

Statement of John Marshall Assistant Administrator for Management and Chief Information Officer

Cost Saving Efforts to Eliminate Waste, Fraud, Abuse and Mismanagement within the U.S. Agency for International Development

Submitted to the House Committee on International Relations September 4, 2003

Mr. Chairman, Ranking Member Lantos, thank you for the opportunity to appear before you today to discuss cost saving efforts at the U.S. Agency for International Development (USAID).

When Administrator Natsios first arrived at USAID, he determined that the Agency's five management systems were in a state of disrepair and were in need of modernization and reform. He determined that waste and mismanagement could be eliminated by improving the way the Agency conducts business through its systems and processes for finance, personnel, procurement, information technology (IT) and administrative services. Under the Administrator's leadership, the Agency developed a business transformation plan to implement his management reforms. These reforms are being done in the context of the President's Management Agenda and many are being carried out in close coordination with the Department of State.

In my statement today, I will discuss our management reforms under three headings: our work on the President's Management Agenda; our collaborative activities with the Department of State; and our financial management reforms. Our financial management reforms will be discussed in detail because proper accountability for appropriated funds lies at the heart of both management improvement and the elimination of waste, fraud and abuse.

USAID Management Reforms

In close coordination with the President's Management Agenda, USAID is aggressively implementing its own ambitious management reform program. The Agency has established a Business Transformation Executive Committee (BTEC), a governing board of senior executives from all bureaus and major offices across the Agency to oversee our management reforms. Our management reform accomplishments as well as our future plans are listed below by PMA initiative.

Strategic Management of Human Capital

Like many Federal agencies, USAID is experiencing serious human capital challenges. As a result of new program demands around the world, deep staffing cuts and decisions to effectively shut down recruiting in the 1990s, our workforce is stretched thin, rapidly "graying" and approaching a retirement exodus, and lacking in critical skills. To meet these challenges, we are undertaking a comprehensive workforce planning effort and ramping up recruitment initiatives at entry and mid-career levels. Our "Development Readiness Initiative" (DRI) parallels the Department of State's successful Diplomatic Readiness Initiative, and is the cornerstone to Agency succession planning efforts for the Foreign Service and Civil Service.

We are undertaking a comprehensive and integrated workforce analysis, building on competency-related work already performed by many parts of USAID to establish the basis upon which further workforce planning and general human capital strategic management can be developed. To meet the critical need to create the 21st Century Foreign Service corps, we are undertaking a Development Readiness Initiative that parallels the Department of State's Diplomatic Readiness Initiative; this will include the recruitment of junior officers, called International Development Interns, to assure a regular infusion of new blood into our system. The Development Readiness Initiative (DRI) is the cornerstone to Agency succession planning efforts for the Foreign Service and Civil Service.

We have developed an electronic database (e-World) that provides current high quality data regarding the Agency's workforce. This information allows knowledge of the number, skills, and deployment of Agency personnel to meet our future programmatic needs and to develop strategies for succession planning and leadership continuity. This accountability tool facilitates workforce planning and resource reallocation decision-making.

We are finalizing a comprehensive human capital strategic plan that will describe the specific core competencies needed by our overseas staff to make the Agency operate effectively and efficiently. In developing this plan, we considered the recommendations from a report by the National Policy Association that contains 25 recommendations for reforming personnel practices at USAID.

The Human Capital Strategy will be carried out in the context of an overall Agency "right sizing" that will improve our ability to do comprehensive workforce planning. This effort will consider regionalizing USAID processes to perform work more efficiently.

Improved Financial Management

We are collaborating with Department of State on a joint financial management system in furtherance of our business systems modernization initiative.

We have developed customer service standards and initiated activity based costing to improve services, get a better handle on costs and reallocate resources to our most important business needs.

We have developed mandatory training for Contract Technical Officers (CTOs) in the agency to better manage obligations that can lead to charges of waste, fraud and abuse. Annual mandatory ethics training is part of this program. We are working with the Department of State to develop a common procurement system. Instead of developing separate systems, both agencies are collaborating on this project that will reduce redundancies and waste and save considerable taxpayer dollars.

Budget and Performance Integration

We have developed a strategic budgeting model to enable us to link performance and resource allocation more efficiently.

Competitive Sourcing

We have provided training for our procurement staff on performance based contracting to focus on desired results and outcomes. We are developing comprehensive USAID Competitive Sourcing and Action Plans to achieve efficient and effective competition between public and private sources that will generate savings and performance improvements.

Expanded Electronic Government

We are partners on several of the President's 25 e-gov initiatives collaborating on projects where standardization and integration of similar business processes and systems make sense and are more cost effective. Our efforts are directed at ensuring high quality services for citizens while reducing the cost of delivery of these services. We are developing a joint enterprise architecture with the Department of State that will serve as a strategic management tool to identify IT redundancies and duplications and inform decisions about program implementation and IT investments. We have established procedures for capital planning and investment control to ensure that we spend our IT resources efficiently. We are providing training for the Agency's project managers to ensure appropriate best practices and standards are adhered to in order to reduce redundant spending and improve the return on IT investments.

Our management reform activities have and will continue to provide significant cost savings while promoting management efficiencies that directly support the PMA. Our activities have improved our e-Gov scores on the PMA. For the last two quarters we received "Green" ratings for progress based on our efforts in the areas of enterprise architecture, capital planning and investment control, and IT security.

Joint State/USAID Activities

For the first time, USAID and the Department of State have developed a joint strategic plan. The new strategic plan covers fiscal years 2004 to 2009 and will be updated every three years. The new plan clearly outlines the shared mission, core values, goals and priorities of State and USAID in both policy and management areas. Our joint management priorities are closely linked to the goals of the President's Management Agenda (PMA).

To achieve cost savings, we are pursuing opportunities where the Department and USAID can create more integrated management structures to reduce redundancies and costs for the taxpayer where possible. We have identified concrete activities where we hope to explore greater coordination and in some instances integration.

Department - USAID Management Council

A joint State/USAID Management Council has been established to oversee and implement collaborative management activities that will result in cost saving reforms and improve services for both agencies in the areas of human resources, e-Government, resource management, administrative services, overseas facilities, and security. Examples of issues for the JMC's consideration are as follows.

Human Resources

In the area of human resources, USAID and State are developing parallel and complementary human capital strategies to include joint training of our employees; formal cross-assignments; and plans to rightsize and regionalize our overseas presence. The latter initiative is focused on determining the appropriate number of U.S. staff deployed overseas to assure effective and efficient planning and management of programs. We have reviewed the main criteria proposed by the General Accounting Office for determining overseas staffing levels and, not only do we agree with them, we have been using them in setting our field staffing levels. As you are aware, President Bush has made the rightsizing of overseas official U.S. presence an agency-specific reform in his management agenda and our efforts are directed at supporting this initiative by assuring the most effective overseas presence.

E-Government

The Department and USAID are committed to implementing the requirements of the Federal e-Government Initiative under the PMA. We will strengthen our administrative systems and pursue collaborative solutions to Web-base, centralize, and integrate our IT systems; expand our recently established infrastructure; coordinate IT planning and common use of architecture and infrastructure; develop a joint enterprise architecture to enable an integrated accounting system worldwide; strengthen core information management systems and collaboration by implementing one modern messaging system for the Department and USAID headquarters, posts, and missions worldwide; and consolidate overseas technical and operational support.

Administrative Services

The Department and USAID jointly will review their operations at U.S. diplomatic missions abroad to implement a pilot project in which selected administrative support operations would be combined where costs are reduced and/or the quality of services are enhanced. The combined service(s) would operate under the agency best able to offer the service through International Cooperative Administrative Support Services (ICASS) to all U.S. Government entities under the Chief of Mission authority. ICASS has proved very effective as a system to allocate costs fairly among users, and all agencies are working to make it a stronger tool for efficiency as well.

A joint Department/USAID acquisition and assistance system will be integrated with the Agency's core accounting system to facilitate production of timely, reliable information on program and development expenditures. The proposed web-based application allows for data entry at the source, reducing the risk of erroneous or redundant entry of transactions.

The Department and USAID will jointly review the use of competitive sourcing. Commercial activities will be reviewed continually to ensure the best possible service at the best possible price, regardless of the source. We will review the use of contractors across the Department and USAID in order to streamline contracts and minimize duplication and costs.

Resource Management

To improve our accountability to the American taxpayers, we will improve our financial performance and integrate budgeting with strategic and performance planning. The Department and USAID will implement a joint financial management system that will integrate the financial systems of both agencies. To increase our budget process transparency, both agencies will institute operations budget review meetings to ensure understanding of each organization's workforce, technology, and policy programs. And we will explore developing a joint methodology to allocate resources by strategic goal to better understand how much funding and human resources are devoted to achieving our goals.

Facilities

Looking to the future, an area where the factors of cost and security come together is that of office space for our field missions. A prime objective for USAID is to assure that our overseas staff works in the safest possible environment. Consistent with the Secure Embassy and Counter Terrorism Act of 1999, USAID seeks to co-locate with the embassies wherever possible.

Security

Close coordination and cooperation between the Department and USAID security professionals will be key to maximizing our effectiveness and determining acceptable levels of security risk versus our ability to operate. We will leverage Diplomatic Security (DS) contract support to enhance USAID security; recruit and train personnel to enhance worldwide security operations; and enhance security infrastructure that allows timely and accurate exchange of security information to enhance protection of our personnel.

Through these cooperative efforts that I have described, USAID and Department of State will reduce redundancies and waste while reinforcing management accountability and cost savings.

Financial Management Improvements

In the area of financial management, USAID's story continues to improve. As had been reported by the Office of the Inspector General (OIG), the Agency previously lacked a core financial management system that complied with the requirements of the Federal Financial Management Improvement Act (FFMIA). There has also been a major impediment in providing information for USAID managers on a day-to-day basis, thereby hindering the Agency's ability to manage its resources. To address the system weaknesses, USAID implemented a new core accounting system at headquarters in FY 2001.

The next phase of our financial management system improvement effort is the deployment of the headquarters accounting system to our field missions. We are currently planning to have the system fully deployed by the end of FY 2005. At the same time, as mentioned previously, we are working closely with the State Department to have a joint financial management system by FY 2006. When the system is fully deployed, USAID will have for the first time an integrated financial management system that can produce timely and reliable Agency-wide financial information for program managers and decision-makers. Full deployment of the system will also bring the Agency into compliance with the FFMIA.

In FY 2002, we received an unqualified audit opinion on four of five principal financial statements and an overall qualified audit opinion. This marked the first time since enactment of the Government Management Reform Act that USAID received an opinion on all of its financial statements. Within the 2002 GMRA Audit, the OIG recognized seven internal control material weaknesses. Six of the seven internal control material weaknesses have been addressed and the last one will be addressed by September 30, 2003. We are working closely with the OIG on resolving all remaining obstacles so that the OIG may issue an unqualified audit opinion for FY 2003.

Additionally, we have recently implemented improvements to the Headquarters core accounting system, improved financial and performance reporting, and improved the quality of data available to field program managers. We have expanded cross-servicing and outsourcing, including grant management (HHS), loan management (Riggs Bank) and payroll (National Finance Center).

USAID's Management Control Review Committee plays an active role in ensuring corrective action for deficiencies

identified through OIG audits and management control reviews in accordance with the Federal Managers' Financial Integrity Act. The Committee, chaired by our Deputy Administrator, monitors the status of corrective actions Agency-wide and determines when material weaknesses have been corrected. Parallel committees operate within the Agency's overseas operating units.

We continue to improve the quality of USAID's financial management systems and we continue to improve the internal control systems and processes affecting the day-to-day management of our programs as well as our financial statements.

In Conclusion

Mr. Chairman, I would like to assure Congress that USAID is committed to improving our management and accountability practices. USAID is committed to enhanced collaboration with the Department and looks forward to participating actively in the Joint Management Council's efforts to produce improved, cost effective administrative services for both agencies. We will continue to work diligently to implement agency-specific management reforms and to identify areas of cost savings I hope my remarks today have been helpful in explaining our management reforms for transforming USAID into a more effective and efficient humanitarian assistance and development organization as we move our foreign policy agenda forward.