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Chairman Towns, Ranking Member Issa, and esteemed members of this committee, I thank you for extending the invitation to appear before you today. I look forward to providing you with an update from the U.S. Agency for International Development on our efforts to strengthen processes and procedures related to suspension and debarment activities. I understand that this committee seeks answers on how USAID is responding to the recent October 2009 report issued by USAID's Office of the Inspector General (OIG), titled "Audit of USAID's Process for Suspension and Debarment."

Accordingly, I will provide you with a brief overview of where we are to date and how we are moving forward to enhance our oversight capabilities to ensure strong protection of U.S. taxpayer funds.

I serve, in my role at USAID, as Senior Deputy Assistant Administrator for Management. Under my responsibilities, I oversee the activities of the Office of Acquisition and Assistance (OAA), which directly reviews and takes action to investigate and pursue suspensions and/or debarment of individuals and organizations. It is this office that worked so closely with our OIG during the recent audit and which moved forward to immediately address weaknesses even before a final report was released.

We take our duty seriously to suspend and debar those parties who seek to defraud or abuse U.S. taxpayer funds. As such, management agreed with the majority of OIG's 12 recommendations offered through the audit process. In particular, we agreed to: 1) improve our decision-making processes through dedicated staff; 2) enhance overall procedures to find and manage cases of waste, fraud, and abuse more effectively; and 3) communicate decisions more quickly.

We recognized at that time that our capabilities to expand beyond the basic systems we had in place were limited and that our consistent documentation and notification processes required more stringent review. To put it simply, we often were in reactive mode on cases for potential suspension and debarment rather than in the more preferable proactive position. This was due in part to limited staffing and resources devoted to this specific purpose.

After conducting careful organizational surveys of more than eight federal agencies—large and small, we found that the best way forward for our agency was to establish an independent unit devoted solely to partner compliance and performance oversight. In January 2010, we approved the establishment of a separate division to be housed within USAID's Office of Acquisition and Assistance that will refer cases directly to the Senior Procurement Executive, who would hold delegation of authority to suspend or debar.

This partner compliance and performance oversight division will maintain a dedicated staff to focus on matters of statutory suspension and debarment actions. The unit will hold the responsibility for the development of case files, the evaluation of the facts of each case, and the provision of recommendations on these cases. We are in the process of formalizing the roles and responsibilities for this unit and are working with our Human Resources Office to recruit talented expertise for the unit. As of late January, we dedicated a full-time professional to this unit to serve as a suspension and debarment officer. Once fully operational, the new division will devote effort, time, and resources to track trends related to partner compliance issues, such as recurring performance issues and terminations for default. Through comprehensive and

consistent monitoring, USAID will identify, in advance, potential suspension and/or debarment actions.

Ultimately, this division will strengthen our decision-making processes, enhance procedures, and organize communications appropriately for timeliness and efficiency in our debarment and suspension functions. The unit will coordinate carefully with our already existing teams of auditors and evaluators who provide in-depth oversight of our partner organizations. USAID is taking the necessary actions to build a strong foundation for this partner compliance and performance oversight unit as we follow through and further the goals defined in our management response to USAID's OIG audit.

In order to enhance the overall suspension and debarment process, we recently finalized a USAID set of standard operating procedures (SOPs) designed to ensure full compliance with federal regulations. We established new filing procedures to strengthen the Agency records on actions taken for suspension and debarment in accordance with USAID's regulations and will be updating internal USAID policy. As a matter of policy, the Agency is taking regular steps to report out on active cases through the now robust interagency process.

USAID finds active engagement within the interagency process critical as we apply USG-wide lessons learned and best practices. We now have regular representation on the Interagency Suspension and Debarment Council. We also benefit from close coordination with our USAID OIG, our Office of General Counsel (GC), and the Department of Justice for appropriate resolutions.

As we seek new avenues to ensure that our protective net for U.S. taxpayer funds is stretched wide and far to uncover cases of waste, fraud, or abuse, we are actively applying the new Federal Acquisition Regulation Clause 52.203-13, Contract Code of Business Ethics and Conduct, which became effective in December 2008. This contractor self-reporting clause has provided us with an opportunity to broaden our investigations, better monitor contractor responsibility, and resolve cases of wrongdoing or misrepresentation against the U.S. government. This helps us to hold our contractors responsible for potential criminal violations, false claims, overpayments, and other misconduct. As a direct result, the Office of Acquisition and Assistance developed standard procedures for processing the self-disclosure statements per the FAR.

First, an email box, managed by OAA and to be managed by the new independent unit, was created and disseminated to allow contractors to directly disclose credible evidence of a violation of federal criminal law involving potential criminal violations, including false claims, bribery, and gratuity violations, connected to the award, performance, or close-out of a government contract or subcontract.

Second, these "Contractor Disclosure Statements," as we term them, for a prime or sub-awardee are vetted through a panel of specialists from various disciplines who review these reports for the merit of the statement received, the severity of the wrongdoing, and the appropriate Agency action, if any, to be pursued. Upon review by this Contractor Disclosure Board, final decisions, in consultation with our GC and USAID OIG, are delivered to the Agency Senior Procurement Executive for final

decision. USAID is handling six such self-disclosure reports currently through this system and we find that the Contractor Disclosure Board is working.

In ensuring we capture new or ongoing cases of misuse of U.S. taxpayer funds, we focused on updating all contracting officers, contracting officer's technical representatives, and encouraging all other responsible parties to refer any matters appropriate for consideration to the debarring and suspending official. In May 2010, we will be providing up-to-date training for our worldwide staff of contracting and agreement officers, and in the next few months we will engage through Contracting Officer's Technical Representatives training to ensure that this new guidance is included and shared with those seeking certification and training to direct our programs and oversee the day-to-day activities of our development partners worldwide.

Once a decision is made through our consultations with OIG, our General Counsel, and review of the facts and results of an investigation, USAID takes actions related to suspension and debarment guidance appropriately. In some cases, if the circumstances and the response of our partner warrants, USAID will work through an Administrative Compliance Agreement to track, monitor, and oversee the financial and performance statements of a partner. As an Agency, we find this tool a best practice to assure we can meet our mission and protect U.S. funds entrusted to us. USAID works by engaging internationally, nationally, and locally in more than 80 developing countries around the world. While we work with numerous U.S.-based development partners through these engagements, we also engage extensively at the local level—in developing countries, where financial, governance, health, education, and other systems may be weak. These engagements bring their own set of challenges and risks

when we partner with a local firm in a nation to implement a health education program or to build local capacity systems. The Compliance Agreement tool allows us to reform corporate cultures into vigilant stewards of taxpayer funds.

In FY 2009, USAID conducted more than \$4.6 billion in acquisition actions. Under assistance mechanisms, we issued more than \$8.9 billion through USAID grants and cooperative agreements. We have more work to do to more proactively protect each of these dollars, but we have taken great strides to date to strengthen our procedures and meet our needs. As we move forward with a single devoted unit and appropriate staff, we will continue to build our resources and capabilities to implement new changes or share information on suspended or debarred actors more quickly through alert systems for example.

We will also be devoting the new unit—in close coordination with our audit and evaluation divisions—to monitor actual trends in contractor performance to be sure we capture any egregious business practices and protect our development goals and taxpayer funds. This will, in addition to the practices and processes I have mentioned today, help us to capture more cases of waste, fraud, and abuse and more successfully protect U.S. taxpayer dollars.

In closing, I thank you again for inviting me to be here with you today. I am happy to take any questions you may have in regards to our ongoing efforts to strengthen our suspension and debarment actions.

Thank you.

