

TESTIMONY OF
THE HONORABLE DONALD A. GAMBATESA,
INSPECTOR GENERAL,
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

BEFORE THE
COMMISSION ON WARTIME CONTRACTING IN
IRAQ AND AFGHANISTAN

“HOW GOOD IS OUR SYSTEM FOR CURBING CONTRACT
FRAUD, WASTE, AND ABUSE?”

MAY 24, 2010

Good afternoon, Chairman Shays and members of the Commission. 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) and to be joined by my colleagues from the Departments of State and Defense.

Since I last testified before this Commission, my office has completed a substantial amount of oversight work in Iraq and Afghanistan, and we have significant work ongoing and planned. From February 2009 to date, we have issued 12 performance audits with 84 recommendations for improvement and completed 19 financial audits that identified \$206 million in questioned costs, of which \$180 million were sustained. Over the same period, we opened 43 civil and criminal investigations, closed 17 investigations, effected 10 arrests and 3 convictions, and secured \$141 million in investigative savings and recoveries for the Government. We have 11 performance audits ongoing and 7 more planned for Fiscal Year 2010.

During the past 15 months, we frequently found that Agency contractors and award recipients had completed many of their intended tasks and made significant progress toward achieving program goals and objectives. Too often, however, our assessments also highlighted shortcomings in contract and project management. USAID monitoring personnel are stretched thin in both countries, and they struggle to keep pace with an expanding portfolio in Afghanistan.

Security issues are also continuing problems in both Iraq and Afghanistan, hindering program accomplishment and implementation.

Because of security risks, implementing partners have curtailed or delayed programs and lost critical momentum.

USAID policy emphasizes the need for good data to form the basis for sound programming decisions; however, we have frequently identified problems with the validity and reliability of data used for program management purposes.

These and other performance issues place U.S. Government funds at heightened risk of waste, fraud, and abuse. To address these risks, we have executed a comprehensive plan of performance and financial audits and conducted proactive and reactive investigations.

The Agency's success in conflict zones over the coming years will be shaped by its responses to two noteworthy challenges. First, the Agency does not have sufficient numbers of qualified personnel on the ground to properly monitor its development projects. The ability to field experienced personnel in the coming months and provide them with the training, facilities, and support they need to do their jobs will have major implications for the success of future development initiatives.

Second, the Agency must develop an approach to building host country capacity that balances local engagement with effective stewardship of taxpayer dollars. USAID is channeling increasing levels of funding

directly to foreign governments with the goal of building their capacity to develop and deliver programs that improve the welfare of the people. As many of these governments are still developing the capacity to manage projects and monitor and account for associated resources, this places Federal dollars at greater risk. Accordingly, USAID must develop robust approaches to ensure that these funds are expended as planned and contribute to development objectives.

USAID has recently taken noteworthy steps to reduce risks to taxpayer dollars. In February 2010, the Agency established a board to review a subset of proposed awards, including indefinite quantity contracts, sole-source contracts, and other awards with limited competition. The board provides guidance on whether to restructure these proposed awards to enhance competition, increase transparency, and expand opportunities for small organizations and for women and minorities. In May 2010, USAID also formed a procurement reform group to examine ways to broaden its partner base and improve the design and delivery of foreign assistance through contracts and grants. Finally, USAID has committed to double the size of its Foreign Service by the end of FY 2012.

We will continue our work with USAID to improve its operations in Iraq and Afghanistan and provide effective oversight in these countries.

And we believe that the statutory inspectors general already in place can respond effectively to future contingency operations. We see no need to establish a Special Inspector General for Overseas Contingency Operations, because the inspectors general for the Departments of State, Defense, USAID, and other agencies serving abroad can provide the necessary oversight. Each of our organizations has an unparalleled knowledge of the agencies we oversee, and we bring an understanding of lessons from previous contingency operations with us as we assess the progress of new contingencies that arise. Meanwhile, the Government Accountability Office is well positioned to provide crosscutting oversight of funds appropriated for these operations.

I thank you for this opportunity to address the Commission and appreciate your interest in our work and perspectives on these important topics. I would be happy to answer any questions you may have at this time.