

RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

STATEMENT OF THE HONORABLE EARL E. DEVANEY

CHAIRMAN

Before the

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

UNITED STATES HOUSE OF REPRESENTATIVES

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Mr. Chairman and members of the Committee, I want to thank you for the opportunity to testify today. Although I have had the honor of testifying before this Committee in years past, I appear before you now in a new role on behalf of the Recovery Accountability and Transparency Board (the Board), which the President has asked me to chair. My testimony today will address the current status and mission of the Board and, following my prepared remarks, I will gladly answer any questions you may have.

The status of the Board is what you might expect just 30 days after the American Recovery and Reinvestment Act of 2009 (the Recovery Act) was signed into law. Specifically, the Board is in the process of acquiring staff, equipment, and office space, essentially trying to keep our heads above water and ensure that the Board fulfills all of its responsibilities under the Recovery Act. Our first Board meeting will be held next week.

Regarding the Board's purpose, I view the Board as having a dual mission. First, the Board is responsible for establishing and maintaining a website, the purpose of which is not only to foster historic levels of transparency of Recovery funds but also to do so in a user-friendly manner. Second, the Board will coordinate and conduct oversight of Recovery funds to prevent fraud, waste or abuse.

Regarding the website, I have some information to report. Even before the Recovery Act was signed into law by the President, the Office of Management and Budget (OMB) and the General Services Administration (GSA) had begun designing the architecture and

creating the implementation plan for the website. A great deal of credit must be extended to OMB and GSA for their efforts to launch this website. Because of their efforts, all Americans can visit the website today at Recovery.gov.

As you know, the Recovery Act vests the Board with the authority to maintain the website. Going forward, I am eager for the Board to transition into its control and administration over the website in order to fully maximize its use as a transparency and accountability tool. The transition of the website from OMB's management to the Board's control is expected to take between 30 to 45 days. Although the website is still in its early development and the Recovery funds have only just begun to flow, I truly believe we have the opportunity to achieve a remarkable level of transparency never before realized, coupled with unprecedented citizen participation.

Let me share with you a few of my thoughts about transparency and its paramount importance on the website. I believe James Madison was correct when he said, "A popular government without proper information, or the means of acquiring it, is but a prologue to a farce or a tragedy; or, perhaps, both." But perhaps Justice Brandeis actually stated it better when he said sunlight is the best disinfectant. The words of Madison and Justice Brandeis lead me to conclude the following:

- (1) The information on Recovery.gov must be easily retrievable and understood by taxpayers, lawmakers, and watchdog groups alike.
- (2) The public must be given the opportunity to provide feedback and be heard.

(3) Barring certain exceptions relating to national security or personal privacy concerns, all Inspector General (IG), Government Accountability Office (GAO), state and local government reports and reviews of Recovery funds should be posted and periodically updated on the website to help establish the level of transparency and accountability anticipated by the Recovery Act.

If these goals can be achieved, the website will be able to exhibit the utmost transparency envisioned by the Recovery Act.

Regarding the other half of the Board's dual mission – accountability – there is encouraging news. Even as the Recovery Act was making its way toward final passage, IGs across the federal government were meeting to develop strategies to prevent fraud, waste or abuse of these monies. The Committee may have noticed that I have been using the word “prevent” to describe the Board's mission of accountability. That is deliberate on my part.

Most IGs, including myself, generally spend considerable time detecting fraud or waste and then examining such fraudulent or wasteful activities through either a traditional audit or criminal investigation. It strikes me that, although those traditional tools will undoubtedly serve an essential purpose once Recovery funds have been awarded and as they are being spent, IGs may be better able to maximize their value to the accountability goal of the Recovery Act by concentrating their efforts on prevention. The language of the Recovery Act strongly suggests that IGs and other oversight entities are being asked

to minimize the risks inherent in distributing such an extraordinary amount of money and to maximize the opportunities to prevent waste or fraud in the first instance, before it happens.

Some of the strategies my fellow IGs have already been focusing on include:

- Evaluating as-yet-unimplemented IG or GAO recommendations;
- Evaluating their agency spending plans and performance measures;
- Conducting evaluations to ensure that proper controls are in place to receive and dispense these funds;
- Providing fraud awareness training to both grant administrators and grantees;
- Developing risk-based analysis tools as an essential part of their preventive work;
and
- Conducting outreach to the state and local audit communities to provide technical assistance, best practices, and training where needed.

I assure each of you that the Board will strive to be as helpful as possible to state and local governments. To that end, the Board's staff will include audit, investigative, procurement and intergovernmental professionals who, as a key part of their job descriptions, will be responsible for fostering a close working relationship with all levels of government.

I look forward to beginning the Board's mandated role of coordinating with all of the IGs, who will be more directly responsible for stimulus oversight. I foresee the Board

actively detecting fraud trends, identifying best practices for conducting reviews, and designing risk-based strategies to help focus our limited resources.

The IGs' well-regarded task force in response to Hurricane Katrina should serve as an excellent model for this new challenge. That effort, which is still ongoing, involved \$149 billion, engaged 22 separate IG Offices, and has produced a number of "lessons learned" that seem applicable to our current situation. One of those "lessons learned" was that there is a need to increase outreach, coordination and communication with the state and local audit community and to determine ways of improving data sharing.¹ Clearly, for the Board to accomplish its mission of accountability, we should likewise strive to ensure open communication and frequent interaction with state and local auditors, as well as the Government Accountability Office.

Finally, I would like to present some of the impending challenges that I see as having the most impact upon the Board and its missions of transparency and accountability. First and foremost is the matter of data quality. Simply stated, the federal government's systems have never been fully successful at producing timely and reliable data. Add to that problem the difficulty of transmitting and reporting data up through multiple layers of government, as this Act contemplates, and you begin to understand the basis for my concern.

¹ President's Council on Integrity and Efficiency & Executive Council on Integrity and Efficiency, "Oversight of Gulf Coast Hurricane Recovery: A Semiannual Report" 95 (April 1, 2006 – Sept. 30, 2006), available at <http://www.ignet.gov/pande/hsr/hksemit0906.pdf>.

Second to data quality is the lack of an adequate number of procurement professionals at all levels of government. Federal agencies, in particular, will have great difficulty attracting and hiring enough procurement professionals to minimize the risks associated with moving this amount of money quickly to accomplish the Recovery Act's goals.

Finally, I am concerned there may be a naïve impression that, given the amount of transparency and accountability called for by this Act, little to no fraud or waste will occur. I am afraid that my 38 years of federal enforcement experience informs me that some level of waste or fraud is, regrettably, inevitable. Obviously, the challenge for those of us charged with oversight will be to significantly minimize any such loss. My promise to this Committee today is that my staff, the members of the Board, and I will work tirelessly to reduce those losses to the lowest level possible.

Mr. Chairman and members of the Committee, that concludes my prepared testimony.

Thank you for this opportunity. I will be glad to answer any questions you might have.