

Testimony of Laura N. Chick, California Inspector General for ARRA Spending

Thank you Chairman Towns and Congressman Issa for holding this hearing in California

The Recovery Act is designed to create jobs and get our economy moving again, it must also be about us spending this better than ever before. We have an opportunity to show that transparency and accountability are not just buzzwords.

If we as government—federal, state and local levels—do this right we can go a long way in restoring the public's trust.

To that end when Governor Schwarzenegger appointed me in April as Inspector General to oversee the state's spending of Recovery Act funds the mission and vision was crystal clear. It was to deter, detect and disclose waste, fraud and what I term stupid spending.

The FBI has estimated that we can expect to lose 7-10% in the Recovery Act funds to fraud. In the aftermath of Hurricane Katrina was 17%.

That is an absolutely unacceptable figure and is why so much of my job is about preventing fraud on the front end. My office brought together the US Attorneys, Federal Inspectors General, FBI, and US DOJ to do comprehensive fraud awareness trainings around the state and in a live webinar for over 2,000 staff involved in handling Recovery Act dollars.

I have also issued an advisory, to all recipients of Recovery dollars, meant as a checklist of good practices to prevent fraud on the front end.

I'll give you a recent real life sad example that could have easily been prevented. The City of Sacramento hired a contractor for a construction project. Someone they had never used before.

His bond turned out to be forged, and he skipped town after being paid for a portion of the work. Unfortunately his workers were never paid.

A simple phone call from the City of Sacramento to the bond company would have prevented this from happening. It also turns out that the owner of the company has state tax liens, another red flag.

In January my Office finally received audit staff to be able to go into the detection and disclosure phases. My strike teams of auditors are going out in the field following the Recovery Act dollars out onto our streets and neighborhoods. These expedient and focused reviews are going to give us important snapshots into how the Recovery Dollars are actually being spent

On Tuesday I released my first report of the Workforce Investment Board of Tulare County. These boards are receiving significant Recovery dollars to help fund summer youth, dislocated and adult worker programs. What we found in Tulare were very sloppy business and accounting practices. In fact basic Accounting 101 wasn't even followed

The Workforce Board received over Three Million dollars for the summer youth program and allocated one million dollars of that to cover its overhead costs. The WIB has now agreed to charging \$60,000 to overhead, not one million, and will re-direct nearly one million into the summer youth program this year

That's what my Office is about real time results, not waiting for some review once the program is over to show the mistakes. I'm on a mission to catch the problems early, correct the problems quickly and see that the dollars are actually being spent to create jobs and rev the economy