN ADDITION TO THE FINE, THE COMPANY WAS PLACED ON PROBATION FOR A PERIOD OF TWO YEARS.

MANAGEMENT

THE ASSISTANT INSPECTOR GENERAL FOR MANAGEMENT LEADS A STAFF THAT HAS 29 AUTHORIZED POSITIONS. HE PROVIDES ADVICE AND ASSISTANCE TO ME AND MY ASSISTANT INSPECTORS GENERAL ON ADMINISTRATIVE, FINANCIAL, AND PERSONNEL MATTERS.

THE ASSISTANT INSPECTOR GENERAL FOR MANAGEMENT SUPERVISES PERSONNEL, BUDGET, ACQUISITION, INFORMATION MANAGEMENT, AND ADMINISTRATIVE SERVICES. THE MANAGEMENT OFFICE HAS THREE UNITS: PERSONNEL SERVICES, BUDGET AND ACQUISITIONS, AND INFORMATION MANAGEMENT.

OUR PERSONNEL SERVICES STAFF PROVIDES SUPPORT FOR BOTH

CIVIL SERVICE AND FOREIGN SERVICE PERSONNEL. THEY PROVIDE A FULL RANGE OF SERVICES INCLUDING RELOCATION SUPPORT FOR OVERSEAS STAFF, RETIREMENT, BENEFITS, CLASSIFICATION, STAFFING, PROMOTIONS, AWARDS AND TRAINING.

OUR BUDGET STAFF HAS FACED MANY CHALLENGES OVER THE PAST YEARS. THEY MANAGE THE OIG OPERATING BUDGET INCLUDING BUDGET FORMULATION, BUDGET JUSTIFICATION, BUDGET SUBMISSION, AND BUDGET EXECUTION.

OUR ACQUISITION STAFF PROVIDES A FULL RANGE OF PROCUREMENT SERVICES. THEY AWARD A WIDE RANGE OF SMALL AND LARGE CONTRACTS FOR GENERAL SUPPLIES AND SERVICES, ADP EQUIPMENT AND PROFESSIONAL SERVICES. THEY CONTINUE TO WORK CLOSELY WITH THE MISSION CONTROLLERS WHO ASSIST US IN OBLIGATING FUNDS AND MAKING USAID PAYMENTS TO CONTRACTORS AND VENDORS OVERSEAS.

THE INFORMATION MANAGEMENT (IM) STAFF PROVIDES TECHNICAL SUPPORT TO ALL IG OFFICES. THE SERVICES PROVIDED BY IM INCLUDE INTERNET AND INTRANET WEB ADMINISTRATION, NETWORK MANAGEMENT, AND USER SUPPORT. IM HAS RECENTLY PUBLISHED UPDATED VERSIONS OF THE INTERNET AND INTRANET WEB SITES. OUR INTERNET WEB SITE HAS RECEIVED NATIONAL RECOGNITION FOR ITS DESIGN AND EDUCATIONAL CONTENT. OUR INTRANET SITE PROVIDES AN ARRAY OF INFORMATION ON OUR OFFICES, IG SERVICES, AND LINKS TO RELATED SITES.

CONSISTENT WITH MANAGEMENT, IM IS DEDICATED TO PROVIDING EXCELLENT CUSTOMER SERVICE. IM HAS IMPROVED NETWORK STABILITY, IMPLEMENTED NEW HELP DESK PROCEDURES AND CONVERTED TO A MORE RELIABLE EMAIL SYSTEM. ADDITIONALLY, IM SEEKS TO EMPLOY ENTERPRISE-WIDE TECHNICAL SOLUTIONS TO ADDRESS THE BUSINESS NEEDS OF OUR IG COMMUNITY.

PART II USAID OVERVIEW

USAID DIRECTLY CONTRIBUTES TO THE ACHIEVEMENT OF U.S. FOREIGN POLICY GOALS, AS ARTICULATED BY THE PRESIDENT AND THE SECRETARY OF STATE, THROUGH ITS DEVELOPMENT AND HUMANITARIAN ASSISTANCE PROGRAMS. SUSTAINABLE DEVELOPMENT IS THE PROCESS LEADING TO A LASTING INCREASE IN THE CAPACITY OF SOCIETY TO IMPROVE THE QUALITY OF LIFE OF ITS PEOPLE. HUMANITARIAN ASSISTANCE, WHICH CONTRIBUTES TO CRISIS PREVENTION AND MITIGATION, IS AN ESSENTIAL PART OF SUSTAINABLE DEVELOPMENT.

USAID DELIVERS MOST OF ITS ASSISTANCE BY ENTERING INTO CONTRACTS OR BY APPROVING GRANTS AND COOPERATIVE AGREEMENTS. USAID ALSO MANAGES SEVERAL CREDIT (LOAN AND LOAN GUARANTY) PROGRAMS.

LIKE MANY ORGANIZATIONS, USAID FACES SEVERAL MAJOR PERFORMANCE AND MANAGEMENT CHALLENGES. FOR SEVERAL YEARS, THE OIG HAS BEEN REPORTING ON THESE CHALLENGES THROUGH ITS SEMIANNUAL REPORTS, LETTERS TO CONGRESS AND OTHER VEHICLES.

TODAY, I WOULD LIKE TO TAKE SOME TIME TO SUMMARIZE THOSE CHALLENGES FOR YOU, THE EFFORTS USAID HAS MADE TO ADDRESS THOSE CHALLENGES AND WHAT THE OIG HAS DONE TO ASSIST IN THESE EFFORTS.

FINANCIAL MANAGEMENT

THROUGH A SERIES OF LEGISLATIVE INITIATIVES BEGINNING IN 1990, THE FEDERAL GOVERNMENT HAS EMBARKED ON A COURSE TO IMPROVE THE QUALITY OF FINANCIAL INFORMATION USED TO MANAGE ITS ACTIVITIES. THESE INITIATIVES INCLUDE THE CHIEF FINANCIAL OFFICERS (CFO) ACT OF 1990, THE GOVERNMENT MANAGEMENT REFORM ACT (GMRA) OF 1994, AND THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) OF 1996. EACH OF THESE LAWS CONCERNS THE PREPARATION AND AUDIT OF ANNUAL FINANCIAL STATEMENTS BY FEDERAL AGENCIES.

USAID CANNOT CURRENTLY MEET THE REQUIREMENTS OF THESE LAWS BECAUSE ITS FINANCIAL MANAGEMENT SYSTEMS DO NOT PROVIDE COMPLETE, RELIABLE, TIMELY, AND CONSISTENT INFORMATION. USAID MANAGERS, THEREFORE, CANNOT BE SURE THAT PROGRAM OBJECTIVES ARE MET; RESOURCES ARE ADEQUATELY SAFEGUARDED; RELIABLE FINANCIAL AND PERFORMANCE DATA ARE OBTAINED, MAINTAINED, AND REPORTED; AND ACTIVITIES COMPLY WITH LAWS AND REGULATIONS.

IN THE PAST THREE YEARS, USAID HAS MADE CONSIDERABLE PROGRESS TOWARD RESOLVING PROBLEMS WITH ITS FINANCIAL MANAGEMENT SYSTEM, AND IT IS PLACING SIGNIFICANT EFFORTS AND RESOURCES TOWARD ADDITIONAL IMPROVEMENTS. AS A RESULT, FINANCIAL MANAGEMENT PROCEDURES ARE NO LONGER CONSIDERED A SERIOUS MANAGEMENT CHALLENGE. HOWEVER, USAID STILL FACES THE FOLLOWING FOUR MANAGEMENT CHALLENGES:

- IMPLEMENTING AN INTEGRATED FINANCIAL MANAGEMENT SYSTEM;
- RECONCILING FINANCIAL DATA;
- REPORTING ACCOUNTS RECEIVABLE; AND
- IMPLEMENTING NEW PROCEDURES FOR THE DIRECT LOAN PROGRAM.

PROGRESS ON IMPLEMENTING AN INTEGRATED FINANCIAL MANAGEMENT SYSTEM

THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA) REQUIRES THAT EACH AGENCY IMPLEMENT AND MAINTAIN FINANCIAL MANAGEMENT SYSTEMS THAT COMPLY WITH FEDERAL FINANCIAL MANAGEMENT SYSTEMS REQUIREMENTS, INCLUDING, OFFICE

OF MANAGEMENT AND BUDGET'S CIRCULAR NUMBER A-127. USAID'S GOAL IS TO IMPLEMENT THE ENTIRE SUITE OF INTEGRATED FINANCIAL AND MIXED FINANCIAL SYSTEMS IN ACCORDANCE WITH THESE REQUIREMENTS BY FISCAL YEAR 2005.

TO ATTAIN THIS GOAL, USAID ESTABLISHED THE OFFICE OF FINANCIAL SYSTEM INTEGRATION TO PLAN FOR AND ACQUIRE USAID'S FINANCIAL SYSTEMS. THIS OFFICE, UNDER THE DIRECTION OF THE CHIEF FINANCIAL OFFICER, IS ALSO PREPARING AN OVERALL PLAN TO MODERNIZE USAID'S LEGACY SYSTEMS AS COMPONENTS OF AN INTEGRATED FINANCIAL SYSTEM.

USAID IS IN THE PROCESS OF IMPLEMENTING AN INTEGRATED FINANCIAL MANAGEMENT SYSTEM, USING COMMERCIAL-OFF-THE-SHELF SOFTWARE THAT WILL COMPLY WITH THE FFMIA AND THE CLINGER-COHEN ACT OF 1996. BECAUSE USAID'S INTEGRATED SYSTEM WILL INCLUDE LEGACY SYSTEM INFORMATION, USAID WILL NEED TO CONVERT AND MOVE DATA FROM EXISTING SYSTEMS TO THE NEW CORE FINANCIAL MANAGEMENT SYSTEM. THIS NEW SYSTEM IS BEING IMPLEMENTED IN SEVERAL PHASES.

- THE FIRST PHASE, DEPLOYMENT OF THE INTEGRATED FINANCIAL MANAGEMENT SYSTEM'S CORE COMPONENT (PHOENIX), BEGAN DECEMBER 15, 2000.
- THE SECOND PHASE WILL CONCENTRATE ON INTEGRATING VARIOUS SUBSYSTEMS (INTERFACES WITH INTERNAL AND EXTERNAL SYSTEMS) THAT WILL FEED PROCUREMENT AND FINANCIAL INFORMATION INTO THE PHOENIX SYSTEM. USAID PROJECT MANAGERS ESTIMATE THIS PHASE WILL BE COMPLETED DURING FY 2001.
- DURING THE THIRD PHASE, USAID WILL DEVELOP A SECURE INTERFACE TO ALLOW THE TRANSFER OF DATA FROM OVERSEAS MISSIONS TO WASHINGTON, D.C. SYSTEM SECURITY WILL BE ENHANCED THROUGH THE USE OF RISK ASSESSMENTS, TECHNOLOGY UPGRADES, EXPANDED TRAINING AND DATA ENCRYPTION. THIS WORK IS SCHEDULED FOR COMPLETION BY THE END OF FY 2002.
- THE FINAL PHASE WILL ENABLE THE CAPABILITY TO INTEGRATE COST ACCOUNTING FUNCTIONS INTO THE PHOENIX FINANCIAL SYSTEM. THIS PHASE IS ESTIMATED FOR COMPLETION DURING FISCAL YEAR 2003.

THE OIG IDENTIFIED SEVERAL CONCERNS WITH THE PHOENIX IMPLEMENTATION BEFORE THE SCHEDULED DEPLOYMENT. THESE INCLUDED:

- COMPRESSED AND LIMITED SOFTWARE TESTING OF FUNCTIONAL REQUIREMENTS AND A LACK OF PARALLEL OPERATIONS.
- DELAYS IN MIGRATING DATA FROM THE OLD TO THE NEW SYSTEM.

- AN INCOMPLETE AND UNTESTED CONTINGENCY PLAN. SUCH PLANS ENSURE CONTINUED SYSTEMS OPERATION IN THE EVENT OF PROBLEMS.
- DEFERRAL OF SOME SYSTEM FUNCTIONALITY.
- UNEVEN ATTENDANCE AT USER TRAINING SESSIONS.
- NO PROCESS TO DOCUMENT THE SHOWSTOPPERS AND THE FINAL DECISIONS AUTHORIZING DEPLOYMENT OF THE SYSTEM. SHOWSTOPPERS ARE CRITICAL PROBLEMS THAT PREVENT THE PROPER FUNCTIONING OF A SYSTEM.

THE OIG HAS WORKED CLOSELY WITH USAID MANAGEMENT ON THESE CONCERNS AND RECOMMENDED THAT USAID THOROUGHLY TEST PHOENIX AND RESOLVE ANY OPERATIONAL PROBLEMS. TO ADDRESS THESE CONCERNS, USAID DELAYED THE DEPLOYMENT, TOOK ACTION TO CONDUCT MORE TESTING, INCREASED USERS' PARTICIPATION, AND DESIGNED A PROJECT TOOL TO ASSESS THE OPERATIONAL READINESS OF PHOENIX. THE OIG CONTINUES TO MONITOR USAID'S PROGRESS IN IMPLEMENTING PHOENIX.

PROGRESS ON CORRECTING FINANCIAL MANAGEMENT SYSTEM PLANNING DEFICIENCIES

THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT REQUIRES AGENCIES TO DETERMINE WHETHER THEIR FINANCIAL MANAGEMENT SYSTEMS MEET FEDERAL REQUIREMENTS DESIGNED TO ENSURE THAT MANAGERS RECEIVE RELIABLE INFORMATION. SUCH INFORMATION IS NECESSARY TO RELIABLY REPORT FINANCIAL AND PERFORMANCE RESULTS AND TO BETTER MANAGE AGENCY OPERATIONS.

IN DECEMBER 1997, THE ADMINISTRATOR DETERMINED THAT USAID SYSTEMS DID NOT MEET THOSE FEDERAL REQUIREMENTS AND, IN DECEMBER 1998, USAID PREPARED A PLAN TO CORRECT SYSTEM DEFICIENCIES.

IN MARCH 1999, THE OIG REVIEWED USAID'S REMEDIATION PLAN AND REPORTED THAT THE PLAN WAS INADEQUATE. IN ADDITION TO PROBLEMS WITH THE PLAN, THE OIG ALSO REPORTED THAT USAID LACKED: (1) AN AGENCY-WIDE INFORMATION TECHNOLOGY TARGET ARCHITECTURE, (2) A FINANCIAL MANAGEMENT SYSTEM PORTFOLIO MEETING OMB'S GUIDELINES FOR SELECTING INFORMATION TECHNOLOGY INVESTMENTS, (3) A MODULAR ACQUISITION STRATEGY, AND (4) A PROGRAM MANAGEMENT OFFICE TO OVERSEE THE DEVELOPMENT OF AN INTEGRATED FINANCIAL MANAGEMENT SYSTEM.

IN AUGUST 2000, THE OIG REPORTED THAT USAID HAD MADE PROGRESS IN CORRECTING THESE FINANCIAL MANAGEMENT SYSTEM PLANNING DEFICIENCIES. HOWEVER, ONLY TWO DEFICIENCIES, THE ABSENCES OF AN AGENCY-WIDE INFORMATION TECHNOLOGY TARGET ARCHITECTURE AND A MODULAR ACQUISITION STRATEGY, HAVE BEEN FULLY CORRECTED. THE OTHER DEFICIENCIES HAVE BEEN ONLY PARTIALLY CORRECTED.

THE OIG AUDIT REPORT ADDRESSING THIS AREA RECOMMENDED THAT USAID MANAGEMENT: (1) DEVELOP AND IMPLEMENT A PROCESS FOR SELECTING INFORMATION TECHNOLOGY INVESTMENTS THAT COMPLIES WITH OMB AND GAO GUIDELINES, (2) REVISE USAID'S FINANCIAL MANAGEMENT SYSTEM REMEDIATION PLAN, AND (3) STRENGTHEN THE AUTHORITY OF THE OFFICE OF FINANCIAL SYSTEMS INTEGRATION.

USAID MANAGEMENT ACCEPTED THE OIG'S FINDINGS AND RECOMMENDATIONS CONCERNING THE INFORMATION TECHNOLOGY SELECTION PROCESS AND THE REVISION OF THE REMEDIATION PLAN. USAID MANAGEMENT ALSO AGREED TO ENSURE THAT THE CHIEF INFORMATION OFFICER, THE CHIEF FINANCIAL OFFICER, AND THE ASSISTANT ADMINISTRATOR FOR MANAGEMENT, ALONG WITH THE OFFICE OF FINANCIAL SYSTEMS INTEGRATION--COLLECTIVELY--WILL HAVE THE RESPONSIBILITY, AUTHORITY, AND STRUCTURE NECESSARY TO PROPERLY DIRECT THE DEVELOPMENT AND DEPLOYMENT OF ALL FINANCIAL-RELATED COMPONENTS OF THE INTEGRATED FINANCIAL MANAGEMENT SYSTEM PROGRAM.

DATA RECONCILIATION

DESPITE IMPROVEMENTS, RECONCILIATION OF FINANCIAL MANAGEMENT INFORMATION AT USAID CONTINUES TO BE A CHALLENGE. USAID HAS EXPERIENCED DIFFICULTY RECONCILING ITS FUND BALANCE WITH THE U.S. DEPARTMENT OF TREASURY (TREASURY) AND WITH THE ADVANCES IT HAS PROVIDED TO GRANTEEES. THIS SITUATION HAS BEEN CONSISTENTLY REPORTED IN PREVIOUS OIG FINANCIAL STATEMENT AUDIT REPORTS ISSUED IN RESPONSE TO THE GMRA.

DURING THE OIG'S FY 2000 GMRA AUDIT, WE REVIEWED USAID'S PROGRESS ON BOTH TYPES OF RECONCILIATIONS. WE DETERMINED THAT USAID'S RECONCILIATION PROCESS FOR ITS FUND BALANCE WITH TREASURY HAD IMPROVED. THROUGH RESOLVING DIFFERENCES WITH TREASURY AND TRACKING RECONCILING ITEMS REPORTED BY OVERSEAS MISSIONS, USAID HAD GREATLY REDUCED THE NUMBER OF OUTSTANDING RECONCILING ITEMS AT SEPTEMBER 30, 2000.

ON THE OTHER HAND, OUR REVIEW OF USAID'S RECONCILIATION PROCESS FOR ADVANCES TO GRANTEEES DID NOT IDENTIFY ANY SIGNIFICANT IMPROVEMENTS. IN ATTEMPTING TO ADDRESS THIS CHALLENGE, USAID ENGAGED THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS) TO PROCESS BOTH ADVANCES TO GRANTEEES AND SUBSEQUENT LIQUIDATION OF THOSE ADVANCES. IT HAS ALSO CONTRACTED WITH A PUBLIC ACCOUNTING FIRM TO RECONCILE OBLIGATIONS THAT HAVE BEEN ESTABLISHED TO FUND ADVANCES TO GRANTEEES. WE WILL REASSESS THIS SITUATION DURING OUR FY 2001 GMRA AUDIT.

ACCOUNTS RECEIVABLE

USAID CONTINUES TO HAVE A PROBLEM REPORTING ACCOUNTS RECEIVABLES IN AN ACCURATE AND TIMELY MANNER. WE REPORTED THIS ISSUE FOR THE FIRST TIME TO USAID MANAGEMENT IN 1996.

USAID IS BUILDING THE CAPACITY TO PROPERLY ESTABLISH AND REPORT OUTSTANDING ACCOUNTS RECEIVABLE INTO ITS NEW CORE ACCOUNTING SYSTEM. UNTIL THE NEW SYSTEM IS BROUGHT ONLINE, USAID WILL CONTINUE TO HAVE A MAJOR CHALLENGE IN ESTABLISHING AND REPORTING ITS OUTSTANDING ACCOUNTS RECEIVABLE.

DIRECT LOAN PROGRAM

USAID IS DEVELOPING AND DOCUMENTING PROCEDURES FOR MANAGING AND REPORTING ON THE FINANCIAL ACTIVITIES RELATED TO THE DIRECT LOAN PROGRAM. ADDITIONALLY, IN JULY 1998, USAID COMPLETED THE OUTSOURCING OF ITS CREDIT PORTFOLIO MANAGEMENT TO A COMMERCIAL BANK. AS PART OF OUR AUDIT OF USAID'S CONSOLIDATED FINANCIAL STATEMENT FOR FISCAL YEAR 2000, WE WILL DETERMINE WHETHER THE IMPLEMENTATION OF NEW PROCEDURES AND THE OUTSOURCING TO A COMMERCIAL BANK HAS SUFFICIENTLY REDUCED DIRECT LOAN PROGRAM VULNERABILITIES.

HUMAN CAPITAL MANAGEMENT

CONTINUED STAFF REDUCTIONS AND LIMITED HIRING CAN GREATLY AFFECT USAID'S CAPACITY TO OPERATE EFFECTIVELY. ACCORDING TO ITS *FY 1999 ACCOUNTABILITY REPORT*, USAID STAFFING LEVELS HAVE DECLINED BY 38 PERCENT OVER THE LAST TEN YEARS. IN FISCAL YEAR 2000, USAID'S TOTAL WORKFORCE ATTRITION WAS 225, COMPARED WITH PROJECTED ATTRITION OF 180.

DUE TO FUNDING CONSTRAINTS, THE TIME REQUIRED TO RECRUIT AND PROCESS NEW HIRES, AND THE FACT THAT ITS HIRING ACTIVITIES ARE KEYED TO PROJECTED ATTRITION, USAID CURRENTLY HAS MORE THAN 100 AUTHORIZED BUT UNFILLED POSITIONS. MANY OF THESE UNFILLED POSITIONS ARE IN CRITICAL HIGH-TURNOVER AREAS SUCH AS INFORMATION MANAGEMENT, FINANCIAL MANAGEMENT, AND PROCUREMENT. A MAJOR CONCERN IS THE STEADY DECLINE IN THE NUMBER OF EXPERIENCED FOREIGN SERVICE OFFICERS AND EMPLOYEES WITH IN-HOUSE TECHNICAL EXPERTISE. TO MANAGE ITS PROGRAMS FOR RESULTS, USAID MUST HAVE THE RIGHT PEOPLE--WITH THE RIGHT TRAINING AND SKILLS--IN THE RIGHT PLACES AT THE RIGHT TIME.

STAFF TRAINING

ACCORDING TO ITS *FY 1999 ACCOUNTABILITY REPORT*, USAID HAD DEVELOPED NEW AND INNOVATIVE TRAINING COURSES STRESSING MANAGEMENT, PROCUREMENT, OPERATIONS AND TECHNICAL SKILLS. IN ADDITION, IT HAD DEVELOPED THE FRAMEWORK FOR A NEW COURSE IN LEADERSHIP AND PROGRAM OPERATIONS. THROUGH THESE COURSES, USAID PLANNED TO TARGET CERTAIN KEY PERSONNEL

CATEGORIES IN ITS EFFORTS TO ADDRESS ITS HUMAN RESOURCE CAPABILITIES. ACCORDINGLY, USAID WAS CONDUCTING TRAINING AND WORKSHOPS TO TRAIN STAFF IN STRATEGIC PLANNING, ACTIVITY IMPLEMENTATION, PERFORMANCE MONITORING AND EVALUATION, AND ACQUISITIONS AND ASSISTANCE PLANNING AND ADMINISTRATION.

WE HAVE BEGUN AN AUDIT OF USAID'S STAFF TRAINING AND DEVELOPMENT ACTIVITIES TO DETERMINE WHETHER USAID PROVIDES ITS EMPLOYEES WITH SUFFICIENT TRAINING TO ACCOMPLISH THE AGENCY'S MISSION. THE SCOPE OF THIS AUDIT INCLUDES USAID TRAINING ACTIVITIES CONDUCTED DURING FISCAL YEARS 1999 AND 2000. THE AUDIT IS REVIEWING CONTROLS OVER THE ESTABLISHMENT OF CORE COMPETENCIES, USING THOSE COMPETENCIES TO IDENTIFY TRAINING NEEDS, AND EVALUATING THE CONTRIBUTIONS OF STAFF TRAINING AND DEVELOPMENT ACTIVITIES.

INFORMATION RESOURCE MANAGEMENT

EXECUTIVE AGENCIES ARE REQUIRED BY THE CLINGER-COHEN ACT OF 1996 TO IMPLEMENT A PROCESS TO MAXIMIZE THE VALUE AND ASSESS THE MANAGEMENT RISKS INVOLVED IN INFORMATION TECHNOLOGY INVESTMENTS. OIG AUDITS AND OTHER STUDIES CONDUCTED OVER THE PAST SEVERAL YEARS HAVE DEMONSTRATED THAT USAID'S MANAGEMENT OF INFORMATION RESOURCES HAS NOT BEEN EFFECTIVE. ORGANIZATIONAL AND MANAGEMENT DEFICIENCIES HAVE HINDERED USAID FROM ACQUIRING AND IMPLEMENTING EFFECTIVE INFORMATION SYSTEMS AND HAVE ALSO HINDERED USAID MANAGERS FROM OBTAINING RELIABLE, COMPLETE, AND TIMELY FINANCIAL AND PERFORMANCE INFORMATION.

THE OIG IDENTIFIED THREE INFORMATION RESOURCE MANAGEMENT DEFICIENCIES: NEW MANAGEMENT SYSTEM REPORTING AND RESOURCE MANAGEMENT CAPABILITIES, INFORMATION RESOURCES MANAGEMENT PROCESSES AND USAID'S COMPUTER SECURITY PROGRAM.

NEW MANAGEMENT SYSTEM REPORTING AND RESOURCE MANAGEMENT CAPABILITIES

FOR YEARS, USAID MANAGERS HAVE NOT HAD TIMELY ACCESS TO FINANCIAL MANAGEMENT AND RESOURCE MANAGEMENT DATA THAT IS COMPLETE, RELIABLE, AND CONSISTENT. USAID'S NEW MANAGEMENT SYSTEM (NMS) WAS INTENDED TO CORRECT SYSTEM DEFICIENCIES RELATED TO ACCOUNTING, BUDGETING, AND PROCUREMENT, AS WELL AS PROGRAM OPERATIONS AND REPORTING. NMS FAILED TO DO SO BECAUSE OF SEVERE TECHNICAL AND IMPLEMENTATION PROBLEMS STEMMING FROM USAID'S DEVIATION FROM ACCEPTED SYSTEM DEVELOPMENT PRACTICES.

TO ADDRESS THIS WEAKNESS, USAID IS CURRENTLY IMPLEMENTING THE CORE FINANCIAL COMPONENT OF AN INTEGRATED FINANCIAL MANAGEMENT AND ACCOUNTING SYSTEM. THIS NEW SYSTEM (PHOENIX) WAS DEPLOYED IN WASHINGTON D.C. ON DECEMBER 15, 2000. IN ADDITION TO IMPLEMENTING PHOENIX, IN FISCAL YEAR 2000, USAID IMPLEMENTED A SYSTEM TO CAPTURE FIELD PROCUREMENT DATA. THIS SYSTEM WILL ADDRESS A WEAKNESS IN COMPLYING WITH FEDERALLY MANDATED PROCUREMENT REPORTING REQUIREMENTS UNTIL THE NEW PROCUREMENT SYSTEM IS IMPLEMENTED.

INFORMATION RESOURCE MANAGEMENT PROCESSES

IN 1997 AND 1998, THE OIG REPORTED A NUMBER OF SERIOUS INFORMATION RESOURCES MANAGEMENT DEFICIENCIES THAT CONTRIBUTED TO PREMATURE DEPLOYMENT OF THE NMS, A SYSTEM THAT HAD NOT BEEN TESTED AND DID NOT OPERATE EFFECTIVELY. USAID HAD ADOPTED A HIGH-RISK APPROACH THAT DID NOT FOLLOW ACCEPTED SYSTEM DEVELOPMENT PRACTICES AND HAD DEPLOYED THE SYSTEM WORLDWIDE THOUGH SEVERE PROBLEMS HAD BEEN PREVIOUSLY IDENTIFIED.

AS PREVIOUSLY DISCUSSED, USAID DECIDED TO REPLACE THE CORE FINANCIAL COMPONENTS OF NMS WITH A NEW SYSTEM: PHOENIX, A COMMERCIAL OFF-THE SHELF PACKAGE. OUR CURRENT WORK ON USAID'S IMPLEMENTATION OF PHOENIX CONCLUDED THAT USAID IS STILL EXPERIENCING WEAKNESSES IN ITS INFORMATION RESOURCE MANAGEMENT PROCESSES.

FOR EXAMPLE, IN OCTOBER 2000, USAID PLANNED TO DEPLOY PHOENIX BEFORE THE SYSTEM HAD BEEN FULLY TESTED. THE OIG EXPRESSED CONCERNS WITH THE IMPLEMENTATION SCHEDULE AND RECOMMENDED THAT USAID THOROUGHLY TEST PHOENIX TO ENSURE THAT THE SYSTEM WOULD OPERATE EFFECTIVELY. IN THREE MEMORANDUMS TO THE USAID ADMINISTRATOR, THE OIG IDENTIFIED SPECIFIC RISKS AND CHALLENGES FACING PHOENIX, SUCH AS SOFTWARE TESTING WEAKNESSES, POTENTIAL DIFFICULTIES WITH DATA MIGRATION, AND THE NEED FOR CONTINGENCY PLANNING. TO ADDRESS THESE AND OTHER CONCERNS, USAID DELAYED THE DEPLOYMENT OF THE SYSTEM UNTIL DECEMBER 2000 AND TOOK ACTIONS TO CONDUCT MORE TESTING, ALLOW GREATER PARTICIPATION

BY SYSTEMS USERS, AND MORE THOROUGHLY ASSESS THE OPERATIONAL READINESS OF PHOENIX.

IN ADDITION, USAID HAS TAKEN A NUMBER OF STEPS TO IMPLEMENT DISCIPLINED PROCESSES THAT COMPLY WITH CLINGER-COHEN ACT REQUIREMENTS. FOR EXAMPLE:

- USAID HAS OBTAINED A CONTRACTOR TO PROVIDE SPECIALIZED MANAGEMENT SUPPORT AND INFORMATION RESOURCE MANAGEMENT EXPERTISE AND HAS BEGUN TO IMPLEMENT A SOFTWARE ACQUISITION MODEL WHICH IS A RECOGNIZED ARCHETYPE FOR BOTH BENCHMARKING AND IMPROVING THE SOFTWARE ACQUISITION PROCESS.
- USAID HAS DEVELOPED PLANS TO SEEK INDEPENDENT VERIFICATION THAT ITS PRACTICES MEET COMMONLY ACCEPTED GOVERNMENT AND INDUSTRY STANDARDS AND ANTICIPATES THAT SUCH VERIFICATION WILL BE RECEIVED IN FISCAL YEAR 2001-2002.
- USAID IS DEVELOPING AN INFORMATION TECHNOLOGY ARCHITECTURE THAT WILL CONFORM TO OMB REQUIREMENTS FOR AN ENTERPRISE ARCHITECTURE, A TECHNICAL REFERENCE MODEL AND A STANDARDS PROFILE.

THE OIG PLANS TO MONITOR THE PROCESSES ASSOCIATED WITH THE IMPLEMENTATION OF USAID'S PHOENIX SYSTEM. THE OIG WILL ALSO CONDUCT FUTURE AUDITS RELATED TO USAID'S INFORMATION RESOURCE MANAGEMENT PROCESSES.

COMPUTER SECURITY

DURING THE PAST YEAR, THE NATIONAL NEWS MEDIA HAS REPORTED SEVERAL HIGH-LEVEL LAPSES OF GOVERNMENTAL SECURITY INCLUDING COMPUTER SECURITY. GIVEN THE RECENT PRESIDENTIAL AND CONGRESSIONAL EMPHASIS ON THE IMPORTANCE OF COMPUTER SECURITY, THE OIG CONTINUES TO MAKE OVERSIGHT OF COMPUTER SECURITY ONE OF OUR TOP PRIORITIES.

THE OIG HAS ISSUED SEVERAL AUDIT REPORTS IDENTIFYING COMPUTER SECURITY DEFICIENCIES THAT EXPOSED USAID TO UNACCEPTABLE RISK THAT RESOURCES AND SENSITIVE DATA MIGHT NOT BE ADEQUATELY PROTECTED FROM LOSS OR DESTRUCTION. THESE DEFICIENCIES EXIST BECAUSE USAID HAS NOT IMPLEMENTED AN EFFECTIVE COMPUTER SECURITY PROGRAM AS REQUIRED BY THE COMPUTER SECURITY ACT AND OMB CIRCULAR A-130.

USAID HAS MADE SIGNIFICANT PROGRESS IN DEVELOPING A PROGRAM TO IMPROVE ITS ABILITY TO PROTECT COMPUTERIZED INFORMATION. FOR EXAMPLE, USAID HAS UPDATED SECURITY POLICIES, DEVELOPED A SECURITY EVALUATION PROCESS THAT REQUIRES CERTIFICATION BY USAID MANAGERS, DEVELOPED

PROCESSES AND CONDUCTED RISK ASSESSMENTS AT SIX MISSIONS, AND PERFORMED EVALUATIONS OF NMS AND PHOENIX.

IN ADDITION, USAID OFFICIALS HAVE CRAFTED A MODEL INFORMATION SYSTEM SECURITY PROGRAM. THIS PROGRAM PROVIDES A FRAMEWORK FOR IDENTIFYING AND DISSEMINATING TO OTHER GOVERNMENT AGENCIES A COMPLETE SET OF 'BEST PRACTICES' FOR IMPLEMENTING AN EFFECTIVE COMPUTER SECURITY PROGRAM. THE PROGRAM HAS BEEN RECOGNIZED BY THE CHIEF INFORMATION OFFICERS COUNCIL, GENERAL SERVICES ADMINISTRATION, AND OTHERS, AS AN INNOVATIVE AND COMPREHENSIVE APPROACH THAT COULD BENEFIT THE ENTIRE FEDERAL GOVERNMENT.

THE OIG ALSO CONTINUES TO WORK CLOSELY WITH THE USAID INFORMATION SYSTEMS SECURITY OFFICER AND TO PARTICIPATE IN THE INFORMATION SYSTEMS SECURITY WORKING GROUP. WHILE USAID HAS MADE SIGNIFICANT IMPROVEMENTS IN ITS INFORMATION SYSTEMS' SECURITY, MUCH WORK REMAINS TO BE DONE. USAID ESTIMATES THAT COMPUTER SECURITY VULNERABILITIES WILL NOT BE FULLY CORRECTED UNTIL 2003.

MANAGING FOR RESULTS

IN PAST YEARS, THE OIG HAS IDENTIFIED REPORTING OF PROGRAM RESULTS AS A MAJOR CHALLENGE FOR USAID MANAGEMENT. ALTHOUGH, IN SEPTEMBER 1999, USAID REMOVED RESULTS REPORTING FROM ITS LIST OF REPORTABLE WEAKNESSES UNDER THE FEDERAL MANAGERS FINANCIAL INTEGRITY ACT OF 1983, THE OIG CONTINUES TO VIEW RESULTS REPORTING AS A MAJOR MANAGEMENT CHALLENGE. AS DESCRIBED IN THE FOLLOWING PARAGRAPHS, USAID CONTINUES TO HAVE PROBLEMS DEVELOPING PERFORMANCE MEASUREMENT SYSTEMS THAT MEET EXTERNAL AND INTERNAL REPORTING REQUIREMENTS, INCLUDING THE REQUIREMENTS OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT OF 1993 (RESULTS ACT). THE FOLLOWING DISCUSSES TWO COMPONENTS OF THAT CHALLENGE.

IMPLEMENTATION OF THE RESULTS ACT

THE OIG HAS TAKEN AN ACTIVE ROLE TO HELP USAID MEET THE REQUIREMENTS OF THE RESULTS ACT. OIG AUDITS HAVE REVEALED SEVERAL WEAKNESSES IN THE PERFORMANCE MEASUREMENT SYSTEMS USAID USES IN RESULTS ACT REPORTING. FOR INSTANCE, THE OIG, AS WELL AS THE GENERAL ACCOUNTING OFFICE, HAS NOTED THAT USAID NEEDS TO:

- MEASURE ITS PERFORMANCE USING DATA ATTRIBUTABLE TO ITS OWN PROGRAM PERFORMANCE RATHER THAN THAT OF THE ENTIRE DONOR COMMUNITY,
- CLEARLY LINK ITS PERFORMANCE GOALS TO ITS PROGRAM ACTIVITIES, AND
- USE TIMELY DATA TO REPORT ITS PERFORMANCE.

AS A RESULT OF THESE WEAKNESSES, THE INFORMATION REPORTED UNDER THE RESULTS ACT HAS LIMITED USEFULNESS FOR DEMONSTRATING USAID'S PROGRESS IN ACCOMPLISHING ITS GOALS AND OBJECTIVES.

TO MORE CLEARLY TIE THE PLANNED AND REPORTED RESULTS, USAID OFFICIALS ARE PREPARING A PERFORMANCE OVERVIEW REPORT, A REPORT WHICH COMBINES THE ANNUAL PERFORMANCE PLAN FOR FISCAL YEAR 2002 AND THE ANNUAL PERFORMANCE REPORT FOR FISCAL YEAR 2000. TO ASSESS USAID'S PROGRESS AND ASSIST IN FURTHER IMPROVEMENTS, THE OIG HAS BEGUN AN AUDIT OF THAT PERFORMANCE OVERVIEW REPORT AS WELL AS OF USAID'S REVISED STRATEGIC PLAN.

USAID'S INTERNAL SYSTEM FOR REPORTING RESULTS

USAID HAS AN INTERNAL SYSTEM FOR REPORTING RESULTS THAT IS NOT FULLY INTEGRATED WITH THE FRAMEWORK OF THE RESULTS ACT. THAT SYSTEM GENERATES THE "RESULTS REVIEW AND RESOURCE REQUEST" REPORT--THE MOST SIGNIFICANT PERFORMANCE REPORT THAT USAID OPERATING UNITS SEND TO THEIR RESPECTIVE BUREAUS.

IN A WORLDWIDE SERIES OF AUDITS, THE OIG DETERMINED AND REPORTED THAT THESE RESULTS REPORTS PREPARED IN 1997 CONTAINED DATA WHICH WERE NOT OBJECTIVELY VERIFIABLE, SUPPORTED, ACCURATE, COMPLETE OR VALIDATED. IN RESPONSE TO THE RECOMMENDATION IN THAT AUDIT REPORT, USAID:

- ISSUED GUIDANCE TO ITS OPERATING UNITS ON THE QUALITY OF INDICATORS AND DATA USED FOR RESULTS REPORTING,
- CONDUCTED TRAINING FOR USAID PERSONNEL ON THE IMPLEMENTATION OF THE GUIDANCE DISCUSSED ABOVE, AND
- REVISED USAID DIRECTIVES ON PERFORMANCE REPORTING.

IN AUGUST 1999, USAID OFFICIALS ASKED THE OIG TO PERFORM ADDITIONAL AUDITS TO ASSESS OPERATING UNITS' IMPLEMENTATION OF THE ABOVE USAID ACTIVITIES. THE OIG WORKED CLOSELY WITH USAID'S PERFORMANCE MEASUREMENT EXPERTS TO DEVELOP THE AUDIT OBJECTIVE AND METHODOLOGY. THE AUDITS CONDUCTED TO DATE REVEALED THAT OPERATING UNITS NEED TO:

- PREPARE AND CARRYOUT PERFORMANCE MONITORING PLANS TO BETTER ENSURE THAT CREDIBLE RESULTS WILL BE REPORTED, AND
- ASSESS THE QUALITY OF PERFORMANCE DATA INCLUDED IN THE RESULTS REPORT AND MORE FULLY DISCLOSE DATA LIMITATIONS, IF ANY, WHEN DATA ARE REPORTED.

USAID OFFICIALS PARTICIPATED AS OBSERVERS DURING THESE AUDITS, AND AGREED WITH THE FINDINGS TO DATE. THE OIG IS

CONTINUING THIS COLLABORATIVE AUDIT EFFORT IN FISCAL YEAR 2001.

IN RESPONSE TO THE AUDIT CONCERNS, USAID OFFICIALS REVISED USAID DIRECTIVES FOR PERFORMANCE MONITORING. IN ADDITION, USAID OFFICIALS HAVE BEGUN TO CONDUCT (1) TRAINING ON ASPECTS OF A PERFORMANCE MONITORING SYSTEM AND (2) SEMINARS ON THE NEW USAID DIRECTIVES. THESE ACTIVITIES ARE SCHEDULED TO CONTINUE THROUGH THE SPRING OF 2001.

USAID'S BROAD AND CHANGING MANDATE

USAID'S OPERATIONAL MANDATE IS EXCEEDINGLY BROAD. THE PRESIDENT'S COMMISSION ON THE MANAGEMENT OF A.I.D. PROGRAMS REPORTED IN 1992 THAT USAID WAS FACED WITH A MULTIPLICITY OF PROGRAMS AND UNCLEAR MANDATES IN AN ENVIRONMENT OF DIMINISHING OPERATIONAL RESOURCES. IN 1993, THE WHARTON TASK FORCE CONCLUDED THAT USAID HAD TOO MANY INDIVIDUAL COUNTRY PROGRAMS FOR THE SIZE OF ITS STAFF AND BUDGET. MORE RECENTLY, USAID HAS BEEN FACED WITH BROAD AND CHANGING INITIATIVES WHICH PLACE INCREASING DEMANDS ON ITS RESOURCES--SUCH AS DISASTER ASSISTANCE UNDER THE CENTRAL AMERICA AND CARIBBEAN RECONSTRUCTION SUPPLEMENTAL APPROPRIATION AND THE HIV/AIDS AND INFECTIOUS DISEASES RAPID RESPONSE.

IN ADDITION, ACCORDING TO USAID OFFICIALS, THE NATURE OF THE MANDATE ITSELF SEEMS TO BE EVOLVING SO AS TO ADDRESS KEY FOREIGN POLICY ISSUES OF THE DAY. USAID'S MANDATE ON SUSTAINABLE DEVELOPMENT IN THE POOREST COUNTRIES AND EMERGENCY ASSISTANCE IN RESPONSE TO NATURAL DISASTERS HAS EXPANDED TO INCLUDE ADDRESSING TRANSITIONS FROM COMMUNISM, HELPING NATIONS RECOVER FROM PERIODS OF CONFLICT AND PREVENTING FUTURE CONFLICT.

THE OIG HAS NOT MADE ANY GENERAL RECOMMENDATIONS IN THIS AREA. WITH REGARD TO THE MULTIPLICITY OF MANDATES AND PROGRAMS AND THE LACK OF ADEQUATE RESOURCES, THIS IS CLEARLY A MATTER THAT IS NOT ENTIRELY WITHIN USAID'S CONTROL. NEVERTHELESS, USAID HAS TAKEN SOME STEPS TO COME TO TERMS WITH THE CHALLENGES OF ITS BROAD MANDATE.

IN RESPONSE TO THE WHARTON REPORT, WHICH SAID THAT USAID HAD TOO MANY COUNTRY PROGRAMS, USAID CLOSED NUMEROUS MISSIONS WORLDWIDE--ALTHOUGH OTHER MISSIONS HAVE SINCE BEEN OPENED IN RESPONSE TO CHANGING U.S. FOREIGN POLICY INITIATIVES. AS A RESULT, SOME COUNTRIES NOW RECEIVE USAID FUNDS WITHOUT THE PRESENCE OF A USAID OFFICE IN-COUNTRY OR WITH ONLY A FEW USAID PERSONNEL. IN RESPONSE TO A RECENT OIG AUDIT, USAID HAS ISSUED GUIDANCE RELATING TO CONTROLS NEEDED FOR ACTIVITIES IN SUCH COUNTRIES. IN ADDITION, USAID IS TRYING TO FIND BETTER WAYS TO WORK WITH THE MISSIONS THAT REMAIN--MISSIONS THAT ARE TYPICALLY MUCH SMALLER THAN IN THE PAST. IN JUNE 2000, THE USAID ISSUED A GENERAL NOTICE ON HOW TO MAKE SMALLER MISSIONS MORE EFFECTIVE.

WITH REGARD TO RESPONDING TO BROAD AND CHANGING INITIATIVES, SUCH AS EXTENSIVE DISASTER ASSISTANCE OR INCREASED HIV/AIDS FUNDING, USAID HAS SOUGHT TO OBTAIN ADDITIONAL RESOURCES FOR PERSONAL SERVICES CONTRACTORS OR TECHNICAL ADVISORS TO HELP CARRY OUT SUCH INITIATIVES. IN ADDITION, USAID HAS SET UP A WORKING GROUP ON HOW TO COPE WITH THE RESOURCE DEMANDS OF SUPPLEMENTAL APPROPRIATIONS.

FINALLY, WITH REGARD TO THE EVOLVING RATIONALE FOR FOREIGN ASSISTANCE—AND THE INCREASING INVOLVEMENT OF THE DEPARTMENT OF STATE IN DEVELOPMENT ISSUES—USAID HAS SIGNED AN AGREEMENT WITH THE DEPARTMENT OF STATE TO ENHANCE COOPERATION AND COORDINATION BETWEEN THE TWO AGENCIES.

THE OIG IS PLANNING TO AUDIT THE EFFECTIVENESS OF REPORTING SYSTEMS IN COUNTRIES WHERE USAID DOES NOT HAVE A PRESENCE OR ONLY A VERY LIMITED PRESENCE, SYSTEMS WHICH WERE ESTABLISHED AS THE RESULT OF AN AUDIT WE ISSUED IN 1999.

ACCOUNTABILITY IN THE INTERNATIONAL ENVIRONMENT

ACCOUNTABILITY IN THE INTERNATIONAL ENVIRONMENT PRESENTS A SERIOUS MANAGEMENT CHALLENGE TO THE SUCCESS OF USAID'S ACTIVITIES.

USAID ADMINISTERS ITS ECONOMIC AND HUMANITARIAN ASSISTANCE IN AN OVERSEAS ENVIRONMENT HIGHLY VULNERABLE TO FRAUD AND CORRUPTION. TO ILLUSTRATE, EACH YEAR TRANSPARENCY INTERNATIONAL PUBLISHES ITS CORRUPTION PERCEPTIONS INDEX RATING COUNTRIES SURVEYED ON A SCALE FROM 10 (LEAST CORRUPT) TO 0 (HIGHLY CORRUPT). OF THE 90 COUNTRIES TRANSPARENCY INTERNATIONAL RATED FOR 2000, 42 COUNTRIES RECEIVED A RATING BELOW 4 (FROM 3.9 TO 1.2). OF THESE 42 COUNTRIES, USAID HAS BEEN PROVIDING ASSISTANCE TO 36.

CORRUPTION AND LACK OF ACCOUNTABILITY ARE MAJOR IMPEDIMENTS TO ECONOMIC DEVELOPMENT, THE GROWTH OF DEMOCRATIC INSTITUTIONS, AND THE ABILITY OF DEVELOPING COUNTRIES TO ATTRACT SCARCE FOREIGN INVESTMENTS. OVER THE PAST FEW DECADES, AUDITORS, INVESTIGATORS AND OTHERS, INCLUDING THE MEDIA, HAVE IDENTIFIED INSTANCES WHERE FOREIGN AID FUNDS HAVE BEEN ADVERSELY AFFECTED BY CORRUPTION. SUCH ADVERSE PUBLICITY FROM CORRUPTION HAS HELPED TO ERODE THE U.S. PUBLIC'S CONFIDENCE IN AND SUPPORT FOR U.S. FOREIGN AID.

BOTH USAID AND THE OIG HAVE INITIATED VARIOUS ACTIVITIES IN RESPONSE TO THIS SERIOUS MANAGEMENT CHALLENGE OF OBTAINING ACCOUNTABILITY IN THE INTERNATIONAL ENVIRONMENT. FOR EXAMPLE, USAID'S SECOND STRATEGIC GOAL IS TO SEEK TO STRENGTHEN DEMOCRACY AND GOOD GOVERNANCE. WITHIN THIS STRATEGIC OBJECTIVE, USAID FOCUSES ITS EFFORTS ON FOUR

AREAS: STRENGTHENING THE RULE OF LAW AND RESPECT FOR HUMAN RIGHTS, ENCOURAGING CREDIBLE AND COMPETITIVE POLITICAL PROCESSES, PROMOTING THE DEVELOPMENT OF POLITICALLY ACTIVE CIVIL SOCIETY, AND ENCOURAGING MORE TRANSPARENT AND ACCOUNTABLE GOVERNMENT INSTITUTIONS.

THE OIG'S ACTIVITIES CAN BE CATEGORIZED AS THOSE DIRECTED AT PREVENTING LOSS AND THOSE DIRECTED AT DETECTING LOSS. THE OIG HAS DEDICATED SIGNIFICANT RESOURCES TO PREVENT LOSSES FROM CORRUPTION BEFORE THEY OCCUR IN AREAS WHERE WE ASSESS USAID AS HAVING THE GREATEST VULNERABILITY TO LOSS. FOR EXAMPLE, THE OIG REQUIRES ANNUAL AUDITS OF U.S.-BASED AND INDIGENOUS ORGANIZATIONS RECEIVING U.S. ASSISTANCE AND ALSO PROVIDES FRAUD AWARENESS TRAINING AND BRIEFINGS AROUND THE WORLD.

THE OIG'S STRATEGY FOR ACHIEVING ACCOUNTABILITY IN THE INTERNATIONAL ARENA ALSO FOCUSES ON EFFORTS TO DETECT FINANCIAL LOSS. THESE EFFORTS INCLUDE: ASSESSING CORRUPTION AND RISKS IN COUNTRIES; FOCUSING ON U.S. AND OTHER ORGANIZATIONS WITH A HISTORY OF NONCONFORMANCE TO U.S. REGULATIONS AND LAW AND CONCENTRATING ON PROGRAMS THAT HAVE BEEN VULNERABLE TO FRAUD, WASTE AND ABUSE; AND, SUPPORTING SUPREME AUDIT INSTITUTIONS WHO PERFORM REGULAR AUDITS OF VARIOUS GOVERNMENTAL MINISTRIES AND PROGRAMS IN THEIR COUNTRIES. THE OIG ALSO ENCOURAGES THE USE OF THE OIG HOTLINE AND OTHER REFERRALS TO IDENTIFY CORRUPT AND VULNERABLE ACTIVITIES AND ACTIVELY INVESTIGATES ALLEGATIONS OF FRAUD AND CORRUPTION.

USAID IS NOW FACED WITH A NEW CHALLENGE. ON OCTOBER 17, 2000, THE PRESIDENT SIGNED INTO LAW THE INTERNATIONAL ANTI-CORRUPTION AND GOOD GOVERNANCE ACT OF 2000. THE PURPOSE OF THIS LEGISLATION IS TO ENSURE THAT UNITED STATES ASSISTANCE PROGRAMS PROMOTE GOOD GOVERNANCE BY ASSISTING OTHER COUNTRIES TO COMBAT CORRUPTION THROUGHOUT SOCIETY AND TO IMPROVE TRANSPARENCY AND ACCOUNTABILITY AT ALL LEVELS OF GOVERNMENT AND THROUGHOUT THE PRIVATE SECTOR.

THIS LEGISLATION AUTHORIZES SPECIFIC PROJECTS AND ACTIVITIES THAT, AMONG OTHER THINGS: SUPPORT RESPONSIBLE INDEPENDENT MEDIA TO PROMOTE OVERSIGHT OF PUBLIC AND PRIVATE INSTITUTIONS; SUPPORT THE ESTABLISHMENT OF AUDIT OFFICES, INSPECTORS GENERAL OFFICES, THIRD PARTY MONITORING OF GOVERNMENT PROCUREMENT PROCESSES, AND ANTI-CORRUPTION AGENCIES; AND, IMPLEMENT FINANCIAL DISCLOSURE AMONG PUBLIC OFFICIALS, POLITICAL PARTIES, AND CANDIDATES FOR PUBLIC OFFICE, OPEN BUDGETING PROCESSES, AND TRANSPARENT FINANCIAL MANAGEMENT SYSTEMS.

WHILE USAID'S SECOND STRATEGIC GOAL OF STRENGTHENING DEMOCRACY AND GOOD GOVERNANCE ADDRESSES MANY OF THE NEW LEGISLATION'S CONCERNS AND GOALS, USAID NEEDS TO DEVELOP, IN

COLLABORATION WITH OTHER AFFECTED U.S. GOVERNMENT AGENCIES, A PLAN TO IMPLEMENT THIS NEW LEGISLATION. IT SHOULD BE NOTED THAT THIS IS AUTHORIZING LEGISLATION AND AT THIS TIME NO FUNDS HAVE BEEN APPROPRIATED FOR ITS IMPLEMENTATION. THE LEGISLATION REQUIRES ANNUAL REPORTING ON PROJECTS AND ACTIVITIES BEING CARRIED OUT UNDER PROGRAMS AUTHORIZED BY THE LEGISLATION AND REQUIRES AN INITIAL REPORT WITHIN 180 DAYS OF THE ENACTMENT OF THE LEGISLATION, OR APRIL 17, 2001. THE OIG STANDS READY TO ASSIST USAID IN ITS INPUT IN IMPLEMENTING AND REPORTING ON THIS LEGISLATION.

PART III
FOUNDATIONS OVERVIEW

TO ADDRESS OUR NEW RESPONSIBILITIES FOR AUDIT AND INVESTIGATIVE COVERAGE OF THE AFRICAN DEVELOPMENT FOUNDATION AND THE INTER-AMERICAN FOUNDATION, OIG STAFF HAVE PERFORMED COMPREHENSIVE REVIEWS AT THE ADF AND THE IAF AND HAVE USED THESE REVIEWS TO DEVELOP STRATEGIES. UNDER OUR NEW AUTHORITY, WE HAVE ALREADY CONDUCTED A PERFORMANCE AUDIT AT EACH FOUNDATION. ADDITIONALLY, WE HAVE ALSO PERFORMED QUALITY CONTROL REVIEWS OF EACH FOUNDATION'S FINANCIAL STATEMENT AUDITS FOR FISCAL YEAR 1999.

MR. CHAIRMAN, THIS CONCLUDES MY TESTIMONY. THANK YOU FOR YOUR TIME AND ATTENTION.