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TOP MANAGEMENT AND PERFORMANCE CHALLENGES IDENTIFIED GOVERNMENT-WIDE BY THE INSPECTOR GENERAL COMMUNITY

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

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TOP MANAGEMENT AND PERFORMANCE CHALLENGES IDENTIFIED GOVERNMENT–WIDE BY THE INSPECTOR GENERAL COMMUNITY

Wednesday, April 18, 2018

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The committee met, pursuant to call, at 10:02 a.m., in Room 2154, Rayburn House Office Building, Hon. Trey Gowdy [chairman of the committee] presiding.

Present: Representatives Gowdy, Duncan, Jordan, Sanford, Amash, Massie, Meadows, DeSantis, Ross, Walker, Blum, Russell, Grothman, Hurd, Palmer, Cummings, Maloney, Norton, Lynch, Connolly, Kelly, Krishnamoorthi, Welch, DeSaulnier, and Sarbanes.

Chairman GOWDY. The Committee on Oversight and Government Reform will come to order.

Without objection, the presiding member is authorized to declare a recess at any time.

I will now yield to the gentleman from Florida, my friend Mr. Ross, for an opening statement.

Mr. ROSS. Thank you, Mr. Chairman. And I thank you for today's hearing.

The inspectors general conduct investigations and audits to prevent and detect waste, fraud, and mismanagement in their agencies' programs. They help Congress shape legislation and to target our oversight and investigative activities.

Since their creation 40 years ago, the IGs have proven to be one of Congress' best investments. In the last fiscal year, the IG community used its $2.7 billion budget to identify potential cost savings to taxpayers totaling over $45 billion. That means that for every $1 in the total IG budget they identified approximately $17 in savings.

We have an opportunity today to hear from leaders in the IG community about the inefficiencies throughout the Federal Government—which inefficiencies cost taxpayers money. Specifically, we will discuss findings from a landmark report issued by the Council of the Inspectors General on Integrity and Efficiency, also known as CIGIE. The report is called "Top Management and Performance Challenges Facing Multiple Federal Agencies."

CIGIE compiled the Federal Government's top performance and management challenges and distilled them down to seven categories. When they did that, some interesting trends emerged. For

instance, CIGIE found misallocation of resources and an inability to hire and retain top talent undermined the effectiveness of programs throughout the executive branch. CIGIE also found that a lack of performance-based metrics makes it difficult to assess the effectiveness of government programs.

But the CIGIE report is just a downpayment on what will be a larger project to identify the root causes of the challenges we will be discussing today. The burden will then fall to us at the committee level to explore whether there exists any systemic issues that might best be addressed through government-wide policies. That is an issue that is squarely within our committee's jurisdiction, and, as we will hear today, we have our work cut out for us.

Today's witnesses and the larger IG community they represent are the people on the front lines of the effort to rout out waste, fraud, and abuse throughout the Federal Government. These three widely respected inspector generals have spent years examining the programs at the Justice Department, the Defense Department, and the National Science Foundation.

They also play key roles at the Council for the Inspectors General on Integrity and Efficiency. CIGIE serves a vital role in fostering a relationship between this committee, Congress, and the IG community. CIGIE is uniquely positioned to consolidate findings generated by the individual IGs and communicate that information to us, the policymakers.

I commend Mr. Horowitz and his colleagues at CIGIE for taking the initiative to release this compendium of analysis for the first time. This report is extremely valuable, and I encourage you to continue to be proactive with respect to identifying government-wide trends.

I thank the witnesses for appearing today, and I look forward to your testimony.

I yield back.

Chairman GOWDY. The gentleman from Florida yields back.

The chair now recognizes the gentleman from Maryland, the ranking member, Mr. Cummings.

Mr. CUMMINGS. Good morning.

I want to start by congratulating the inspector general community on the 40th anniversary of the Inspector General Act and the 10-year anniversary of establishing the Council on the Inspectors General for Integrity and Efficiency.

In 2008, we here on the Oversight Committee passed the Inspector General Reform Act, which was sponsored by Oversight Committee member Jim Cooper, to establish CIGIE. One of our witnesses today, Michael Horowitz, serves as the Chair of CIGIE and has overseen significant changes aimed at making CIGIE and the Federal Government more accountable and more transparent.

One example of the report CIGIE released this morning is very important. For the first time, this report provides a comprehensive review of the top challenges currently being faced by Federal agencies. Their report exemplifies CIGIE's critical mission of examining systemic issues across the Federal Government.

I know my Republican colleagues want to talk about former FBI Deputy Director Andrew McCabe, and that is all well and good. But we are now into year 2 of the Trump administration, and, at

some point, this committee will have to start conducting serious, credible oversight of the Trump administration.

For example, CIGIE released a report today finding that one of the most serious issues facing CIGIE is a culture at agencies that negatively impacts their mission. I've often said that we must always be about the business of effectiveness and efficiency.

The CIGIE report includes information from 61 different reports issued by IGs in 2017, the first year of the Trump administration. CIGIE reported, and I quote, "Many OIGs report that their agencies face challenges related to their agency's culture, including ethical lapses, lack of accountability, lack of fiscal responsibility, lack of transparency and communication, resistance to change, and low morale," end of quote.

The IG for the Department of the Interior reported, and I quote, "DOI continues to face challenges holding its employees, including senior officials, to the highest standards of ethical conduct, ensuring the consequences of wrongdoing are clearly understood, taking decisive actions to address unacceptable behavior, and providing relevant ethics training to all employees," end of quote.

It is Dr. King who said that, so often, silence becomes betrayal. Silence becomes betrayal. And apparently there are a number of people who do not want to be silent, and so they want to come to us as whistleblowers, in many instances, and come to CIGIE. And so you do play a very important role.

These findings are deeply troubling, and they warrant rigorous and sustained oversight from our committee. Unfortunately, our Republican colleagues have blocked every single request we've made to issue subpoenas during the Trump administration, more than 30 in all.

For example, Republicans blocked us from considering a subpoena to the Agriculture Department for documents relating to a senior adviser to the Secretary's communications with the corporate lobbyists. They blocked us from debating and voting on a subpoena for documents relating to allegations of sexual assault and harassment by Customs and Border Patrol employees. They blocked us from considering subpoenas for documents and testimony related to Senior Adviser to the President Jared Kushner's alleged conflicts of interest and security clearance issues.

So, during the entire Trump administration, this committee has not issued a single subpoena, not one, to any Federal agency or any Federal official. And that's not because we have suddenly had a massive increase in transparency and cooperation. Just the opposite. The Trump administration has withheld documents on dozens of topics, from the hurricanes in Puerto Rico and the United States Virgin Islands, to the first-class travel of the President's top aides at taxpayers' expense, to the lease of President Trump's hotel in Washington, D.C., just a few blocks from where we sit this morning.

The IGs testifying today and staff that support them do great work. And let me repeat that. We on this committee believe and know that you all do great work. And we really appreciate it. And if there were a time that we need you, we need you now.

But they cannot do this work in a vacuum. Congress must fulfill its own constitutional duty to conduct oversight of the executive

branch. The entire system of oversight must work in order for the Federal Government to operate effectively and efficiently all the time. And so I hope that today's hearing can be productive and will be a step in the right direction.

And, Mr. Chairman, I failed to say it, but I want to thank you for holding this hearing. I also want to thank you for your courtesy to me, because, as I went through my ailments, you were constantly there for me. You switched the schedule so that you could accommodate me. You kept me informed of everything. You made sure that I was involved in everything that you did. And for that, I am truly grateful.

With that, I yield back.

Chairman GOWDY. The gentleman from Maryland yields back.

I want to welcome all of our witnesses. I will introduce you as a group and then recognize you individually for your opening statements.

First, we are pleased to have the Honorable Michael Horowitz, Chair of the Council of the Inspectors General on Integrity and Efficiency and Inspector General of the United States Department of Justice; the Honorable Allison Lerner, Vice Chair of the Council of the Inspectors General on Integrity and Efficiency and Inspector General of the National Science Foundation; and the Honorable Glenn Fine, Principal Deputy Inspector General at the United States Department of Defense.

Welcome to each of you.

Pursuit to committee rules, I'm going to administer an oath. So, if you would, please rise and lift your right hand.

Do you solemnly swear or affirm the testimony you are about to give shall be the truth, the whole truth, and nothing but the truth, so help you God?

May the record reflect all witnesses answered in the affirmative. And they may take their seats.

I know each of you is an old pro—or, I should say, a pro—at this, so you know what the time lights mean: green, fire away; yellow, get under the light as quick as you can; red, hope you don't see blue lights.

So, against that backdrop, we will recognize you, Inspector General Horowitz.

WITNESS STATEMENTS

STATEMENT OF THE HON. MICHAEL E. HOROWITZ

Mr. HOROWITZ. Thank you, Mr. Chairman, Ranking Member Cummings, members of the committee. Thank you for inviting me to testify at today's important hearing.

This year marks the 40th anniversary of Congress' passage of the Inspector General Act. Over those 40 years, the IG community has conducted independent oversight of government programs to rout out waste, fraud, and abuse and to ensure that the organizations we oversee spend tax dollars more effectively and efficiently.

In fiscal year 2016 alone, as Congressman Ross indicated, IGs identified about $45 billion in potential savings, or roughly a $17 return for every dollar Congress invested in IG budgets.

This year also marks the 10-year anniversary since Congress, under this committee's leadership, as Congressman Cummings pointed out, created the Council of the Inspectors General on Integrity and Efficiency, which brought together all 73 Federal IGs into one organization.

One of the Council's mandates is to address integrity, economy, and effectiveness issues that transcend individual government agencies. The Council is actively pursuing this mandate. At the start of the fiscal year, we launched oversight.gov, a website where the public can find in one place all publically issued IG reports in fully searchable formats.

And, this morning, the Council issued its first-ever report on the most frequently cited management and performance challenges facing the Federal Government, as determined by the IG community in their individual top management and performance challenges reports in 2017.

The report, which can be found at oversight.gov, identifies seven challenges, which IG Lerner will discuss in more detail during her testimony. Those seven challenges are: information technology security and management, performance management and accountability, human capital management, financial management, procurement management, facilities management, and grant management.

A number of other extremely important challenges, such as national security, public safety, and public health, are not included in the list, primarily because only a limited number of IGs have oversight responsibility in those areas. Their absence certainly does not reflect a qualitative judgment about the impact or importance of those challenges.

Rather, we believe the Council's effort to identify the most common government-wide challenges will inform the public and policymakers in the executive and legislative branches by identifying broad categories of challenges shared by the majority of Federal agencies, notwithstanding vast differences in their sizes and missions. They will also help the IG community as we plan our oversight work going forward.

The Council and the IG community looks forward to undertaking additional important initiatives on behalf of the public we serve. As the public's watchdogs, we will not waiver from our 40-year commitment to strong and independent oversight that helps promote effective and efficient government.

Thank you again for this committee's strong bipartisan support for our community, and I look forward to answering any questions the committee may have.

Chairman GOWDY. Thank you, Mr. Inspector General.

Inspector General Lerner?

STATEMENT OF THE HON. ALLISON LERNER

Ms. LERNER. Chairman Gowdy, Ranking Member Cummings, and members of the committee, thank you for inviting me today to discuss the top government-wide management and performance challenges identified by the IG community. Our report focuses on the top 7 challenges most frequently reported by 61 statutory IGs in 2017. I'll briefly discuss each challenge.

First, information technology security and management is a serious, longstanding challenge. Agencies need reliable and secure IT systems to perform their mission-critical functions, yet across government we identified problems in key areas, including the protection of sensitive data and information systems from cyber attacks, modernizing and managing IT systems, ensuring continuity of operations, and recruiting and retaining a highly skilled cybersecurity workforce. Resource constraints and a shortage of cybersecurity professionals contribute to these challenges.

The second most reported challenge was performance management and accountability. Although Federal agencies vary greatly in size and mission, they face common challenges in improving performance in agency programs and operations. The key areas of concern we identified included collecting and using performance-based metrics; overseeing private-sector products or services that could affect human health, safety, or the economy; and aligning agency operations to agency-wide goals.

Third, human capital management is a significant challenge that affects the ability of Federal agencies to meet their performance goals and efficiently carry out their missions. We identified key challenges including inadequate funding and staffing; problems recruiting, training, and retaining qualified staff; agency cultures that negatively affect the agency's mission; and a lack of succession planning.

The fourth most reported challenge was financial management, which covers a broad range of functions such as program planning, budgeting, accounting, audit, and evaluation. Weaknesses in any of these issues limit an agency's ability to ensure that taxpayer funds are being used efficiently and effectively. To mitigate risks to Federal programs and operations, agencies need to improve their financial reporting and systems and to prevent and reduce improper payments. Estimates of improper payments totaled about $141 billion in fiscal year 2017.

The fifth challenge, procurement management, encompasses the entire procurement process, from pre-award planning to post-award contract administration. In fiscal year 2017, the Federal Government awarded more than $500 billion in contracts. Many Federal agencies rely heavily on contractors to perform their missions; as a result, weaknesses in procurement planning, oversight of contractors' performance, and staff training placed potentially billions of taxpayer dollars at risk.

The sixth most reported challenge was facilities maintenance. Agencies face challenges ensuring that their facilities stay in proper condition and remain capable of fulfilling the government's needs. IGs have identified insufficient funding as the primary reason why agencies fail to maintain and improve their equipment and infrastructure. The key areas of concern we identified included the increased likelihood of mission failure and the higher overall cost of deferred maintenance.

The seventh and final challenge, grant management, involves the process used by Federal agencies to award, monitor, and measure the success of grants. Deficiencies in any of these areas can lead to misspent funds and ineffective programs. In fiscal year 2018, Federal agencies are expected to spend more than $700 billion

through grants to State and local governments, colleges and universities, and community organizations, among others. The key areas of concerns we identified include ensuring grant investments achieve intended results, overseeing the use of grant funds, and obtaining timely and accurate financial and performance information from grantees.

While we couldn't make conclusive determinations with respect to the underlying causes of these challenges, the report notes that many were affected by resource issues, both human and budgetary, and by Federal agencies' failure to use to use performance-based metrics to assess the success of their programs and operations. By consolidating these challenges, we hope to help policymakers determine how best to address them in the future.

This concludes my prepared statement. Thank you again for the strong support of our community's work. And I'd be pleased to answer any questions you have.

[Prepared joint statement of Mr. Horowitz and Ms. Lerner follows:]

Statement of Michael E. Horowitz
Chair, Council of the Inspectors General on Integrity and Efficiency
Inspector General, U.S. Department of Justice

and

Allison C. Lerner
Vice Chair, Council of the Inspectors General on Integrity and Efficiency
Inspector General, National Science Foundation

before the

U.S. House of Representatives
Committee on Oversight and Government Reform

concerning

"Top Management and Performance Challenges Identified Government-wide by the Inspector General Community"

April 18, 2018

Mr. Chairman, Ranking Member Cummings, and Members of the Committee:

Thank you for inviting us today to discuss management and performance challenges facing many agencies in the federal government. Hundreds of billions of taxpayer dollars are spent annually on federal programs to enforce the nation's laws, protect national security, promote public health and safety, and protect the nation's critical infrastructure. Federal agencies and organizations that receive federal funds must use tax dollars efficiently and effectively to accomplish their missions. To assist agencies in this effort, the 73 independent federal Inspectors General (IG) across the federal government root out waste, fraud, abuse, and mismanagement in government programs.

This is a landmark year for the Inspector General community as we celebrate 40 years since Congress passed the *Inspector General Act of 1978*. Since 1978, the IG community has conducted independent oversight of government programs and provided recommendations to ensure that the organizations we oversee spend taxpayer dollars more efficiently and effectively. In fiscal year (FY) 2016 alone, IGs identified approximately $45.1 billion in potential savings of tax dollars. The OIG community's aggregate FY 2016 budget is approximately $2.7 billion. Accordingly, the potential savings identified by IGs represent about a $17 return on investment for every dollar invested in the IGs by the taxpayers.

In 2018, the IG community is also celebrating 10 years since Congress, under this Committee's leadership, created the Council of the Inspectors General on Integrity and Efficiency (CIGIE). In creating CIGIE, Congress mandated that we address integrity, economy, and effectiveness issues that transcend individual government agencies. We are proud to report that CIGIE is actively pursuing this mandate. Today, CIGIE issued its first-ever, IG community-wide report to identify and analyze the top management and performance challenges facing the federal government. Before turning to the report's content, we want to highlight other recent CIGIE initiatives to enhance the government-wide impact of our work by working together as a community.

Recent CIGIE Initiatives

First, we recognize that the oversight work of CIGIE and individual IGs is more impactful when the public and all of our stakeholders, including Congress, can easily access our reports. To that end, CIGIE partnered with its member IGs to develop and launch in October 2017 a new website, Oversight.gov. The website provides a searchable public database for IG reports from across the federal government. The launch of Oversight.gov marked a significant step toward greater transparency and accessibility for IG reports and information. The site provides easy on-line access to the IG community's efforts to address the most serious challenges facing the country. For example, users can search for terms such as "cyber security," "disaster recovery spending," "terrorism," or "whistleblowers" and find the community's collective work on these and other subjects, without having to visit each IG's website individually. We encourage readers who are interested in

the work of the federal IG community to go to that website and follow CIGIE on twitter (@OversightGov).

The IG community developed Oversight.gov with no direct funding, and CIGIE continues to operate it without the benefit of an annual appropriation. For CIGIE to ensure the long-term viability of the website, limited additional resources via a modest direct appropriation to CIGIE would be necessary. With such support, CIGIE could not only maintain this site, but also build additional features that could result in further cost savings for agencies, and greater transparency into the IG community's collective work. For example, Members of Congress and outside stakeholders have proposed expanding Oversight.gov by adding a dynamic database that consolidates in one place all open IG recommendations and creating, in conjunction with the Office of Special Counsel, a single, cross-agency reporting mechanism for whistleblower disclosures and complaints. We believe these ideas are worthy of serious consideration and could be accomplished with a modest appropriation for CIGIE.

Second, CIGIE is identifying solutions for critical issues that require multi-agency solutions. In December, CIGIE issued a statutorily-required report that identified critical issues involving the jurisdiction of more than one individual federal agency, and which could be better resolved through greater coordination and cooperation between individual OIGs. This report can be found at the following link: https://www.ignet.gov/sites/default/files/files/Critical_Issues_Report-December-2017.pdf. Other examples of CIGIE reports on specific issues that touch multiple jurisdictions, and which are available at www.ignet.gov, include reviews of services and funding for Native Americans and Alaskan Natives, security of publicly facing web applications, and cloud computing.

Finally, many cross-cutting and exciting CIGIE projects are still in progress. For example, CIGIE reactivated its Disaster Assistance Working Group after Congress appropriated $26.1 billion to the Disaster Relief Fund following the damage caused by Hurricanes Harvey, Irma, and Maria. This Working Group coordinates the federal IG community's oversight efforts of these and any other disaster-related funds. Additionally, the Working Group meets with the Government Accountability Office's (GAO) leadership to coordinate GAO's and the IG community's disaster oversight efforts. And, on Oversight.gov, we have created a webpage with a list of ongoing OIG oversight work. We hope to expand this resource to provide taxpayers with immediate access to IG reports and information about the tens of billions of dollars being spent, and to better ensure that the funds are being spent on projects to rebuild the communities and not subject to waste or abuse.

Top Management and Performance Challenges Identified Government-wide by the Inspector General Community

Today, CIGIE issued a report, which can be found on Oversight.gov, representing yet another effort to identify issues that transcend federal agencies and make the work of the federal IG community more accessible to the public. In

this report, CIGIE identified the most frequently cited management and performance challenges in IGs' Top Management and Performance Challenges (TMPC) reports. For nearly 20 years, many IGs have used these reports to identify the most critical, systemic problems in the agency they oversee.

All of the IG's testifying today can speak in great detail about the specific challenges facing their individual agencies. To no one's surprise, many of the issues facing our individual agencies, large or small, are present throughout the government. Recognizing this, we decided to create an IG community report to identify the most common management challenges. For the first time, Congress and the public will be able to review information about, analyses of, and links to the 61 publicly available TMPC reports issued by the federal IGs in 2017.

To identify the most frequently reported challenges, we reviewed the 61 publicly available TMPC reports that were issued by federal, statutory IGs in 2017. Based on our review, we identified seven challenges that were most frequently reported across OIGs:

- Information Technology Security and Management;
- Performance Management and Accountability;
- Human Capital Management;
- Financial Management;
- Procurement Management;
- Facilities Maintenance; and
- Grant Management.

A number of extremely important challenges, such as national security, public safety, and public health did not rank among the challenges most frequently reported by the 61 OIGs, primarily because only a limited number of OIGs have oversight responsibilities in these areas. Their absence in this report does not reflect a qualitative judgment about the impact or importance of these challenges. But, the exercise in identifying the most common challenges helps us to better understand the issues that have a true and cross-cutting government-wide impact.

We hope that this report will inform policymakers and the public by identifying broad categories of challenges shared by the majority of federal agencies, notwithstanding vast differences in the agencies' size and mission.

Information Technology Security and Management

The information technology (IT) security and management challenge includes TMPC challenges related to (1) the protection of federal IT systems from intrusion or compromise by external or internal entities and (2) the planning and acquisition for replacing or upgrading IT infrastructure. This is a long-standing, serious, and ubiquitous challenge for federal agencies across the government, because agencies depend on reliable and secure IT systems to perform their mission-critical functions. The security and management of government IT systems remain challenges due to significant impediments faced by federal agencies, including

resource constraints and a shortage of cybersecurity professionals. The key areas of concern we identified included safeguarding sensitive data and information systems, networks, and assets against cyber-attacks and insider threats; modernizing and managing federal IT systems; ensuring continuity of operations; and recruiting and retaining a highly skilled cybersecurity workforce.

Performance Management and Accountability

The performance management and accountability challenge includes challenges related to managing agency programs and operations efficiently and effectively to accomplish mission-related goals. Although federal agencies vary greatly in size and mission, they face some common challenges in improving performance in agency programs and operations. The key areas of concern we identified included collecting and using performance-based metrics; overseeing private-sector corporations' impact on human health, safety, and the economy; and aligning agency component operations to agency-wide goals.

Human Capital Management

The human capital management challenge includes TMPC challenges related to recruiting, managing, developing, and optimizing agency human resources. Human capital management is a significant challenge that impacts the ability of federal agencies to meet their performance goals and to execute their missions efficiently. The key areas of concern we identified included inadequate funding and staffing; recruiting, training, and retaining qualified staff; agency cultures that negatively impact the agency's mission; and the impact of the lack of succession planning and high employee turnover.

Financial Management

The financial management challenge includes challenges related to a broad range of functions, from program planning, budgeting, and execution to accounting, audit, and evaluation. Weaknesses in any of these functional areas limit an agency's ability to ensure that taxpayer funds are being used efficiently and effectively and constitute a significant risk to federal programs and operations. The key areas of concern we identified included both the need for agencies to improve their financial reporting and systems, and the significant amount of dollars federal agencies lose through improper payments.

Procurement Management

The procurement management challenge encompasses the entire procurement process, including pre-award planning, contract award, and post-award contract administration. Given that the federal government awarded over $500 billion in contracts in FY 2017, the fact that many federal agencies face challenges in procurement management indicates that billions of taxpayer dollars may be at increased risk for fraud, waste, abuse and mismanagement. Further, many federal agencies rely heavily on contractors to perform their missions and, as

a result, the failure of a federal agency to efficiently and effectively manage its procurement function could also impede the agency's ability to execute its mission. The key areas of concern we identified included weaknesses with procurement planning, managing and overseeing contractor performance, and the training of personnel involved in the procurement function.

Facilities Maintenance

Federal agencies face challenges ensuring that their facilities stay in proper condition and remain capable of fulfilling the government's needs. Throughout the federal government, OIGs have identified insufficient funding as the primary reason why agencies fail to maintain and improve their equipment and infrastructure. Without additional funding for required maintenance and modernization, it is unclear how agencies will manage the challenges of equipment and infrastructure that are simultaneously becoming costlier and less effective. The key areas of concern we identified included the increased likelihood of mission failure and the higher overall cost of deferred maintenance.

Grant Management

The grant management challenge includes challenges related to the process used by federal agencies to award, monitor, and assess the success of grants. Deficiencies in any of these areas can lead to misspent funds and ineffective programs. As proposed in the President's budget for FY 2018, federal agencies will spend more than $700 billion through grants to state and local governments, non-profits, and community organizations to accomplish mission-related goals. However, the increasing number and size of grants has created complexity for grantees and made it difficult for federal agencies to assess program performance and conduct oversight. The key areas of concern we identified were similar to challenges already described above, but OIGs reported grant management as a TMPC with sufficient frequency that it ranked as a separate, freestanding challenge. These concerns included ensuring grant investments achieve intended results, overseeing the use of grant funds, and obtaining timely and accurate financial and performance information from grantees.

Thank you again for your strong bipartisan support for our work, and we look forward to working with the Congress and the Administration as the IG community continues its crucial oversight mission on behalf of the public. This concludes our prepared statement, and we would be pleased to answer any questions that you may have.

Chairman GOWDY. Thank you, Madam Inspector General.

Inspector General Fine?

STATEMENT OF THE HON. GLENN FINE

Mr. FINE. Chairman Gowdy, Ranking Member Cummings, and members of the committee, thank you for inviting me to appear before you today, along with my IG colleagues, to discuss our top management challenges. We all appreciate the committee's longstanding support for and interest in the important work of IGs.

The DOD OIG's annual report on the DOD's top management challenges is a critical tool that we use to perform our important oversight mission, which is to detect and deter waste, fraud, and abuse in DOD programs and operations; to promote the economy, efficiency, and effectiveness of the DOD; and to help ensure ethical conduct throughout the DOD. That is a significant challenge given the size, complexity, and importance of DOD operations.

Our annual "Top Management Challenges" reports help us to perform our mission. Preparing our report is a team effort that draws upon the expertise and judgment of many individuals throughout our organization, some of whom are here today.

We identify the challenges based on a variety of factors, including OIG oversight work, oversight conducted by other DOD components, GAO and other IG reports, congressional testimony, and other important documents. We also seek input from DOD leaders on what they consider to be the top challenges they face. But we identify our top challenges independently, based on our own judgment.

We do not simply draft this document as a paper or compliance exercise. Rather, we use our report to identify key areas of risk in the DOD and to decide where to allocate our oversight resources. We also try to ensure that each DOD top challenge receives some oversight coverage, and we therefore link our annual oversight plan to the top DOD challenges.

In addition, we provide our report to new leaders when they arrive at the DOD. We believe it provides them a useful summary on risk areas, and we have received many positive responses from them on the report's value.

I want to now turn to the top DOD challenges that we identified for fiscal year 2018: one, countering strategic challenges from North Korea, Russia, China, Iran, and transnational terrorism; two, addressing challenges in overseas contingency operations in Iraq, Syria, and Afghanistan; three, enabling effective acquisition and contract management; four, increasing cybersecurity and cyber capabilities; five, improving DOD financial management; six, maintaining the nuclear enterprise; seven, optimally balancing readiness, modernization, and force structure; eight, ensuring ethical conduct; nine, providing effective, comprehensive, and cost-effective healthcare; ten, identifying and implementing efficiencies in the DOD.

Some on our list of top DOD challenges overlap with CIGIE's list. For example, the CIGIE report identifies financial management as a challenge, as do we. The DOD is undergoing a full financial statement audit for the first time, this year. Inaccurate or incomplete DOD financial statements impairs the DOD's ability to provide reli-

able, timely, and useful financial information to support operating, budgeting, and policy decisions.

The CIGIE report also identifies procurement management as a crosscutting challenge facing Federal agencies. We do also. For the DOD, delivering weapons and technology systems on time and within budget continues to pose major management challenges.

Some DOD challenges do not overlap with CIGIE's list. For example, addressing challenges in overseas contingency operations is a key challenge for the DOD. The DOD IG is currently designated as the lead IG for three overseas contingency operations: Operation Inherent Resolve, the effort to degrade and defeat ISIS in Iraq and Syria; Operation Freedom Sentinel, the effort to build partner capacity within the Afghan National Defense and Security Forces and to counter terrorism in Afghanistan; and Operation Pacific Eagle, the effort to support the Philippines' fight against ISIS and other extreme groups.

Another DOD challenge, which is not unique to the DOD, is ensuring ethical conduct. Any ethical failures by DOD officials can undermine public confidence in the DOD. At its core, ethical misconduct violates DOD core values and high standards of integrity expected of DOD personnel. Therefore, DOD leaders continually strive to deter and prevent ethical lapses in misconduct and hold accountable those individuals who violate the law or other ethical requirements.

Finally, we are now in the process of reassessing the DOD's top management challenges for fiscal year 2019. We fully expect that certain challenges will remain, and we will continue to assess emerging challenges to make our report forward-looking.

In closing, I want to thank the committee again for your support, for holding this hearing, and for asking me to discuss the DOD's top management challenges. That concludes my statement, and I would be glad to answer any questions.

[Prepared statement of Mr. Fine follows:]

Statement of Glenn A. Fine

Department of Defense
Principal Deputy Inspector General,
Performing the Duties of the Inspector General

for a hearing on

"Top Management and Performance Challenges Identified Government-wide by the Inspector General Community"

Before the
Committee on Oversight and Government Reform
U.S. House of Representatives
April 18, 2018

Chairman Gowdy, Ranking Member Cummings, and members of the committee. Thank you for inviting me to appear before you today, along with my Inspector General (IG) colleagues who lead the Council of Inspectors General on Integrity and Efficiency (CIGIE). We are all appreciative of the committee's longstanding interest in, and support for, the important work of IGs.

In this statement, I will discuss the Department of Defense Office of Inspector General's (DoD OIG) report on the "Top DoD Management Challenges - Fiscal Year 2018" I defer to my colleagues' joint statement to provide an overview and key information on the CIGIE report being released today, entitled "CIGIE Report on Top Management and Performance Challenges Facing Multiple Federal Agencies." I will focus my testimony this morning on the DoD OIG's Top Management Challenges Report. I will provide the committee a brief description of how we create the report, what we use it for, what the challenges are, as well as a brief description of a few of these challenges.

Creation of the DoD OIG's Top Management Challenges Report

The Reports Consolidation Act of 2000 requires each federal IG to prepare an annual statement that summarizes what the IG considers the "most serious management and performance challenges facing the agency." According to that Act, our summary of the Top DoD Management Challenges is required to be included in the DoD's Annual Financial Report.

We believe this is an important requirement. The preparation of our report helps the DoD OIG to more effectively fulfill our critical mission, which is to detect and deter waste fraud and abuse in DoD programs and operations; to promote the economy, efficiency, and effectiveness of DoD programs; and to help ensure ethical conduct throughout the DoD.

That mission is a challenging task for the DoD OIG, given the size, breadth and importance of DoD operations. The budget of the DoD is now approximately $700 billion annually. The DoD has $2.4 trillion in assets. Including active duty and reserve military members, and civilian personnel, the DoD has more than 3 million individuals in it. The DoD is now engaging in several overseas contingency operations, including the effort to defeat the Islamic State of Iraq and the Levant (ISIS) and other extremist groups in Iraq, Syria, Afghanistan, and elsewhere.

The DoD OIG provides oversight throughout the DoD. To perform our mission, the DoD OIG employs approximately 1700 employees and contractors. That may sound like a lot of staff, but it is not, given the size, scope, and complexity of the DoD.

In addition to performing this oversight, we also have the responsibility to provide guidance, oversight, and policy for more than 15,000 Military Service and Defense Agency oversight employees, including Service IGs and Auditors General, Defense Agency IGs, DoD Military Criminal Investigative Organizations, Defense Intelligence Agency IGs, and other auditors, evaluators, and investigators throughout the DoD.

I have been in the IG community for almost 20 years. For eleven years I was the Department of Justice Inspector General (from 2000 to 2011), and now, for more than two years performing the duties of the Acting Inspector General of the DoD. I believe that IGs provide important oversight throughout the federal government, and I am proud of the accomplishments

of many IGs. It is not a job designed to make us popular. But we can provide tremendous value and play an important role in improving government operations.[1]

The annual statement describing the top management challenges facing our agencies is a critical tool in performing our missions. Preparing our annual summary of the Top DoD Management Challenges is a DoD OIG team effort that draws upon the expertise, judgment, and talent of many individuals throughout our organization. They have vast experience in providing oversight of DoD operations, and they use that knowledge in identifying and describing the top challenges each year.

They identify the top DoD management and performance challenges based on a variety of factors, including DoD OIG oversight work and research; oversight work conducted by other DoD components; oversight work conducted by the Governmental Accountability Office (GAO); congressional testimony; and other important documents, such as the National Security Strategy and the DoD National Defense Strategy.

We also seek input from DoD leaders on what they consider to be the top challenges they face. While we consider their input, we identify the top management challenges independently, based on our own judgment.

DoD OIG's Use of Top Management Challenges Report

We do not simply draft this document as a paper or compliance exercise for inclusion in the DoD's Annual Financial Report. Rather, in recent years we have used our Top DoD Management Challenges report as an important research and planning tool to identify areas of risk in DoD operations and to decide where to allocate our limited oversight resources. We consider whether each proposed planned audit or evaluation would examine an aspect of one of the top challenges. We also ensure that each Top DoD challenge receives some oversight coverage. When we compile our annual Oversight Plan, we link the plan to the Top DoD Management Challenges. For that reason, in our annual oversight plan, we include our description of the top challenges facing the Department, and then we list each audit or evaluation that we intend to conduct under the challenge to which it pertains.[2]

Because our summary of top management challenges is forward looking and outlines the most significant management and performance challenges facing the DoD now and in the future, we recently changed the title of the report. In the past, we titled our document with the fiscal year for the financial statements when the top challenges were published. Now, we title the

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[1] To describe the principles that I believe are important for the DoD OIG – as well as for other OIGs -- to fulfill our mission effectively, I recently wrote two articles entitled "The Seven Principles of Highly Effective Inspectors General," and a second article entitled "Seven Additional Principles of Highly Effective Inspectors General." I believe these principles apply to the work of IGs throughout government. The articles are available at: http://www.law.columbia.edu/sites/default/files/microsites/public-integrity/348650509-seven-principles-of-highly-effective-inspectors-general.pdf and http://www.law.columbia.edu/sites/default/files/microsites/public-integrity/seven_additional_principles_of_highly_effective_inspectors_general.pdf

[2] The link to our latest oversight plan, which incorporates the Top DoD Management Challenges Is at: http://www.dodig.mil/reports.html/Article/1377277/fiscal-year-2018-oversight-plan/

document with the fiscal year to which the challenges pertain. As a result, our 2018 summary of Top DoD Management Challenges was included in the FY 2017 DoD Agency Financial Report that was published in the fall of 2017.

In addition, we now routinely provide our Top DoD Management Challenges report to new leaders when they arrive at the DoD. We believe this report provides them insight and a useful summary on what we see as risk areas within the DoD that they will be responsible for addressing. We have received many positive responses from the new leaders on the report's value.

FY 2018 Top DoD Management Challenges

I want to now turn to a brief description of the top management and performance challenges facing the DoD that we identified for FY 2018.[3] They are:

1. Countering Strategic Challenges: North Korea, Russia, China, Iran, and Transnational Terrorism
2. Addressing Challenges in Overseas Contingency Operations in Iraq, Syria, and Afghanistan
3. Enabling Effective Acquisition and Contract Management
4. Increasing Cyber Security and Cyber Capabilities
5. Improving Financial Management
6. Maintaining the Nuclear Enterprise
7. Optimally Balancing Readiness, Modernization, and Force Structure
8. Ensuring Ethical Conduct
9. Providing Effective, Comprehensive, and Cost Effective Health Care
10. Identifying and Implementing Efficiencies in the DoD

First, it is important to note that these challenges are not necessarily in order of importance – they are all critical challenges that impact the DoD.

Second, by including these challenges on the list, we are not saying that the DoD is not taking steps to address them. In each challenge, we provide a description of the challenge, progress the DoD has made in meeting the challenge, areas where more progress is needed, and descriptions of DoD OIG and other oversight work relating to the challenge.

Third, many of the challenges are long-standing, difficult challenges that will endure. Each year, however, we eliminate or consolidate some challenges, and add new ones.

In my testimony this morning, I will not describe all ten of the Top DoD Management Challenges identified above. Rather, I will discuss challenges that are included in the CIGIE report, a challenge that is not in the CIGIE report but affects other CIGIE members, and some of the DoD specific challenges. While I will only highlight a few challenges in my testimony, I would be glad to answer Committee questions on any of them.

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[3] The link to our latest Top DoD Management Challenges report is at: http://www.dodig.mil/reports.html/Article/1377306/top-dod-management-challenges-fiscal-year-2018/

Many of the DoD's top challenges overlap with, and are reflected in, CIGIE's list. For example, the CIGIE report identifies financial management as a challenge, as does the DoD OIG. The DoD is the only Federal agency that has never undergone a full financial statement audits. The lack of a clean audit opinion on DoD financial statements is the major impediment to a successful audit of the U.S. Government. Long-standing DoD financial management challenges also continue to impair the DoD's ability to provide reliable, timely, and useful financial and managerial information to support reported financial statement balances. Additionally, the lack of reliable financial information prevents its full use in operating, budgeting, and policy decisions.

The DoD's financial management challenges involve a complex array of issues, including maintaining documentation that supports recorded transactions; recording timely and proper accounting entries; maintaining a valid universe of transactions; operating with many decentralized and noncompliant information technology systems; accurately documenting business processes; implementing strong internal controls over accounting data and business operations; and eliminating the need for journal vouchers to force agreement of budgetary, financial, and accounting transactions and balances.

Earlier this year, the DoD certified that is was ready to initiate its first full financial statement audits and currently those audits are underway, but it is not likely that the DoD will receive a clean opinion this first year. The key for the DoD is to take timely corrective action on the deficiencies that will be identified in the audits, and to use the audits to improve financial management throughout the DoD. That is important for several reasons:

- to ensure that the Congress and the taxpayer know how the DoD is spending appropriated money;
- to provide the DoD more accurate financial information, which can help deter waste, fraud, and abuse;
- to provide greater visibility to DoD management on the location and amount of its property, equipment, munitions, and spare parts, which can avoid waste and inefficiencies;
- to ensure that DoD information technology systems, including financial systems, have adequate cybersecurity; and
- to help the DoD more efficiently and effectively manage DoD operations.

Several other DoD top challenges also overlap with some of the challenges on CIGIE's list. For example, the CIGIE report includes "Information Technology Security and Management" as a challenge identified by other IGs. Our report also identifies cyber security and cyber capabilities challenges that face the DoD. Both the CIGIE report and our Top DoD Management Challenges specifically note a shortage of qualified cybersecurity professionals within the federal government, and the competition with private industry to recruit and retain these professionals is acute. For the DoD, the shortage of cybersecurity staff can directly impact national security and the DoD's capacity to protect its networks from malicious cyber attacks. Although our report states that the DoD has made gains in growing the DoD's cybersecurity workforce, attracting and retaining a skilled cyber workforce remains a significant challenge.

The CIGIE report also identifies Procurement Management and Grant Management as a cross cutting challenge facing federal agencies. The DoD is the largest employer and purchaser

of goods and services in the federal government through contracts each year. For the DoD, acquisition and contract management have been identified high-risk areas for many years. Delivering weapons and technology systems on time and within budget continues to pose major management challenges for the DoD. Although Congress and the DoD have initiated reforms designed to improve the acquisition of major weapon systems, our report notes that many DoD programs fall short of cost, schedule, and performance expectations. As a result, the DoD often pays more than anticipated, buys less than expected, and in some cases delivers less capability than the DoD requires.

Compounding the acquisition and contracting challenges is the external threats targeting U.S. technologies—specifically, foreign attempts to obtain sensitive or classified information and technologies. The DoD must prevent the illegal transfer of operational and defense technologies.

Some top challenges we have identified in the DoD do not overlap with CIGIE's list because of the nature of DoD's operations. For example "Addressing Challenges in Overseas Contingency Operations in Iraq, Syria, and Afghanistan" is a key challenge for the DoD.

To provide comprehensive, coordinated, and whole-of-government oversight for OCOs, Congress enacted Section 8L of the Inspector General Act, as amended in 2013. Under this provision, CIGIE must designate a Lead IG from among the DoD IG, the Department of State IG, or the U.S. Agency for International Development IG to serve as the Lead IG to coordinate oversight and report on named OCOs.

The DoD IG is currently designated as the Lead IG for three OCOs: Operation Inherent Resolve (the effort to degrade and defeat ISIS in Iraq and Syria); Operation Freedom's Sentinel (to counter terrorism in Afghanistan and to build partner capacity within the Afghan National Defense and Security Forces under NATO's Resolute Support mission); and Operation Pacific Eagle (the effort to support the Philippine government's fight against ISIS and other extremist groups).

Our OIGs conduct audits, evaluations, and inspections of projects and programs implemented in each area of the operation, formulate joint oversight plans, and issue quarterly reports to the United States Congress on the status of each OCO. This interagency structure is intended to take full advantage of the resources of existing IGs to coordinate oversight, without the need to incur the costs and delays of setting up and then disbanding new oversight organizations for each OCO. To fulfill our Lead IG responsibilities, we also coordinate closely with the GAO, the Special Inspector General for Afghanistan Reconstruction, other OIGs with OCO-related responsibilities, and other DoD oversight entities.

Another top management challenge facing the DoD that is not on CIGIE's list is "Countering Strategic Challenges: North Korea, Russia, China, Iran, and Transnational Terrorism." This is a longstanding but evolving challenge facing the DoD. As reflected in our most recent report, state and non-state actors present security challenges that have destabilized the post-Cold War international order, and the DoD must confront these challenges in close coordination with U.S. Allies and DoD interagency partners.

Finally, another challenge that I want to specifically highlight that is not unique to the DoD but is critically important is "Ensuring Ethical Conduct." Ensuring ethical actions by DoD's many employees poses a significant challenge. As a result, for the past several years we have identified this as one of the top management and performance challengers facing the DoD.

For example, ethical failures by DoD officials, public corruption investigations, and misconduct by a few DoD employees can undermine public confidence in the DoD, as well as foster an unwarranted perception about the overall character, ethics, dedication, and sacrifice of all DoD employees. At its core, ethical misconduct violates DoD core values and tarnishes the high standards of integrity expected of DoD personnel. Therefore, DoD leaders must continually strive to deter and prevent ethical lapses and misconduct, and hold accountable those individuals who violate the law, the standards of conduct, or other ethical requirements.

Emerging DoD Challenges

The DoD OIG is currently in the process of reassessing the DoD's top management and performance challenges facing the DoD, as we begin to prepare our summary of Top DoD Management Challenges for FY 2019. We fully expect that certain challenges will remain prominently listed, such as addressing financial management, the need to counter strategic challenges from abroad, OCOs, and ensuring ethical conduct.

However, as we examine the DoD we need to recognize the new challenges that will arise next year and the years to come. For instance, increased budgets and troop level end strengths will challenge the DoD's ability to effectively and efficiently recruit, train and retain both the military and civilian personnel necessary to achieve the DoD's mission.

Other challenges are likely to rise in prominence or evolve. For example, with regard to nuclear deterrence, in the past, this challenge focused on DoD maintaining its current capacity. Now the challenge is focused on modernization and potentially increasing capacity. Other revolving issues that we are considering for the FY 2019 report include the need to implement efficiencies from DoD reform initiatives and challenges in health care. We will continue to assess rising and emerging challenges to make our top management challenges report useful and forward looking.

In closing, I want to thank the committee for your interest in, and support for the important work of IGs, CIGIE, and the DoD OIG. Also, thank you also for giving me the opportunity to participate in this hearing and to describe what we consider the top management challenges facing the DoD.

This concludes my statement and I would be glad to answer questions.

Chairman GOWDY. I want to thank all of you. And thank you for meeting one of the Congress' benchmarks. You got all of your openings in within the 5-minute time period.

With that, the gentleman from Oklahoma is recognized, Mr. Russell.

Mr. RUSSELL. Thank you, Mr. Chairman.

And thank all of you just for the great work that you do. I guess I'll have questions that any of you can answer, but I know some of it will be specific to your particular areas.

One of the big things that you've identified in your reports is the $141 billion over nine agencies in improper payments. I mean, this seems like low-hanging fruit, and yet that is an enormous dollar amount when we think about it. Ofttimes, as we're looking to, you know, not balance the budget each year, this is something that would make a significant headway in that.

And so how do we get at? I mean, we identify it, we know it. We've identified the dollar amounts. We know the nine agency offenders. How do we stop it?

Mr. HOROWITZ. Let me tell you some of the challenges we have faced at DOJ OIG and I think my colleagues have faced as well, which is, in an era of big data, what we're learning as many of us are doing data analytics work to try and get at those issues is our agencies don't keep good data or no data at all.

As an example, we went to see about healthcare fraud questions at the Justice Department. The Justice Department spends over a billion dollars a year on inmate healthcare. We went to the 121 or so institutions to get their electronic medical records to look for anomalies in payment patterns, and we learned that about 100 of those 121 actually still have paper records.

And so we issued a report to the Department—it is public—expressing our concern about that. And they have issued now a request to seek to turn all of those into electronic records.

But those are challenges we're seeing over and over again. And the government needs good data. The committee is to be recognized for passing the DATA Act, which hopefully moves us towards better data.

Mr. RUSSELL. Hopefully they can pay for it with the recoup of who they're not improperly paying, rather than asking for additional appropriation.

Mr. FINE. If I could add, I agree with that. I agree with Michael Horowitz's comments.

I think there are three things that need to be done.

One, there have to be adequate internal controls so that the money doesn't go out the door inappropriately. We've seen that in healthcare in DOD, compounding pharmacy money, billions of dollars going out because there's not good internal controls.

Two, when we find that, people ought to be held accountable for this, or there needs to be some deterrent. It just doesn't move on.

And the third thing is data analytics. We need to do a better job and have more capacity to analyze the massive amounts of data within the DOD and the entire Federal Government to rout out indicators of fraud to provide the leads that we can go after.

Mr. RUSSELL. Yeah.

Ms. Lerner?

Ms. LERNER. I would just make one final point. A lot of the improper payment work that OIGs is driven by risk assessments that agencies are supposed to perform. And I think sometimes you need a culture change within the agency for it to be acceptable for them to acknowledge that risk exists. Because without that, the quality of the risk assessment isn't going to be strong, and without a strong risk assessment, your ability to identify and fight those improper payments is undermined.

Mr. RUSSELL. Thank you for that.

And with my remaining time, I'll just hit the last three areas, and whoever wants to comment on it.

Payment to grantee verification. This is another big thing I know all of you are concerned about. With $700 billion of grants issued each year, this is an enormous amount of the American people's working capital that is sent to Washington, and yet ofttimes we have problems of knowing who's identifying the grants.

And then you stood up the Disaster Assistance Working Group on your own initiative, which I applaud you for, because we appropriated $26.1 billion that went out in disaster assistance. Obviously, all the hurricanes, fires, and floods. Only the United States could weather something so enormous. But I'm glad that you've stood that up for that oversight.

And then the last item is the overseas contingencies in Afghanistan, Syria, and Asia. You know, ofttimes we joke that Afghanistan is the biggest black hole of waste in the Department of Defense.

And so those are the three other areas, if any of you care to comment.

Ms. LERNER. In terms of grant expenditures, again, I'll repeat what Mr. Fine said: analytics, analytics, analytics. It helps us—when grant funds are expended, it would be wonderful to be able to, in situations where there are disasters to happen, set up so that we can catch things even earlier.

Mr. HOROWITZ. Let me just touch on the Disaster Assistance Working Group issue. It is something that's very important to us.

One of the things that we're trying to do—and DHS OIG is the lead on that—work closely with GAO so that we're coordinated with each other, as well as State and local oversight entities. There are State auditors, there are State IGs involved in some of the hurricane relief locations. We want to make sure we're well-coordinated with each other, and we want to share information. We don't want to duplicate effort. And that's one of the things we've all been doing—CIGIE, IGs with GAO—to make sure we're coordinated on our oversight.

But one of the things we've also done, I just want to mention, in connection with oversight.gov, is try to replicate what the IG community did with the Recovery Act funds in 2009, which is create a page on the oversight.gov website so the public can see what we're finding and what we're seeing.

One of the issues we've come to Congress for in fiscal year 2018 and we didn't get funding but we are looking for in fiscal year 2019 is a very modest amount of money, $1 million to $2 million, to build out oversight.gov. And that's one of the things we'd like to build out further, is that web page. And so, while Congress appropriated the $26-billion-plus, what we're looking for is some addi-

tional funds to allow the transparency to occur around that spending.

Mr. FINE. If I could address the overseas contingency operation issue, yes, Afghanistan is a source of a lot of money and a lot of waste. And both we and the Special IG for Afghanistan Reconstruction have issued reports on that. There needs to be better internal controls. There needs to consequences for the waste when it's exposed. There are bilateral financial commitment letters that are signed, but they often don't have any consequences and are often waived.

I was there recently, and I met with the commanders, the diplomatic personnel, as well as Afghan officials, including President Ghani. They seem committed to internal controls, but it's too early to say whether it will have any impact. There is a massive amount of money that goes there, and a lot of it is wasted.

Mr. RUSSELL. Thank you.

Thank you, Mr. Chairman.

Chairman GOWDY. The gentleman from Oklahoma yields back.

The gentleman from Maryland is recognized.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Just following up on Mr. Russell's questions, I noticed that you all keep saying waste, waste, waste. I mean, do you think any of it is fraud, Mr. Fine? I didn't know whether you were limiting it to waste.

Mr. FINE. No, I'm not. Absolutely. Waste, fraud, and abuse.

Mr. CUMMINGS. Okay.

Mr. FINE. It's all of that. And there are a lot of cases that we make, criminal cases, to hold people accountable for fraud.

Mr. CUMMINGS. Mr. Horowitz, the Whistleblower Protection Enhancement Act of 2012 requires all Federal agency nondisclosure policies, forms, and agreements to include specific language making clear that the policy or the agreement does not impact statutory protections that allow Federal employees to communicate with Congress and IGs.

Are you familiar with the requirement?

Mr. HOROWITZ. I am.

Mr. CUMMINGS. On January 29, 2018, Attorney General Sessions issued a memorandum to the heads all Department of Justice components and all U.S. attorneys, titled "Communications with Congress."

Are you familiar with that memo?

Mr. HOROWITZ. I am.

Mr. CUMMINGS. The memo directed department employees that communications between the Department and Congress must be managed through the Office of Legislative Affairs.

The memo said, and I quote, "Attorneys, officers, boards, divisions, and components should not communicate with Senators, Representatives, congressional committees, or congressional staff without advance coordination and consultation with OLA," end of quote.

Attorney General Sessions did not include in his memo the language required by the Whistleblower Protection Enhancement Act that says these words: "These provisions are consistent with and do not supersede, conflict with, or otherwise alter the employee obliga-

tions, rights, or liabilities created by existing statute or executive order relating to: classified information, communications to Congress, the reporting to an inspector general of a violation of any law or rule, regulation, or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, or any other whistleblower protection," end of quote.

Do you believe that the language was required to be included, that language, in the Attorney General's memo?

Mr. HOROWITZ. Congressman, I think it's very important that all employees understand their rights under the whistleblower laws for the reasons you indicated. We've been in touch with the Department about the issue, and it's certainly my hope that that will be clarified and made clear.

Mr. CUMMINGS. What was the response so far?

Mr. HOROWITZ. Well, I'd rather not get into the back-and-forth that we might have that—that we've had internally. But it's certainly my hope that there will be a clarification of that.

Mr. CUMMINGS. Because what happens, as you can imagine, if people feel reluctant to communicate with their Representatives, we can't do our job. You can't either, right?

Mr. HOROWITZ. That's—you know, whistleblowers play a very important role. This committee has seen it over and over again. We could go through many of the examples of that. So it's very important that employees know, if they see something going wrong, they have avenues to go to the IGs and, in appropriate circumstances, Congress.

Mr. CUMMINGS. Now, Senator Grassley wrote to the Attorney General on February 5, 2018, raising concerns with the memo's failure to comply with the law.

To your knowledge, has DOJ taken any actions to correct this violation and ensure all employees know their rights to communicate with the Congress and IGs? I know what you just said, but has anything been done?

Mr. HOROWITZ. I haven't seen anything further at this point. But we're certainly aware of the issue, and, like I said, we've been in communication with——

Mr. CUMMINGS. Now, DOJ is not the only agency that has issued a policy on communications with Congress that violates the Whistleblower Protection Enhancement Act. The IG for the General Services Administration issued a report March 8, 2018, and found, and I quote, "GSA policies regarding communications with Congress operate as nondisclosure policies under the WPEA but do not include the WPEA's whistleblower protection language."

Are you concerned that this could be a wider problem?

Mr. HOROWITZ. I'm not, as I sit here, familiar with, sort of, what the other agencies are doing. But, as I said earlier, I think it's very important for IGs to be able to get information from whistleblowers. And I completely understand, as well, from the WPEA how important it is—and from just experience, how important it is for Congress to be an avenue of reporting for individuals who want to come forward and report waste, fraud, and abuse.

Mr. CUMMINGS. As I close, do you consider this a top priority?

Mr. HOROWITZ. For me, it's a top priority.

Mr. CUMMINGS. I mean for your organization. You're the top man now, right? You're still——

Mr. HOROWITZ. I don't know if I'm the top man, but——

Mr. CUMMINGS. I mean for your organization.

I mean, I think this goes to the essence of—the chairman talked about it, I've talked about it, you've talked about it—being effective and efficient. I just want to know—I don't want any Member of Congress to be cut off from information, or you——

Mr. HOROWITZ. Yeah.

Mr. CUMMINGS. —that you need to do your job. I mean, why are we going to waste money, spend money on an agency that can't even get the information that they need to do their job?

So I just want—all I'm asking is—I'm not asking, I'm begging you to make this a top priority for your organization. I think we need to look and see whether other agencies are doing this kind of thing, and we need to address that.

Mr. HOROWITZ. Look, it's absolutely—whistleblower protection is a top priority for me, for my office. The work we've done in that area is very significant.

In fact, one of the reasons we've asked for an additional six positions this year in our budget request to Congress and wrote a letter to the Congress about our concern on this issue is we're seeing a very significant increase in the FBI whistleblower retaliation cases that are coming to us that, as you know, by regulation, go to our office, not the Special Counsel's Office.

And that very substantial increase, over the last 7, 8 years—it's not in the last year; we're talking about a growth over time, 6, 7 years—requires us to meet certain timelines that are in the law. And if we don't get those additional positions, it's going to crowd out some of the other work we're doing.

So we think it's a very important area. We think whistleblowers are the lifeblood of IGs, of the work we do. We've got to take steps to ensure that they understand they can come forward, report to the IGs, to Congress, and not be retaliated against, not be subject to threats. Because it takes extraordinary courage to step forward and report out on waste, fraud, and abuse in your organization.

Mr. CUMMINGS. Thank you, Mr. Chairman. I yield back.

Chairman GOWDY. The gentleman from Maryland yields back.

The gentleman from Alabama is recognized.

Mr. PALMER. I thank the chairman.

On the improper payments, they've been identified as a key concern, as the gentleman from Oklahoma brought up.

Mr. Fine, your recent Department of Defense IPERA compliance report noted that the Department did not comply with five of the six recommendations. When was the last time DOD was in full compliance?

Mr. FINE. I don't think it has been in full compliance.

Mr. PALMER. That's what I thought.

Due to noncompliance with IPERA, DOD is required to issue a report describing actions the agency will take to come into compliance. Have they issued that report?

Mr. FINE. I'm not aware of that report. We have issued the recommendation so far.

Mr. PALMER. In the fiscal year 2016 report, your office——

VOICE. Mr. Fine, could you turn your microphone on?

Mr. FINE. Sorry.

VOICE. Thank you.

Mr. PALMER. I think he answered "no" to both questions, for the record, that they have not complied and they have not issued a report explaining actions that they will take to comply.

In the fiscal year 2016 report, your office made a number of recommendations that DOD agreed with. Have any of those recommendations been fully implemented and enforced?

Mr. FINE. I would have to go back and look and see whether that's the case. I wouldn't doubt it. But we are—we are in the process, and we currently do that. We look to make sure that the recommendations that we make and they agree to are actually implemented.

And we have actually issued a report recently, a compendium of open recommendations. There's more than 1,200 open recommendations.

Mr. PALMER. Is this the report?

Mr. FINE. I think so, yeah.

Mr. PALMER. Mr. Chairman, I'd like to enter this into the record.

Chairman GOWDY. Without objection.

Mr. PALMER. Okay. The Department of Defense is initiating an audit, which is obviously long overdue. Would you agree that that will help in identifying improper payments?

Mr. FINE. Financial statement audit?

Mr. PALMER. Yes.

Mr. FINE. Yes, absolutely. It's a very important audit. It's critical.

Mr. PALMER. Okay.

Let me transition here quickly to Mr. Horowitz.

In your statement, you said, 2016, the IGs identified approximately $45.1 million in savings. How much of that has been realized, or do you know?

Mr. HOROWITZ. I don't know, as I sit here today, how much has been realized. I think one of the things that we'd like to see—I know we're doing this within our own organization—is try and figure out how we can follow up on those numbers within the Justice Department.

Mr. PALMER. That was what I was going to ask you. Is there any way to determine whether or not—I mean, we identify them; that makes them potential. If they're actually realized, then that makes them, obviously, real savings. And I just wonder if there's a way to make sure that, when we identify it, that someone follows up on it and we are able to realize those savings.

Mr. HOROWITZ. And we follow up on all our recommendations, and they don't get closed until we decide to close them. What we need to do more work on with the agency is to get reports on what kind of recoveries there are. We're starting to do that. And we've been putting out announcements, releases, to the public to let them know when we have had recoveries.

Mr. PALMER. I want to also stay with you just for a moment—and, Ms. Lerner, you can respond as well, if you'd like. But when we're talking about the disaster relief funds, I believe there's several billion in unspent totals from Sandy. There's unaccounted-for

funds from Hurricane Matthew. We know that, prior to the disaster relief funds being approved for Puerto Rico, they paid out $100 million in bonuses.

You identified $26.1 billion in disaster relief funds. Those were Community Development Block Grants. And my concern about this is there's no way to really manage these funds to determine that the money is actually getting to where it needs to go.

If this were a private contract, you would award money on the front end to meet the immediate need, and then everything else would be paid to invoice. Does that make sense?

Mr. HOROWITZ. It's been a significant concern of, I think, all of the IGs that are looking at their agencies which put out money through grants, contracts, and others, is the lack of performance management and accountability that's going on there and understanding at the end of the project what the successes were, what the failures were, after-action plans. I mean, you do all of that after spending a substantial amount of money.

And one of the things we've also seen at DOJ OIG and we just issued a report on, and we've done in the past, is on unspent grant funds and closing out grants in a timely fashion, because that money is just sitting there and can be misused. And so that's very important.

Mr. PALMER. Mr. Chairman, I want to further explore the grant issue. So I think what I'd like to do is let everyone else ask their questions and then come back to this afterwards, if that's okay.

Chairman GOWDY. Sure. I'll consult with my ranking member, or else one of your colleagues, including me, may actually yield you some time so you can finish that line.

Mr. PALMER. Right now or afterwards?

Chairman GOWDY. Well, it's not my turn right now, but when it is my turn, I will give you some of my time, assuming Inspector General Horowitz answers my questions as quickly as he normally does.

Mr. PALMER. You're a very generous chairman, and I——

Chairman GOWDY. And you're a very diligent member, and I appreciate your interest.

Mr. PALMER. I yield back.

Chairman GOWDY. With that, the gentleman from Alabama yields back, and the chair will recognize the gentlelady from the District of Columbia.

Ms. NORTON. Thank you very much, Mr. Chairman.

Ms. Lerner, I have a question about the report that CIGIE issued this morning.

This notion of draining the swamp seems to be turned on its head, because we have had more—a virtual explosion of scandals and ethical lapses during this administration, young as it is. In fact, it's the most I can remember. So, in recent memory, they seem to outnumber the explosions that come from year to year in prior administrations of both parties.

So I'd like to ask about the culture of agencies that is mentioned in the report. And here I'm quoting the report issued today, that the "OIGs reported their agencies faced challenges related to their agency's culture." I'm trying to find out whether the Congress or the IGs can do something about this culture.

And cited were ethical lapses, lack of accountability, lack of fiscal responsibility, lack of transparency and communication, resistance to change, and low morale. That is as comprehensive an indictment of agencies as I can remember hearing as a member of this committee.

So I take it we're talking about a systemic problem covering, what is it, two or three agencies? More? Across the board? What do we mean by "the culture that has set in"?

Ms. LERNER. It's unclear to me the precise number of agencies that are experiencing those problems, but it's clear that this is—it's not a handful. And it is incumbent, then, on us as IGs to have our eyes open, to catch these issues, to audit and investigate when necessary——

Ms. NORTON. But one wonders—you know, these are agency heads who ultimately have to be held accountable. And so one wonders whether anyone is advising them, whether IGs ahead of time, whether they ask for information.

I can tell you that staff members in their 20s, if I ask them to do something, they'll say to me, Congresswoman, is this—do you want me to check? I mean, they are sensitive to this, to try to keep me from—you know, catch me before I kill—from getting in trouble.

Who catches the agency head before the agency head kills? Or is this just willful determination, as with Administrator Pruitt, who may be in the worst trouble and have had the most lapses? The notion of installing a classified phone booth for $43,000. Somebody should have tapped him on the shoulders.

Is there any way, before that phone booth goes up, to catch him before he spends $43,000, not to mention all of his other lapses, for which he has yet to be held accountable? Or is this all after the fact, and taxpayers have to say, well, nobody's in charge, nobody's going to jail, and nobody's suggesting jail, so what can we do?

Ms. LERNER. I think we hope that the general counsel's office and the ethics officials provide the right advise to folks——

Ms. NORTON. Well, who is it—do the agency heads know that there is somebody they should ask? Did Mr. Pruitt understand—who did he ask before installing a soundproof phone booth?

Ms. LERNER. I can tell you who they should ask. They should ask their designated agency ethics official and their attorneys——

Ms. NORTON. Have any of you, Mr. Horowitz, Ms. Lerner, have any of you issued—seeing how systemic this is, have you issued anything to the agency saying, "We advise that, before you undertake any action which has not been taken before in your agency, that you inquire of," and you name who to inquire?

Ms. LERNER. I would imagine—and I'll let my colleagues answer too. But that's one of the first topics of conversation with new agency leadership that come on board.

Ms. NORTON. Have you done it with agency heads of this administration?

Ms. LERNER. We do not have an agency head from this administration at my agency.

Ms. NORTON. No, for the—agency heads for this administration.

Mr. Horowitz?

Mr. HOROWITZ. We have not had some of those kinds of issues in my agency with regard to, you know, the phone booths and that sort of thing, so I can't speak to what has gone on there.

But one of the first things we do is meet with the Attorney General. I have now served under three Attorneys General as IG and done that in each instance. Sit with them, tell them—remind them of what we do. In each case, all three Attorneys General grew up in the Justice Department, so they understood what my office was. But they still needed to hear what we do, what kind of reports we expect.

And I agree with what IG Lerner said. The understanding is that they need to go to the agency ethics official; they need to go to their counsel. And we need to be, as IGs, diligent in overseeing any wrongdoing that occurs and making sure that people not only understand the rules but, if there are violations of the rules, as my fellow IGs indicated, hold people accountable, make sure the public understands and the people in the agency understand that even the most senior officials are held accountable for misconduct. We do that through posting the summaries of our work. And that, I think, is very critical to the deterrent message as well.

Ms. NORTON. My——

Mr. FINE. I——

Ms. NORTON. —time has expired.

Would you agree to let Mr. Fine respond? He seems to want to respond.

Mr. FINE. I agree with that. That's what we try and do too. I, for example, meet with each—with Capstone classes, which are new admirals and generals, to talk about what will get them in trouble, what they should avoid, what they need to do to consult with their lawyer.

I've met with the heads of the agency as soon as they come in to talk about that. The tone gets set at the top, and it's very important for us to have that communication with them. I've been very fortunate, myself. The Secretary of Defense has made clear about the need for ethics and has made clear the need for cooperation with the OIG and made clear the need for people to be held accountable when they have ethical lapses. So that is very important.

And we need to be out on the front end in terms of education, as well as also on the back end when there are lapses. And there will be lapses. We need to hold people accountable.

Mr. HOROWITZ. Mr. Chairman, can I mention just one other thing that we do as IGs?

We also issue advisory memos. We each call them something different, but if we see a problem along the way, we issue a management advisory memo to alert leadership to a problem we're seeing so they can fix it systemically and avoid—and address those kind of issues.

As an example, within the last year, we identified substantial issues in a variety of ways through our work about sexual harassment policies at the Department. We issued a management advisory memo that got some publicity in the press about that. But that was an important thing to identify early on to leadership what we were seeing so they could take action.

Ms. NORTON. I thank you, Mr. Chairman.

Could I just ask that, in light of the systemic issues that have been identified, that the committee look for ways to be more proactive. Even with all that has been testified here, we still have this plethora of scandals arising, and perhaps more proactive action than has been testified would be called for at this time.

So thank you, Mr. Chairman.

Chairman GOWDY. The gentlelady from the District of Columbia yields back.

The chair will now recognize the gentleman from Tennessee, Judge Duncan.

Mr. DUNCAN. Well, thank you very much, Mr. Chairman.

And, first of all, I want to say how much I appreciate the work of the various inspectors general throughout our government. I'm now completing my 30th year in the Congress, and not all of that time has been on this committee, but probably two-thirds of it has. And this committee over those years has become really the main investigatory committee in the Congress. And we couldn't have done our—we couldn't have been nearly as effective in our work on this committee had it not been for the information provided to us by the various inspectors general.

Over the years, I've passed four bills—or introduced four bills that have gone through this committee and through the Congress. Probably the easiest or the less controversial was a bill to create an inspector general for the Tennessee Valley Authority, which I'm—while I say it was easy, that doesn't denigrate—or doesn't mean it wasn't important.

But I think back over the years about all the different investigations that have been brought to light. I remember my shock at finding that the FBI had kept a man in Federal prison for 30 years for a murder that they knew he did not commit because he was going to disclose some vital information about the Whitey Bulger case, which is one of the biggest cases in the country at one time. And I remember thinking, I still think, it's one of the worst things I've ever heard about.

And I think back about the findings of the EPA where they had a man who didn't go to work for a couple years but drew a high salary. And all these different things.

And I looked—I was given here this morning an article from a few days ago about the waste in the Pentagon, or that the Pentagon could not justify the spending in Afghanistan. I heard Mr. Russell say that it's sort of a joke about how much waste there's been on the spending over there. And I don't think—I really don't think it's much of a joke. And I'm glad that the inspectors general have taken it to heart and have brought forth a lot of this information.

And I was also given an article about this University of Pittsburgh professor that got $50 million in the last 20 years from the National Science Foundation in 24 different grants and how the inspectors—Ms. Lerner's office is starting to uncover some scandalous information about some of these grants.

So I commend you in that regard.

And, Mr. Fine, I wasn't really clear, do you think—this article I've got, it says the Pentagon—the Department of Defense Inspec-

tor General cannot account for $3.1 billion of spending that's been done over in Afghanistan in the latest investigation.

Do you think that we're going to continue to see things like that, or are we getting closer to getting things a little bit under control? We're spending, this article says, $45 billion a year over there, and that's an awful lot of money.

Mr. FINE. It is a lot of money.

The article you're referring to refers to one of our summary reports which talks about all the reports we've had over the years to talk about how they could not account for fuel and ammunition or payment for soldiers, and they did not have adequate internal controls, and they did not enforce commitment letters when the Afghans could not account for the money.

So I do think it is a significant amount of money. I think, in a deployed environment, it is more difficult than here in the United States, but that doesn't mean that we should not provide oversight and internal controls and ensure that the money is being used for its proper purposes.

I know the Department of Defense is concerned about it and is committed to this. As I mentioned, I was over in Afghanistan, and there are, sort of, roadmaps and commitments. But commitments are easy to do. It's important to make sure that they actually happen. And so I believe that we will continue to see problems, but we need to continue to stay on top of that.

Mr. DUNCAN. Ms. Lerner, you know, there's too many things in the Federal Government that are sweetheart insider deals. And I do hope that you're looking more closely at people who are getting repeated grants, like this University of Pittsburgh professor that got $50 million from 24 different grants. Well, he apparently had some really good connection there at the National Science Foundation.

So do you look a little closer at some of those who are getting the most grants or the most money?

Ms. LERNER. We have a risk matrix that we're constantly updating as we learn and are exposed to new and different ways that people try to misuse NSF funding. So I think we have gotten pretty darn good at targeting areas of risk, but we know we can always get better. And so we take and we add to that risk matrix on an ongoing basis.

Mr. DUNCAN. Well, we have got so many good scientists in this country.

Ms. LERNER. Exactly.

Mr. DUNCAN. That these grants should be spread out. They just shouldn't be given to a small, tiny group of favored individuals.

My time is up, but I really do appreciate all the work that the inspectors general have done for this committee over the years. Thank you.

Chairman GOWDY. I thank the gentleman from Tennessee yields back.

The gentleman from Massachusetts is recognized.

Mr. LYNCH. Thank you, Mr. Chairman.

I want to thank the panelists, Mr. Horowitz, Ms. Lerner, Mr. Fine, for your wonderful work. I'll just associate myself with the glowing remarks of the gentleman from Tennessee with regards to

our appreciation for the work that you do and the work that your people do. It is extremely important, and as important now as it has ever been, I think, on behalf of our country.

I do want to acknowledge the return of our ranking member. I appreciate it. He has maintained constant contact with the committee, so he never has really been out of the seat. But good to seeing him physically back in the chair this morning.

I want to follow up on Mr. Russell's line of questioning, especially regarding the situation in Afghanistan. So Special Inspector General John Sopkohas been concerned about the new practice in the Trump administration of classifying information that has been publicly available, let's see, going back to 2003 at least. He has raised it in his report.

He has said, among other things, that data that was originally reported publicly with regard to the Afghan National Defense Force capability assessments, their attrition rates, how many people we got within the units that are being paid within Afghanistan, casualty counts, operational readiness, actual and authorized figures on the number of personnel, he talks here about for the first time the reports are now classified with respect to information about the specific security goals of Afghanistan outlining the Trump administration's new South Asia strategy, information about the increase in U.S. and coalition air strikes in Afghanistan since mid-2017. He goes on and on.

That's the data, those are the data that we rely on in making our decisions, and I know that that's very important to you, as well.

On top of that, on top of classifying information—and I can still get it, I can go down to the SCIF and I can request access to the information. It just makes it more difficult for me to get it. And a lot of Members, because they're so busy, they don't get to do all that.

But what troubles me additionally is that now the Department of Defense is denying—they have got blackout dates. So Members of Congress cannot go—so, for instance, beginning in June and lastly until September, we cannot go into Iraq. This is the Oversight Committee, we can't go to Iraq. Beginning in June and continuing indefinitely we cannot go to Afghanistan. So what the administration is doing is pulling down the curtain.

And this committee has a natural affinity with our inspector general community. On my codels it was not unusual for me to take Stuart Bowen or his staff, Mr. Fitzgerald, the first couple of codels into Sadr City, where we're spending billions of dollars on a sewage treatment facility and no one is looking to see whether they're actually building it. We had some satellite stuff, but you really couldn't see what was going on.

But it wasn't until I actually got the commanding general to that battle space to take us all in in an MRAP and we were able to look at that to see that the work was actually being done.

So we're spending all this money in Afghanistan and in Iraq, but especially Afghanistan, and if there's no oversight going on. I know Sopko is being denied—well, it is tough to operate in Afghanistan anyway. You have to rely on, you know, locals for some of the oversight.

So I mean this is a shutdown of a lot of information that the American public used to have. The totality of what the Trump administration is doing here is denying information to the American people, denying it to Congress, putting obstructions in the way of our special inspector general in Afghanistan, on giving that information to the public.

I just ask you to speak out about this trend. I'm very, very concerned about it. And we're relying on each other to make sure that the best interests of the American people are protected, and especially our military who are in harm's way in Afghanistan and Iraq.

I just ask you to keep doing your jobs and let us know if there are additional ways that we can put the pressure on to make sure that your folks are protected and are able to perform the jobs that we have asked them to do.

Thank you.

Chairman GOWDY. The gentleman from Massachusetts yields back.

The gentleman from North Carolina, Mr. Meadows, you're recognized.

Mr. MEADOWS. Thank you, Mr. Chairman, and thank you for your leadership in holding this hearing.

Thank you all for your work. As most of you know, I'm a big fan of the IG and of all of your work. And yet I guess this is, what, the 40th anniversary of your authorization, but also the 40th anniversary of civil service initiatives that, quite frankly, sometimes hamper and hurt your ability to get jobs done and get things done.

So I guess what I would love to hear from each one of you very briefly is how do we fix this? I mean, the ability to hire, fire, and retain continues to be in the headlines each and every day.

And sometimes even when we terminate, as Mr. Horowitz probably knows better than most, it creates unbelievable headlines when honestly dealing with the whole retention and proper—I guess proper remedial actions on behalf of government employees would be better if it is done in a different fashion.

How do we fix this? And I know that's a 1-hour question that you have 1 minute to respond to.

Mr. Horowitz, if you could start.

Mr. HOROWITZ. It is a very challenging issue for IGs. It is a challenging issue for us ourselves to get our people on board. Security clearances, you add in an organization like DOJ. If there are misconduct findings, getting people to take them seriously, move them forward in a prompt way like we think they should so that people are held accountable.

I think there needs to be a bringing together of the stakeholders because I think everybody recognizes there's this problem on the front end and the back end and in between, frankly, the ratings, the reviews. The strongest performers, we need to find a better way of acknowledging strong performance and rewarding strong performance.

I think it largely requires Congress coming together with the executive branch in doing that.

Mr. MEADOWS. So, Ms. Lerner, let me ask you maybe a different version of that. Mr. Horowitz is saying we need to talk and we need to get together.

You know, one thing that we're not short of here in D.C. and the Beltway is talk without action. And I guess my question to you is, who would be the key players to make sure that we don't just talk about it? Because I think all of you, all three of you want to actually do something about that.

So how do we make sure that Congress actually is hand in glove with the executive branch on how actually do this?

Ms. LERNER. I think back on something Earl Devaney said when the Recovery Act was going on, when you want to see things happen, you know, give people responsibilities and deadlines in a statute. You need to give people enough time for good thoughts to percolate and be shared and shaped and formed, but they can't have forever in which to do that. So a hard and fast deadline is vital.

But I do think making sure that we remember all the things that drove the creation of these protections in the first place and we don't throw the baby out with the bathwater.

Because when I hear that we need to protect whistleblowers, we want to make sure that career employees have protections so that they're able to perform in the nonpartisan fashion that they're supposed to do without fearing that they could lose their jobs because agency leadership doesn't agree with what they're saying.

Mr. MEADOWS. All right. Well, you're the one group that actually protects whistleblowers and actually supports the IG, so maybe this is the key component.

Inspector General Fine, I'll let you close it out.

Mr. FINE. If I could add one thing, I do think it is very important for people to be held accountable when they have committed misconduct and to be cleared when they haven't and for that to be done in a timely way. That's what IGs strive to do.

One of the key things for us is to ensure that we have adequate budgets and staff to do that because that does affect timeliness. And there are some IGs who have not received the sufficient budget to deal with the burgeoning caseload so that things get elongated and things stagnate, and that is not good for anybody. It is not good for the person who has not committed the misconduct, and it is not good for the agency if someone has committed misconduct.

So we need to strive for timeliness, but in order to do that there need to be sort of significant budgets. It is a small amount. The return on investment is huge both in terms of recoveries to the Treasury and also in terms of importance of holding people accountable. So I ask would that there be focus and consistent adequate budgets for the oversight.

Mr. MEADOWS. Well, if you could do that then as part of your group, if you could actually get to this committee. And I would ask you maybe in the next 45 days to get to this committee those areas that you feel like are most underappropriated as it relates to IGs. Some of those are in better shape than others.

And I thank you all for your testimony.

And I yield back.

Chairman GOWDY. The gentleman from North Carolina yields back.

The gentleman from California is recognized.

Mr. DESAULNIER. Thank you, Mr. Chairman, and thank you to the ranking member for this meeting. I always wanted to be on "60

Minutes," I wanted to be asking questions. So since the CBS camera is here let's act like we're on "60 Minutes."

So I really wanted first of all to tell you how important, in my view, your jobs are, three of the most important positions in the U.S. Government.

And the integrity part, Mr. Fine, I think is important. So I wanted to focus on you.

In the last year or so ago we had the Defense Business Board here who sat where you're sitting. One of the members who was a longtime member sat and answered questions where he said, he was quite demonstrative about you really can't give the Department more money until you get this fixed.

And this was when they had a report, an audit from McKinsey that estimated there was $125 billion worth of waste. And it appeared that that report was attempted to be held back from somebody in the Department, and then someone gave it to The Washington Post.

So I wanted to ask you about that report. Also, this concern I have about President Eisenhower's warning in his farewell address about the military-industrial complex, given the importance and the size of your jurisdiction and the audit.

If you could respond to the Defense Business Board, and I have had multiple conversations with their members, their former chair, Bobby Stein, and their concern about—this is the business community that's been looking at the Department of Defense since, I believe, the Nixon administration. So if you could talk about their report, their role.

And then, secondarily, the audit. And you've mentioned the importance of the audit. And give us a timeline as to the expectation, understanding the challenges because the Department's never had a full audit, and your role in making sure that audit is done in a timely fashion. And I would imagine this financial audit will set up hopefully a more extensive look at management audits and outcomes.

And lastly, you mentioned, fifth on your list, financial management, eighth, ethical conduct, tenth, efficiencies, and then you mentioned weapons development to be on time and on budget and the performance management of that.

So if you could address those sort of three areas.

Mr. FINE. So I'm familiar with the report there. It is clear that there is areas of waste and areas for greater efficiencies in the Department of Defense with the enormous budget that it has. It has a $700 billion budget. It has $2.4 trillion in assets. That's a huge amount. And there is areas for efficiencies.

The Department is looking to do that. One of the areas they need to do is to have a look at the duplicative efforts they have in the various services to do the same thing and whether there can be efficiencies garnered from that, and they are in the process of doing that, and it is important that they do. Do we need all those separate entities doing the same thing?

A key thing is the financial statement audit that you referred to. It is very important. It is important for a variety of reasons. It is going to take a lot. It is probably the largest financial statement audit in history. There are probably over a thousand auditors that

are going to do over 25 separate audits of various parts of the Department of Defense.

It is the first time the Department of Defense is under full audit. It is highly unlikely they are going to get a clean or unmodified opinion. The opinion is really not the most important thing right now, in my view and also in the comptroller's view and also the leaders of the Department. The most important thing to identify the deficiencies, have us give notices of findings and recommendations, and ensure that there is corrective action taken.

The Department is on board with that. They have visibility over all the findings that are coming in. There are different independent public accounting firms who have been hired to conduct the audit along with us. We provide oversight over those independent public accounting firms, and we are the group auditor and will roll up the opinions in a separate report into an overall opinion. And the opinion will be issued November 15.

Now it may be a disclaimer of opinion. I would be surprised if it was an unmodified opinion. They'll get what they deserve.

But it is very important that they keep doing this and that there is sustained effort. Because why is it important? Because it helps the Department manage its money, number one. It gives Congress and the American taxpayer more accurate information about how their money is spent. It benchmarks things so you can look and see whether there are cost overruns. And it is useful in determining where there is waste, fraud, and abuse.

It is useful in determining where the financial systems are insecure and there are IT issues with them.

It is very important in determining where the property is of the Department—by property I mean, for example, equipment, spare parts, munitions—so they don't order too much and just have it wasting in a warehouse or they don't have enough of what they really need somewhere else.

So they need to know what they have and where they have it, and the financial statement audit will help with that.

Mr. DESAULNIER. I'm going to interrupt you because I only have 20 seconds, and I hoped to give time back to my friend from Alabama, but that's not going to happen.

Just on the procurement, your quote about the procurement, making sure that all these very sophisticated investments and new technology is done in a way that's above board and ethical and gets the best cost-benefit for the American taxpayer.

Mr. FINE. It is important. Procurement is a challenge. There are numerous weapon systems. It is important that the Department modernize and ensure that they are doing it in an effective way to get the systems on board in a timely way so they can be used, but not to do it in a wasteful way. It is an enormous challenge. I think the Department is focused on that, and it needs to continue to do so.

Mr. DESAULNIER. Thank you. I yield back, Mr. Chairman.

Chairman GOWDY. The gentleman from California yields back.

The gentleman from North Carolina is recognized, Mr. Walker.

Mr. WALKER. Thank you, Mr. Chairman.

I appreciate the inspector general community and all the different work that you do. You recommended the savings of poten-

tially up to $98 billion, almost $99 billion. And we join your community in calling for accountable and effective government.

Recently, I introduced the Good Accounting Obligation in Government Act. Now, this legislation would save taxpayer money and bring needed accountability to the Federal agencies by requiring them to report on the status of the GAO and IG recommendations in their annual budget justification. The GAO–IG is a House companion to Senator Young of Indiana and Senator Warren of Massachusetts' efforts in the Senate. We want to continue to move that.

To Ms. Lerner, does your office currently work with agencies to ensure recommendations are implemented and closed within a reasonable timeframe?

Ms. LERNER. Yes, we do.

Mr. WALKER. Thank you.

What is the average time period it takes an agency to close new recommendations once they are issued?

Ms. LERNER. I don't know that we have that information. It probably varies from agency to agency fairly substantially.

Mr. WALKER. Okay. Can you unpack that a little bit for us? Why it would it vary from agency to agency?

Ms. LERNER. Because of the complexity of the cases, the complexity of the agency, the type of audit that you're talking about. All of those contributes to it.

Mr. HOROWITZ. One of the things we have been doing for about 3 or 4 years now is posting every 6 months the status of the open recommendations chronologically so the taxpayers, the public can see, and Congress can see the oldest recommendations, the newer recommendations.

From our standpoint we would expect an agency to, depending on complexity, close the recommendation within certainly 2 to 3 years.

Mr. WALKER. And last question on this, do you think the GAO–IG Act possibly, I don't know how familiar you are with it, could help ensure timely implementation of new and old unimplemented recommendations?

Mr. FINE. Congressman, I believe it is important to focus attention on open recommendations. We do the same thing, issue a compendium of open recommendations. There's 1,200 of them in the last 10 years. Some of them are very old.

I think anything that provides transparency and sunshine is important. I believe in what Justice Brandeis said, "Sunshine is the best disinfectant." And that is important in terms of follow-up of recommendations, as well.

Mr. WALKER. Thank you very much.

Mr. Chairman, I would like to yield the balance of my time to the gentleman from Alabama.

Mr. PALMER. I thank the gentleman.

Going back to the contract issue, Ms. Lerner, in your testimony you cite $500 billion in fiscal year 2017 and $700 billion in fiscal year 2018. Is that the sum of contract values or does that include change orders?

Ms. LERNER. I think the $700 billion——

Mr. PALMER. Would you turn on your microphone?

Ms. LERNER. I'll get this eventually.

I think the $700 billion figure in my testimony was on grants. The $500 billion figure was on contracts.

Mr. PALMER. Contracts.

Ms. LERNER. So they're usually relatively close to each other with grants, you know, tipping a bit on an annual basis.

Mr. PALMER. What I'm trying to get to is this committee has looked into issues where we have had substantial overruns in contracts, particularly with embassies. And one of the problems I think we're having through the Department of Defense is how we appropriate money for certain projects. And there's pressure felt by the various agencies, including the Department of Defense, to start something before the contract design is ready and consequently we run into major overruns. It's something that I'm trying to develop a remedy for that I would like to talk to you later.

In the final minute or 20 seconds that the gentleman has yielded to me, you have all testified that there are agencies that do not comply with directives or recommendations, nor do they produce the requested progress or action reports. And this is for all three of you. What needs to be done to motivate agencies to comply?

Mr. Horowitz.

Mr. HOROWITZ. From my standpoint, I think being transparent, letting the Congress, the public know.

One of the things, as I mentioned I implemented, was posting them publicly. The first time we did that drill we had 800-plus open recommendations. I told the Attorney General, the Deputy Attorney General, I was going to do that. They immediately sent out all the open recommendations to all the components, and our phones were ringing off the hook from the component heads who wanted to close their recommendations before they went public.

I agree completely with IG Fine, the sunlight here is the key to that and holding people accountable to make sure these get done. We have to do that. That's one of the tools in our toolkit.

Mr. FINE. I agree with that, and when we issued our compendium it got the attention of the Department leaders. They have taken it very seriously. The Secretary of Defense has asked people, where are you on these recommendations? The tone gets set at the shop.

Sunshine is, I believe, the best disinfectant. One thing you could consider is having a hearing on open recommendations. These hearings matter, and people focus attention on it when they have to.

Mr. PALMER. My concern is, is that some of the stuff is carried over so long, particularly on improper payments, the amount keeps going up. And my staff and I are looking for ways to motivate, encourage, figure out some way to reduce those payments and encourage more compliance, particularly with the IGs' recommendations.

Mr. HOROWITZ. And if I could add on your point on contracts, I think one of the things that struck us as we did this report, and we talk about this in the report, is on contract management and oversight within the agencies.

Our staffs, we get—our budgets generally are 0.3 percent of the agency's budget. They're a very small number. The real effective day-to-day oversight has to happen by management. It has to happen in the agency.

And what I think we have talked about that surprised many of us is the same problem we were seeing over and over again in contract management, which is not enough people to do it. It is viewed as a collateral duty often. We have had examples, we have put out reports where the Department's components are buying fuel and they're paying the invoice before knowing whether the fuel is there.

Now, we have checked, and actually the goods were there. But that's so basic you would expect that to be understood. And the problem that we hear is, and we're not really in a position to know if it is true or not, is: Well, I'm managing dozens and dozens of contracts, I can't get out to look at the contract prison regularly or the other facility that we're using.

And that's something I think we all need to think about, whether we're doing all these contracts and contracting and grants without getting the infrastructure to manage the additional moneys that are going out the door, to your point.

Ms. LERNER. The same thing happens at my agency with grants. You know, there are far too many grants and one person has to see, and they just can't add the value that the American taxpaying public needs.

Mr. PALMER. I thank the gentleman from North Carolina and the chairman for their indulgence. I yield back.

Chairman GOWDY. The gentleman yields back.

The gentleman from Maryland is recognized.

Mr. SARBANES. Thank you, Mr. Chairman.

I know you were asked some questions about the ethics, compliance, and integrity within the agencies before. I wanted to just come back to that a little bit because we're really putting a focus on what kind of reforms might be appropriate, what kinds of things that may be operated as guidelines or norms, but not actually put into statute or regulation where it might be appropriate to take that next step.

So maybe you could speak a little bit more, I'm interested—I know there's been some attention drawn to some of the ethical lapses of senior officials within some of these agencies. And, obviously, that's a major concern for us here because that kind of—the culture of integrity and adherence to ethical norms and standards, obviously, begins at the top.

But I was curious if you could speak a little bit more to how you see the ethical blindness or some of these issues, how that actually does flow down through an agency, and, also, how that information comes to you.

Are there surveys that surface the employees' concerns about this? Is it more anecdotal? Is it your perception that when there's ethical lapses it forces employees into a very difficult position because they are having to in a sense defend or protect supervisors or officials up the chain even though they don't necessarily agree with that and it puts them in a kind of untenable position?

What are some of the elements by which the culture is damaged in an agency based on ethical lapses and morale suffers? I'm interested in getting a little more granular on that. And I invite anybody on the panel to respond.

Mr. FINE. So I'll try and unpack that question because there's a lot in there. But I do agree that the tone gets sets from the top,

and it is very important for the ethical culture to be set from the top and to make clear what is acceptable and what is not, and then, when it is not, to hold people accountable in a timely way.

I'm fortunate that in the Department of Defense the Secretary of Defense takes that very seriously and has done that regularly and publicly, and that's important to the conduct.

We also look at trends, and the trends are actually pretty good in the Department of Defense in terms of substantiated misconduct. It has gone down. That doesn't mean any misconduct is acceptable, but it is going in the right direction.

There does need to be education, and we need to have a role in providing proactive education to people about what they can't do, what they shouldn't do, how they should deal with things, and what's going to happen if they do it. So that's very important.

It is also very important to operate effective hotlines. We have hotlines where we get anonymous complaints that people can take, get exposed to us in an anonymous way or saying their names. And either way we need to take it seriously.

We get a lot of them. We get about 13,000 a year. Many of them are just frivolous or just can be dismissed immediately, they are the wrong agency. But some of them are serious, and that is an important way.

And ultimately it is important that people be clear that there will be consequences for misconduct, and we play an important role in that, as does the agency taking action on our reports in a timely way.

Mr. HOROWITZ. I think one of the things that has changed and has been an important change is the IGs posting public summaries of misconduct findings by employees at the GS–15 and above level. Some of us were doing that were before Congress passed the IG Empowerment Act, but we're now all required to do that.

I can tell you from our standpoint, when we started posting those summaries, back to the point of sunlight being the best disinfectant, we started seeing much quicker action, much quicker responses by the Department in responding to those findings, whereas before it could take months or years.

The Department quickly understood that they would be getting inquiries, whether it was from Members of Congress, whether it was from the public, whether it was from the press, about our findings and whether they had taken action. And so that has been important.

But I think that is one of the consistent frustrations among the IG community, what IG Fine said, is there needs to be timely response to misconduct, certainly at the highest levels, but, frankly, at all levels.

If you talk to folks about culture, a lot of people will say midlevel management is equally important if not more important at some level, because those are the people who touch everybody. Very important for tone to be set at the top, but midlevel managers need to walk the walk on those issues.

And we are seeing improvement in the timeliness of taking action, but that's something that I think the committee could consider, how we make sure that people are held accountable in a

prompt and timely way. Justice delayed is justice denied at all levels.

Mr. SARBANES. Thanks very much. I yield back.

Chairman GOWDY. The gentleman from Maryland yields back.

The gentleman from South Carolina is recognized.

Mr. SANFORD. Thank you, Mr. Chairman.

I want to follow up on the question that's just being asked, because if you cut to the chase fairly uniformly and fairly consistently your recommendations are ignored.

What can be done to change that? I mean, part of it is what you were just getting at. Are there other things that can be done so that your findings are not ignored as they are?

I mean, I think it is amazing to think there are in essence $100 billion worth of savings that are floating around out there and that there are indeed 39,000 recommendations on your site, and yet, you don't see all that much action relative to the amount of data that you have out there suggesting change is needed.

Mr. HOROWITZ. A couple things I'll pick up on that have been mentioned that I think are important and others I think it is important that we as IGs make known to the public and they're transparent.

I think it is very important for Congress to do follow-up as well as the IG. We consistently do follow-up, but we're not management. And we can't, other than continuing to issue reports, continuing to make public what we're finding, we're not management, we're not ultimately the ones who are going to implement it.

The other thing we did, and I met with Director Mulvaney when he first came on board, he asked us to put together a list of some of the bigger outstanding recommendations. We have done that. And I think OMB can also play a role through the budget process.

Mr. SANFORD. If you were to pick the single, each one of you were to pick the single most glaring example of waste in your view, it would be what? Waste or inefficiency or something that should be changed.

Mr. HOROWITZ. I can speak to the DOJ recommendations. Give you an example, a couple years ago we issued a report where we found that——

Mr. SANFORD. Just shorter because I have only got 3 minutes.

Mr. HOROWITZ. The Bureau of Prisons was making multiples of the Medicare rate for healthcare, and it is not capped like the Department of Defense and others.

Mr. SANFORD. So you would say Bureau of Prisons.

Mr. HOROWITZ. Hundred million dollars.

Mr. SANFORD. Okay.

Ms. Lerner, you would say what? Just one.

Ms. LERNER. We have issued many recommendations related to large facility construction at NSF, and they have actually finally taken significant action to put policies and procedures in place to make that better as a result of our work.

Mr. SANFORD. Something more concrete.

And while you're thinking on it, Mr. Fine.

Mr. FINE. There's so much in the Department of Defense, but you're asking for one, and I would just say duplicative lines of effort. They're all doing similar things.

Mr. SANFORD. I know, but that's nebulous.

Mr. FINE. Healthcare. Why do we have separate healthcare systems? Why do we have separate PXs for different services? Why do we have separate, I don't even know, suspension and debarment offers? Why can't we have more centralized services in the Department of Defense, rather than have each one of them have their own PX, MX, healthcare clinic, things like that.

Mr. SANFORD. Ms. Lerner, you were about to say?

Ms. LERNER. We have made so much progress with the agency, I don't really have a glaring problem right now. I have some minor issues, but we are in a pretty decent place.

Mr. SANFORD. So the National Science Foundation is government nirvana when it comes to waste, fraud, or abuse?

Ms. LERNER. I would not say that. But if you had asked me this question 2 years ago I would have had an entirely different answer for you.

Mr. SANFORD. Okay. Quick question. Given the charges of Russians, given Facebook, it just seems that the internet, social media and data, is in the news. In reading through some of your stuff there have been any number of different threats in terms of data. You look at some of the big breaches over the years.

Is there anything that jumps out at you from the standpoint of making the data systems that we have at the government level within your respective areas tighter and more secure?

Mr. FINE. Absolutely. We have issued reports on that. For example, in the NSA, which has had data breaches, particularly from insiders, that they do not have adequate controls on that in terms of the privileged users, in terms of enclaves, in terms of all sorts of things, that they need to tighten up their systems.

Mr. SANFORD. Do you think culture is right there? It's a systems question or a culture question?

Mr. FINE. I think it's both. I think it's a combination of both.

Mr. SANFORD. Okay. I have got one more question I just wanted to get to, which was I noticed deferred maintenance as showing up, something in a couple of different reports. You know, borrowing from Peter to pay for Paul seems to be the way of government. Is there something that you think systematically might address that, whether that is a capital account versus an operating account? Is there something that could be more concrete so that you don't see the level of deferred maintenance that you all's reports seem to suggest exist?

Mr. HOROWITZ. Let me say I think from our standpoint we have seen it in the prison system, aging prisons. And what happens is there's such a focus on finding either new bed space or other places and thinking new as opposed to fixing what's old.

I think it's a priority and a management issue at a certain level, a culture issue, that people aren't focused on maintaining what they have. They're getting funding and they're thinking about building new.

Mr. SANFORD. Mr. Chairman, I see I've burned through my time. Thank you, sir.

Chairman GOWDY. The gentleman from South Carolina yields back.

The chair will now recognize the gentlelady from New York.

Mrs. MALONEY. I thank Chairman Gowdy for yielding.

And it is such a great pleasure to see our ranking member strongly here fighting for the people. We welcome you back to your good post and office for the people.

And I want to really thank very much the IGs for the role that you are not only playing today, but that you play every day in trying to maintain the trust of the public and the integrity of our government.

And if our government doesn't have trust, and that's a big part of your job, then the people won't follow it. So I think your role is one of the most important in government and I want to thank you for it.

And I think working together, if we work together, we're going to be stronger in our oversight. And I welcome the opportunity when more comes out from your reports to try to implement them into positive action for change to make government work better for the taxpayers and for everybody.

I want to compliment the chairman for having a hearing on the Census. I believe it is May 6 coming up, right, May 6, and I'm looking forward to it.

But I would like to place in the record several letters that I've written to Secretary Ross requesting information about controversial items in it for which I have received no response. And I'm hoping that at the May 6 hearing—excuse me, May 8 hearing—that the information will be provided so we can discuss it.

At issue is something that is critical. The Census is the only document that is required of the executive branch in the Constitution. It is the largest peacetime undertaking that this country does, and it becomes the focus of all of the research for what we do as a country. It is critical.

The private sector cares just as much about it as the public sector for our planning, and it is the basis of the distribution of over 700 billion yearly in Federal funding for healthcare, transportation, everything else.

And also the basis of representation. Our representation numbers on the city, State, and Federal level are based on Census, and they ask for everyone to be counted.

And at issue is this question that they added at the last minute asking about citizenship when the studies of the Census had showed, and by outside groups, that it decreases participation, so therefore, it would lead to an inaccurate Census and possibly more moneys that have to be spent on it.

So I just wanted to ask if the questions could be answered for the hearing.

And also, along with the ranking member, I have put in a bill called the IDEA Act, that you wouldn't do last minute changes without studying what the impact would be on public policy.

So I just wanted to put that in as a request for the May 8 hearing coming up that our oversight will be stronger.

I am interested, a lot of you have talked about inefficiencies, and we need to get IT into all of our agencies, and we need to coordinate it, and we need to make it work, and it is not working. And if we can put a man on the moon, we can figure out how to get good IT into all of our agencies.

That's one of the areas that you called and talked about as being an important area we need to look at. And I think one of your reports said, and I quote, that our IT is outdated, obsolete. You're pretty damning about our IT.

In your testimony, Mr. Fine, you stated that DOD is, quote, operating with many decentralized and noncompliant information technology systems.

Why are we putting money into things that are decentralized? We should try to centralize for our procurement, for our sharing of information, and everything else. And yet, I read that we have a big budget for this. We have a bigger budget than most countries in the world.

So why can't we get there? Why can't we get our act together, basically? And what can we do to conduct more rigorous oversight, working together?

Congress would like to be a partner with you on seeing if we can get our IT systems working in a better way. I mean, I think we have an example of where technology has far outpaced our ability to keep up with it.

Mr. Fine.

Mr. FINE. Yes, that comment had to do with the multitude of financial feeder systems that feed into the main system, and many of them are obsolete, they are old. It is part of the problem, is each entity, each defense agency, each service wants its own system, wants to customize its system, is wedded to that system, and resists going to a centralized system.

The Department is moving towards that, to their credit. It's going to take a while. IT systems are very difficult, very challenging. You need adequate staff to do that. And even hiring and retaining and growing adequate IT staff within the agency, certainly in the Department of Defense and others, is a challenge, particularly given the salaries the government pays versus what they can get elsewhere.

So that is tremendous challenge. And if you're not moving forward every day you're going to move backward. You're going to be way behind. IT changes so quickly that this does have to be a focus. I know the Department of Defense is focused on that, but they need to move forward with it, and they are trying to do that.

Mrs. MALONEY. I wish you would—my time has expired—but if you can get to the chairman some ideas in writing of how we could maybe work.

It seems silly to build an IT system that's not centralized in payment and everything else and information sharing. You know, we have all these lists about bad contractors, don't hire this contractor, but how do people access them?

Any ideas that you have to make that system work better, I think that's something that we in a bipartisan way would welcome.

My time has expired, way, way over. Thank you.

Mr. CONNOLLY. Mr. Chairman, if I could just add one thing.

Chairman GOWDY. Sure.

Mr. CONNOLLY. I would say to my friend from New York, Mr. Fine's testimony notwithstanding, it is important to note this committee has the scorecard on FITARA and the Pentagon got an F.

So in terms of progress this committee has yet to see it as measured by metrics set by the GAO and this committee in terms of implementation of the information technology modernization.

Thank you.

Chairman GOWDY. The gentlelady yields back.

I prefer to go last. We have got a great issue today, which is we have had wonderful member participation on both sides. So I'm going get the gentleman from Alabama to close out the hearing, but I'm going ask my questions now, with apologies to my friend from Wisconsin and Iowa.

Mr. CONNOLLY. Mr. Chairman?

Chairman GOWDY. Yes?

Mr. CONNOLLY. I have not yet had a chance to ask questions.

Chairman GOWDY. I was not going to exclude you either. You'll go right in between the two R's.

Mr. CONNOLLY. I'll try to be brief. Thank you.

Chairman GOWDY. Inspector General Horowitz, the 2008 reform, why was it necessary? And what progress has been made as a result of the 2008 reforms?

Mr. HOROWITZ. Well, the importance of the 2008 reforms was creating the Council of the Inspectors General to bring together the 73 IGs, to look at issues that transcend the Federal Government, so that we're not just only running in our own lanes but we're thinking across IGs.

And it in the 10 years we have been in existence has helped, I think, immeasurably IGs think broader than just our own agencies and our own oversight, whether it is the cross-cutting reviews we have done about IT issues, we're working now on a Native American review, a lot of agencies touched that.

And we have put together oversight.gov to put in one place all the reports so that the public, Members of Congress, the executive branch can see our work across the 73 IGs.

Chairman GOWDY. I want to ask you a two-part question. Assuming no additional funding, what reform could be implemented with respect to your jurisdiction that would show progress?

So I'm not going to give you any money, but I'm going to give you free rein to make any reform that you want with respect to your oversight of the Department.

Mr. HOROWITZ. Well, I think the biggest ask we have had for several years now during the IG Empowerment Act was the ability to issue testimonial subpoenas, which obviously is a no-cost issue, an important issue we have identified, we have worked with this committee on. You have reported out a bill. I would note that Mr. Fine and DOD IG has that authority, and that's what we're looking for.

Chairman GOWDY. All right. Now I'm going to give you whatever amount of money you want. What reform would you implement that would help you provide oversight if costs were not a consideration?

Mr. HOROWITZ. I think there are a couple of things we have looked for on the IT side. We have looked to modernize our own systems and create more systems that will demonstrate transparency and give us and the public and the Congress greater oversight on disaster assistance. Multibillion dollars being sent out.

We want to build a web page that shows the oversight work we have done, as we have talked about today in this hearing. Putting forward our findings, particularly where there are failures, is much more likely to trigger reform than just keeping them in-house and the public not seeing them.

So what we would like to do is improve, build upon oversight.gov, and build a platform that would show open recommendations and allow those kind of issues to be seen more by the public and Congress.

Chairman GOWDY. From time to time I'm a slow learner, and I know you have explained this to me before, but I want to give you a chance to do it again: The interplay between your agency and the Office of Professional Responsibility within the Department of Justice.

Mr. HOROWITZ. So we are the only IG office of the 73 Federal inspectors general that does not have the authority to investigate misconduct by all employees in our agency. The exclusion that Congress put in place in the IG Act is for misconduct by lawyers in the Department, including prosecutors when they engage in misconduct, ethical violations in the courtroom.

We have asked for that authority for the 30 years since we were created in 1988. Mr. Fine, when he was IG, spent 11 years arguing for that authority. His predecessors did, as well.

We think independent oversight matters, having a statutorily independent IG do that rather than having an organization that's overseen by the Department's leadership. It's long overdue. It's something that should be done.

Chairman GOWDY. Well, in my remaining time I am just going to make an observation.

It seems like a tough political environment we find ourselves in. It has, frankly, been that way the whole time I have been in Congress. So increasingly folks are looking to you as kind of that neutral, detached arbiter to kind of separate out what facts are relevant, what's not, and what conclusions we should draw from those facts.

But you're only as good as your access to information and witnesses. Your experience with the Department the whole time, crossing three AGs and two administrations.

Are you getting access to the physical evidence, the documents, and the witnesses that you think you need to be able to do your job in a way that is confidence inspiring for the public?

Mr. HOROWITZ. Thanks to the help of the committee in passing the IG Empowerment Act and all the hearings you held we are getting access to records, the records that we need, the documents we need, and we have the ability to subpoena third parties if we need records.

On testimony, if an employee is in the Department of Justice, we have the ability to compel their testimony under the IG Act. That's fine.

The issue remains third parties. And we often get voluntary cooperation with us. But if individuals don't speak to us voluntarily, if there isn't the ability to work with a prosecutor to issue a grand jury subpoena, we have no ability to reach those individuals, even if they have highly relevant evidence. In a whistleblower case, they

might have retired, in other misconduct cases, we can't get that evidence.

Chairman GOWDY. Well, I appreciate the work of all three of you and all the inspectors general. I think the public really does view you all as the neutral, detached umpires that you would want doing this work.

With that, the gentleman from Virginia is recognized.

Mr. CONNOLLY. I thank the chair.

And building a little bit on what the chair was just asking, Mr. Horowitz, you know, you want transparency, you want cooperation. Surely that would also apply to the IGs themselves, would it not?

Mr. HOROWITZ. Yes.

Mr. CONNOLLY. Because in order to have faith in your work, and this committee certainly puts great faith in your work collectively, you have to be unassailable, you collectively.

Mr. HOROWITZ. Correct.

Mr. CONNOLLY. If there's a taint or a tarnish or questions of ethics or methodology, that could damage the entire credibility of a report or an investigation undertaken by any and all IGs. Is that a fair statement?

Mr. HOROWITZ. It is.

Mr. CONNOLLY. So what is the process for looking at yourselves to make sure that those standards are adhered to and complaints are judiciously and transparently adjudicated?

Mr. HOROWITZ. So one of the reforms that occurred in 2008 with the amendment to the IG Act was the creating of an Integrity Committee. That was at the time chaired by the FBI. That had seven members at the time, four of whom were IGs appointed by the chair of CIGIE and the FBI appointee chairing it, a representative from the Office of Government Ethics and the Office of Special Counsel, the special counsel.

That process was changed with the IG Empowerment Act a year and a half ago because of concerns over how it was being run and operated and handled. And so Congress changed the process, so now there is an IG chair of the committee.

Mr. CONNOLLY. Instead of the FBI?

Mr. HOROWITZ. Instead of the FBI. The FBI is still a member, but it is now a six-member committee. The special counsel is no longer a member of the committee because of potential conflicts that arose when there were whistleblower issues that were within the special counsel's jurisdiction. They wanted to make sure that that didn't occur.

And over the last year we have been transitioning control over records from the FBI to the Council of IGs, the challenge being because CIGIE has no appropriation and had no systems or systems of records in place to control, collect those records. We had to go forward and follow for public comments, regulations, we have to create a data system.

So we have been doing that over the last year. It has taken us some time. But, frankly, we have asked for funding to help do that. We still don't have funding, so we're doing it through the volunteer contributions of the membership.

Mr. CONNOLLY. Something Congress obviously has to look at.

Ms. Lerner, you have the title of vice chair of CIGIE. Is that correct?

Ms. LERNER. Yes, sir.

Mr. CONNOLLY. And let me see, in fiscal year 2017 your committee, the Integrity Committee, received 59 allegations of IG misconduct. Is that correct? Take it on faith.

Ms. LERNER. If you have read that from reporting from CIGIE, I'm assuming that's correct.

Mr. CONNOLLY. All right. Of those 59, 50 closed with no referral for investigation. Sound familiar?

Ms. LERNER. It does.

Mr. CONNOLLY. Six were referred to another agency. And 2, only 2, were referred to the Integrity Committee for further investigation, 2 out of 59.

Now, without knowing the particulars, and maybe some of them are frivolous and maybe some of them are just, you know, payback, anyone can file a complaint, but just the raw numbers and my own experience, frankly, with CIGIE would suggest that the robustness of the willingness to investigate one's own is lacking.

Ms. LERNER. I'm sorry that it appears that way. I can say as someone who served on the Integrity Committee that we looked at the allegations that came in really seriously. I was on it several years ago. But we took our responsibilities very seriously.

Mr. CONNOLLY. Well, Ms. Lerner, I happen to be somebody who filed a complaint along with a colleague on this committee. Two of us from this committee filed a complaint against a specific IG.

And I can tell you the process was most unsatisfying. It wasn't rigorous. There wasn't accountability. There was no explanation for the decision taken. There was no point-by-point response to a fairly carefully worded complaint that was rather lengthy. That's a pretty unsatisfying process for somebody concerned about integrity.

Ms. LERNER. And I believe that that's one of the reasons that we have seen some of the changes that we are seeing now, that the frustrations that you felt and that some of us as members on the committee felt at that time led to the shift from the committee from the FBI's responsibility to CIGIE.

And I know that there are other changes that have been made to try to respond to the type of frustration that you felt and that some of us that served on the committee felt to make it better.

Mr. CONNOLLY. Well, I invite you and your colleagues, and Mr. Horowitz and I have talked about this, but I am determined that we're going to codify the process.

This committee on a bipartisan basis has to be assured as to the integrity of IGs as they do their work. They can't be compromised on partisan politics, they can't be compromised on any grounds. Because we want you to work. We want you to be successful. We want people automatically to assume that what you are saying is a truthful rendition, unbiased, of where the truth took you.

So look for legislation, and we could do it cooperatively or not. But we are not satisfied with the process based on our own experience. And I believe we are going to have to engage in some codification.

I know my time is up, Mr. Chairman, but if you would allow Mr. Horowitz to comment, he seems eager to comment on this matter, and I will then yield back. I thank the chair.

Mr. HOROWITZ. Can I just briefly?

I certainly appreciate your concerns. We met shortly after you became chair in 2015. And I think we have seen—we worked with Congress on reforms that were needed and put in place in the IG Empowerment Act.

I'm certainly happy to work with you and other members of this committee on further reforms because we agree completely that you, the public, in particular, at large needs to understand, and people in our own agencies, that we're being watched as well if there's something we did that was improper or incorrect.

And, in fact, one of the things we did, and the report is up here with the Congress as required by statute, we have put in place twice revisions to the procedures and policies of the Integrity Committee to address some of the concerns that we spoke about.

And so I certainly take them seriously. I know IG Lerner takes them seriously from her service on the committee. I have never been on the committee. And I think it is very important that we do the right thing by that and look forward to working with you on it.

Mr. PALMER. [Presiding.] The gentleman yields back.

The chair recognizes the gentleman from Wisconsin, Mr. Grothman, for 5 minutes.

Mr. GROTHMAN. Sure, I have a couple of questions.

First of all, the report in general identifies procurement planning as a challenge. Give us an example about how the lack of enterprise-level procurement planning has impacted your agencies.

Mr. FINE. I think, for example, in the Department of Defense there are many issues with procurement, including moving forward without having a requirement set. Often we have requirements from different parts of the Department of Defense, and it is hard to adjustment to them.

The F–35 fighters are, for example, a big one, and that has created challenges and cost overruns because of the differing requirements. So there's a massive amount of money in it, and we need to make sure it's effectively moved forward.

Mr. GROTHMAN. Okay.

General QUESTION. We talked before about waste, fraud, and abuse. You know, that's a famous saying that's been around here probably when I was a child. I guess I'll deal with each one separately.

With regard to fraud, if there is genuine fraud, do you see a follow-up or consequences for the employees involved in that fraud?

Mr. HOROWITZ. I would say it depends, frankly. It varies among the components in the Department. And one of the things we have worked hard to do in our OIG is not only alert management of the components, law enforcement going into other components when we have had other concerns, but, frankly, report to the Deputy Attorney General and the Attorney General so that action is taken to reform the process.

Mr. GROTHMAN. Now, I'm just going to say reform the process. Fraud means criminal, right?

Mr. HOROWITZ. Oh, I'm sorry. I thought you were talking about the misconduct side of it.

I agree. We bring it to prosecutors because we don't have the authority to prosecute. And I will say from my standpoint one of our frustrations has been some of what I'll call the smaller dollar frauds that may not meet threshold levels in U.S. Attorney's Offices because they're busy with so many other matters, making sure those get attention.

That can be a challenge because I don't have, frankly, like at DOD perhaps, frauds that involve tens of millions of dollars. Nevertheless these are government officials engaging in wrongdoing, theft, fraud. Those people need to be held accountable criminally if they have engaged in a crime.

Mr. GROTHMAN. Okay. And kind of a follow-up. Accountable could be two things. Accountable could be at a minimum fired and then appropriately criminal. What do you think usually happens, criminally, fired, or nothing at all?

Mr. HOROWITZ. Again, I would say it depends. It is a challenge for us to get the kind of cases we want taken criminally at times.

If there's outright fraud and criminal conduct we do see the agencies taking action ultimately. Our concern is timeliness, particularly for someone who is engaged in criminal activity, we think.

Mr. GROTHMAN. Okay. Oh, I'm sorry, Ms. Lerner. You were going to say something.

Ms. LERNER. If I might add on that point, we've had some success. We have some of the same situations that Mr. Horowitz does with some of our cases being—the dollar amounts being not sufficient to interest Federal prosecutors, but we've had great luck with some State and local prosecutions. And the agency, you know, has usually removed the person, you know, even before those move forward.

But we try, if we can't get it at the State—you know, we'll talk to any prosecutor that has an appropriate violation that can work with us.

Mr. GROTHMAN. And, Mr. Fine, obviously, we have—I mean, we are again and again told we have to spend more money on defense. And this budget, I think, contains a 10.5 percent spending increase. Maybe a little more than I would have preferred. But you read about stories about waste in the Department of Defense, and some of that's not criminal, but some is just amazing.

Are there any consequences for people who come up with these amazing stories you talk about in the Department of Defense, or do they just keep on with their same position or rank or whatever?

Mr. FINE. It depends. It varies. Sometimes there are consequences both in terms of not getting promoted, moved out, not being viewed as effective. Sometimes there are not consequences and people continue on. It really does depend on the circumstances and often depends on the leader.

Any time there is that amount of money, there is going to be inefficiencies, waste and fraud, and it varies across the board. And there ought to be consequences for that.

Mr. GROTHMAN. Right. I guess the question is, you know, when you hear about massive cost overruns or things that shouldn't hap-

pen, does anybody pay a price for that or they just hang around with, perhaps, the ability to do it again and again?

Mr. FINE. Like I say, it depends on the circumstances. It depends at what level it is. It depends who was responsible for it and why it happened. And sometimes it's judgments, you know, where mistakes were made, but sometimes things that are avoidable.

And so I can't say there are never any consequences. But are there always consequences? No.

Mr. GROTHMAN. Okay. Well, I'd like to thank you all for being here today. It always makes a great day when I look at my committee schedule and I get to see the IGs here. So thanks.

Mr. PALMER. The gentleman yields.

The chair now recognizes the gentleman from Iowa, Mr. Blum, for 5 minutes.

Mr. BLUM. Thank you, Chairman Palmer.

And thank you to the panelists for being here today. And thank for what you do in the IG community. It's very much appreciated.

I think I'm the last questioner, so that's good news.

I'm from the private sector, and seldom does a day go by in the Federal Government that I don't shake my head. I view Congress as the board of directors of a very large enterprise doing trillions of dollars of business, and I see the IG community as our auditors.

So I want your opinions on some of these questions. I want to go to the 60,000-foot level, if we could.

First of all, is there accountability, in your opinion, in our agencies in the Federal Government?

Mr. HOROWITZ. From my perspective, in our agency, sometimes. It varies.

Mr. BLUM. Thank you for your honesty.

Is there accountability?

Ms. LERNER. I think I would have to agree with my colleague, Mr. Horowitz. Sometimes.

Mr. BLUM. Department of Defense, accountability?

Mr. FINE. That's the exact words I wrote down here. It varies. Sometimes there is and sometimes there's not.

Mr. BLUM. And the second part, coming from the private sector, of that question, I always would say, in my companies, as evidenced by what? So if there is accountability, as evidenced by what?

Where I'm heading here is what percentage of Federal employees are terminated every year? What percentage of management is terminated every year?

Because I have sat here and asked witnesses about $370 million of an IT project that was scrapped after 4 years, $370 million of taxpayers' money. And I asked, did anyone lose their job? And the answer was no.

You got to be kidding me.

So, I mean, what percent of our workforce in the Federal Government is terminated?

Mr. HOROWITZ. I wouldn't know what percent of the Federal workforce. Again, we could speak anecdotally to what we've seen as IGs in our own agencies.

Mr. BLUM. Okay, give me that answer. Is it enough?

Mr. HOROWITZ. People are not held accountable in a timely fashion sufficiently, from my standpoint. And, again, it varies. I've been here a few times for hearings about some of the issues with DEA, other parts of the Department, giving bonuses to people who engaged in wrongdoing. As you recall, a couple of years ago——

Mr. BLUM. Or the IRS rehiring people that on their job thing says, "Do not rehire."

Mr. HOROWITZ. What message does that send, where you not only not take action against people, but you give them a reward, a bonus, an acknowledgment for the work they've done?

Mr. BLUM. Only here. Only here in the Federal Government.

Ms. Lerner, Mr. Fine, anything as far as termination percentages? If you don't know the exact number, I mean, should it be more? How do you hold people accountable?

Mr. FINE. I don't know the exact number.

In the Department of Defense what often happens, though, is if you're not promoted, you're out. And so sometimes this does have consequences, bad evaluation reports, and they do have to leave.

But it does vary. It depends on the circumstances. So I think you can't just have one general comment about that.

Mr. BLUM. Because I only have 2 minutes left, let's look at the positive side of this. And I often talk about incentives. And there's incentives in the private sector to save money, for example, in a corporation.

Are there incentives in the Federal Government to save taxpayer money? Are there incentives to report—what's the incentive to report fraud? What's the incentive to report abuse, waste, fraud, and abuse? What are the incentives, though?

I think they're upside down in the Federal Government compared to the private sector. Maybe we need more incentives. Maybe there need to be monetary incentives for people to save the taxpayers' money. I'd like to have your thoughts on that.

Mr. FINE. Here's one incentive that is different in the Federal Government that I'd ask you to consider. If an agency does its work and doesn't spend all its money, then the next year the money gets taken away and their budget is cut and they're not praised for performing their mission effectively with a lower budget. It is, oh, you really didn't need the money.

And so there's an incentive to spend it all at the end of the year. That's a disincentive. That's a perverse incentive, in my view.

And that's an issue I think is important, that does differ a little bit from the private sector where, if you do the job without spending all the money, there's more praise than in the Federal Government.

Mr. BLUM. Can you imagine if our Federal employees got a small percentage as a bonus of the money they saved the American taxpayer? Can you imagine unleashing that across our Federal agencies, how much waste we could reduce? Does that have merit? Does that idea have merit in the Federal Government, in your opinion? Anyone.

Mr. HOROWITZ. Look, I think one of the challenges we face is an inability to reward our strongest performers, other than we, obviously, have honor awards. We give other recognition out. We are able to give some recognition each year in terms of bonuses.

But our bonus pools, just as an example, are about 1.5 percent or less of salaries, and compared to from my time in the law firm world, that's a pretty small comparable number in terms of bonus.

Mr. BLUM. My time is up. But I think we need to do a better job of holding people accountable and/or terminating them. And we also need to do a better job of rewarding performers with incentives.

My time is up. But thank you so much for what the IG community does.

I yield back.

Mr. PALMER. I thank the gentleman for that excellent line of questions.

I thank the witnesses for appearing before us today. I think this has been a constructive hearing. I think I can speak for my colleagues that this is an area and these are issues that you will have bipartisan support in trying to address. It's a very important effort that needs to be undertaken.

The hearing record will remain open for 2 weeks for any member to submit an opening statement or for questions for the record.

If there's no further business, without objection, the committee stands adjourned.

[Whereupon, at 12:09 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

The DoD IG report titled, "The DoD Did Not Comply With the Improper Payment Elimination and Recovery Act in FY 2016" can be found at: https://media.defense.gov/2017/Jun/06/2001757913/-1/-1/1/DODIG-2017-078.PDF.

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