

Hearing Transcript

House Appropriations Subcommittee on State, Foreign Operations, and Related Programs Hearing on Oversight of The Department of State and Foreign Operations Programs

March 9, 2017

ROGERS:

And I'm pleased that Madam Ranking Member Nita and I can continue our work together in (inaudible) and one that she has been in for some time here. I'm honored to serve as Chair of the subcommittee; I'm committed to making sure that all members' perspectives are considered, as we work to address some of the world's most complex issues.

As a subcommittee chair, I've always like to begin our annual hearing process with a review of the management and operations of the agency under our purview. This year is no exception. A broader array of issues of -- that are currently confronting the State Department and USAID and no doubt today's knowledgeable witnesses can shed light on many of those issues.

So we would like to welcome to our subcommittee this morning, Mr. Steve Linick, is that the correct pronunciation?

LINICK:

That's correct, sir.

ROGERS:

Inspector General for the Department of State and Broadcasting Board of Governors. And Mrs. Ann Calvaresi Barr, Inspector General for the U.S. Agency for International Development, the Millennium Challenge Corporation, the U.S. African Development Foundation, Inter-American Foundation and the Overseas Private investment Corporation.

As independent and objective representatives within the federal government, your work is very important to the committee and your willingness to testify today is much appreciated. We need to know what is and what is not working within your agency so we can make decisions about how to responsibly allocate scarce federal resources.

As I take a deeper dive into the budget at state. I am troubled about repeated findings by the State Department IG, regarding the department's lack of focus on program management and oversight,

especially of grants and contracts. The fiscal and security risks associated with shared responsibilities across the department without clear lines of accountability, the absence of a centralized financial management system and the need for a strategic plan to proactively detect and respond to information security risks.

I'm also concerned by the USAID IGs work regarding financial and other risks when working through foreign partners including host governments, shortcomings and monitoring programs to ensure they are meeting their objective, particularly in areas of conflict. OPEC's reluctance to embrace oversight from your office and MCC's ability to properly assess the capacity of countries to develop, plan and execute Compacts.

We look forward to hearing more of these issues from you today and I hope you will not only identify problems that you see at these critically important agencies, but also provide advice on potential solutions, ensuring that appropriate funds are spent efficiently and effectively with measurable benchmarks and outcomes; that's an essential responsibility of our committee.

As a matter of housekeeping for members, we will follow the five minute rule during the question-and-answer period of the hearing. Members will be recognized in an order of seniority based on who was seated at the start of the hearing, going back and forth between parties. I don't plan to cut anyone off in mid-sentence, but if everyone could keep their questions and comments to about five minutes, that would be appreciated.

Let me take a moment now to thank Mrs. Lowey for her many years on this subcommittee and also as ranking on the full committee that we worked together over the past six years. And now hopefully and gladly we're back into a good working relationship. We may not agree on all issues but we're partners in shepherding bills to the President's desk and we long for and yearn for regular order on this committee, and she is a loyal soldier and partner in that effort.

So let me yield to the Ranking Member of the committee, my helpmate and workmate, Mrs. Lowey.

LOWEY:

Well, I thank you Chairman Rogers, it's been a pleasure for me to work with you in both of your capacities. I look forward to continuing our good straightforward relationship, this is a wonderful committee, it is so very important and we are going to -- I know, work together with all of our colleagues when they arrive to because of the important work ahead of us.

And I join Chairman Rogers in welcoming Mr. Linick, and Ms. Calvaresi Barr. You've come to the committee at a significant time; the President will soon release his so-called 'Skinny Budget' which is reported to cut State Department activities as much as 37 percent. Such unsustainable budget cuts threaten our diplomatic and development activities, will weaken our National Security, reduce our standing in the world and can cost The United States more in the long-term.

In addition, budget cuts to the Inspectors General, along with the reported potential ouster of IGs throughout multiple agencies would go to the absolute heart of eliminating accountability. In fact, if President Trump ever meets basic standards and transparency by disclosing his tax returns, Inspectors General must be on the frontlines of ensuring that agencies official actions are not influenced by the President's personal financial interest.

You must have the tools to ensure taxpayer dollars are spent wisely, efficiently and effectively; waste fraud and abuse not only violate the trust of the taxpayers, they undermine our nation's security. As Inspectors General, your challenging task of providing independent oversight of U.S. investment overseas is further complicated by the numerous non-governmental organizations and private contractors on which the State Department and USAID rely for implementation.

These partners which are indispensable to providing expertise and extending our reach must be thoroughly evaluated to ensure taxpayer dollars have put to good use. The security and safety of U.S. civilian personnel around the globe, particularly those in areas affected by conflict humanitarian crisis, political instability or terrorism are of utmost concern and I look forward to hearing your recommendations on budgeting and steps USAID and the State Department can take to improve oversight, best secure U.S. personnel abroad and protects taxpayer dollars.

Lastly, I continue to be concerned about a lack of coordination in our public diplomacy, as it often appears that efforts to inform and influence foreign opinions of the United States are disjointed, unconnected working across purposes. I would like an update on how the BBG and the State Department coordinate public diplomacy and address barriers to these efforts effectiveness, your insights on obstacles that the State Department, BBG, USAID and MCC be they structural, cultural or resource driven and steps we and Congress can take to make improvements would be welcome.

So I thank you for your on-going commitment to ensuring our engagement overseas are accountable and efficient and I look forward to continuing working together with our distinguished Chairman and members of the committee to accomplish the very important goals that certainly are going to deal with major issues ahead of us. Thank you.

ROGERS:

I thank the gentlelady. Let me now recognize Mr. Linick, if you would please try to keep your remarks around five minutes to give us time for as many questions as possible. Thank you for being here.

LINICK:

Thank you. Chairman Rogers, Ranking Member Lowey, and members of the subcommittee, thank you for inviting me to testify today regarding the work of the Office of the Inspector General for the Department of State and the Broadcasting Board of Governors, the BBG.

We appreciate the subcommittee's continued interest in support of our work. OIG oversees the operations and programs, the Department of State and the BBG, which include more than 70,000 employees in over 270 overseas missions and domestic entities. These agencies are funded through combined annual appropriations, fees and other income of more than \$43 billion. Unlike other Inspectors General, we are statutorily required to inspect all posts every five years. In practical terms, these factors mean that a relatively small OIG is responsible for oversight of thousands of employees and billions of taxpayer dollars.

For example, we have only about 80 inspectors who are responsible for over 270 posts and less than 100 auditors to review the expenditure of tens of billions of dollars. Now, I will turn to some highlights of our recent oversight work.

First, one of OIG's top priorities is protecting those who work for the department around the world although the department has made improvements in overseas safety and security, challenges remain. Through our inspection and audit work, OIG continues to find critical vulnerabilities that put our people at risk. Specifically, we have report on physical security deficiencies at overseas facilities, weaknesses in the process of developing emergency action plans and health and safety concerns.

Second, the security of the department's information systems is the focus of our work. The department has spent substantial resources over the past few years, but IT, security and management continues to be a significant challenge. Last, OIG has closely examined the department's management of contracts and grants, an area that involves substantial resources.

In fiscal year 2016 alone, the department's obligations in these areas were more than \$33 billion. The department faces continuing challenges managing its contracts and grants, particularly as these vehicles become increasingly complex. In the previous fiscal year, we've issued numerous reports related to these topics and opened several many criminal and civil investigations related to contract of procurement fraud.

Our priority recommendations for each of these areas focus on systemic issues that have the potential to improve the departments overall operations. By way of example, regarding physical security deficiencies, one root cause we have identified is that the two department bureaus; The Bureau of Diplomatic Security and The Bureau of Overseas Billing Operations, have overlapping responsibilities for crucial physical security issues.

We have recommended that those bureaus develop and implement formal standardized processes to prioritize physical security needs which would allow the department more effectively to prioritize fund and plan for security upgrades. With respect IT security challenges, we have recommended that the department implement a strategy to identify, assess, respond to and monitor risk. Such a department-wide approach would enable department to better understand its current risk profile, identify opportunities to improve risk management and communicate risk.

Since I have Inspector General, OIG has undertaken a number of initiatives that allow us to use our limited resources more prudently and help us improve our oversight of the department and BBG. For example, we are issuing management assistance reports and management alerts that

are designed to alert senior department leadership to significant issues that require immediate corrective action.

We use these reports to bring specific issues to the attention of the department and BBG management quickly without waiting for the conclusion of longer-term audits or inspections. We also have adopted a new approach for our inspections. To target our resources most efficiently, we now use a risk-based model that considers a variety of factors including a post size and threat profile. We believe that this model will allow us to focus our resources on higher risk posts that weren't increased oversight.

In closing, I would like to discuss the impact of OIG's work. In my written testimony, I have included some financial information that demonstrates how OIG helps return money to American taxpayers. We are certainly proud of these efforts, but focusing on these measurements does not fully reflect our most important work; that is, helping to safeguard the lives of people who work in or visit our posts abroad, and protecting the department's information, reputation and the integrity of its programs. This work is a source of immense pride to OIG's employees.

Chairman Rogers, Ranking Member Lowey and the members of the subcommittee, I want to thank you again for the opportunity to testify today. I also want to emphasize that OIG's accomplishments are credit to the talented and committed staff that I have had the privilege to lead, and I want to take this moment to publicly thank them for their incredible work. I look forward to your questions.

BARR:

Thank you, Mr. Chairman. Chairman Rogers, Ranking Member Lowey and members and subcommittee, thank you for the opportunity to discuss our oversight of U.S. foreign assistance agencies.

Today, I want to share information that speaks to the efficacy of U.S. foreign assistance delivered for USAID and the other agencies we oversee. U.S. foreign assistance goals are broad and demanding. USAID and other agency programs support economic growth, combat disease, address food insecurity and promote democratic reform. These programs also respond to humanitarian crises and aim to counter threats to global stability and to our National Security.

While USAID's global impact is well documented and point to many foreign assistance achievement, our work has shown that poor planning and monitoring, a lack of local capacity and qualified personnel and difficulties coordinating joint efforts have limited the agency's potential reach.

Non-permissive environment can exacerbate these challenges. For example, in Afghanistan, insufficient planning and a lack of data and systems unraveled the mission's multi-tiered strategy to narrow monitoring gaps. The strategy was used on just one of 127 awards. In Guinea, Liberia and Sierra Leone, a lengthy award approval process and the government's inability to handle cash transfers delayed USAID Ebola response.

In Pakistan, USAID has yet to achieve the most, most of the development objectives Congress called for, due in part to competing agency priorities. In Haiti, the West Bank, and Gaza, the governments currently lack the capacity to sustain USAID funded projects and programs once USAID investment ends.

Our work also demonstrates the extent to which USAID programs are vulnerable to exploitation. Our agents expose fraud schemes and cross border Syria assistance programs that involve collusion between vendors and implementers, product substitution, inflated billing and false claims. Subsequently, 160 complaints were filed and 30 investigations launched, resulting in six program suspensions valued at \$305 million, 17 suspensions and debarments and \$19.5 million in savings.

In Western and Southern Africa, we continue to crackdown on illegal activities such as theft and trafficking of USAID funded medical commodities, indictments, local arrests and seizures not only raise awareness and deter criminal activity but help ensure life- saving medicines reach their intended beneficiaries.

Through the Syria investigations working group that we stood up, we have sent a total of 34 referrals regarding potential wrongdoing to bilateral donors and public international organizations which receive about 40 percent of USAID Syria response budget. While these examples point to the need to remain proactive, they raise questions about the administration of USAID programs. Our recent reforms will add more rigors to our assessments of USAID operations and yield more targeted recommendations for eliminating the vulnerabilities we have documented.

Our strategic cross-cutting approach also applies to the other agencies we oversee. For example, past weaknesses in large-scale MCC supported projects such as insufficient planning and poor contractor performance call for a comprehensive assessment of MCC's business model with a focus on infrastructure which accounts for about half of MCC's contacts. These are the hard-hitting discussions we are having with the agencies that we oversee and they have stood at and taking action. Let me explain.

In response to our Syria work, USAID added award conditions that require implementers to have sound internal controls before funds are disbursed. USAID also hired a compliance officer for Syria to help ensure implement our control, and checks are in place. And called for greater use of third-party monitors to visit sites and report findings.

Officials at USAID, MCC and the other agencies we oversee understand our role and its importance to the mission. Our authority was underscored by USAID cooperation memo that I established with then administrator soon after I was sworn in, but there's still work to do to solidify our independence and further advance the impact of our work.

For example, we are taking back responsibility for closing out our recommendations. We are working closely with USAID's compliance division to ensure steady and appropriate action in response to our investigative referrals. We continue to implement reforms and initiatives to

establish our office as a model in the accountability community and a (inaudible) steward of taxpayer dollars.

I hope the information that I provide today will prove useful to you as we deliberate fiscal year '18 budgets for us, USAID, MCC and the other agencies that we oversee. We genuinely appreciate your past support and continued assistance as we address areas of congressional priority.

That concludes my statement. I'm available to take questions. Thank you.

ROGERS:

Well, thank you very much. I want you to talk about the magnitude of the financial management deficiencies of state and AID and make recommendations to us.

Over the last decade, state has expanded its role in implementing foreign assistance alongside traditional development assistance as managed by AID as more and more State Department officers and bureaus took on managing those assistance programs and it became apparent that the department was not properly equipped with that huge new role.

And so in 2015 you issued a management assistance report which noted that 10 years' worth of audits and inspections found that none of the department's data systems tracked funding and expenditures by program or project or country or purpose. That level of information is essential to track and manage funds as well as to be able to respond to external inquiries.

That report led the department to undertake a planning process called the foreign assistance data review which I understand still going on several years later. But since the '15 report, OIG has issued numerous audits of bureaus and offices with concerning findings on financial management such as staff required to engage in time consuming, inefficient and parallel processes to track the bureaus finances.

But without procedures to monitor, the financial management of award recipients; NEA, can't easily determine if funds are being spent in accordance with laws, and regulations, and instructions of Congress. So tell us, where are we Mr. Linick?

LINICK:

Mr. Chairman, you have accurately described the situation regarding foreign assistance at the Department of State. We did make recommendations in 2015 for them to develop a system that could track, manage spending by program, by project, by country. As it stands now, supervisors and managers in the department don't really have a way to manage foreign assistance.

And if you want to find out how much foreign assistance has gone to particular grantee, you can't just call up that information very quickly. You can't figure out exactly how much foreign

assistance has gone to Africa versus Asia. You can't figure out how much money is in the pipeline that hasn't been spent on liquidated obligations.

There's no way to do this without engaging a very time consuming effort going bureau by bureau, and what's happened is a number of bureaus to compensate for this have decided to undertake these efforts on their own, and have wasted a lot of money in doing so and designing their own systems.

Unfortunately, although we've made those recommendations, we issued that report in 2015, the department still doesn't have a financial assistant tracking system. They've developed -- there's a working group that was actually developed before we issued the report; and as I understand it, the working group comprises of maybe 10 to 14 different bureaus, but it really needs leadership to shore up the solution and come up with a system that would allow them to manage this huge amount of money.

ROGERS:

Where would that leadership come from?

LINICK:

Well, the leadership we recommend that that it be led by -- at the Deputy's level because it really needs somebody who is a supervisor of all the parties or members of the working group. We're actually doing a compliance follow-up review, another report on the progress of this working group; and we should have that, you know, in short order.

ROGERS:

Will that be -- would the leadership come from the department -- the Deputy Secretary for management?

LINICK:

You know, at this -- there is no Deputy Secretary of management at the current time. When we made these recommendations, that would be under her purview, Heather Higginbotham would have been -- would have been the individual response for shoring this up.

ROGERS:

So this problem is another argument for us to have a deputy secretary for management, would you say that?

LINICK:

I would say it's an argument for having a deputy who is very focused on management, whether it's a Deputy Secretary for management or another Deputy Secretary. I know there is a debate now as to whether there should be one or two secretaries, regardless of whether there is one or two; the Deputy needs to be focused on management in the department. And this is one area where we need the deputy's assistance.

ROGERS:

While a Secretary of States is out around the world doing what needs to be done, from his point of view, policy making, and the like, do you agree that there needs to be somebody back here in headquarters running the day-to-day operations of the department, including this item that you talked about this morning.

LINICK:

Yes, I think that's very important.

ROGERS:

Ms. Calvaresi Barr?

BARR:

I'll be happy to talk about sort of the state about financial reporting and transparency into the data systems at USAID. What I can share with you is that they have essentially two systems. One is called Phoenix and it is their financial accounting system, the other is called Glass and it is essentially the procurement system. They've made some progress, and that these two systems are able to interface with one another; whether they can be fully integrated is another question, something that they are there working on going forward.

What I would like to call your attention to is a recommendation that came out of our FISMA work on information security which talked about, and I think it coincides here with sort of having a person having a seat at the table on these issues, with having the CIO report directly to the Administrator or the Deputy Administrator. Right now the CIO is reporting to the head of the of management, and this is a requirement that was established under Clinger Cohen. And the importance of having someone there like that, they can have a view across the board of the systems, they can have a more strategic view, move away from the tactical, and get away from the decentralization of the information. So, that's one thing that I would bring -- sort of bring your attention to.

The other issue related to this that does concern me with even though they have a financial accounting system, that system does not compile information for the financial statement audits at the end of each year, that module doesn't exist. That means that there is a lot of manual entry, and when you have manual entry, you are going to have errors. So some -- those are some of study associated with the financial reporting. I think our work as we go forward, you know, on the DATA Act, where we focus a little bit more on the information and reporting and transparency of that reporting will be key.

Final point on this, is our work has found across the board significant data reliability concerns, 71 percent of our reports from the time period 2011 through 13 noted over reporting, under reporting of contracts, grants and accomplishments. So, there's work to be done, those are the items that I wanted to highlight in response to your question.

ROGERS:

What can you do, beyond what you're already doing, what can you do to help us remedy this problem. I mean, we've -- as you say, we can't -- you can't tell us whether the money that we appropriate is being spent wisely or not, right? What can you do beyond what you are doing now to help remedy this?

LINICK:

Well, in terms of the Foreign Assistant Tracking System, we can certainly make recommendations; it's up to the department and to adopt them. But if Congress were to incorporate some of our recommendations into legislation or explanatory statements and require the department to do them and have milestones and so forth, I think that would be very helpful. And in fact that has occurred in the case of some of our recommendations we've made with respect to contracts and grant management and IT management.

ROGERS:

Thank you, we'll look into that very carefully.

BARR:

And as far as from where we said it is implementing those recommendations, we are pushing very, very hard on this issue of decentralized data quality, lack of data reliability, checks, it all starts there. If the information going in isn't good, then the contract, the agreement isn't going to be good, the monitoring evaluation system isn't going to be good. And what that results in is when folks are reporting information to officials such as yourself, there is question about the information that's being presented.

So, we're pushing very, very hard on the data quality issue, we're also pushing very, very hard to have the CIO have a seat at the table and report directly to the administrator or the deputy administrator so that they can have a view of these systems across the board and link them to the goals and have ensure that the reliability of data is there. So, those would be the two things I would push the most on.

ROGERS:

OK, we're going to have you both back up here.

BARR:

Very good, happy to come...

ROGERS:

For a little check of the oil in a few months, we've not set the date yet, but I want you back to report on how things are going, whether or not the department is heading your wise advice or not. And maybe they will hear about this, and know that we're going to be keeping an eye on whether or not they live up to these recommendations, is that agreeable?

BARR:

Absolutely.

LINICK:

Absolutely.

ROGERS:

And, you know, if it turns out good, I'm going to give you a smiley face.

(LAUGHTER)

BARR:

We'll take one.

ROGERS:

Mrs. Lowey?

LOWEY:

Thank you, Mr. Chairman, and I know this has been an on- going challenge and I look forward to working with the Chairman and with you on this very important issue.

At the start of the new administration, hundreds of new personnel come in to stay in USAID to fill critical and often times senior positions. Conflicts of interest have become a particular concern in the confirmation process of several cabinet level nominees, but scrutiny of possible conflicts of interest needs to go further than just those officials requiring Senate confirmation.

This came to mind this morning, Mr. Chairman, because I awoke, as I always do, to listening to the news on the radio, and I understand that China approved 38 Trump trademarks, there are those who say it violates the emoluments clause of the Constitution. It may present a potential constitutional problem. These are reported as being lucrative trademarks and could be a conflict. Plus it is taking value from a foreign country, not approved by Congress.

So, what role does the Inspector General's office play in investigating conflict of interest or assessing the effectiveness of existing processes, and how are concerns brought to the IG's attention and what responsibility does the office have to deal with conflicts of interest, and how does your office handle potential conflicts of interest after a high-ranking officer is confirmed? Do you review their ethics filings proactively, are you free to investigate potential conflicts of interest before a complaint is registered?

Maybe I'll ask the another related question, then you can talk about the whole issue. Because in addition to the press that I woke up to this morning, recent press has focused on the AG's recusal from probes of Russian interference in the 2016 election. In your opinion is recusal an acceptable step to shield the senior department official from conflict of interest?

Mr. Linick, and taking that step further, I want to be clear, I'm not making accusations. Would you recommend Secretary Tillerson recuse himself from decision related to U.S. sanctions against Russia since his former employer, Exxon Mobile would likely benefit from loosening these restrictions? And does the leadership role create a conflict for the whole department? So perhaps you can just talk about that whole issue of conflict of interest.

LINICK:

A lot of questions there.

LOWEY:

I thought I give you a good challenge sir.

LINICK:

You did. Let me start...

LOWEY:

Do I need to repeat them or you understand?

LINICK:

I'll give it a shot; I'll give my best shot. Let me start with conflict of interests generally and how we process them, and so forth. We have an office of investigations, we receive complaints through a hotline to the Congress, through various other channels conflict of interest are clearly one of those areas that that we look at. There are different kinds of conflict of interest, there are conflicts of interests that may justify a criminal prosecution and there are conflicts of interest that may be administrative in nature.

To the extent that they, if they eyes to the level of criminal, what we would do is we would investigate those and we would make a referral to the Department of Justice for appropriate action. To the extent that they don't qualify as criminal and it only administrative, then we would can also do a report and then we would make recommendations to the department or rather we would send a report to the department and ask the department to take appropriate action depending on the nature of the conflict. That's how we process those.

In terms of your specific questions about Secretary Tillerson, so I'm really not in a position, I'd be speculating, I don't have work on that. I'm not in a position to give you an opinion about whether he should recuse or not. So, I...

LOWEY:

You don't have an opinion on that?

LINICK:

I actually don't, I would need work. I don't have an opinion on that, I don't have any work.

LOWEY:

Now isn't China within the responsibilities of the department for which you are the Inspector General, do you have an opinion on that?

LINICK:

Yeah, I don't have work to support an opinion. And unfortunately, you know, I don't offer personal opinions unless I have a body of work to support it, and I just don't, I would be speculating as to whether conflicts...

LOWEY:

So, you're not aware that the Secretary of State has had very -- I won't say positive, he has been a successful businessman with regard to Russia, and you're not aware of any conflict of interest?

LINICK:

I may have read -- I have read about some of his dealings with Russia and so forth. But other than that, I can't really speak to it.

LOWEY:

You're continuing in this job so I understand this response. OK. Do you have any views about this?

BARR:

Let me just say with regard to the conflict of interest, I think what Mr. Linick described as the process that all IGs use in terms of when issues like that arise, these are things that we follow.

I can tell you our investigators, when issues have come in, we followed issues regarding conflicts of interest. I'm aware of one report that somewhat predated being my arrival to USAID where -- and it was regarding a Cuba Twitter report where there was a noted sort of conflict of interest in the award in the grant where action was taken and I would call that going forward.

So we are on top of those types -- those types of issues. I think when it comes to individual conflicts of interest we're required to submit sort of our standings, our holding the same with the all the officials in USAID, those things are reviewed where conflicts of interest are seen, then actions are recommended whether be recusal's or otherwise.

Not, USAID, I am not, you know, over at State Department, but I would hope that after the due diligence that is given to looking at the information, and if there is conflicts of interest, then the appropriator actions are taken, whether they be recusals or something else. But it needs to be looked at and needs to be effectively dealt with and managed, and that risk needs to be mitigated and there are processes to do that.

LOWEY:

Thank you, Mr. Chairman and thank you. So, I just want to in conclusion, you cannot look into potential conflicts of interest such as conflicts in Russia or in China, unless there is a specific request from, I don't know, who, the public?

LINICK:

No, we can look at, if there are conflicts of interest that affect the operations and programs of the department, we can certainly look at them.

LOWEY:

Do you think conflicts of interest of the Secretary of State's dealings in Russia, or the fact that there are 38 new trademarks in China, is that something worth looking at?

LINICK:

Again, I'm happy to work with you and your staff, if you think there are conflicts of interest that we should be looking at, but again, I can't offer an opinion to whether it's worth looking at or not. But when there are conflict of interest and allegations against senior officials, we look at them, and that's our job and that's how we operate.

LOWEY:

Thank you very much, and you are staying on in these positions, is that correct?

LINICK:

I am subject to the pleasure of the President in terms of staying on.

LOWEY:

Thank you very much.

ROGERS:

Mr. Rooney?

ROONEY:

Thank you Mr. Chairman. Oversight work of your offices help shed light on how our taxpayer dollars are spent across the world and how its policies developed in Washington are actually being implemented on the ground by our diplomatic and humanitarian staff. In addition to your oversight work, the media plays an important role in reporting and reviewing potential issues of waste, fraud and abuse of the tax -- of our taxpayer money which I spoke of, which sometimes requires response from those of us up here on the panel in Congress.

Couple of reports ran in the New York Times as you may recall, in September of 2015 alleging that U.S. backed Afghan security forces were sexually abusing young children in Afghanistan and that U.S. service members felt that they had no recourse or protocol to report such allegations up their chain of command or fear, reprimand.

Senator Leahy and I as you may know, along with more than 90 of my colleagues here in Congress asked the special Inspector General for Afghanistan Reconstruction cigar to investigate whether the U.S. government had violated the Leahy law, which prohibits DOD and state from providing assistance to foreign military forces that have committed gross human rights violations.

So I noticed that in many of your embassy inspection reports, you include an assessment of the embassy compliance with these Leahy laws and policies, as well as embassy's vetting processes. How would you characterize the overall Leahy compliance across all of our embassies and consulates throughout the world and have you noticed any regional or country specific implementation challenges.

And secondly, it's my understanding that while State has the international vetting and security tracking system to report Leahy law violations, DOD does not have a similar formalized system to process these kinds of complaints on their own. So how does state coordinate with their defense attaches to ensure proper vetting of foreign security forces receiving our U.S. assistance? Thank you.

LINICK:

Comments based to Leahy vetting as you mentioned, we do look at Leahy vetting in every embassy that we inspect. And I would say I don't -- I can't draw an overall conclusion as to how the department is doing, it's mix. Sometimes it's working well and sometimes it isn't and I don't

have specifics at this point. I'm happy to work with you or your staff to discuss this more about some of the particulars but we issue many, many inspection reports with many conclusions about Leahy vetting and in particular locations.

As to the -- and also happy to get back to us on the coordination issue, I don't have those facts handy, but I'd be happy to get back and to look into that. As to the sexual abuse children as you mentioned, SIGAR and DOD IG are both looking at that issue right as we speak. And so I think that's been going on for about six months now.

ROONEY:

I think to Mr. Chairman and to the panel, I think that obviously, you know, there has been a lot of discussion with regard to state cuts potentially in funding and I think that this obviously is one area where the U.S. taxpayers would demand that this be done the right way and make sure that we are not assisting countries that do not comport with those rules and with the spirit of the Leahy laws. So, thanks very much, appreciate it. I yield back.

LEE:

Thank you very much. Thank you both for being here and for your service.

I want to ask first, Mr. Linick, question about the office of Cuba Broadcasting radio and TV Marti, I have a long held position that it should be eliminated, I think, it's counterproductive at best. This -- as this committee looks to review our efforts to "promote democracy", more broadly, I want to sound a word of caution. Our subcommittee in this Congress must ensure that our efforts to "promote democracy abroad" do not end up undermining our goals and objectives.

So we have to be careful that our efforts are not viewed as efforts to undermine and promote regime change in sovereign nations. I want to ask you if you have done any audits of these efforts, are they working? If so, what are the metrics of efficacy, and also do we factor in the views of people in sovereign nations, and with this huge cut that's been proposed, the 37 percent cut, my math says it would be \$19 billion, \$775 million, if we just zero out the office of Cuba Broadcasting.

I think taxpayers deserve more, and I'd like to find out what you all have learned as a result of your audits.

LINICK:

Our audits and inspections on the BBG have primarily focused on their operations and how they're running, how they're managing their money to begin with. And what we found, I can't speak to the office of Cuba Broadcasting in particular whether it should exist or not exist, it's a policy question that I won't -- that I don't have an opinion on.

But I can tell you that in with respect to the BBG and its grantees, there are problems with the way in which they manage grants, problems in which they have -- in which they manage contracts, there have been problems with leadership at the BBG in general, and some of those problems have been remediated.

Now they have a full-time CEO, they had problems with the board, there was a lot of dysfunction a couple years ago which we reported on extensively. But a lot of those in leadership problems have been remediated, but they still have problems in the contracts and grants area and in financial management as well.

LEE:

This is, I believe 28 million for fiscal 2016. I think taxpayers deserve better and at some point whether -- and I understand you don't agree or disagree with the policy, but we have to know if taxpayers are getting a bang for their buck. And if, you know, this 28 million could be used elsewhere in terms of what this committee's priorities are and some may believe this is a priority. But if we're not spending this money wisely and if it is not accomplishing whatever the goals were, I was on staff with Congressman Dellums when this thing was put into place and I still don't know what the purpose is of it.

And in this era and in this environment, this committee understands we to be very careful with these efforts. Let me ask Ms. Barr with regard to Haiti. We have committed, I think was \$4 billion in assistance to Haiti recovery and transition into sustainable development; and unfortunately, there has been poor coordination between donors, implementers and governments. You know, coupled with environmental challenges like a hurricane Matthew which struck Haiti last October.

My bill, which is bipartisan, on the Assessing Progress in Haiti Act, it was signed into law by President Obama requires the State Department to send Congress regular reports on progress in terms of development assistance in Haiti. And it's been very difficult in terms of having difficulty in -- Haiti has, in overcoming some of the significant obstacles, including the lack of infrastructure, sustainability programs, partnerships and of course the on-going cholera epidemic.

So, what's your sense of how things are going in terms of progress, we haven't had a report recently and I just like to get your sense of what's going on.

BARR:

Yes. No, thanks very much for the question, and I'm sitting here as I'm listening to you talk about the bill, trying to reflect on some work that relates to Haiti and the are two that, you know, immediately come to mind where we found issues whether it be the investment that we -- we made 88 million into, you know, agricultural development, you know, for Haiti.

And what essentially we found there is difficulties with the design of the contract and that there were, you know, contract flaws, they did not have enough warranted officers in place to handle the huge flow of money. I believe that one was like \$88 million.

So, to get to your point, you know, what kind of impact this is having, are we doing well, we're seeing programs and it's not just for Haiti, it's sort of across-the-board, an effective design and implementation of the grants or, you know, the agreements that go forward. In terms of sustainability efforts, there was local solutions, which is part of USAID forward initiative, which is that for sustainability it makes sense to invest in the countries -- country ownership.

And what we found is that after USAID's, you know, investment in healthcare facilities and other facilities that the government was not in a position to carry the salaries of healthcare workers for 80 facilities once the U.S. investment ended. So those are two examples that point, I think to the question, and the issue that you're raising that I could bring to the fore.

So, is there work that has to be done? There definitely is work that needs to be done, and there's a lot of basic things that at the design, and the awarding of the grants, to the monitoring and the evaluation, to assessing local capacity, that has to work better in terms of how we design, implement and oversee these programs.

LEE:

Mr. Chairman, just finally, just let me ask you to give us a report if possible of who the grantees are? At one point the grantees were primarily foreign NGOs, and based on what I heard and learned on the ground in Haiti, and also here, a lot of the services, a lot of the work, a lot of the infrastructure, had not really trickled down to the people who needed the most. And these foreign NGOs didn't have that grasp of what was needed.

BARR:

You raised a great point. This goes to an assessment at what we're using other implementers on the ground, whether they are foreign NGOs, it's incumbent upon USAID, MCC whatever entity to identify what are these implementers, internal controls, procurement processes. Do they know the vendors are working with, do they know how to track the receipt of those goods and those services, and where it's breaking down the big take away as it speaks to what is USAID and the other agencies doing to understand those NGOs that the money is flowing to, what is their capacity, what are their governance structures?

And if there are risks, then there should be monitoring and evaluation plans that mitigate those risks going forward. So you're on to a tremendous point that, unfortunately I would say, cuts across all of our programs across-the-board but our work really speaks to that issue. Sure

ROGERS:

Mr. Dent.

DENT:

Thank you, Mr. Chairman, good morning.

Mr. Linick, since the conflict began in Syria, the State Department provided over \$730 million to the Syrian opposition including more than \$170 million in nonlethal assistance to the so-called moderate armed opposition. This began - this began a support to strengthen the moderate opposition to Assad but now much of it is characterized as counter ISIL.

Regardless members remain concerned about who we are working with and over the risk if these funds will be misused or diverted to extremists. Last November, you released an audit, an audit report on the State Department's vetting process for Syrian nonlethal assistance. The report uncovered troubling information with respect to vetting for these programs.

So, if you could tell us, you know, who are we working with, what's the purpose of these programs, and what is the vetting policy and what steps are being taken to ensure these funds do not end up in the wrong hands or are diverted for illicit purposes.

LINICK:

Congressman there -- we've done quite a bit of work on the provision nonlethal assistance to Syria. In the report that you mentioned, we the government provide about \$400 million nonlethal assistance from 2011 to the present. And that money is managed by two bureaus really NEA and DRL Democracy, Human Rights and Labor.

They are working with implementers overseas to distribute this nonlethal aid. And we're talking about blankets, and food, and trucks, and equipment, and things like that. And the rules of the State Department require that vetting occurs of both the participants, the implementer staff as well as recipients. Unfortunately, the guidance at the department was all over the place and they were not -- the implementers are supposed to provide this information to the two bureaus that I just mentioned and they weren't always doing that.

So, we made a number of recommendations to improve the way in which vetting is done. The vetting obviously is important to ensure that the goods, the money are not going to bad guys and those recommendations are open, I mean that report is relatively recent. I understand the department has agreed to implement those recommendations and we continue to monitor them.

DENT:

Thank you. And Ms. Barr, on a related subject, 2016 investigation led by USAID, IG found that the corruption practices bid rigging, bribery, et cetera, were taking place in some of the Syrian

aid programs. How of USAID's efforts to reduce corruption or improper practices, and their international aid programs improved since last year?

BARR:

Thank you, thank you very much for raising that. That's probably, when we talk about sort of our greatest accomplishments, it's been through the work that our agents have done looking at these cross-border programs mainly out of Turkey and Jordan into Syria. When you look at the amount of funding in Syria at this point across- the-board, we're talking about 2.65 billion to date. Once that operation...

DENT:

What about for refugees assistance.

BARR:

Talking about humanitarian assistance, yeah, in general, Once the operation was declared and the contingency operation was stood up, our agents went out to Turkey and Jordan and did a series of fraud awareness briefings, put compliance handbooks together to talk to all of the implementers. Because what happens in these contingency operations, the money flows, it's fast, it is furious, you're working with vendors that may be you have never worked with before, you don't know their systems, what our work has spoken to is the fact that we got with that initial outreach to date a 160 allegations and 30 cases.

How it is gotten better, to get right, to how it's gotten better, we have seen tremendous effort from USAID that when we brought concerns to the table about implementers and we brought 48 referrals on 9 implementers to USAID and other entities, it has resulted in 6 program suspensions valued at \$305 million, \$19 million in savings and 17 suspension and debarment actions.

And having been in this community my entire career, I can tell you that -- and this is something I want to say specifically to with USAID, our agents go forward sometimes without the full record of investigation. And I have seen the compliance office, the office of security take tremendous responsive actions to what we're finding and have suspended those programs, found other vendors to move them forward. I think we have the data, the numbers that speak to that. So I am very pleased with the responsiveness that we're getting.

DENT:

That sounds like, that sounds very impressive, thank you. Mr. Linick, does your team to conduct regular assessments of potential vulnerabilities at the State Department's overseas embassies, and in the outpost, and so do your corrective action plans typically convey recommendations to

improve crisis preparedness plans at that those posts? And if so, do you feel that the State Department is taking adequate steps to address any items raising your investigations?

LINICK:

Congressman, our number one priority is ensuring the safety of our American diplomats abroad and our local employee staff as well. Almost every inspection we do, we look at security issues, number of our audits also focus on security issues, and we continue to find vulnerabilities wherever we go overseas. Particularly, you mentioned sort of crisis management, one of the issues that's come up recently is emergency action plans.

And we found a lot of problems with emergency action plans making sure that they are accurate, up-to-date, the people know how to implement them that the supplies are there, if there is an emergency. So we take that very seriously.

We've also had a lot of issues with residential security, and health and safety issues. So, we do make recommendations to the department, and I guess one of the -- if I had to sort of highlight one of the most important recommendations which really addresses a systemic issue, it's this one. And that is the department really needs to have an inventory of security deficiencies and security needs around the world, so they know where their highest priority security needs are, and they can properly fund them and prioritize them.

DENT:

Mr. Chairman, do I have time for one more question? Have time for one more question?

Ms. Barr, what are the main lessons learned from USAID's role in the Ebola response that we can apply to future global health crisis responses and do you feel that USAID adequately addressed and responded to any shortcomings identified by your investigations related to the Ebola response efforts?

BARR:

So, with regard to the Ebola response, our work is pointed to the fact that we found that the contract vehicles that were used for the response were the right contract vehicles based upon sort of all the requirement that you follow sort of in the far or other best practices. Where we saw things kind of falling down with regard to the Ebola response is that in the design of some of the efforts that were going out there, and this just spoke to the folks that were on the ground, rolling the programs out, designing the programs, that they were rather lengthy award approval processes that were built in, it was in the design of the contract.

So what happened is that there was a delay in, you know, in the aid getting out as quickly as it needed to get out. There was also concerns with the government's ability to handle things like

cash vouchers, so it goes to the point I think I was making, you know, a little bit earlier that when we're in these environments and responding real-time and this is a matter of life and death and containing these things. We have to really understand the environment that we're operating in.

So, using cash transfers, using vouchers, are those on the receiving end, you know, ready and right to receive that. Do they have the infrastructure to do that? So, where we have seen problems is problems in those assessments. So, oftentimes what happens when an emergency happens that quick, the first thing that goes out of the door is there is no country development coordination strategy. There is no quick rapid assessment of the country's capabilities.

All of those things that would better position us to have a good plan in place to know what the risks are and then mitigate them. So, to your point, I think you'll be very happy to know this, one of our -- and I am striving to move our work which has been very tactical to more strategic going forward, we're actually going to do an audit that's going to look at USAID and other agencies response to public health emergencies.

When they got it right, what did it look like, what are the characteristics, what needs to be done and when it didn't go well you know, what are those things, and the key case study is going to be the case study in Ebola, so I would be, you know, very happy to talk to you about that work once we get it off the ground but I think that would be responsive to...

ROGERS:

Mr. Ruppertsberger

RUPPERSBERGER:

Ms. Barr and Ms. Linick, thank you for your testimony and your service. First thing before I ask question, I -- we note (ph), and Mr. Linick, I am going to submit a question for the record that worldwide aviation support service. My question is that, I'm going to focus on the areas of cyber security, protecting our government communications are vitally important, especially our national security secrets.

And in terms of management, it seems -- and this is -- this is within our whole government basically, it seems that making cyber- security a priority always seems to fall by the wayside for a number of agencies and it seems like USAID and the state have the same problems.

And too often, these federal agencies are so focused on completing their mission of the management projects like information and network security get pushed aside to make sure core missions are always moving ahead. And we understand that, but what -- the question will be, and I'm going to ask couple of questions and I'll stop and let you answer.

What more can we do to make this a priority for the sector, state and USAID administrator. And Ms. Barr, in your testimony, you said that the USAID Chief Information Officer reported to someone who might not have the authority to prioritize and fund projects necessary to keep the network secure. Now, is the problem that network and information security isn't a priority, is the problem -- that network and information security isn't a priority, is it a cultural problem where mission of USAID comes first and management issues come second.

And a couple, and then I'm going to ask these and stop. Is there any federal agency or department that is doing it the right way, I would like to know that. And also I think this is really important based on what we hear from the President's budget, what his priorities are at this time, from IG perspective, how would a 37 percent cut to State Department impact the efforts to protect themselves from cyber- attacks.

BARR:

I'll begin with regard to the issues you raised and we did talk about a little bit the importance of having the Chief Information Officer have a real seat at the table. They have to look at all the systems, they need to make sure that they're not random bias that could compliment -- you know, compromise things like cyber security efforts. They need to have a strategic plan that addresses the goals, addresses the requirements as spelled out in FISMA, so when you asked what would be the best practice, what would be an agency, they have to follow the FISMA requirements, what are those, what does a good information security control environment look like.

In addition to the CIO issue, one thing that we found and I find particularly troublesome and I'm pushing on this recommendation that came out of our FISMA work, is the fact that the Chief Information Security Officer is the same person as the Deputy Chief Information Officer, where in lies the problem is that the person that's responsible for testing the systems for security, is also the person that signs off on compliance with it.

We think that is to the earlier question of conflict of interest. We think that that can get in the way of revealing concerns and we're calling for a degree of separation between those roles. Because the testers and the ones responsible for it shouldn't be saying, "Hey, guess what, it's all good." Right? You got a separate those two things. So that's another point of emphasis I wanted to bring up.

LINICK:

Congressman, the cyber security is the top management challenge of the state department as you mentioned, and like USAID, OIG has found, the CIO also needs to have seen the table. And a lot of the issues that we have discovered at the State Department involved lack of coordination because IT is shared between the IRM, Information Resource Management and DS. Both of those the CIO who works for IRM and the head of Bureau of Diplomat Security both report to the Undersecretary of Management.

And we recommended that the department give real consideration to repositioning the CIO so that the CIO can implement information security across the departments, so there's - this is the stove piping which is the real problem. And they don't -- inventory is a major problem, they don't even know what they have; and if you don't know what you have, it's hard to know what to protect. So that's one major recommendation we have made and the other is which Inspector General Barr mentioned, also, is the need to have a risk implement, a risk management plan, which assesses, monitors, identifies and responds to risk around the department.

So you know what your current state is, you know what your target state is, and you know how to communicate what the risk and vulnerabilities are crossed the department. So those are the two things I would recommend in terms of -- and we made those recommendations in terms of what Congress can do, it's something I mentioned earlier which is incorporate that into legislation. I think that would give real teeth to these recommendations.

As far as what a 37 percent cut would do, I really don't know. All I can tell you is that IT security is a top management challenged that they need to continue to focus on IT security, they need to do the things that we recommended otherwise there's tremendous amount of National Security information that's at risk.

RUPPERSBERGER:

Is my time up?

ROGERS:

I believe so.

RUPPERSBERGER:

Got it. I yield back.

ROGERS:

Mr. Stewart.

STEWART:

Thank you Mr. Chairman and to the witnesses. Thank you. Dutch and I come from a little bit same backgrounds having set on some intel committees that focus on this, so not surprisingly, I have some of the same interest that he does. I like to follow up specifically to his questions and then add something in addition to that.

I want to quote if I could from your testimony Steve here regarding cyber security or your written testimony, at least in FY 2016 OIG reported weaknesses in the department cyber security incident response in reporting program and you know where I'm going with this, I'm sure. The department's efforts to respond instance including denial service malicious code and unauthorized access, show that it had not complied with its own information security policies in more than half of the incidents the OIG reviewed.

So two questions to you. First is, if you run that analysis for 2017, are we going to have the same answers, are 55 percent of them going to be not in compliance, and how do we drive that down? And the second one and this may be -- this may be sensitive and I am not sure you build answer, but having travelled and spend some time in over CMC's in very, very hard target nations, I'm aware that you have a concern of the secure supply and sometimes even maintenance.

Is there something that you could tell us there about that, and how we could help with that, if that's something that we could help with?

LINICK:

Congressmen on the incident reporting that -- that is primarily a function of the lack of coordination between the two bureaus in the department that share responsibility for enforcing and in complying with the requirements for incident reporting. I can't tell you whether or not that number is going to go down. I can tell you that we've reported this deficiency for years and so, if I had to predict, it will probably be something that will appear in our next FISMA report.

So, I can tell you, but with these problems, you know, are also including the contingency planning and other problem, they're not planning for if the system shuts down, is sufficiently -- these all result from coordination problem. That to me, if you get to that root cause, you're going to see improvements.

STEWART:

Are we going to get at that root cause?

LINICK:

Well, we made recommendations that affect them, hoping that Congress does incorporate our recommendations in the legislation, so that the CIO is properly positioned, you know, to have oversight over the entire IT network at the department. I mean, that's the basic problem.

STEWART:

Well, I mean, these are extreme examples, but you look at what -- what we know about CIA last few days, right, we look at OPM 23 million Americans very, very private information and, you know, we keep going back even at the State Department, you know, with some of your own hacking and going back to 2015 and that timeframe. Take a moment if you would talk about secure resupply, is that something we can talk about here or is there something we can help you with on that?

LINICK:

If you could just clarify your question, security supply, I'm not sure what?

STEWART:

Secure resupply, for example, in some nations it is very difficult to get even maintenance materials because you have to take everything in and out in a secure package.

LINICK:

Yes, that I would rather speak about in a classified environment.

STEWART:

If you do have things that you think we can help you with, please come to us in a classified environment, and let us know because it's a real concern for obvious reasons. Thank you.

LINICK:

I will do that.

STEWART:

I yield back Mr. Chairman.

ROGERS:

Ms. Meng.

MENG:

Thank you Mr. Chairman and thank you to our Ranking Member and thank you to our witnesses for being here and for the good work that you do.

I will ask each of you a question and then my second and last question will be for both of you. To Inspector General Barr, in the November 18, 2016 audit report, USA West Bank and Gaza's financial reporting should be clearer on use and results of foreign assistance spending, your office found with respect to the USA West Bank and Gaza mission that for obligations and disbursements reporting was not always accurate or clear.

Further reporting obscured which funds went to which activities. In response, your office recommended that USAID evaluate the current practice of recording disbursements disaggregated by foreign assistance objectives and the associated impact on external reporting. To your knowledge, has the USAID West Bank and Gaza mission responded to the reports as your office requested, and if so, was it accurate -- adequate? And by what date has a mission committed to taking corrective action?

And for the interest of times, I'll just -- Inspector Linick, according to your offices work plan for fiscal years 2017 and 2018, you intend to audit the Department of State refugee admissions program resettlement support centers. The objectives of the audit will be to determine whether the Bureau of population, refugees and migration provide sufficient oversight of resettlement support centers, whether these centers ensure that refugee applicants undergo the appropriate security checks and whether they ensure that required documentation and case files are complete for each refugee before admission into the US.

I want to ask what is the status of this audit, how much do you think this audit might cost your office and has any one from the Trump administration contacted you or your staff directly or indirectly about this proposed matter. And then my final question for both of you; there are some individuals in and around Washington, D.C. who wish to see funding that flows from this subcommittee cut by a third or more. If this were to happen to either of your offices, what impact would that have? Thank you.

BARR:

Thank you very much for your question regarding our West Bank and Gaza work and I will have to get back to you on the specifics of the status of each of the recommendations we made and the extent to which those have been addressed and closed. So we'll be happy to do that.

But in line with the question that you are posing, we certainly have found and it really speaks to the body of work that we do on our non-federal audits. And we have a team of great foreign service nationals that are out there doing those financial reports on all the activities in West Bank and Gaza and they sit, you know, in our Cairo office doing that.

And time and time again, what that find is sort of, you know, an underreporting or an over-reporting of programs accomplishments. Going forward, it speaks to the issue of data reliability that I talked about before. When you are in environments that are difficult to access directly to go

into this sites, you're relying on others, you're relying on implementers, you're relying on what they are reporting. So it makes it very difficult that they can't get out.

But we have found in instances where actually site visits to verify and to check the impact of the delivery of those goods and services, it's not always done. So, we have made some recommendations even beyond that report that you referenced that speaks to -- that speak to those -- speak to those issues. So, by the nature of having our financial folks, you know, following these programs and doing those assessments, I think that it continues to put pressure on getting the reporting right and making sure that that reporting, which then comes to you all to reflect the success of this big investment that we make these programs are things that you can rely upon.

LINICK:

Congresswoman, beginning with your first question about the refugee admissions settlement audit. I don't have the cost handy, but I'm happy to get back to you on that. It will be starting this spring sometime, and no one from the administration has contacted us about that audit.

As far as funding cuts, if there are funding cuts, how do they affect the OIG? They would have dramatic impacts on OIG. Right now, we're operating on a CR as you know, that's 30 percent below are fiscal year 2016 amounts. Our mission is mostly conducted overseas, we sent auditors all over, and inspectors all over the world, it's very costly. We required to inspect every embassy all over the world, we are required overseas contingency operations.

We have staff boots on the ground in Afghanistan, Iraq, it's very expensive. If there are cuts in the budget, it will have a dramatic effect on us, and it's possible that we may have to pull back on some of those international commitments.

MENG:

Do you think that cuts would impact severely our national security?

LINICK:

Well, all I can say is that, if we have to pull back staff from travelling to places where they are inspecting embassies, we do look at safety and security of our embassies and to the extent that we're not able to look at those embassies then of course it would affect the national security.

MENG:

Do you agree, Inspector General Barr?

BARR:

I agree with Inspector General Linick completely. You know, having your budget flat-lined or then potential cuts to that magnitude, if you just look at USAID in terms of the money that goes out \$20 million per year and you look at the number of staff we had. If I, you know, did the math, each person will be responsible for like overseeing hundred million dollars. So, if you start just with that, and that's just USAID, I have five other agencies that have oversight responsibility for.

So, that's a heavy lift, we have to be really smart, we have to be careful about how we identify where are the highest risks, where can we be most responsive to congressional interests that need to be informed from facts and from data. But I think when you are talking about those kinds of cuts and you are also talking about a hiring freeze, you put those things together. If you are not at your authorized level and there is going to be some, you know, real serious trade-offs that need to be made about those programs that we look at and we follow and I am sure that if that does happen and I will give it my best.

My mother and father always taught me, you work with what you have got, and you put it to the best use possible, and you go after the right thing. And that's what my job as the IG is, and will do that. But I would suffice it to say that our return on investment, some of those numbers that I pointed to you currently, a three dollar return for every dollar invested, we'll certainly go down.

MENG:

Thank you.

ROGERS:

Mr. Fortenberry.

FORTENBERRY:

Thank you Mr. Chairman. Thank you all for coming today.

Before I ask my question, I want to preference my remarks by saying this committee, subcommittee as well as you, have a very critical job. It really is dealing with three tensions. The first is to be able to explain to the American people the importance of the State Department, and particularly the sensitive subject of foreign aid as its related to our rightful desire to participate in the humanitarian causes. The fact that we do benefit from this exchange, economically and culturally, but also its inextricable link to international stability than our own national security.

With that said, the second tension that was in the time of tight budgets, it's absolutely critical that we be able to justify these expenditures and that the continuity of impact is not only sustainable but measurable.

Third is, I believe we have to be innovative, and when we're dealing in places that don't have rules-based systems or no enforceable norms, a lot of times it gets messy. To the questions that I have, and they particularly are pointed to the investments we make in leveraging capital for Overseas Private Investment Corporation, Millennium Challenge, there's a smaller one embedded in USAID and then another one outside of state.

I learned recently about a very innovative project to this third point about innovation, that actually has OPEC helping underwrite a portion of a loan guarantee in a private equity fund which is invested in by private investors certain American businesses as well as large American charity. Now, at first glance, it might seem peculiar, why in the world is our U.S. taxpayer dollars participating in what appears to be a for-profit business which it is.

Well, the model is very interesting because what worries me sometimes again, when you are in places that don't have rules-based norms or sustainable government systems, if you build something, we can feel good about ourselves and check it off that we built the school but in three, four, five years later, that school might be completely abandoned, stripped of its hardware and housing livestock and you see that.

This is a methodology whereby with a little bit of U.S. taxpayer dollars, you are leveraging a portion of an equity fund that creates a return on investors, for investors, but creates a model of sustainability. So it moves beyond just thinking that a non-profit invested, that's good, a for-profit investor, well that's for business, it's a hybrid model of the two. That again creates scalability and sustainability for the long-term.

I think that's an innovation that we ought to look closely at, but the question though is to ensure that that nexus of benefit to America, particularly in the loan guarantee portions of whether that's Millennium Challenge or OPIC is strong. But in my understanding that there is some grey area there and I would like you to address that.

BARR:

Sure, I would be happy to address that. I think, you know, you raised a very good points about some of these environments that we're in and the extent to which these kinds of investments, important investments can be sustained. We've had a lot of work that report -- whether our work that came out of, you know, MCC, 9 of 23, you know, compacts had significant, you know, cost growth, contractor problems, sustainability problems going forward.

In the case of OPIC, we did do one risk assessment, I'm sorry I'm forgetting what year that was essentially, but an issue that we brought up with regard to OPIC was, is there an incentive on their part to focus mainly on financial returns sort of at the cost of development and humanitarian.

FORTENBERRY:

So it's got to converge, those three points have to converge, development, proper social outcomes, necessary financial returns, but also American benefit.

BARR:

Absolutely. Yes and also American...

FORTENBERRY:

This is the question. Are we indirectly subsidizing international entities at the expense of America? Now, again, that's not to be traded off for the other two, necessarily, but it is important evaluation point for you.

BARR:

Yes, and I think we don't have work that actually looked at those three things. I mentioned, our work when did sort of the risk assessment going forward, but one thing that we're going to focus on, and we want to focus on going forward is looking at sort of the core business, you know, operations and with OPEC there is percentages to invest in small businesses and otherwise, so the work that...

FORTENBERRY:

You audit this?

BARR:

And we're going to audit this going forward. This is audit sort of on the book, where we're actually going to take a look at sort of what are all the goals that we're trying to achieve here. If we look at certain projects, are they achieving that.

FORTENBERRY:

And this is slightly different question, Millennium Challenge but also the spirit of the question still applies.

BARR:

Yes, same with Millennium Challenge Corporation, that's work that we're talking about doing, as well going forward because these are somewhat unique investment...

FORTENBERRY:

They've not been done before and I think it's absolutely fascinating.

BARR:

Yeah, yeah.

FORTENBERRY:

But it also creates the conditions in which we have to be able to justify this and potentially use it further if it's successful as a new innovative model for the 21st Century in terms of foreign aid with the sustainability idea in mind; that's the key, and that's where you have to help here.

BARR:

OK. And we will most certainly do that. If I can raise just one thing.

ROGERS:

I'm sorry, yes please.

BARR:

With regard to OPEC, and it's an issue where you all could help us out a bit. We do not have full audit access authority with overseas private investment corporation; through the Foreign Assistance Act, it allows us to do investigations that says inspections but it doesn't mention audits and we're not allowed to do their financial statements.

The issue with the authority that I have around, I would say the lack of -- I feel like I have responsibility for overseeing OPEC, but I don't have the authority to do it, the full backing of the IG Act to do that. Every year we have to negotiate an MOU with them about what work we're going to do, what we're going to look at, and when I think of -- again, my 33 years in this community...

FORTENBERRY:

Oh, this is all said. My question is said, not in the spirit of got you, because I suspect something is wrong. But this actually could be proven to show as that new architecture for development models with limited financing as you underwrite certain capital investments that are leveraged for multiple, multiple returns rather than just direct funding.

That's why it's so important to get -- to make sure that this is being done right so that we can ensure it's done well and then be replicated.

BARR:

And my point in bringing this up is that we have to negotiate with them on what looks and what...

FORTENBERRY:

Is this an oversight in the law or was it purposely...

BARR:

It's something that has been sort of written in the Foreign Assistance Act like that and then requiring sort of these annual MOUs. So we've been working with Congress to correct that going forward. Whether I remain the IG of that or someone else, they need the full backing, so we can look at the kinds of questions that you are proposing that need to be looked at.

FORTENBERRY:

Thank you.

ROGERS:

Mr. Price?

PRICE:

Thank you, Mr. Chairman. I want to join others on the committee in thanking our witnesses for your good work and your forthright to testimony here today.

I want to return to question Ms. Meng raised and post it more broadly. That has to do with the impact of reported cuts in the budget that maybe coming. These are news reports, they indicate that the State Department and International Systems budget may be cut by as much as a third. And then the reports of -- even the reports of Secretary Tillerson's counter-offer sound pretty draconian, like we're going to phase that in instead of doing it all at once, and the first year accounts would be something like 20 percent.

I have no idea of course, whether that is so going to come to pass, but I think we did understand the implications. You began to answer the question when Ms. Meng raised the issue of your own operations and the reach of your offices and what you are able to do. I want to post the problem or the question a bit more broadly, and that is -- how the more discretionary items in the foreign affairs budget would be affected as opposed to costs that would seem to be more or less fixed, institutional costs that would be more or less fixed?

Now, I'm new to the subcommittee, I would imagine that the foreign assistance items, many of them are fixed costs, more or less. In other words, the embassy cost, the personnel cost, the foreign service, the diplomatic core. So if that's true and if there's -- and of course you're in a position to comment on that, that's why I am asking you the question.

If it's true that there is limited slack there, then it would seem that the more discretionary part of the budget; things like global health, things like foreign aid, a lot of it to the world's poorest places, things like the kind of work that I'm particularly involved in with the House Democracy Partnership. The support for governance, good governance, and civil society development, and those kinds of efforts. It would seem that one-third might be a low estimate for the kind of blow those programs would suffer.

So I am asking -- of course we'll get more details on this later, but I am asking for your top line impression about the way those fixed costs and discretionary costs sort out and what the real impact on the foreign aid budget would be of one-third cut overall?

LINICK:

Congressman, so we haven't looked at what the effect would be on the discretionary versus fixed part of the budget, so I am not able to comment on that. But I will say -- but what we do look at is how the department manages its programs. And this is an area which is frequently been given short shrift in the past, program management.

If these budget cuts affect program management, in my view, that's a problem, because we've identified oversight of contracts and grants as a top priority in the department. We have identified millions and millions of dollars of question costs as a result of the department not doing inadequate job and staffing its oversight of contracts and grants and training people to do it.

There are problems with, you know, they're not -- in some instances, we found they're not reviewing invoices, so it's not clear that we're getting -- the taxpayers are getting the benefit of

the bargain. So to the extent that that cuts affect that, that's something that's an alarm for me because that's obviously been on my radar for the last three and a half years.

PRICE:

Yes, and you began to address that with the previous question. And of course this is in the realm of 'penny-wise and pound-foolish' in terms of the work you do and the kind of savings that can ultimately produce. But I'm really asking you for a broader view of -- is there some kind of ballpark estimate you could give of how much slack you're funding in the institutional side of the budget?

I mean, is there a lot of room there for cutbacks and embassy expenses, diplomatic core salaries and so forth? Where would that broad of a one-third cut fall?

LINICK:

Well, I can tell you that through our work, we do certainly find a fat there. So for example, we make recommendations when we believe in embassy or consulate is unutilized, and we've made recommendations to sell. So that's one area, so for example the consulate Hamburg we ask -- we recommend the department sell it and lease, and there was multi-million dollars in savings from doing that.

(CROSSTALK)

LINICK:

We do that all the time.

PRICE:

There have been many examples of that, are there a whole lot more examples like that?

LINICK:

There are many examples like that, and I can only give -- I'm just coming up with those examples I think through the reports we've done. I don't have an overall estimate to give you.

PRICE:

Prospectively are there consulates all over the world that we really don't need?

LINICK:

That I can't tell you. I can tell you that in some instances when we go out and do these inspections, we find there are -- you know, there are -- sometimes there are consulates we don't need, and we make those recommendations. I don't have that information at my fingertips now, but I can certainly get back to, on what we found in the past.

Same thing with positions, same things with cost-of-living increases, we're looking at that. So I mean, this is what we do, the bread-and-butter of our work is looking at how can we most effectively and efficiently make recommendations that save taxpayers money.

BARR:

With regard to a USAID, I can tell you that this is first and foremost on their minds, the agency itself. And I know that discussions are underway about, you know, a whole range of options; if those kinds of cuts come in, where are we going to take them. You know, there are going to be some winners, there's going to be some losers.

As far as what our work speaks to and I think it's similar to what Inspector General Linick mentioned is where we find opportunities to say, you've got this large pipeline of money, you're putting this money out, we don't have a complete verification that the money is meeting the intended goal of the program, those are areas which we've got to scale back and redesign before we go forward. With that being said, I think this raises an interesting question about the role of the IG's can play going forward. If we're talking about these kinds of budget cuts, for us to be able to step back and take that strategic look.

How did USAID -- how did the other agencies determine, where those cuts would be made? What was -- what drove those decisions? Where those the right decisions? What are the positives about it? What are the negative aspects of that? What's going to be lost? Are we going to lose prior investments that we had that are completely going to go away? And we just have not done that kind of holistic look, but I think with these kinds of questions that are being raised, that could be an appropriate role for an IG to take during this time of change.

PRICE:

Thank you. Mr. Chairman, do I have another minute?

ROGERS:

If the gentleman needs it, yes.

PRICE:

I'll be brief because this is another broad gauge question, so I don't really expect an extensive answer. But I just want to - I just want to commend you for the work you've done in stressing sustainability, in stressing the importance with these aid programs of, there being a capacity after our aid has gone, after whatever's left on the ground, the capacity to go forward; that's especially important I think with health programs.

The question I want to post, just ask you to -- I'm really asking you, if you worked on this, but it's for future reference, really. And the work we do with governance, it seems to me that question of sustainability is especially hard to deal with. Let's just take the work we do with the House Democracy Partnership in the parliamentary support.

Almost always that parliamentary support is backed up by work on the ground by NDI, IRI, various USAID contractors. And it's a good synergy, you know, the members come in, we give this cache, the members are engaged in these parliaments, and then of course the work on the ground goes on much more than we could ever do from our approach.

When is - when is that work done? When does the parliament graduate? When do you determine that -- when do you determine that this is sustainable? I'll tell you, we have intervened a number of times in saying the aid was being pulled prematurely. It wasn't that the dependence was being extended too long, it was the opposite, that this work wasn't quite done. And yet because of economic pressures or whatever, it of course can't go on indefinitely, and decisions have to be made.

So I don't know, are you into this as an area of research, particularly with respect to the democracy support efforts we make? It strikes me that that is -- that's a real challenge, it's to figure out when is the work at least sufficiently done to pull back, and what does sustainability look like?

BARR:

Whenever top management challenges this past year dealt with that issue, strengthening local capacity and sustainability while ensuring monitoring and oversight. And we pointed one particular example that I think we cited in that top management report had to do with government's initiatives in Paraguay, where we were working with local implementers to help stand out that kind of like technical support, make stronger sort of governance structures going forward.

And what we found is that the implementers that we've put the money through didn't have their own structure to ensure that they could handle that flow of money and they didn't have the technical teeth to actually achieve the outcomes that was called for in the governance setting. So that's one example where -- where that didn't go well.

One job that we're doing going forward because we just wrapped up looking at our audit plan going -- moving forward is taking a look at -- as oppose to doing these, you heard me talk through a number of these questions that we got. Here's an example of this, here's an example of that, we got to get more strategic in our office, that's a big goal that I am pushing being relatively new IG to USAID; and one of the initiatives that we're going to look at is this local solutions approach.

And we need to look at a number of the programs across all of USAID and even MCC, when they were successful; what did they look like; when they weren't, what isn't there. I can tell you having just come back and actually Inspector General Linick, myself, and Acting Inspector General Glenn Fine did a trip out to Afghanistan and Pakistan and we were in Jordan. And I visited the -- a compact there, MCC, that was focused on a water irrigation project.

So this is one of the few that came out under budget, achieved its goals and went forward. And there are a couple of things that are present there when you're talking about sustainability. Long standing history of U.S. involvement with Jordan, they get our systems, they understand our governance structures, they know what they want. But the key to it is building in that hook, that tension that says, it has to be of interest to that government to continue to invest when we go out.

So in the case of these water sanitation programs, the folks that are on the ground, that are building, where the jobs are being stood at, they have to prove to the government of Jordan that that water tests at a certain quotient that makes it safe or those tranches of money aren't coming in. So there are some key nuggets that we need to think about whether it be governance, whether it be infrastructure that need to be in place for these projects to take hold and be sustainable going forward; and I'm hoping our new work will speak to that.

ROGERS:

Thanks, Mr. Price. The gentleman raised a question, his first series of questions on the possible cuts of spending, and that's a very relevant topic it seems these days. It will fall upon the subcommittee to eventually try to decide and recommend were those cuts take place if they do take place.

You know, the public is under such a misunderstanding of what we do in foreign operations, you asked the average citizen out there, how much work foreign aid do we give, and they will say half the budget or two-thirds of the budget or what have you. And truth is what around 1 percent or less. So we've got a lot of misconceptions to try to remedy.

And then we will have to eventually finally work with you and everyone else try to figure out where these cuts take place. It's not a fun operation, but the gentleman brought up very, very interesting series of questions.

Let me ask you briefly about the armored car, armored vehicle program. It was on this -- when I Chaired the state commerce, justice subcommittee years ago, we were the ones that mandated that every ambassador have an armored car. But since that time this program apparently has

exploded, you estimate that between 1998 and 2016, the department had spent over \$900 million to procure an outfit armored vehicles, roughly half of that since 2010.

You did an audit and the findings were shocking, recommendations were numerous, the share of carelessness of the department is troubling and inexcusable. Particular given the risk to employee safety and mission readiness, we could spend the rest of the day talking about that audit, but could you quickly summarize it for us, and we're interested in the root cause of the problem, and whether it affects other department programs?

And is this another result of lack of management and Deputy Secretary of Management, I keep coming back to that, as I have for the last 20 years. In fact it was this, it was the state commerce, justice subcommittee when I chaired it, that mandated the Secretary, named a Deputy Secretary for Management, so he -- the Secretary, could focus on policy and the like, and let an expert run the entire operations of the department. Is this another fruit of the lack of management at state?

LINICK:

Mr. Chairman, this is really a quintessential example of the themes that I have raised in my written testimony and during this hearing. It is an example of lack of focus on program management and accountability. This is -- as you mentioned, almost a billion dollar program and there were no internal controls, lack of processes and procedures to guide the bureaus and the posts that were in-charge of this particular program, namely Bureau of Diplomatic Security, the Administration Bureau.

Lack of accountability, an example, that is -- it wasn't clear who was responsible for running this program. Bureau of Diplomatic Security thought it was merely service-provider when it was supposed to be the program manager. So there was a lot of finger-pointing going on and this is what we've seen in other areas, it's not just the armored vehicle area. As a result, no one takes responsibility for management of these big programs.

And what's the result? In this case, you had a number of overseas posts which needed armored vehicles, but didn't get them, because there wasn't a system in place to allocate them in an efficient way.

You had many unused vehicles, over 200, sitting on a lot wasting away, while the rest of the department was in need of these vehicles. And these vehicles were also stolen and unaccounted for. We had a criminal case involving an owner of an auto shop who pled guilty to conspiring with the State Department official and he's taking these motor -- these armored vehicles and selling them. They're worth about \$150,000 a piece. So -- and we had disposal problems as well. So this is just -- this whole program was fraught with problems.

ROGERS:

Well, you know over the years that I have been fooling around with this question, management and the department. We kept bumping up against resistance within the department. They don't want anybody overseeing apparently and I'm beginning to understand why. But I'll be meeting with the Secretary right away. This is the one thing I'm going to try to urge him to do and that is to name a good CEO person in-charge of the daily operations of the department to get at problems like you've just talked about with the armor.

But this deals with security and safety personnel which I find apparent that they have let this go to this extreme without remedying it. Do you see a remedy on the horizon? Are they taking steps?

LINICK:

I don't know the answer to that question, but just to follow-on with your point about the importance of having somebody at the top of the department, responsible for security, just two examples. I think that's critically important and we've made recommendations to that effect.

Number one, after the Benghazi accountability review board issued its recommendations, we did work which suggested there were a lot of repeat recommendations over the 12 or so years in which we've had accountability reports make recommendations. And we found part of the reason that there were repeat recommendations over and over and over again is because there was lack of sustained commitment at the highest levels of the department to ensure those recommendations were implemented properly. So that's one area.

The second example I would give is this, again, this came out of the Benghazi accountability review board. The department needs to do -- they recommended the department to do a better job at risk management, they've come up with something called VP2 which is a risk management system, where if we're going to close embassies or open embassies, we articulate in writing the costs versus the benefits. And this is the key point, if we're going to place people on harm's way and we can't mitigate, we can't get around our inability to comply with policies, for example, that somebody at the top signed the dotted line is responsible.

And that we recommended be under the purview of the deputy or the secretary, so that's why it's so important for someone at the top of the department to be, you know, pushing program management down and setting the right tone at the top.

ROGERS:

Not only a person responsible for the security, security personnel in the like, but also an overall deputy secretary for management, period, to run the department in the absence of secretary who are dealing with policy. Ms. Lowey, do you have questions?

LOWEY:

I thank you and I just want to say, I thank the Chair for your pursuing this issue. I have been in this Congress and this committee for a long time and sometimes I feel like a broken record on this issue and it really is a challenge, for example, on the Haiti programs.

Mr. Fortenberry, you've been on this committee a while too, the two people who are running that program for male and female we're probably the best we've had. I don't know why we are not successful, now there are lot of reasons, it's the government, it's crime; but I always looked at Haiti as place where maybe we could succeed at least to this date you don't have terrorists taking over the country, I don't think. We don't have an ISIS active in Haiti.

So I really look forward once again to work with the Chair, with you, to see what we can do to transform; I'm not sure if it's attitude or talents or focus, but there is a lot of money being spent there and we really have to look more carefully.

Now I'll give you one example; the MCC. There has been a repeated finding that the IG has been the Millennium -- I think it's been a finding from you. I am just trying to see if was you; that the Millennium Challenge Corporation difficulty in realistically assessing partner country capacity before approving a contract.

And for a long time, everyone was saying, this is the model, you know, MCC is the model. This factor and my judgment is more important than ever before approving a compact, MCC does engage with newer lower capacity countries, and especially as we face potentially drastic budget cuts and foreign assistant, I hope we can change some minds over there about that. Compacts are limited to five years aimed at supporting country capacity, unrealistic expectations do a disservice, both to our partners and MCC effectiveness.

Now I see you shaking your head, so if you could share with us what you have recommended to better assess country capacity? And have you seen any improvement in the way they engage with countries like hiding realistic expectations and timelines? And are there lessons learned from the MCC experience that can be shared with USAID and other partners as we look more carefully about how we work with host country governments and local institutions? So I see you shaking your head, can you share your wisdom with us?

BARR:

I'm happy to respond. One of our top management challenges, the few that we had this fixed in the line-up was achieving effective development and implementation of MCC programs and stewardship over resources. So there are certainly challenges that remain in terms of the process that is used to determine whether a country is ready for prime time or not, there's threshold programs which essentially involves sort of more technical assistance to get the countries ready and primed up for the length of a five-year compact.

And then there is these countries that meet the indicators and that are set out that make them eligible for it. While there have been success stories with these compacts and we're not saying that they aren't, there still remains these challenges; hence, it's in our top management challenges

report that we don't always get it right; so clearly the assessments on the country's ability to handle the flow of funds.

When you have an MCA, the account holders are as it should be, our local country employees/officials that are running sort of the accounts. What we have to do, whether it would be for MCC, whether it be for USAID or ADF or IAF or any of them, we rely on others for the effective delivery of foreign assistance. In relying on others, we can't rely without doing pre-assessments without identifying risks and without identifying plans to mitigate those risks. And sometimes decisions need to be made that says, "You know what, we looked at this, and maybe it isn't time yet."

And those hard decisions aren't often made because I don't think those assessments are properly done. So do we have an area of concern or risk here? We do. Our work going forward is going to look at MCC's core business structures, the process for how these -- the threshold programs are decided, the compact programs are decided and looking at, you know, models where success has been achieved versus not, what got in the way of it.

So we hope that future work will further inform; I think we've informed it very much or we wouldn't have been able to put it as a top management challenge currently. But you're right, Congressman, there's more work to do in that area, and it's not just related to MCC, it's related to everywhere our foreign assistance is.

LOWEY:

In closing, I just want to say, you've been there one year, I believe?

BARR:

Yes.

LOWEY:

And Mr. Linick, you've been there three years?

LINICK:

Yes.

LOWEY:

And perhaps as I know we're going to close this hearing as someone who is so committed and so passionate about the important role the State Department and USAID play in the world. I'll give you unless our Chairman has any other statement; I'd like your comment on that as well.

Sometimes I think it's because the people who were working on these programs are so passionate about their work and so determined to do good work, that sometimes their decision-making gets a little cloudy as to whether that program is really worthy of additional investment. But what is your view about this, in general or MCC, however you chose.

LINICK:

Well, I don't oversee MCC.

LOWEY:

I didn't think so.

LINICK:

But I guess I would say -- but particularly in the foreign assistance realm, if you're dealing in these overseas contingency operations, there's such a move afoot to get the money out of the door and I think -- and in the contracts area people want to take shortcuts in the grant area. I think the attitude is, just get the money out the door, and we'll worry about whether that money is used for its intended purpose later.

You know, I think the people of the State Department are very passionate, they're dedicated public servants. But their -- you know, their objective is diplomacy, and it's not so much managing -- program management. And I think it's a cultural issue at the Department of State in my opinion.

LOWEY:

I just want to say in closing Mr. Chair, and Steve Marchese (ph) has been there even longer than I am, I remember a specific occasion, it was a summer evening, and I was sitting on the porch in my home, in Westchester County and I heard coming over the news that billions of dollars was coming out from Afghanistan, it was attributed to Karzai's brother, and I quickly called Nisha (ph), who is the staff person, and I said, however you do it, stop every penny for the next six months to Afghanistan until we can figure out what was going on there.

I remember that issue with absolute clarity and I know the Chairman and I believed deeply in the work that the State Department and USAID are doing, but we have to continue to make sure that the money is spent efficiently and effectively. Thank you.

ROGERS:

Thank you. Mr. Fortenberry, do you have any questions?

FORTENBERRY:

Sorry, it looked like you were eager to conclude, but I would like to add something else.

LOWEY:

No, I'm embarrassed, I wasn't sure of the order here.

FORTENBERRY:

That's OK. No, I was listening intently and just did want to follow-on on a couple things that Ms. Lowey, Mr. Price and the Chairman have alluded to. And I think the example of Haiti is a good one. I recall I was there after the earthquake aftermath, and some of that, and the Vice President told us, he said, "Look, you all have given us \$5 billion, we are extraordinarily grateful. But it's direct foreign investment that is going to help us have continuity for long-term sustainability."

And so we're in attention here, you're attention in trying when there is a humanitarian crisis, yes, to move aid quickly, and that's just going to be messy, and it's going to be hard to measure as to its effectiveness because you're meeting the emergency conditions. You're trying as I hear you saying, appropriately saying, and I want to affirm you've been saying it, that you're developing more advanced metrics to determine program sustainability prior to the investment and in a post evaluation period as well, I think that's you're saying in these, right?

BARR:

We're recommending that that's what the USAID officials need to do, MCC needs to do going forward.

FORTENBERRY:

OK. But we're going to probably have to figure out who is actually going to do that because I think this is very important.

BARR:

Right, right, yes.

FORTENBERRY:

Because it comes back to the core point that's being raised. Look, we got to have -- it's important to always try to be innovative in government. We've had some very innovative things going on, and particularly in the time of tight budgets, in a time of questions, even more intense questions about foreign aid; what does that deliver us? And is it sustainable overtime in building up the conditions for proper humanitarian response but also stability so that creates security for all people?

Again, I think this is tied to the earlier point I was making, that as we look at innovative models and you're ensuring that they are working, and that they have a proper American nexus, that we're leveraging the limited funds we have in underwriting capital investments that attract other capital; that even potentially have a return on the capital for other people, but nonetheless, create the better conditions for sustainability whereas again just building something and leaving when there is a non-government space, you cannot guarantee that that's over the long-term.

This isn't to say we should shift from writing checks to NGOs, to making sure that multinational corporations profit, that's not my point at all. But these new constructs of leveraging capital that's already out there, that then is motivated to ensure there is continuity. As long as we have the social metrics to ensure that we have met our development goals in our humanitarian missions, I think is a new way forward, if you can show us that these are sustainable and that they have that strong American nexus.

BARR:

I agree 100 percent with you. These are the questions that we're asking those that use these unique models. What are your metrics? What are you measuring? How can you prove that this is successful? Some of the problems that we have is, how long did you wait to see whether it sticks and it lasts. Like, one is the right time to go in and say, yes, they got it right. You know, sometimes with some of the programs...

FORTENBERRY:

That's the problem we have here, because our budgetary cycles are artificially short, and we want an answer within months rather -- and some of these things, again, this is a problem to reconcile what you're dealing with. Because the very point of sustainable development is to go into places that doesn't have sustainable development. So to create those conditions takes some time and it's difficult and messy, but if the trajectory is right, and these new models are proving themselves worthy, it leverages limited funds that we have for the same mission outcome.

BARR:

Understood. We'll make sure that we take particular look at that. Thank you.

FORTENBERRY:

Thank you.

ROGERS:

Thank you. Well, thank both of you for your generous donation of time to us this morning, and obviously your attention. You've got a really tough chore, both of you, especially now. So it's important that this committee know the work that you're doing. And because we need guidance on where things need to be corrected to perfect the system. So keep us posted, and feel free to communicate with us often in detail.

Thank you for your testimony. Good luck to you. The committee is adjourned.