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Subcommittee on Oversight and Investigations
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Thank you Mr. Chairman, Ranking Member Zeldin, and distinguished members of the Subcommittee, for inviting me to discuss the Fiscal Year (FY) 2020 budget requests from the United States Agency for International Development for Operating Expenses (OE) and the Capital Investment Fund (CIF).

Since joining USAID in April this year, I have been impressed by the life-changing work of the Agency to uplift some of the world's most-vulnerable people. Administrator Green has given the Agency a vision that harnesses USAID's inherent mission and values to assist governments, civil society, and the private sector in our partner countries on their Journey to Self-Reliance.

The Bureau for Management oversees the core operational platform and the OE account for USAID to help us advance and support innovative development solutions to improve lives around the world. The account enables the Agency to find sustainable solutions to humanitarian assistance crises to build resilience so emergency aid is not perpetually needed. To ensure that our delivery of foreign assistance matches the goals of the President's National Security Strategy, is as effective as possible and leverages the most value of every committed American dollar, USAID is working to achieve the Administrator's goals to leverage efficiencies in the Agency's operations.

Congress created the OE account in 1976 to support the people, places, and things that make implementing USAID's mission possible. This encompasses funding the salaries and benefits, of U.S. Direct Hire (USDH) employees,

optimizing our leased real estate in Washington, modernizing our information technology (IT) investments, compliance with federal regulations and audits, securing staff and workspaces, and promoting efforts to reform our partnerships and procurement.

For FY 2020, the request to fund the Agency's global operations is \$1.478 billion which includes \$1.28 billion in OE and \$198 million for the CIF. With these funds, USAID expects to continue reaching important targets as part of Pillar 4 of the *National Security Strategy: Advance American Influence* ([from the President December 2017](#)), and Goal 4 of the *USAID-State Joint Strategic Plan (SSP): Ensuring Effectiveness and Accountability to the American taxpayer* ([from DoS & USAID February 2018](#)). Good stewardship of taxpayer dollars requires closely examining our processes to see where improvements are possible and it is an important Agency priority to find and take advantage of every possible administrative efficiency to maximize USAID's resources.

Investing in an appropriate workforce is the most prominent-way the Agency can approach our important goals. Consequently, this budget request asks for approximately \$610 million for salary and benefits for 3,139 USDH staff: 1,757 Foreign Service Officer (FSO) positions and 1,382 Civil Service (CS) positions.

This past year, USAID has taken important steps to ensure that savings of taxpayer dollars help programmatic investments go as far as possible. The Budget Request reflects prudent operational and financial management decisions we have taken, such as reducing leasing costs and shifting from low-value to high-value work. Overall, USAID requests \$19 million dedicated to secure and protect our staff and facilities. At headquarters, USAID has implemented the [Washington Real Estate Strategy](#), which is modernizing dated workspaces and technology while consolidating short-term leases from four buildings into two, a major accomplishment that meets the goals of reducing the footprint. The Strategy anticipates saving the Agency approximately \$2.5 million beginning in FY 2021 by

renovating current space in the Ronald Reagan Building, reducing the Agency's overall footprint, and upgrading aging IT equipment.

In 2019, USAID prudently saved \$200,000 in costs by successfully shifting over 34,000 hours of work from low-value to high-value work. To achieve this outcome, USAID staff automated a number of manual processes, which released obligated funds for other priorities. The Agency automated IT processes and internal service requests, and launched interactive tools to reduce the manual tracking of basic operations. USAID is also consolidating multiple Agency systems through the Development Information Solution (DIS), which will integrate various data streams to support strategic planning of programs and procurement, designing projects, performance-management, and monitoring and evaluation. DIS is expected eventually to save the Agency approximately \$2.2 million in annual licensing fees from decommissioning obsolete platforms.

USAID has begun to strategically invest our IT resources to modernize and improve key enterprise systems. Since then, the Agency has become a leader in Federal IT modernization with initiatives such as a new cloud data center and disaster-recovery sites. Among other IT-modernization efforts, USAID has enhanced cybersecurity protections by successfully deploying Security Information and Event Management (SIEM) to better detect anomalous IT-security intrusions, insider threats, and other cybersecurity events. USAID is increasing quality-assurance measures for data, such as enforcing enterprise data standards, conducting periodic data-quality audits, and mitigating the root causes of systemic errors. Over \$143 million in the Budget Request for OE and CIF is for upgrading IT and data platforms, and to remain vigilant in our cybersecurity efforts.

USAID has also used the benefits of legislation that has granted the Agency authorities that help us to streamline budget execution. In 2017, Congress amended the [Federal Information Technology Acquisition Reform Act \(FITARA\)](#), initially passed in 2014, to extend a wider range of authorities to Federal Chief Information

Officers (CIOs). To comply with the legislation, USAID has realigned the position of the CIO to report directly to the Administrator. FITARA also empowers the CIO to manage all Agency-wide IT investments and acquisitions centrally, and to purchase IT equipment in an effort to deliver even more cost-savings.

On December 5, 2017, the Administrator announced a zero-tolerance policy for audit backlogs, and called upon the entire Agency to prioritize resolving audit recommendations from the Office of the USAID Inspector General (OIG) and the Government Accountability Office (GAO). Maintaining fiscal responsibility and accountability is a key goal under “Transforming our Processes” so the Administrators' announcement brought the Agency into line. The Agency had 42 open GAO audit recommendations and 848 open OIG audit recommendations in December 2017, of which almost 100 were in backlog. USAID cleared the backlog ahead of schedule by May 25, 2018, and then reduced open recommendations to only 24 open recommendations from the GAO and 537 recommendations from the OIG. This was the first Agency Transformation goal we have achieved. To ensure the Agency maintains no backlog, we have completed corrective action before the final audit reports are released.

USAID continues to be a leader across the Federal government in managing risk. The OIG has found that USAID generally has implemented an Effective Information-Security Program compliant with the Federal Information Security Management Act (FISMA). USAID is one of only five Departments and Agencies covered by the Chief Financial Officers (CFO) Act to achieve the highest score of “Managing Risk” for all five functions in the FY 2018 Risk-Management Assessment (RMA). This achievement places the Agency in the top percentile of Federal Departments and Agencies rated as required by the [Presidential Executive Order 13800 on Strengthening the Cybersecurity of Federal Networks and Infrastructure \(M-17-25\)](#).

Additionally, the Agency has adopted an Enterprise Risk Management (ERM) framework which is a holistic, agency-wide approach that combines the impact of risks as an interrelated portfolio, rather than examining risks in

silos. Under USAID's ERM approach, the goal is not to avoid all risks, but rather to take advantage of opportunities while reducing or mitigating threats to maximize USAID's overall likelihood of achieving its mission and objectives. A key principle of USAID's approach to our ERM implementation is the Agency [Risk-Appetite Statement \(RAS\)](#), which provide staff with broad-based guidance on the amount and type of risk the Agency is willing to accept as it pursues various opportunities to achieve its mission and objectives.

In the Fall of 2018, Administrator Mark Green released our [Acquisition and Assistance Strategy](#), focused on energizing efforts directed at reforming our engagement with partners and procurement. The Strategy itself, and the overall work the Agency is doing to implement Effective Partnering and Procurement Reform, employs a series of approaches to expand our partner base by implementing local development solutions with locally established, and new partners in the field. In FY 2018, 25 organizations were responsible for 60 percent of our Program budget, and 75 organizations managed 80 percent of our programs. This is an unhealthy concentration of our portfolio. To monitor progress the Agency makes on this front, USAID has established baselines for co-creation and collaboration for the our Agency Priority Goal on procurement reform in the JSP, and we have initiated the New Partnerships Initiative (NPI) to make it easier for new and underutilized partners to work with us. The \$20 million Program Budget request for NPI would enable USAID to issue a series of solicitations and procurement instruments to expand our local partner base and strengthen locally led development.

I appreciate the interest you have taken in the work that USAID does to secure American interests around the world. The Agency commits to continue using each taxpayer dollar to its maximum effect and offer the FY 2020 OE Budget Request with that stewardship in mind, which includes the Agency's request for transfer authority for the IT Working Capital Fund and the establishment of an Acquisition and Assistance Working Capital Fund.

The proposed Working Capital Funds (WCF) would allow the Agency to improve program management and oversight worldwide and address changing and emerging requirements. With the Acquisition and Assistance (A&A) WCF, a fee-for-service model would provide a consistent funding stream dedicated to management and oversight that is commensurate with its program levels. It would permit the Agency to align and balance the workforce to match evolving policies and priorities, such as responding to fragile and new states and rapid build-ups similar to the surges required for Afghanistan and Iraq. The USAID WCF is similar to the one-percent-fee-for-service WCF model of the State Department, but its scope is narrower in that funding is focused primarily on acquisition and assistance.

Similarly, the transfer authority necessary to deposit funding into the Information Technology (IT) WCF would allow the Agency to obtain consistent funding to support IT requirements that will improve program management and oversight. The Modernizing Government Technology Act (MGT) authorized the establishment of the IT WCF and the Administrator received a letter dated June 11, 2019, from the House Subcommittee on Government Operations inquiring about the Agency's progress under the MGT. Not having the necessary transfer authority is one of the impediments reported previously. With the IT WCF, the Agency would strengthen its cybersecurity defenses, adopt cutting-edge technologies to improve IT efficiencies and implement new development projects.

In addition to the transfer authority requested for the deposits into an IT Working Capital Fund, the Agency is also seeking the necessary transfer authority to implement a pilot of the Adaptive Personnel Project. This transfer authority will allow USAID to use program funding to hire, term-limited Civil Service personnel, an authority we currently do not have.

With your support of the Agency's request for transfer authority for the IT Working Capital Fund, the Adaptive Personnel Project, and the establishment of an Acquisition and Assistance Working Capital Fund, USAID will be able to use appropriated resources to their fullest extent. These authorities provide the necessary flexibility to respond to the urgent, complex, changing development and

humanitarian crises around the globe and the operational resources needed to respond on a timely basis. Your continued support means we will remain equipped to work with partners to help countries on their respective Journeys to Self-Reliance.

I look forward to answering your questions.