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REDUCING WASTE AND MISMANAGEMENT: IMPLEMENTING AGENCY WATCHDOGS' RECOMMENDATIONS COULD SAVE TAXPAYERS BILLIONS

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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REDUCING WASTE AND MISMANAGEMENT: IMPLEMENTING AGENCY WATCHDOGS' RECOMMENDATIONS COULD SAVE TAXPAYERS BILLIONS

Tuesday, March 5, 2013,

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

The committee met, pursuant to call, at 10:06 a.m., in Room 2154, Rayburn House Office Building, Hon. Darrell E. Issa [chairman of the committee] presiding.

Present: Representatives Issa, Mica, Duncan, McHenry, Jordan, Chaffetz, Walberg, Lankford, DesJarlais, Farenthold, Lummis, Woodall, Massie, Collins, Meadows, Bentivolio, DeSantis, Cummings, Maloney, Tierney, Clay, Connolly, Speier, Cartwright, Pocan, Duckworth, Davis, and Horsford.

Staff Present: Ali Ahmad, Majority Communications Advisor; Kurt Bardella, Majority Senior Policy Advisor; Molly Boyl, Majority Parliamentarian; Lawrence J. Brady, Majority Staff Director; Sharon Casey, Majority Senior Assistant Clerk; Steve Castor, Majority Chief Counsel, Investigations; John Cuaderes, Majority Deputy Staff Director; Jessica L. Donlon, Majority Counsel; Kate Dunbar, Majority Legislative Assistant; Adam P. Fromm, Majority Director of Member Services and Committee Operations; Linda Good, Majority Chief Clerk; Frederick Hill, Majority Director of Communications and Senior Policy Advisor; Christopher Hixon, Majority Deputy Chief Counsel, Oversight; Jean Humbrecht, Majority Counsel; Mark D. Marin, Majority Director of Oversight; Kristin L. Nelson, Majority Counsel; Laura L. Rush, Majority Deputy Chief Clerk; Scott Schmidt, Majority Deputy Director of Digital Strategy; Jonathan J. Skladany, Majority Counsel; Peter Warren, Majority Legislative Policy Director; Rebecca Watkins, Majority Deputy Director of Communications; Claire Coleman, Minority Counsel; Jimmy Fremgen, Minority Legislative Assistant; Susanne Sachsman Grooms, Minority Chief Counsel; Jennifer Hoffman, Minority Press Secretary; Carla Hultberg, Minority Chief Clerk; Adam Koshkin, Minority Research Assistant; Elisa LaNier, Minority Deputy Clerk; Lucinda Lessley, Minority Policy Director; Dave Rapallo, Minority Staff Director; and Rory Sheehan, Minority New Media Press Secretary.

Chairman ISSA. The committee will come to order.

The Oversight Committee exists to secure two fundamental principles: first, Americans have a right to know that the money Wash-

ington takes from them is well spent and, second, Americans deserve an efficient, effective Government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights.

Our solemn responsibility is to hold Government accountable to taxpayers, because taxpayers have a right to know what they get from their Government, and we will work tirelessly in partnership with citizen watchdogs and our IGs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy.

Today, I first want to thank our ranking member, Mr. Cummings, for joining me in this hearing that will serve as a fact-based blueprint for a conversation unfolding about Government savings and Government spending. With attention to policymakers on how best to manage an $85 billion sequestration, this is the time to lead the discussion on finding and eliminating waste that is based in fact.

We have heard tales of massive teacher layoffs, pay cuts, Capitol janitors, security guards, and many other effects of sequestration. I am here to say some of them might be true. There will be, in fact, reductions in the size of the Federal workforce. There will be changes in contracts. But many of them can be avoided if we look for win-win savings.

One of our challenges is knowing, whether you are a Republican or a Democrat, whether you are in the House or the Senate, whether you are an IG or administering a part of Government, we all know that there are embedded wastes in Government. There are fiefdoms, if you will, that over the years, with their budget divisions, have built up inherent duplicative programs. We spent years examining them.

We are, today, meeting, among others, with two widely respected IGs who, among other things, by definition, will tell us it is frustrating to be an IG; you don't control your budget, you may not even control whether or not there is an IG in the post or, as often happens under both administrations that I have served under, you have acting positions.

There are widely different rules on what an IG can do but, most importantly, IGs, under the current law, have a number of limitations. If someone leaves the Federal workforce, they leave the ability of an IG to specifically demand their presence and hold them accountable. If someone is in another part of Government not covered by that particular IG, it is only on the request and granting by the other agency that investigation can cross the lines of jurisdiction.

It is inherently wrong. We form joint task forces. We spend each other's money. We work together. We are one Government and we need to have solutions that meet that one Government oversight.

More importantly, with sequestration, one thing we are considering here today is IGs are not immune from it. In any company I can imagine, in tough times, when you are making budget cuts and you are looking to find waste, you don't lay off the people who find the waste for you. You don't, in a fraud situation, get rid of your auditors. That is one of the challenges we will face, and as a committee and the primary committee of jurisdiction for all IGs,

one of our challenges is to empower a small $2 billion total Government budget and about 12,000 men and women that call themselves IGs to do more, not less.

We also, today, have entered for the record, and it is on our Web site, one of the continuing reports that began with several of my predecessors ago in which we looked at the potential savings. I want to make it clear the number in that figure continues to rise. It rises for two reasons: Government is getting bigger and the reporting we are getting is more detailed. And I want to thank all those who annually give us that information for scrubbing better and better. As far as I can tell, we have never had a year in which we got less; we always got more.

One of my predecessors, Mr. Henry Waxman, under the Bush administration, put out a number of $26 billion that could be saved if the Bush administration would act faster on these suggestions. At the time, I was probably what you would call an apologist. I was looking for how many of those were relatively recent; how many had been closed; how inherently fair or unfair Mr. Waxman's work was. When the burden changed from Mr. Waxman to myself, I began to realize that he had done the Bush administration a great favor. The numbers, in fact, were simply tabulations of what was reported. Some, in fact, could be explained. Many could be explained. Some would be dealt with in a short period of time, and many were.

But as we all know, Mr. Cummings, myself, and everyone on the dais, oversight is in fact about recognizing the potential for savings, recognizing and putting in front of the Administration, at a minimum, and the public, in some cases, what we can do, and then encouraging it to happen faster.

This committee has had some recent successes in finding specific areas of waste and overpayment, pushing the Government to act faster to save the taxpayers literally billions of dollars. It is the kind of thing we should do and we will do.

I am halfway through my chairmanship. Being halfway through a chairmanship tells you that when you look behind you, you ask have I done enough; and the answer is I haven't. Looking forward, I have little time to do more. So with my partners on both sides of the dais, today we are starting a much greater dialogue with our IGs, a much greater dialogue with the changes that need to be made if in fact Government outside of this body, in the executive branch, can do better, do quicker to save the taxpayers money.

With that, I would like to thank my partner, Mr. Cummings, for his help in preparation for this hearing, and I recognize the gentleman from Maryland.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. Chairman, first of all, I appreciate your statements and, as you were talking, I could not help but be reminded that in so many instances our IGs are our last line of defense. Last line of defense. IGs are critical to ensuring that our Government works effectively and efficiently on behalf of American taxpayers. They will be meeting a deadline on April 15th, that is, the taxpayers, and they want to know that their money is spent effectively and efficiently. And you are right, Mr. Chairman, we need to be acting with the urgency of now if we are going to make a difference.

Our committee in particular relies heavily on the IGs' detailed audits, inspections, and investigations to support our oversight efforts. We depend on IGs to cast a very critical eye over all aspects of agency operations, to question why things are done the way they are done and to affirmatively identify ways to improve program effectiveness. We are, indeed, partners with the IG because they, in so many instances, provide us with information that we are then able to look into and make changes.

In December, Chairman Issa and I sent joint letters to all 73 IGs, asking them to identify the most significant open recommendations for reducing waste and improving efficiency in their agencies. Today's hearing will be the first of a series of hearings to examine these recommendations.

Today I am happy to welcome the IGs from the Department of Education and Transportation, as well as the deputy secretaries from each Department. I would like to give special welcome to my friend, Deputy Secretary John Porcari. He served for many years as secretary of the Maryland Department of Transportation and I have had the opportunity to work closely with him on important transportation issues for my State. I have the deepest respect. I look forward to hearing from him and our other witnesses about how they are working to improve our Government.

In addition, I plan to ask all of our witnesses about the devastating effects of sequestration.

Mr. Chairman, just this weekend I was at an IHOP restaurant after church, and a lady walked in with her 11-year-old and she mentioned to me that she just got the sequester notice from the Department of Defense that she would be having to be furloughed for four days out of a month and it would cost her $800. She has two kids, one in college and one 11-year-old, who she had with her, and she literally broke out in tears.

The reason why I mention this is I want us to be reminded that sequestration does have an impact. But we can hopefully lessen that impact by making sure that we spend dollars effectively and efficiently in the long-run to make sure that those dollars are spent in a way where we can avoid those kinds of situations.

This is a huge issue and, frankly, we would be derelict in our duty if we did not examine how these arbitrary and massive cuts will impact core Government services that Americans across the Country rely on every single day. Like almost all Federal agencies, the two Departments testifying before us today will have to make deep cuts to key programs and services. For example, these drastic cuts will reduce our mobility in the skies. The vast majority of FAA's 47,000 employees are facing extensive furloughs, including air traffic controllers. This will result in delays and disruptions at our airports, cancelled flights, and impeded commerce. I know there many who are saying that sequestration will have little impact. They just need to come to my district.

Sequestration also will have a devastating impact on education programs across the Country, including on our most vulnerable folks, our children. Cuts in Title I grants to high poverty school districts could eliminate support to an estimated 2,700 schools and 1.2 million disadvantaged students. Sequestration also deeply impacts

children with disabilities, slashing funds from programs that provide special education teachers, staff, and other support.

The irony is that we are holding a hearing today on IG recommendations to make these two agencies more effective and efficient, but it will be more difficult for these agencies to implement these recommendations while their budgets are being cut and their employees are being furloughed.

You are absolutely right, Mr. Chairman. When we have a group of people who are basically saving the taxpayers money and making sure those monies are being spent effectively and efficiently, those are the last people we need to see being furloughed. Even IG offices themselves will feel the negative effects of sequestration, hindering their ability to conduct the very oversight work we are praising them for today.

So I want to thank our witnesses for being here today. And as to the report that the Chairman is submitting, I thank you for your courtesy in talking to me before the hearing and I thank you for making it clear that if there is any disagreement in the numbers, we can resolve them at a future date.

With that, I yield back.

Chairman ISSA. I thank the gentleman very much.

We now go to the gentleman from Ohio, Mr. Jordan.

Mr. JORDAN. Thank you, Mr. Chairman, for having this hearing today. I couldn't agree with you more. This hearing is about facts. This hearing is about credibility. And let's just cut to the chase. If Government agencies and the secretaries who head those agencies would spend more time implementing the IGs' recommendations and less time scaring the American people with all the political statements they have made regarding sequestration, the taxpayers would be a lot better off. I mean, it is just simple facts.

We had a hearing two weeks ago, no, excuse me, last week, where we had the special inspector general for TARP come in and talk about, repeatedly, three years now, she has made recommendations to the paymaster, the special master for executive compensation, and only one of the eight recommendations she has repeatedly made have been implemented. And the facts are this: in 2009, when that program was put in place, when the taxpayers bailed out seven different companies, only six executives were getting pay of over half a million dollars a year. Now, with only two companies still left in the program, 23 executives are getting pay of over half a million dollars a year because the paymaster won't follow the inspector general's recommendations. I mean, this is something that has to be done if we are going to save the taxpayers the kind of money they deserve to have saved.

And, of course, just this past week, Mr. Chairman, when President Obama said at his press conference that the janitors and security guards who work at the Capitol will face pay cuts, the superintendent of the Capitol had to send an email out to employees saying pay and benefits will not be impacted. Once again, the President was making statements that just weren't accurate.

Of course, the one that is most famous is the Secretary of Education, Mr. Duncan. And you don't have to take my word for it that he misled the American people; take The Washington Post, that conservative newspaper who always takes the conservative posi-

tion. Take their word for it. When Mr. Duncan said this: It means a lot more children will not get the kinds of services and opportunities they need, and as many as 40,000 teachers could lose their job. Here is what The Washington Post said. The Washington Post said, "Mr. Duncan made this claim not once, not twice, but three times. Let this be a teachable moment for him. Next time, before going on television, check your facts." And then the last line in the article says, "Four Pinocchios. That is the most you can get." That means he totally misled the American people on this.

We need more time spent on implementing what the inspectors general tell our agencies to do; less time spent on this political game of scaring the American people about 2.4 percent cut to the overall Federal budget.

So I appreciate the chairman having this hearing, having the witnesses today, and I look forward to a good hearing for all members, and would yield to the gentleman from North Carolina.

Mr. MCHENRY. And I thank my colleague for yielding.

Chairman ISSA. For two minutes and 16 seconds.

Mr. MCHENRY. Yes. I will keep it brief.

Chairman ISSA. The gentleman is only yielding his time.

Mr. MCHENRY. Thanks. Well, actually, you can just give me 2.4 percent less, in light of the sequester.

So, with that, I just wanted to say that this Congress has acted to give the executive branch dramatic flexibility for implementing the sequester. Dramatic flexibility. Presidents, for my full lifetime, have asked for this level of budget flexibility. This President has said he does not want it. So the implementation of the sequester has been limited in terms of how agencies can fulfill those cuts, but the executive branch does have flexibility in implementing this to make sure that that person that the ranking member met on Sunday after church doesn't have to be in tears and does not have to be furloughed. There are many choices the executive branch could make, beginning with the recommendations from the IGs.

So I thank my colleague for yielding and would yield back the balance.

Mr. JORDAN. I thank the gentleman.

Yield back my time.

Chairman ISSA. I thank both the gentlemen.

We now recognize the gentleman from Pennsylvania, Mr. Cartwright, for the opening statement.

Mr. CARTWRIGHT. Thank you, Chairman Issa and Ranking Member Cummings.

The implementation of recommendations from our inspectors general can serve to decrease waste and ensure that the Federal Government is spending the taxpayers' money as efficiently as possible.

I want to welcome our witnesses here today and tell you I look forward to hearing about the work of the IGs today and working with my colleagues to maximize the efficiency of Government, an endeavor which is increasingly important during these difficult economic times.

For example, bridge safety is particularly important in my district. I represent the 17th Congressional District of Pennsylvania, including Lackawanna County, Pennsylvania. In Lackawanna

County, Pennsylvania alone we have 66 bridges that have been graded as structurally deficient or have deterioration to one or more of their major components, and another four bridges that are closed entirely. That is more than 10 percent of the total bridge closures in the State of Pennsylvania. It represents more than an inconvenience; it is a danger and a looming expense that will be difficult to pay. It is the type of issue we need to head off before it gets to this point, and I believe the recommendations of the IG can help.

Unfortunately, implementation of these recommendations is going to be all the more difficult because the testimony from the Inspectors General Tighe and Scovel come in the midst of yet another manufactured fiscal crisis. Republican leadership's refusal to negotiate in good faith with President Obama has forced our Nation into this sequestration, costing vital programs the money needed to operate. The cuts to the Department of Education and Transportation each measure about $2 billion. The Department of Education will see devastating decreases in areas including special education programs, disability services, and higher education. Transportation cuts will slash the budget of the key safety agency such as the Federal Aviation Administration.

Moreover, the CR put forth by the Republican leadership this week would further slash funding to areas such as highway safety to below the levels agreed upon just last in MAP–21, the comprehensive service transportation bill. The CR also fails to account for the new structures put in place by MAP–21, thus allocating money to accounts that no longer exist in law, while not funding new vital programs. These are real problems with relatively simple fixes that Congress should be solving, instead of creating new issues for these departments.

Additionally, the very IG offices that make these recommendations will be cut by the sequester. Inspector General Tighe's office will be reduced by $3 million and Inspector General Scovel's office will lose $4 million. If we are to emphasize the role played by these offices, it makes no sense to allow this sequester to cut back on their future work.

The negative impacts of sequester cuts are simply more proof that blindly hacking at the budget is not an effective path towards fiscal responsibility. If we are to make progress in reducing waste and maximizing services, we can't allow the sequester to continue. We can begin by following a common sense approach, like the ones proposed by Representative Chris Van Hollen and House Democrats or the White House, which replaces the sequester by closing loopholes for oil and gas companies, ensuring the wealthy don't use tax breaks to pay less than their fair share, and things like refocusing our farm subsidies.

We cannot do this alone. I urge Republican leadership to come to the table in order to seriously and responsibly seek a balanced approach that will put our Nation on a path towards fiscal responsibility without jeopardizing our services or our national economic recovery.

With that, I yield back. Thank you.

Chairman ISSA. The gentleman yields back.

We would now like to welcome our witnesses today. The Honorable Anthony W. Miller is Deputy Secretary of the U.S. Department of Education and is Education Department's Chief Operating Officer; the Honorable Kathleen Tighe is Inspector General of the United States Department of Education. Welcome. And the Honorable John Porcari is Deputy Secretary at the U.S. Department of Transportation and is DOT's Chief Operating Officer; and the Honorable Calvin L. Scovel III is the Inspector General of the Department of Transportation.

And as many of you have seen on C–SPAN, pursuant to our rules, would you please rise to take the oath? And raise your right hands.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witnesses respond in the affirmative.]

Chairman ISSA. Let the record reflect all witnesses answered in the affirmative.

This panel is extremely important to us. Your opening statements are all in the record in their entirety, so, to the greatest extent possible, if you could limit yourself to the five minutes, summarize where approach, we would appreciate it. And that will leave more time for the Q&A that I know you are all looking forward to.

With that, Mr. Miller, if you would lead off.

WITNESS STATEMENTS

STATEMENT OF THE HONORABLE ANTHONY W. MILLER

Mr. MILLER. Thank you, Mr. Chairman, Ranking Member Cummings, and committee members for the opportunity to testify before you on the Department's efforts to improve efficiency, reduce fraud, and reduce waste. My testimony today will be organized around four key components. First, I would like to start with our overarching philosophy.

Since the start of our administration in 2009, Secretary Duncan and our team have been committed to enhancing how the Department conducts its operations. When the Secretary asked me to join his team, it was an explicit intend to leverage my extensive private sector experience to enhance the Department's operational and performance management capabilities.

The Department of Education is committed to a philosophy of continuous improvement as we manage a broad array of programs and activities as cost-effectively as possible that will help ensure our Nation's students have the opportunity to obtain a world-class education. And I can tell you with confidence that, while we remain focused on ways to continuously improve our performance, the Department of Education has long been engaged in making dramatic gains in our programmatic and operational efficiency.

Let me start with what we have done to streamline our grant and Federal aid programs. Recognizing that 99 percent of the Federal funds for the Department are invested in programs, we know that programmatic change will have the highest impact. We looked at programs across the Department with an eye toward increasing

efficiency, maximizing impact, and ensuring the sustainability of improvements.

We proposed, and Congress enacted, reforms to the student loan programs in 2010, which saved taxpayers $68 billion by boosting our share of Federal student loan volume from around 20 percent to 100 percent. We also proposed cost-cutting efforts to further save billions of dollars by eliminating and consolidating some Department programs and reforming other programs. From 2010 to 2012, Congress acted on many of these recommendations by eliminating 49 programs, which resulted in savings of taxpayers of $1.2 billion a year.

Next I want to talk about how we have adopted a risk management approach. Overall, the Department has been historically been very efficient in administering its grants and loans programs, but we wanted to evaluate areas for further improvement. In particular, we worked aggressively to improve how we support and provide oversight of grantees and student aid recipients to mitigate the risk of waste, fraud, and abuse before it happens.

We have added steps to pre-screen all grantee slates, for example, recognizing that the more we can do early in the process reduces the potential risks later in the process. We have also taken steps post-award to mitigate the risk. We focus on working closely with our inspector general and GAO in this effort, and in our first year Secretary Duncan met with GAO's comptroller general to ensure a collaborative working relationship and, likewise, the Secretary and I work very cooperatively with Inspector General Tighe and we have put in place formal processes to ensure both GAO and IG have access to the Department staff and have access to the resources to stay apprised of key issues. In the last 12 months, we have dramatically improved our ability to identify and resolve high-priority audits in a timely manner, and we are finding new ways to leverage audits to make targeted improvements in other critical areas.

For the remaining one percent of the Department's funds, which are reflected in our administrative spending, we have taken a multi-pronged approach to improve our efforts. From an internal management perspective, we have tried to control personnel levels, which represents one-third of the administrative cost, as well as taking on 60 percent of the Department's administration cost in the area of contracts. We have reduced rented office space; we have taken advantage of emerging technologies such as cloud computing; and specifically we have held and/or reduced staffing levels. For example, since 2010 we have gone from more than 4400 full-time equivalents to approximately 4,250 FTEs, resulting in approximately $18 million in annual cost savings.

Lastly, let me turn our attention to Executive Order 13589, promoting efficient spending. In response to the President's Executive order, we took a holistic approach at spending and aggressively cut travel, printing, and supply costs. We were able to exceed this target in fiscal year 2012, reducing spending on these activities by more than 20 percent. Key steps we took included, wherever possible, using video conferencing and conference calls to reduce travel; publishing online instead of hard copy, when we could; and getting smarter in our acquisition of supplies. These strategies have

enabled us to cut spending on travel by 20 percent, reduce spending on printing and supplies by 30 percent and 29 percent, respectively; and we are on pace to meet the 30 percent reduction requirement in OMB's Memorandum 1212.

In conclusion, I would like to say while we are focused on the topic of efficiency, as has already been highlighted, I would be remiss if I did not address the issue of the sequester. Even as you asked us to take thoughtful, surgical steps to save money, which is smart government, the sequester requires us to cut by hatchet in a way that is not good for Government. At a time when we should be investing in education to ensure our Nation's youth will be prepared for the increasingly globally competitive world, the steps sequestration forces us to take are counterproductive, to use a gentle word.

The Department remains committed to ensuring that taxpayer dollars are spent wisely and that recipients of taxpayer funds are used as intended. We are proud of the work we have accomplished thus far and look forward to continuing to improve on both our process and our outcomes.

Thank you, Chairman Issa, Ranking Member Cummings, and members of the committee for the opportunity to testify today about the efforts we are undertaking to improve and promote efficiency and reduce costs. I would be glad to answer any questions.

[Prepared statement of Mr. Miller follows:]

Testimony of

Anthony Miller
Deputy Secretary
U.S. Department of Education

Before the Committee on Oversight and Government Reform

March 5, 2013

Thank you, Mr. Chairman, Ranking Member Cummings and Members of the Committee for inviting me to testify before the Committee as you examine opportunities to reduce waste and improve efficiency within the federal government. During these challenging fiscal times, the Department of Education is doing its part to identify areas where we can reduce spending, while preserving our ability to manage a broad array of programs and activities as effectively as possible to ensure our nation's students have the opportunity to obtain a world-class education.

Executive Order 13589, "Promoting Efficient Spending"

On November 9, 2011, the President signed Executive Order 13589, "Promoting Efficient Spending," which directed all federal agencies to identify cost-cutting opportunities in a variety of administrative categories, including travel, printing, and supplies. Overall, administrative spending represents less than 1 percent of the over $200 billion in total annual program appropriations and new loan volume administered by the Department. The Department has historically been very efficient in administering its grant and loan programs.

The Department has placed great focus on complying with Executive Order 13589. We formed a working group with members from across the Department with a goal to reduce spending in the areas of travel, printing, and supplies by at least 20 percent below FY 2010 levels by FY 2013. We were able to exceed this target in FY 2012, reducing spending on these activities by over 20 percent. The working group took a holistic look at the various activities cited in the Executive Order and developed multiple strategies for obtaining savings in travel, printing, and supply costs.

Among other things, we:

- Increased the use of video-teleconferencing, conference calls, and other electronic meeting technologies to reduce staff travel expenses such as airfare, hotel, transportation, and per diem costs.
- Successfully incorporated electronic alternatives to printing, such as electronic grant award notifications and posting and accessing documents online. We streamlined work areas to reduce the number of printers and created shared environments to reduce hardware costs.
- Developed strategic sourcing protocols to enable the Department to implement acquisition strategies to reduce contract costs, particularly with regard to office supplies.

These strategies have allowed us to significantly reduce costs for travel, printing and supplies. Specifically, since 2010, the travel budget has been reduced by 20 percent, printing costs have decreased by 30 percent, and the Department cut supplies by 29 percent.

Reducing Personnel and Contract Costs

In addition to carrying out Executive Order 13589, the Department has taken extra steps to control personnel levels and adjust or cut contract costs during the last 18 months. We have also looked for ways to increase efficiency, from reducing our rented office space to taking advantage of emerging technologies such as cloud computing. Moreover, as we continue to become more efficient, we have been able to reduce staffing levels. Some examples of how we have reduced costs in these areas include:

- Nearly a year after implementing the 100 percent Direct Loans program, the Department had more than 4,400 on-board full-time-equivalents (FTE). Today, with a similar if not heavier workload, we have approximately 4,250 FTE.
- Revamped our contract negotiation practices and the use of fixed-priced contracts to reduce contract costs and obtain the best value, while maintaining quality of service.
- The Department undertook an initiative to significantly improve its existing IT Infrastructure contract called EDUCATE. In doing so, the Department will save $550,000 in FY 2013 and approximately $16 million over the life of the contract. All services under the contract will take advantage of the latest technologies and services to internal and external customers will be improved.
- The number of entrances to Department buildings during non-peak hours has been reduced and evening and weekend hours when the Department buildings are open and fully staffed have been limited, thereby enabling us to realize a decrease in guard service costs.
- We have realized cost efficiencies by cutting back on heating and cooling costs during non-peak hours and cycling usage during peak hours.

Streamlining Grant and Federal Student Aid Programs

In recent years, the Department has worked aggressively to enhance efficiency and reduce waste in a number of critical areas related to our core work of supporting and providing oversight of grantees and aid recipients. For example:

- Since 2009, we have proposed cost-cutting efforts to save billions of dollars by eliminating and consolidating some Department programs and reforming other programs. From 2010-2012, Congress acted on many of these recommendations by eliminating 49 programs, representing a savings to taxpayers of $1.2 billion annually.
- We also proposed, and Congress enacted, reforms to the student loan programs in 2010, which further saved taxpayers $68 billion (some of which we invested in the Pell Grant program) by boosting our share of federal student loan volume from around 20 percent of

total volume to 100 percent. The transition to awarding and collecting all federal loans was a significant undertaking, but the significant long-term savings justified the change.

With respect to improving efficiency, the Department:

- Moved from a paper-based Free Application for Federal Student Aid (FAFSA) to almost entirely online FAFSA process for students and their families, which has reduced cost associated with paper forms and lowered the burden on applicants.
- Instituted a new feature in FAFSA that allows applicants to specify their high school to help protect against fraud and abuse of the federal student aid program.
- Established a link to IRS data with the online FAFSA application, which cuts down on the amount of data that applicants have to enter manually and improves the verification of income to determine benefit amounts, reducingthe potential for fraud and abuse of the federal student aid program as well as lowering the burden on our schools in the manual verification process.
- Implemented new guidance for ED and grantee staff who are responsible for conferences, directing them to first determine whether in-person conferences are necessary or can be replaced by virtually hosted events, and then, if in-person conferences are necessary, to scrutinize all expenses through a rigorous review process.
- Devoted resources to the Department's suspension and debarment process to ensure that grantees whose conduct demonstrates a lack of business integrity or honesty are ineligible to receive federal grants.

The Department's Risk Management Service works with all program offices to support the monitoring of grantees. The risk management team is responsible for working with program offices to conduct a fiscal risk analysis before awarding new or continuing discretionary grants.

Continued Focus on Efficient Spending

With respect to our continuing work to increase efficiency, we appreciate the Office of the Inspector General's (OIG) audits, recommendations, and findings as important tools in our continuous improvement efforts. We have the same expectation for ourselves as we have for schools: "We can always do better." We believe in accountability. Our goal is to continuously improve the Department's functioning so that we deliver high quality services and make the best use of taxpayer dollars. We carefully review all OIG audit findings and recommendations and focus on the areas of greatest financial risk.

In the last 12 months we have dramatically improved our ability to identify and resolve high-priority audits in a timely manner, and we are finding new ways to leverage audits to make targeted improvements in other critical areas.

For example, in response to a July 2012 OIG audit that focused on External Audit Resolution, the Department established an Audit Resolution Advisory Panel with members from every major office in the agency involved in audits, including the OIG. This panel has been successful in establishing a new governance and accountability framework for audits, and is making significant progress in ensuring more timely and efficient resolution of high priority audits.

Conclusion

The Department is committed to ensuring that taxpayer dollars are spent wisely and that recipients of taxpayer funds are using them as intended. We believe that we have done a good job implementing Executive Order 13589 and continually examine how we can further improve. Thank you Chairman Issa, Ranking Member Cummings, and Members of the Committee for the opportunity to testify today about the efforts the Department has taken to promote efficiency and reduce costs. I would be glad to answer any questions from the Committee.

Chairman ISSA. Thank you.
Ms. Tighe.

STATEMENT OF THE HONORABLE KATHLEEN S. TIGHE

Ms. TIGHE. Chairman Issa, Ranking Member Cummings, and members of the committee, I am pleased to be here today to discuss opportunities to reduce waste and improve efficiency at the U.S. Department of Education. I want to thank the committee for its work in highlighting the issue of unimplemented OIG recommendations and for shining a spotlight on a topic that is an important part of good government.

Since 2007, we have reported to this committee on several occasions on recommendations made in OIG reports that the Department had not yet implemented. Our most recent letter focused on high priority short-term and long-term recommendations. We highlighted recommendations we have made in five very diverse areas, all of which we believe are important to the Department's ability to deliver its programs and operations efficiently, and without waste of taxpayer dollars.

As is set out more fully in my written statement, those areas are: Federal student aid fraud rings, the Federal student aid debt management system, IT security, improper payments, and charter schools. Each of these areas is directly aligned with the Department's management challenges for this fiscal year, as identified by my office.

The goal of our audit, investigative and related work in these and other areas is not simply to identify problems, but to recommend improvements and promote corrective action. Since 2002, my office has issued six reports on the Department's audit resolution and follow-up processes, each noting problems with ineffective internal controls, lack of staff and training to conduct resolution activity, and a lack of organizational priority placed on audit resolution.

Our most recent audit, issued in 2012, found that 90 percent of the external OIG audits issued in the three year period we looked at had not been resolved within the six-month deadline mandated by OMB. Over half of these were overdue for resolution by an average of over 1,000 days and included questioned costs of $568 million. Because the Department did not act, it lost the opportunity to recover $415 million of these questioned costs as a result of the statute of limitations.

The results of our work, whether it is audits, inspections, or investigations, can serve as a tool for the Department management and its daily operations, long-term strategic planning, and overall risk management. However, our work is effective only if the Department implements timely corrective action to address identified deficiencies or weaknesses. We are aware that the Department is planning to take steps to improve its audit resolution and follow-up processes, as the deputy secretary indicated, particularly in response to our recent audit, and we will closely monitor and report on this progress.

This concludes my statement and I am also happy to answer questions.

[Prepared statement of Ms. Tighe follows:]

Testimony of Kathleen S. Tighe, Inspector General
U.S. Department of Education
Before the
Committee on Oversight and Government Reform
U.S. House of Representatives
March 5, 2013

Chairman Issa, Ranking Member Cummings, and members of the Committee, I am pleased to be here today to discuss opportunities to reduce waste and improve efficiency at the U.S. Department of Education (Department). As requested, I am focusing my testimony on the issue of audit resolution and recommendations made in Office of Inspector General (OIG) reports that the Department has not yet implemented. I want to thank the Committee for its work in highlighting the issue of unimplemented OIG recommendations over the last several years and for holding this hearing to further shine a spotlight on an issue that is such a vital part of good government.

As you know, the mission of my office is to promote effectiveness, efficiency, and integrity in Departmental programs and operations. We do this by conducting independent audits, inspections, investigations, and other reviews. When we identify problems or weaknesses, we make recommendations on actions the Department should take to correct those weaknesses or fix those problems. The goal of our work is not simply to identify problems, but also to encourage improvements and corrective actions. That is what audit resolution and followup are all about. They are important mechanisms for helping management improve the performance of the Department and its programs. For the purposes of this testimony, we use "audit resolution and

followup" to refer to the Department's activities in response to formal recommendations in OIG audits, inspections, and other reviews.[1]

Unimplemented recommendations are a by-product of ineffective audit resolution and followup processes, which hamper an agency's ability to increase program and operational efficiency and prevent waste. Since 2002, we have issued six audit reports related to audit resolution and followup. We have also produced five letters for this Committee since 2007 on recommendations made in OIG audit reports that the Department had not yet implemented. Our most recent letter, provided to the Committee in December 2012, focused on high-priority short-term and long-term recommendations that the Department has not yet implemented.

Today, I will discuss information on the Department's audit resolution and followup processes, the challenges it faces, and the findings of our recent work involving audit resolution and followup. I will also discuss the information included in our December 2012 letter to this Committee.

Background on the Department's Audit Resolution and Followup Processes

The Office of Management and Budget (OMB) Circular A-50, "Audit Followup," issued in 1982, provides the policies and procedures for use by executive agencies when considering audit reports, such as those the OIG issues. It requires agencies to establish systems to ensure the prompt and proper resolution and implementation of audit recommendations and provides that

[1] The Department is also responsible for resolving recommendations in other products related to Department programs and operations, including those issued by the Government Accountability Office and by non-Federal auditors (such as independent public accountants and State auditors).

agency heads are responsible for designating a top management official to oversee audit followup, including resolution and corrective actions. At the Department, the Chief Financial Officer is the designated Audit Followup Official and is charged with the timely resolution of audit reports and ensuring that appropriate corrective actions have been taken on agreed-upon audit recommendations. OMB Circular A-50 requires agencies to resolve audits within 6 months of issuance. It also requires OIG to review and generally agree with the Department's proposed corrective action on recommendations made in an audit report before the audit can be considered resolved.

There are generally two types of OIG audits—internal and external. *Internal audits* identify deficiencies and recommend improvements in Department operations and programs to ensure that the Department is using Federal education funds effectively and efficiently and accomplishing program goals. *External audits* are of external entities that receive funding from the Department, such as State educational agencies (SEAs), local educational agencies (LEAs), institutions of higher education, contractors, and nonprofit organizations. External OIG audit reports generally include recommendations for Department management to require the external entity to take corrective action. These recommendations may be monetary, which recommend that the entity return funds to the Department, or nonmonetary, which recommend that the entity improve operations or internal controls.

The audit resolution process begins with the issuance of a final audit report. An internal audit is generally considered *resolved* when the Department and OIG agree on a corrective action plan for each recommendation. An external audit is considered resolved when the Department issues

a program determination letter on the audit report to the external entity, which is agreed to by OIG. Upon resolution, the Department is responsible for ensuring that the corrective actions are actually taken. When the corrective actions for a recommendation have been implemented, the recommendation is considered *completed.* An audit is considered *closed* when the Department ensures that all corrective actions have been implemented, including that funds are repaid or settlement made.[2]

Challenges in Audit Resolution and Followup

As mentioned previously, since 2002, we have issued six audit reports on the Department's audit resolution and followup processes, most recently in 2012. These reports have noted longstanding challenges in these areas, including the following:

- Untimely resolution of audits, particularly external audits, that has (1) impacted the potential recovery of funds due to the statute of limitations[3] applicable to monetary recommendations made in audits of entities (such as SEAs and LEAs) and (2) delayed corrective actions by auditees. Specifically, our 2012 audit of the Department's resolution process for OIG external audits found the following:

[2] As required by the Inspector General Act of 1978, as amended, the OIG provides information in its Semiannual Reports to Congress on audit reports issued, audit reports that are not yet resolved, and audit reports that have been resolved but for which corrective actions have not been implemented for at least a year after issuance of the final audit report.

[3] The General Education Provisions Act (GEPA) establishes a statute of limitations for programs administered by the Department, including SEA and LEA recipients. The Department cannot seek recovery of funds that were spent more than 5 years before an auditee receives a program determination letter. The funds recovered must also be proportional to the extent of harm to the Federal interest that the violation caused. Examples of Federal interest include serving eligible beneficiaries, providing authorized services, and complying with expenditure requirements. GEPA does not apply to programs authorized under the Higher Education Act of 1965.

- 90 percent of the OIG audits with final report issuance dates from January 1, 2007, through December 31, 2010, had not been resolved within OMB's 6-month deadline.
    - 53 of these audits were overdue for resolution by an average of 1,078 days and included questioned costs that totaled $568 million.
    - Due to the running of the statute of limitations, the Department lost the opportunity to recovery $415 million of these costs.
- Two years later (January 17, 2012), 42 percent of the audits were still unresolved.
- The percentage of external OIG audits not resolved timely increased during each calendar year from 2007 through 2010.

- Ineffective internal controls over audit resolution and followup, such as the failure to ensure compliance with OMB Circular A-50.

- A lack of the following: staff to conduct resolution activities, training so that staff had sufficient knowledge to effectively conduct resolution activity, organizational priority placed on audit resolution activities, and overall accountability.

Another challenge for the Department is repeat findings, which are far too common, particularly in our information technology security work and in our financial statement audit work. Repeat findings are deficiencies that have been identified in previous work and remain unaddressed and thus are again identified in subsequent work. The following are examples of some of our repeat findings:

- In our FY 2012 Federal Information Security Management Act review, we found that 6 of the 11 security control areas we reviewed—risk management, configuration management, remote access management, identity and access management, security

training, and contingency planning—contained repeat findings from OIG and contractor reports issued during the prior 3 years.

- Since 2009, audits of the Department's and the Federal Student Aid office's (FSA) financial statements by OIG's independent financial auditors found significant repeat deficiencies relating to credit reform estimation and financial reporting processes and controls surrounding information systems.

Improved processes and an increased emphasis on the timely implementation of corrective actions can help significantly reduce the occurrence of repeat findings.

Recent Department Actions to Address Audit Resolution and Followup

During our 2012 audit of the Department's external audit resolution processes, we found that one office within the Department had developed an internal action plan that was intended to improve its overall audit resolution process. The action plan included elements such as a quality assessment tool designed to improve the audit resolution specialists' ability to prepare quality resolution documentation, a tracking tool to monitor the status of audits throughout the resolution process, additional training for audit resolution specialists, an internal Web site to make audit resolution resources and tools readily available to audit resolution specialists, and hiring additional staff to perform audit resolution activities. If implemented throughout the Department, we believe these changes could decrease the volume of audits overdue for resolution and improve the overall timeliness of resolution activities for external OIG audits.

In response to the findings of the 2012 audit, the Department proposed a series of short-term actions to address many of the specific recommendations in the report. In addition, the Deputy

Secretary has established a cross-agency team to review the audit resolution process. Members of this team agreed that the first critical business task would be focusing on resolving all overdue OIG external audits. As of February 1, 2013, the Department reported that the team is on track to resolve these audits by May 31, 2013. Department leaders have asked my office to participate in an advisory capacity on this team, and we have agreed to do so. We will be monitoring the Department's progress and will evaluate the effectiveness of the Department's improved audit followup process and corrective actions to address audit recommendations.

Summary of December 2012 Letter to the Committee

In December 2012, the Committee on Oversight and Government Reform requested information from OIG related to our work plan process and high-priority recommendations. We told the Committee the major initiatives in our work plan that we intend to undertake this year. We also identified short-term and long-term recommendations that, if fully implemented, will address weaknesses or deficiencies in Departmental programs and operations. Our recommendations affect key areas important to the Department's ability to effectively achieve its mission: Federal student aid, improper payments, information technology security, and charter schools as follows:

Federal Student Aid—Fraud Rings

In 2011, we issued a report that brought to the Department's attention a serious fraud vulnerability in distance education programs: "fraud rings," which are large, loosely affiliated groups of criminals who seek to exploit distance education programs in order to fraudulently obtain Federal student aid. Because all aspects of distance education take place through the Internet (admission, student aid, course instruction), students are not

required to present themselves in person at any point and institutions are not required to verify prospective and enrolled students' identities; thus, fraud ringleaders are able to use the identities of others (with or without their consent) to target distance education programs. Fraud rings mainly target lower cost institutions, because the Federal student aid awards are sufficient to pay institutional charges (such as tuition), and the student receives the award balance to use for other educational expenses, such as books, room and board, and commuting. Our report offered nine specific recommended actions for the Department to take to address this fraud. Although the Department agreed to all of these recommendations, most have not yet been implemented.

In January 2013, we provided the Department the results of our risk analysis related to student aid fraud rings, which for the time period 2009 to 2012, estimated a probable loss of more than $187 million in Federal student aid funds as a result of these criminal enterprises.[4]

Short-Term Recommendation: Seek a statutory change to the cost of attendance calculation for students enrolled in distance education programs under the Higher Education Act of 1965 to limit the allowance for room and board and other costs that distance education program participants do not incur as a result of their studies.

Long-Term Recommendation: Establish edits in the Department's student aid systems, such as verification of an applicant's identity and high school graduation status, and to flag potential fraud ring participants and implement controls in the Department's Personal Identification Number delivery system.

[4] During this time period, $509.9 billion in Title IV aid was distributed.

Federal Student Aid—Default Management

In 2012, we issued an alert report that identified significant problems with FSA's process for managing defaulted student loans. Specifically, we found that the Debt Management Collection System 2 (DMCS2) was unable to accept transfer of certain defaulted student loans from FSA's loan servicers. Since DMCS2 was implemented in October 2011, the Title IV Additional Servicers and ACS Education Solutions, LLC, have accumulated more than $1.1 billion in defaulted student loans that should be transferred to the Department for management and collection. DMCS2 has been unable to accept transfer of these loans and, as a result, the Department is hampered in pursuing collection remedies and borrowers are unable to take steps to remove their loans from default status. The inability of DMCS2 to accept these transfers also contributed to a material weakness in internal control over financial reporting that was identified in FSA's Fiscal Year 2012 financial statement audit. Based on our interaction with FSA officials to date, FSA has yet to implement effective corrective action to bring these affected loans into collection and to correct the problems with DMCS2.

> **Short-Term Recommendation:** Identify problems related to DMCS2 loan transfers, the source of each problem, and the entire population of loans adversely affected and establish dates for resolving the cause of each identified problem related to DMCS2 loan transfers.

Long-Term Recommendation: Determine whether DMCS2 can become a fully operational system that will meet all of the baseline functional system requirements.

Information Technology Security

The Department collects, processes, and stores a large amount of personally identifiable information regarding employees, students, and other program participants. OIG has identified repeated problems in information technology security and noted increasing threats and vulnerabilities to Department systems and data. OIG's information technology audits and other reviews have identified management, operational, and technical security controls that need improvement to adequately protect the confidentiality, integrity, and availability of Department systems and data.
We have repeatedly recommended that the Department strengthen its controls and develop monitoring capabilities designed to help safeguard Department systems and data from unauthorized access, misuse, and fraud. Further, since 2009, audits of the Department's and FSA's financial statements by OIG's independent financial auditors found significant repeat deficiencies involving controls over information technology security. In addition, our work has found that Department privileged accounts have been compromised by keylogger[5] software that could have been used to infect and even extract data from Department systems. Based on the Department's flawed mitigation process,

[5] Keylogging is the action of tracking the keys struck on a keyboard. Keylogger software logs and monitors all activities on the computer where it is installed. Criminals typically use keyloggers to capture user identification and password of unwitting individuals for various fraudulent purposes.

we have little assurance as to whether sensitive data has been exfiltrated by unauthorized individuals from Department systems.

Short-Term Recommendation: We have recommended that the Department implement two-factor authentication—a key safeguard against keylogger usage—for all users with access to Departmental systems. Although the Department has made progress on implementing two-factor authentication for Department employees, it has not yet done so for all contractors and other authorized users.

Long-Term Recommendation: The Department and FSA must determine why information technology initiatives are not effectively implemented and managed to ensure successful system integration, system and data security, and identification and mitigation of fraudulent activity.

Improper Payments

In FY 2011, the OMB designated the Federal Pell Grant program a "high-priority" program because the FY 2010 Pell improper payments estimate of $1,005 million (a rate of 3.12 percent) exceeded the OMB threshold of $750 million. As required with this designation, the Department coordinated with OMB to establish and execute a plan to implement high-priority program requirements, including designating accountable officials and establishing supplemental measures to report. As a result of the Department executing its plan, the FY 2011 Pell Grant improper payment rate fell to 2.72 percent, with estimated improper payments of $993 million. The FY 2012 improper payment rate also fell, dropping to 2.49 percent, with estimated improper payments of $829 million. Although the Department is making progress, it can do more. In 2010, the Department

implemented the Internal Revenue Service Data Retrieval Tool (IRS DRT), which allows Federal student aid applicants and, as needed, parents of applicants, to transfer certain tax return information from an IRS Web site directly to their online Free Application for Federal Student Aid (FAFSA). However, only 26 percent of all FAFSAs submitted for the 2012–2013 academic year used the IRS DRT. Use of the tool is optional, so people intent on defrauding the program by providing false income information likely would not select the IRS option. Because the IRS DRT is not mandatory, institutions retain the burden of verifying an applicant's income.

Short-Term Recommendation: Study Pell Grant program recipients who do not use the IRS DRT and who are not selected for verification to determine whether the Department has adequate controls in place or needs to implement additional controls to mitigate the risk of improper payments to this population of Pell Grant recipients.

Long-Term Recommendation: Since 1997, we have recommended implementation of an IRS income data match that would allow the Department to match the information provided on FAFSAs with the income data the IRS maintains. While the Higher Education Act of 1965 has been amended to reflect this requirement, the Internal Revenue Code has not been similarly amended. Amending the Internal Revenue Code to permit this match could help identify income inconsistencies and eliminate an area of fraud and abuse within the student financial assistance programs.

Charter Schools

Charter schools are nonsectarian, publicly funded schools of choice exempt from certain State and local regulations. In return for reduced governmental regulation, charter schools agree to be held accountable for their academic and financial performance. A total of 42 States and the District of Columbia have enacted laws allowing the establishment of charter schools, and the laws differ from State to State. State charter school laws assign authorizers to approve charter school applications, oversee and ensure compliance, review and renew contracts, and close charter schools. State charter school laws allow for various types of authorizers, which can include institutions of higher education, independent chartering boards, school districts or LEAs, and not-for-profit organizations. OIG has conducted a significant amount of investigative work involving charter schools. These investigations have found that authorizers often fail to provide adequate oversight to ensure that charter schools properly use and account for Federal funds. Further, in September 2012, we completed an audit of the Department's oversight and monitoring of the Charter Schools Program's SEA and non-SEA Planning and Implementation Grants. We determined that the Department did not effectively oversee and monitor the grants and did not have an adequate process to ensure SEAs effectively oversaw and monitored their subgrantees.

Short-Term Recommendation: Develop and implement a risk-based approach for selecting non-SEA grantees for monitoring activities.

Long-Term Recommendation: Provide necessary guidance and training to SEAs on how to develop and implement procedures to ensure SEAs have

effective monitoring and fiscal controls for tracking the use of funds by charter schools.

Conclusion

OIG audits, inspections, investigations, and other reviews identify fraud, waste, and abuse; provide information on the effectiveness of internal controls; and evaluate the appropriateness of Federal funds usage. The results of our work can serve as a tool for Department management in its daily operations, long-term strategic planning, and overall risk management. However, our work is effective only if the Department implements timely corrective actions to address identified deficiencies or weaknesses that hamper its ability to carry out its mission. We see that the Department is planning to take steps to improve its audit resolution and followup processes, and we will closely monitor and report on its progress.

Once again, I want to thank the Committee for highlighting the issue of unimplemented OIG recommendations and helping make audit resolution a priority for all Federal agencies. This concludes my written statement. I am happy to answer any of your questions.

Chairman ISSA. Thank you.
Mr. Porcari.

STATEMENT OF THE HONORABLE JOHN D. PORCARI

Mr. PORCARI. Chairman Issa, Ranking Member Cummings, and members of the committee, thanks for holding the hearing today. At the Department of Transportation, we take great pride in being good stewards of taxpayer dollars. We are always looking for ways to improve transparency, cut waste, and increase efficiency. This is a duty that we take seriously and it is something that we focus on every day. I am pleased to join you today to discuss our efforts to implement recommendations from the Department's Office of the Inspector General.

But before I discuss the OIGs recommendations, I would like to touch on a topic that is on everyone's mind earlier: sequestration. Sequestration went into effect Friday. It is going to have serious impacts on the transportation services that are critical to the traveling public, our cities, and our national economy. Sequestration will cut over $650 million from funds recently provided through the Disaster Relief Appropriations Act of 2013, which is helping us to rebuild critical transit systems, as well as roads and bridges, in States hardest hit by Hurricane Sandy. The brunt of these cuts will be felt in our work to strengthen our critical transit and rail infrastructure in the face of future natural disasters.

Sequestration will also cut over $600 million from the Federal Aviation Administration and, as a result of these cuts, the vast majority of the FAA's nearly 47,000 employees could be furloughed for up to one day per pay period until the end of this fiscal year.

What does this mean for the traveling public? Safety is our top priority, and we will allow only the amount of air traffic we can safely handle to take off and land, which means travelers should expect delays. Flights to major cities like New York, Chicago, and San Francisco could experience delays of up to 90 minutes during peak hours because we will have fewer controllers on staff. Delays in those major airports will ripple across the Country.

In addition, we have notified communities across America that we are likely to close over 100 air traffic control towers at airports with fewer than 150,000 flight operations per year, and to eliminate midnight shifts in over 60 control towers across the Country. These are harmful cuts with real-world consequences that will cost jobs and hurt our economy.

It is important to remember that our deficit challenges cannot be addressed by cutting waste and improving efficiency alone. The President has put forward a solution to avoid these cuts and we need Congress to come together to work on a long-term, balanced solution to our deficit challenges.

At DOT we have worked very hard to implement recommendations from the Office of the Inspector General, and the truth is we have made great progress. DOT has established sound systems for interacting with the Office of the Inspector General which have enabled us to close 505 audit recommendations during calendar year 2012. Our efforts resulted in over $1 billion in program funds recovered, reprogrammed, offset, or put to a better use. This represents a 19 percent increase in the number of recommendations

closed, compared to the previous year, and 58 percent more than DOT closed in 2009.

DOT's success is based on a systematic approach that uses objective metrics for measuring performance and a sustained effort by the Department's top management. We are making significant progress on a range of recommendations, such as the Department's chief financial officer has issued new requirements, conducted training and put in place the systems to better ensure that unused funds associated with grants are de-obligated based on regular and systemic reviews. The Federal Railroad Administration has made significant progress on implementing a national rail plan. The Federal Motor Carrier Safety Administration has begun to draft a proposed rule that, if finalized, will further enhance the safety of passenger motor carriers. The notice of proposed rulemaking is scheduled to go out for public comment this spring.

Finally, the Federal Aviation Administration has made tremendous progress on moving forward with NextGen, which maximizes the benefits of a GPS-based surveillance and navigation system. NextGen is one of our generation's greatest infrastructure investments and it is underway right now. As part of our efforts to streamline airways, airplanes approaching the Washington, D.C. area, for example, started using satellite routes in August. On these routes alone, it saved 760,000 gallons of jet fuel per year.

These are just a few of the areas where DOT has demonstrated its commitment to good stewardship of taxpayer money and to working effectively with our Office of Inspector General. We will continue to carefully review all of the inspector general's recommendations and we will continue to use an innovative and results-oriented system to improve transparency, cut waste, and increase efficiency.

Thank you for the opportunity to appear today. I too will be happy to answer your questions.

[Prepared statement of Mr. Porcari follows:]

STATEMENT OF
THE HONORABLE JOHN D. PORCARI
DEPUTY SECRETARY
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES

Reducing Waste and Mismanagement: Implementing Agency Watchdogs' Recommendations Could Save Taxpayer Billions

MARCH 5, 2013

Chairman Issa, Ranking Member Cummings and Members of the Committee, thank you for holding this hearing today to focus attention on reducing waste and mismanagement by implementing the recommendations of the Department of Transportation's (DOT or "the Department") Office of the Inspector General (OIG). My testimony today will first include a brief overview of the Department's systems for responding to audit recommendations and will touch upon some of the more recent successful results we have achieved. I will then highlight the progress we have made in response to the specific recommendations identified in the OIG's December 2012 letter to the Committee. I will also outline some of the Department's efforts to improve the efficiency of project delivery for transportation projects.

Improving Efficiency: DOT's Systematic Response to OIG Audit Recommendations

DOT has established sound systems for interacting with the OIG that have enabled us to close 505 audit recommendations during calendar 2012, with over $1 billion in program funds either recovered, reprogrammed, offset, or put to a better use. This represents a 19 percent increase in recommendations closed compared to the previous year, and 58 percent more recommendations than DOT closed in 2009.

DOT's success in addressing efficiency and management issues identified by the OIG is based on a systematic approach that uses objective metrics for measuring performance and a sustained effort by top management throughout the Department to focus on results.

At DOT our management response to matters raised by the OIG receives not only the direct attention from program personnel familiar with the day-to-day management activities addressed in the OIG audits, but also the focus of top management officials in the appropriate operating administrations (OA), and key officials in the Office of the Secretary. We work hard to ensure that issues raised by the OIG are addressed, solutions identified, and actions implemented on a timely basis and that every opportunity to identify any possibility of waste, fraud or abuse is acted upon.

Once the solutions are identified, we systematically track progress every four to eight weeks. Using our Recommendation Action Tracking System, metrics demonstrating progress are shared throughout the Department, including with my office, the OIG, top level management officials in the OAs and our audit liaison personnel. Through the combined efforts of personnel throughout the Department, program managers are held accountable in a results-oriented approach to audit recommendations.

This system shines a bright light on every aspect of our response to OIG audit recommendations, including matters that are highlighted by virtue of their placement on the Department's "Most Wanted List." This list, which is a subset of our Recommendation Action Tracking System, includes audit recommendations where we have not been satisfied with the rate of progress or where we wish to highlight matters that, in our judgment, need priority attention. This is not the easy way, but we firmly believe it is the right way for making certain that OIG recommendations are fully and appropriately addressed.

DOT Action on Recommendations Highlighted by OIG

In response to the recommendations highlighted in the OIG's December 2012 letter to the Committee, we supplemented our usual tracking by adding a "Most Wanted Annex" to further enhance transparency on the status of each of the 10 specific recommendations (5 short-term recommendations and 5 long-term recommendations) identified by the OIG. We are making significant progress on each of these action items and will continue to track them through closeout. For example:

- The Federal Motor Carrier Safety Administration (FMCSA) has begun to draft a proposed rule that would, if finalized, further enhance safety of passenger motor carriers.

- The Department's Chief Financial Officer has issued new requirements, conducted training and put in place the systems to better ensure that unused funds associated with grants are de-obligated based on regular and systemic reviews.
- The Federal Aviation Administration (FAA) met its deadline to review issues relating to pilot commuting and has issued new requirements relating to pilot fitness for duty.
- The Federal Highway Administration (FHWA) completely revised its approach to bridge oversight and now uses a specific data driven, risk based performance oriented set of metrics.
- Personal Identity Verification (PIV) cards have been issued to nearly all DOT employees and contractors, are used for physical access to DOT facilities and network printing. We are in the process of implementing their use for complete network access.

These are just a few of the areas DOT has demonstrated its commitment to working effectively with the Office of Inspector General and made substantial progress ensuring that our programs are efficient, effective, and offer the American public the safest transportation systems in the world.

The following offers additional details on our efforts on each of the recommendations highlighted by the OIG in its letter.

Data Collection on Pilot Commuting

The OIG's report includes a recommendation to ensure the collection and analysis of data on pilot domicile and commuting to be able to address pilot fatigue in the aviation industry. Since the Colgan crash in February 2009, the subject of commuting by pilots to reach their duty stations has received significant attention. The FAA's primary concern is whether and to what extent commuting erodes safety due to pilot fatigue. FAA has viewed pilot fatigue as one of several factors that determine whether a pilot is fit for duty, which is required for any commercial pilot. An air carrier has the duty to responsibly schedule its pilots. At the same time, a pilot has an obligation to use his or her rest time in a fashion that allows the pilot to report "fit for duty." This includes balancing other employment, family obligations and responsible commuting.

In response to the OIG's recommendation, FAA agreed to scan for available data on pilot commuting since the 2011 National Research Council (NRC) National Academy of Science (NAS) report, The *Effects of Commuting on Pilot Fatigue*. At this time, we have not found new data related to pilot commuting, but will continue to assess this issue as new data on pilot commuting becomes available.

NextGen Master Schedule

The FAA continues to make great progress in its implementation of the Next Generation Air Transportation System (NextGen), a comprehensive overhaul of our National Airspace System (NAS), using a suite of tools to facilitate the continuous-rollout of transformative programs, improvements, and upgraded technologies that are better for our environment, better for efficiency and flexibility, better for safety, and better for the economy and the traveling public. Already, we are seeing benefits from our investments.

The OIG recommended that the FAA establish an integrated master schedule to manage implementation of NextGen. The FAA employs an enterprise-level approach to track NextGen program costs, schedules, and performance milestones. This includes a framework of several complementary tools that together address these issues and detail the planning, development, and delivery of NextGen. The FAA continues to work on an Integrated Master-Schedule (IMS) to strengthen its enterprise-level management tool. The tool is being designed to show how changes in programs' schedules will impact the delivery of NextGen capabilities. The IMS will draw upon the information contained in the roadmaps of the NAS Enterprise Architecture and captures key program activity and milestones for operational improvements specified in the NextGen Segment Implementation Plan (NSIP). The NAS Enterprise Architecture is a strategic planning tool that depicts the evolution of the NAS architecture over time. The NSIP describes plans for delivery of operational capabilities across two implementation timeframes—Segment Alpha (through 2015) and Segment Bravo (2016 through 2020). The NAS Enterprise Architecture and NSIP are working documents that provide significant detailed planning information to implementing offices. The FAA publishes an executive level overview of the agency's progress annually in the NextGen Implementation Plan (NGIP).

Undelivered Orders

The IG's recommendations addressed an accounting issue for inactive projects, or what the Department calls "undelivered orders" (UDOs). UDOs are unpaid obligations for which the goods or services ordered and obligated have not been received. Obligations remain open until they are fully reduced by a disbursement or are de-obligated or until the appropriation funding the obligation is closed. The Department's current financial statement auditor, KPMG, as well as our prior auditor, CliftonLarsonAllen, identified a weakness in internal controls over UDOs. KPMG concluded that until this control issue is corrected, there is a risk that material misstatements of these balances may occur and remain undetected. In late 2012, the Department's operating administrations (OA) engaged in an intensive 60-day effort to identify and de-obligate unneeded UDOs. These reviews lowered the UDO balance by nearly $2 billion through project de-obligations and ongoing billings.

Since last summer, we have focused management's attention on renewed efforts to ensure the accuracy of obligations and undelivered order balances. Our OAs conducted focused reviews of these transactions during the third quarter of FY 2012 to verify balances and make needed corrections. We also conducted two separate day-long training sessions for OA staff regarding grants and grant close-out procedures, in order to improve the reliability of balances reported for these transactions. Further, in February we issued Department-wide guidance on the periodic review of obligations and UDOs. This guidance was a final element of our overall remediation efforts and established a framework across the Department for improved, documented internal control procedures for reviewing and recording obligation and UDO balances. These measures provide the needed framework to address the internal control issues for these balances identified by the OIG and the Department's independent auditors.

Stewardship and Oversight Agreements

Over the past two decades, Congress has shifted the oversight approach of the FHWA away from the individual project level to a broader program-based model. To implement this oversight approach, the law requires Stewardship and Oversight (S&O) Agreements to formalize the respective roles and responsibilities of FHWA and the State departments of transportation for the federally-assisted, State-administered Federal-aid highway program (FAHP). The OIG has

recommended that the FHWA implement a coordinated approach to review agreements annually and to make timely revisions, when appropriate.

S&O Agreements serve as a compendium of elements that go beyond statutory requirements, making reference to the many other control documents that are continually reviewed and updated – such as FHWA's Leadership Dashboard targets, Unit Plans, the Risk Register, Financial Integrity Review and Evaluation reports – along with State DOT manuals and procedures reviewed by FHWA. Together, these documents enable FHWA to assess how State DOTs fulfill their respective responsibilities. Additionally, FHWA is using lessons learned from the Recovery Act in implementing a Spot Check Program to undertake a quick examination of projects typically delegated to States and not subject to detailed Federal oversight. The Spot Check Program will provide another layer of quality assurance for inspection of FAHP projects.

The FHWA has conducted periodic reviews to ensure that S&O Agreements fulfill their role as effectively as possible, resulting most recently in the 2011 revision of FHWA's S&O guidance, which called for more comprehensive Agreements covering project delivery and financial controls of the FAHP. The FHWA also recognizes the benefits of periodically reevaluating all Agency stewardship and oversight practices to adapt to new statutory requirements or programmatic needs and recently launched a significant Agency-wide effort to revise its stewardship and oversight approach. When fully developed, FHWA's new stewardship and oversight approach will provide a more consistent, comprehensive, risk-based oversight approach tied directly to the Agency's annual Strategic Implementation Plan. The FHWA will also issue updated policies and guidance on S&O Agreements as needed to effectively implement the rollout of the new S&O approach. Consistent with the OIG's recommendation, FHWA plans to implement this new S&O approach by mid-2013.

Passenger Carrier Leasing

In order to ensure that unsafe passenger carriers cannot evade FMCSA oversight and enforcement applicable to passenger carriers by operating under the authority of another carrier that exercises no actual control over those operations, the OIG has recommended that FMCSA issue a rule on leasing of passenger carrier vehicles and drivers.

FMCSA concurs with the OIG recommendation. This regulatory initiative was also included in DOT's 2012 update to its Motorcoach Safety Action Plan under new actions.

This action, if finalized, would enable FMCSA, and our Federal and State partners to more accurately identify motor carriers transporting passengers in interstate commerce and correctly assign responsibility to these entities for regulatory violations during inspections, compliance investigations, and crash studies. It would also provide the general public with an improved ability to identify the responsible motor carrier at the time of transportation. While detailed lease and interchange regulations for cargo-carrying vehicles have been in effect since 1950, the proposed rules for passenger-carrying commercial motor vehicles would focus entirely on operational safety of passenger carriers.

Use of PIV Cards as the Primary Authentication Mechanism

The OIG has recommended that DOT comply with the requirements in the Homeland Security Presidential Directive 12 (HSPD-12) concerning the use of PIV cards as the primary authentication mechanism for computer access for all employees and contractors. We embrace the need to ensure the security of our networks and information systems, and that in the face of continued cyber threats, and increasing requirements, sound prioritization and risk management are essential to ensure continued, and cost effective, improvement in the Departmental Cybersecurity program and posture.

The Office of the CIO (OCIO) is collaborating across the agency to maximize results through continued execution of existing plans, and focus upon Cybersecurity activities and investment on White House priorities, Department of Homeland Security (DHS) requirements, audit recommendations, evolving threats, and program maturation. Among the first-priority Cybersecurity activities identified by the Chief Information Officer (CIO) for FY2013 is increasing the required use of PIV cards for network login agency-wide.

As evidence of DOT's awareness and ongoing commitment to this priority, the Secretary designated the OCIO in June 2011 as the office of primary responsibility for implementation of HSPD-12 and use of the PIV cards. That same policy established the requirement for all agency personnel to use their PIV cards for access to agency networks and systems. DOT immediately undertook initiatives to establish program governance via a new Integrated Project Team (IPT),

complete the deployment of PIV cards to agency personnel, prepare those cards for use in accessing DOT networks, and to establish plans for enabling the use of PIV cards with DOT systems. An internal project was established between OCIO, FAA, and other DOT OAs to "reduce passwords", and to drive investment in, and modernization of DOT systems to support the use of PIV cards for access. With these efforts, we have achieved:

- **PIV Card Expansion** — The DOT PIV card program has issued more than 89,000 PIV cards to date and is now working to implement mandatory use of PIV cards for secure login to DOT systems.
- **Enhanced System Security** — DOT implemented a solution to require the PIV card for authentication to DOT's multi-function printers, while the FHWA, the Maritime Administration, the Volpe Center, and the Office of the Secretary have enabled use of the PIV card to access various online applications within their organizations.

We are currently working to complete a consolidated enterprise plan by the end of May 2013, and enforce required PIV use by 80% of agency personnel by March 2014.

Development of Enterprise Architecture for IT Investment

Consistent with the OIG recommendations, DOT is committed to establishing a Department-level Enterprise Architecture (EA) program for IT investment that is focused on achieving costs savings, minimizing duplication, and ensuring that Information Technology (IT) investments are aligned with our strategic priorities. While we are working to reinvigorate our Department-level EA program, we continue to deliver results. In my role as Chief Operating Officer, I led the Department's PortfolioStat process during fiscal year 2012—a process focused on minimizing duplication and achieving operational efficiencies in "commodity IT". I can report that our PortfolioStat efforts, having been informed by our Department EA, resulted in about $12 million in Fiscal Year (FY) 2013 savings/cost avoidance that were reinvested in innovative, shared solutions, such as our new cloud-based Enterprise Messaging System.

Efforts focused on reducing duplication such as PortfolioStat, provide the framework that DOT needs to use EA effectively in support of management decision-making, integrating with the acquisition and budget offices, and, ultimately, achieving efficiencies in IT management and operations.

In addition to these Department-level efforts, the DOT OAs – especially the FAA – have mature, well-functioning Enterprise Architecture programs. The FAA EA program is a leader within the Federal government and is integrated with the strategic planning and investment review processes that FAA operates through the Joint Resources Council at DOT. While we build our Departmental program, our OAs are providing the necessary oversight to achieve efficiencies within their organizations.

The Department is currently in final review of a new Enterprise Architecture Policy that seeks to institutionalize and build on our efforts to reduce duplication, achieve efficiencies, and leverage OAs EA efforts and successes. Our Department-level EA program will look for ways to better integrate these efforts and achieve even greater efficiencies. To achieve these results, the Department will need to invest in tools and capabilities that enable better sharing of EA information and help provide the analytical tools necessary to inform and improve DOT IT governance, CyberSecurity spending, and acquisition decision-making.

Completion of a National Rail Plan

With respect to the OIG's recommendation for completion of a national rail plan, the Federal Railroad Administration (FRA) has made significant progress in implementing the national rail planning (NRP) provision in the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). FRA met the one-year deadline for submitting a preliminary national rail planning document in October 2009 and proactively submitted a progress report less than a year later. These reports included a level of detail and direction consistent with relatively new programs: PRIIA and the new High-Speed and Intercity Passenger Rail (HSIPR) investment program, both of which dramatically altered the rail industry landscape.

Moving forward, FRA considers rail planning to be a key strategic priority. Consistent with the OIG recommendation, FRA has developed a comprehensive, long-range national planning strategy that considers different stakeholders' needs and priorities, which entails the release of several documents that cumulatively fulfill the goals of national rail planning. Additionally, FRA's budget proposals in FY 2012 and FY 2013 articulated a clear plan for the future of rail, including detailed information on proposed policies, investment program structures, performance metrics, and planning priorities.

Over the past year, FRA has been managing several efforts that are establishing a technical foundation for innovative national, regional, and State rail planning. Because PRIIA specifically requires any national plans to build upon and "be consistent with" State plans, rather than directing FRA to dictate a master "blueprint," FRA has issued draft State rail planning guidance to support development of strong State rail plans. Additionally, FRA is working with the National Cooperative Rail Research Program to develop rail planning data, tools, and methodologies, and is leading the Northeast Corridor FUTURE effort, which is one of the most comprehensive and ambitious transportation planning efforts undertaken in decades. Furthermore, FRA has established a senior leadership position to head FRA's rail planning and policy analysis initiatives, demonstrating FRA's commitment to the importance of rail planning in fulfilling the agency's mission and goals.

Reporting on the Nation's Deficient Bridges

To improve the quality of inspection data and implement data-driven, risk-based oversight to prioritize bridge safety risks as called for in the OIG's 2009 and 2010 reports, FHWA completed its effort to establish clearly defined levels of compliance and developed a uniform method for determining those levels of compliance. FHWA's new bridge oversight approach, launched in March 2011, includes 23 National Bridge Inspection Standards (NBIS) metrics that can be independently assessed to determine compliance. FHWA has moved from an overall compliance determination for a State to an individual compliance determination for each metric. As a result of this more, data-driven, risk-based oversight approach, to date the OIG has closed 10 of 14 bridge recommendations. FHWA is in the process of completing action, including rulemaking, to address the remaining bridge recommendations.

In response to a recommendation in the 2010 report, FHWA evaluated the use of information included in the *Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance* report, to assess the effectiveness of States' efforts to improve the condition of the Nation's bridges. After a thorough analysis, FHWA determined that additional project information would need to be collected to directly link expenditure data with improvements to deficient bridges. FHWA was developing an approach to collect additional data at the time Moving Ahead for Progress in the 21st Century Act (MAP-21) was passed.

The 2012 MAP-21statute fundamentally restructured the Federal highway program by consolidating programs and transforming the program into a performance-based program to ensure that decisions are data-driven and that resources are used more efficiently. Bridges are now eligible under the National Highway Performance Program and the Surface Transportation Program. The Department is required to establish uniform performance measures for bridge conditions on the National Highway System (NHS). In light of these new requirements, which align with the OIG recommendation, FHWA is currently drafting rules that propose to improve data-related requirements. Once these requirements are established, FHWA will assess how to best utilize the information provided by States. These efforts will help to increase transparency and accountability with respect to critical system performance.

Cost Estimates to Support FAA Realignment and Consolidation Plans

Finally, the OIG has recommended that FAA develop cost estimates to support FAA realignment and consolidation plans. The ability to meet the future needs of the National Airspace System, and the transition to NextGen relies, in large part, on the FAA's ability to optimize its facilities and workforce. The FAA is focused on a priority infrastructure project—the New York Integrated Control Facility (ICF). Consistent with the OIG recommendation for all FAA facility realignments and consolidations, the FAA is working to develop comprehensive cost estimates for key programmatic areas associated with the NY ICF. In addition to the base construction cost estimate, the FAA is working to develop detailed cost estimates for equipment, salary costs, relocation expenses, and training associated with the NY ICF. The recently issued Request for Information was a means for the FAA to gain critical information about potential options, but as stated in that document, it was undertaken as part of a larger alternatives analysis process in FAA's long-term strategy and approach to facility and service transformation. We are committed to ensuring that we only move forward with this infrastructure project if it would generate measurable operational benefits, including airspace redesign, and long term cost savings for the agency.

With respect to the larger consolidation effort, the FAA has established a collaborative workgroup to address relevant provisions in the FAA Modernization and Reform Act of 2012. This workgroup is charged with developing criteria and recommendations for guiding the FAA's efforts on realigning facilities. As part of this effort, templates have been developed for cost-

benefit analysis that line up with the OIG's recommendations. Facility realignment and consolidation is an ongoing effort that the FAA will continue to carry out as required by Congress pursuant to the relevant statutory provisions.

Improving the Efficiency of Project Delivery

The Department has been engaged in a number of activities that will shorten transportation project delivery times while protecting the environment, and we expect to renew these efforts in response to the President's recent State of the Union commitment to further improve the efficiency of infrastructure project delivery

The Department has worked with others in the Administration to make progress in implementing Executive Order 13604, *Improving Performance of Federal Permitting and Review of Infrastructure Projects*, signed in March 2012, which set a goal of reducing project timelines while improving outcomes for communities and the environment. The FHWA has also made progress in implementing its Every Day Counts initiative that is designed to address goals of shortening project delivery, enhancing the safety of our roadways, and protecting the environment with urgency.

The Department, and in particular the FHWA and the Federal Transit Administration (FTA) have also accomplished much to implement the project delivery provisions of MAP-21. We have worked to meet aggressive statutory deadlines-- for example to have completed a final rule implementing the exclusion from requirements under the National Environmental Policy Act to prepare an environmental impact statement (EIS) or environmental assessment for actions following declarations of emergency, and have published a notice of proposed rulemaking for new categorical exclusions related to actions within the operational right-of-way and for projects with limited Federal share. The ability to issue a combined final EIS and Record of Decision was effective upon enactment, and FHWA and FTA have also issued guidance on that procedure. The Department has also concluded a survey of stakeholders to determine what additional categorical exclusions should be created to help sponsors advance their transportation priorities without unnecessary delays.

Conclusion

The Department is committed to good stewardship of the taxpayer's money and is constantly working to increase efficiency and avoid waste. We value the relationship we have with the Department's Inspector General and we respect the audit recommendations that are issued by his office. We believe that our sustained focus on a results-oriented approach in responding to audit matters will continue to be effective and will enable the Department to follow through on a timely basis with an appropriate response to all current and future audit recommendations.

Thank you for the opportunity to appear before you today. I would be happy to respond to any questions you may have.

Chairman ISSA. Thank you.

And in anticipation that there is an A B relationship in these opening statements, Mr. Scovel.

STATEMENT OF THE HONORABLE CALVIN L. SCOVEL III

Mr. SCOVEL. Chairman Issa, Ranking Member Cummings, and members of the committee, thank you for inviting me here to discuss opportunities for maximizing efficiency at the Department of Transportation.

Each year we recommend hundreds of actions aimed at improving DOT programs and operations, and the Department works with us to fully implement them. Currently, more than 500 recommendations remain open. My statement today will focus on 10 that we have determined that are of the highest priority and that impact the Department's ability to ensure stewardship of its resources, implement transportation infrastructure programs while protecting its investments, and to enhance aviation and surface safety.

DOT's ability to ensure effective stewardship of its resources has been limited by longstanding weaknesses in grants management and IT procurement and security. In November 2011, we recommended that DOT conduct quarterly reviews of inactive grant projects to ensure inactive obligations are liquidated in a timely manner. In response, DOT initiated a 60-day effort to review inactive, undelivered orders, which identified $2.1 billion in funds for other DOT programs. We also recommended that DOT issue a policy requiring agencies to perform quarterly reviews and annual certifications of obligation balances.

Last week, in response to our recommendation, the Deputy CFO issued a memorandum providing guidance on review of obligations in undelivered orders. Later in the year we will determine if this guidance helped the Department to correct a persistent, systemic problem with unliquidated obligations and to identify opportunities to free up funds for other priorities.

Regarding IT procurement and security, we recommended that DOT develop its IT enterprise architecture to realize cost savings, reduce duplication of systems, and strengthen IT security through multi-factor identity authentication for all DOT employees and contractors. DOT plans to develop an overarching enterprise architecture by May 2013 and to implement an authentication mechanism by fiscal year 2016.

Half of our highest priority recommendations concerned DOT's implementation of critical transportation infrastructure programs and the need to protect significant investments in these programs. To ensure FAA's complex, multi-billion dollar NextGen air traffic control program delivers promised benefits, we recommended that FAA establish an integrated master schedule for implementing new technologies and infrastructure. Without a master schedule, the agency cannot effectively address program risks, make informed cost and scheduled tradeoffs, or determine what capabilities should be delivered first to provide users with the greatest benefits. FAA is currently working on this master schedule.

We also recommended that FAA ensure that cost estimates for realigning and consolidating air traffic control facilities are com-

prehensive and updated. While FAA concurred with our recommendation, it has scaled back its initial plan and is currently focusing solely on the New York area facility, for which it expects to provide a detailed cost estimate by the end of 2014. To completely implement our recommendation, FAA will need to produce detailed financial information regarding its longer term plans for facility consolidations in other locations.

Our high priority surface related recommendations also aim to ensure the Department maximizes its infrastructure investments. First, we recommended that the Federal Highway Administration implement a data-driven, risk-based approach for preparing DOT and State agreements for overseeing $40 billion in highway funds provided annually to States. Second, we recommended that FHWA report regularly on States' efforts to improve the condition on the Nation's 140,000 deficient bridges. FHWA has begun to implement these recommendations and we will continue to monitor its progress.

We also recommended that the Federal Railroad Administration complete a national rail plan to provide a framework for integrating passenger and freight rail across the Country and identify specific interstate corridor goals and measures of success. Delays in establishing a plan with clear stakeholder roles and performance measures could result in FRA investing billions of dollars in Federal grant funds without assurance that these efforts support national policy goals or reflect stakeholder commitment. FRA expects to complete the plan by June 2014.

Finally, we identified two high-priority open recommendation that support DOT's number one priority, safety. While the Department's commitment to safety is clear, DOT needs to bolster its oversight by fine-tuning how it collects, verifies, and uses safety data. For FAA, we recommended that information on pilot domicile and commuting be collected and analyzed to better target solutions to reduce pilot fatigue. While FAA agreed with our recommendation, it has yet to complete a scan of available data and determine whether additional data could offer significant safety benefits.

In terms of surface safety, DOT has acted to remove unsafe commercial drivers and carriers from roadways; however, in April 2012 we recommended that the Federal Motor Carrier Safety Administration publish a rule on passenger carrier leasing with requirements comparable to those for property carriers. FMCSA concurred with our recommendation and plans to issue a proposed rule in 2013.

OIG is steadfast in its commitment to ensuring DOT achieves the highest return on the Nation's substantial transportation investments. We believe the Department shares this commitment with us, as evidenced by its many actions in cooperation with our office. We will continue to work with you, Mr. Chairman, the Department, and other key stakeholders to protect taxpayer dollars as we assist the Department in providing the American people with safe and modern transportation systems.

Mr. Chairman, this concludes my prepared statement. I would be happy to take any questions that you or other members of the committee may have.

[Prepared statement of Mr. Scovel follows:]

Before the Committee on Oversight and Government Reform
United States House of Representatives

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Top Ten OIG Recommendations for the U.S. Department of Transportation

Statement of
The Honorable Calvin L. Scovel III
Inspector General
U.S. Department of Transportation

Mr. Chairman and Members of the Committee:

Thank you for inviting me here today to discuss opportunities for maximizing efficiency at the Department of Transportation (DOT). Each year, we recommend hundreds of actions aimed at improving the conduct of the Department's programs and operations, and the Department has worked diligently to implement the majority of our recommendations. To ensure recommendations are implemented in a timely manner, we monitor their status and, as required by law, report semiannually on recommendations that remain open[1]—that is, those that have yet to be fully implemented and documented. Periodically, Congress also asks us to identify open recommendations that we consider high priority. Most recently, you requested that we identify and report our 10 highest priority open recommendations in the near and long term.[2] In making this determination, we considered several criteria, including dollar implications; documented vulnerabilities; impact on safety, economy, or efficiency; and the ability of the Department to effect change.

The open recommendations we identified as the highest priority were made between January 2010 and October 2012 in 10 separate reports and cut across the Department and its agencies. The highest priority open recommendations also align with the Department's top management challenges that we identified and reported last November (see exhibit). My statement today will focus on how these recommendations impact the Department's ability to (1) ensure effective stewardship of the Department's resources; (2) effectively implement transportation infrastructure programs while protecting investments in these programs; and (3) enhance aviation and surface safety.

SUMMARY

Three of the highest priority open recommendations that we reported in December 2012 aim to ensure effective stewardship of the Department's resources. While DOT has received a clean opinion on its financial statements 6 straight years, longstanding weaknesses in grants management and information technology (IT) procurement and security have limited DOT's ability to maximize its return on investments. We recommended that DOT conduct quarterly reviews of inactive grant projects to ensure inactive obligations are liquidated in a timely manner. In July 2012, DOT initiated a 60-day effort to deobligate inactive undelivered orders, which resulted in $2.1 billion in funds being re-assigned to current projects. We also recommended that DOT develop or revise its IT enterprise architecture (EA) policy and procedures to realize cost savings, reduce duplication of systems, and strengthen IT security through multifactor identity authentication for all DOT employees and contractors. DOT plans to develop an

[1] Inspector General Act of 1978, 5 U.S.C. App 3, as amended by the Inspector General Act Amendments of 1988, Pub. L. No. 100-504.

[2] We looked at 637 recommendations included in 217 audit reports issued between September 2004 and November 2012 that remained open as of December 10, 2012.

overarching EA policy by May 2013 and to fully implement an authentication mechanism by fiscal year 2016.

Half of the highest priority recommendations we identified concern DOT's implementation of critical air and surface transportation infrastructure programs and the need to protect significant investments in these programs. The Department is working to address numerous challenges we have identified with the Federal Aviation Administration's (FAA) implementation of the Next Generation Air Transportation System (NextGen)—a complex, multibillion-dollar effort to modernize the U.S. air traffic control system. To ensure the program delivers promised benefits that represent sound investments, we recommended that FAA (1) establish an integrated master schedule for implementing NextGen's foundational technology and infrastructure programs, which it is currently working on, and (2) ensure cost estimates for realigning and consolidating the Nation's network of manned air traffic control facilities are comprehensive and regularly updated. The Department is also working to address three recommendations we made to maximize its surface infrastructure investments. Specifically, we recommended that the Federal Highway Administration (FHWA) implement a data-driven, risk-based approach for reviewing and revising DOT and State agreements for overseeing about $40 billion in highway funds provided annually to States, and report regularly on States' efforts to improve the condition of the Nation's more than 140,000 deficient bridges.[3] We also recommended that the Federal Railroad Administration (FRA) complete a National Rail Plan (NRP), with measurable performance goals and clear stakeholder roles, which would ultimately help ensure its $10 billion high-speed intercity passenger rail grant program supports national policy goals.

The last two highest priority open recommendations we identified have implications for DOT's number one priority—safety. While the Department's commitment to safety is clear, DOT continues to face challenges to fine-tune how it collects, verifies, and uses safety data and to bolster its oversight of aircraft maintenance, inspector resources, and pilot performance and training. Our recommendation that FAA collect and analyze information on pilot domicile and commuting to better target solutions to reduce pilot fatigue remains open and is one of our highest priority recommendations for the Department to address in the short term. FAA agreed to conduct a "scan of available data" on pilot commuting and to determine whether additional data could offer significant safety benefits. In terms of surface safety, the Department has taken action to remove unsafe commercial drivers and carriers from roadways. However, the Federal Motor Carrier Safety Administration (FMCSA) has yet to implement our April 2012 recommendation to publish a final rule on passenger carrier leasing with requirements comparable to those for property carriers.

[3] Deficient bridges are classified as structurally deficient (the bridge deck, superstructure, or substructure is in poor or worse condition) or functionally obsolete (because the geometry of the bridge is no longer suitable for the traffic it serves).

BACKGROUND

As of February 21, 2013, 555 recommendations included in 191 audit reports issued between September 2004 and February 14, 2013, remained open—that is, the Department or agency has yet to fully implement proposed actions or to provide us with supporting documentation of their implementation. The Department and its agencies frequently concur with our recommended actions and work with us to ensure recommendations are implemented in a timely manner. Some recommendations, however, remain open for an extended period for various reasons, such as the complexity and magnitude of the recommendation and the number of actions required to implement the recommendation. In some cases, recommendations remain open because the Department or agency does not concur with our recommended actions. In these cases, we work with the Department or agency to seek alternative actions that meet the intent of our recommendation.

The Office of Inspector General (OIG) systematically tracks all recommendations on all audit reports until final action has been taken, and maintains a database of related information such as the target and actual completion dates of corrective actions, and the amount of costs questioned or estimated dollar benefits associated with each recommendation. As required by law, we report this information semiannually to Congress. The Department has also established a system for tracking open OIG recommendations and provides monthly reports to audit managers or groups on their status, identifying those that are highest priority.

In addition to reporting semiannually on the status of our recommendations, we report annually on the top management challenges facing the Department, as required by Congress and the Office of Management and Budget (OMB). Our 2013 Top Management Challenges report identified actions that DOT should take to address its top priority of transportation safety and maximize its investments to maintain and modernize transportation.

Over the past several years, Congress has also requested that we identify our highest priority open recommendations. Most recently, this Committee asked us to identify our highest priority open recommendations—five short-term and five long-term—which we reported on December 21, 2012. To identify these 10 open recommendations, we established criteria consistent with the Inspector General Act to promote economy and efficiency in the administration of Department programs and operations, and the Department's safety mission. Specifically, for each recommendation, we considered the potential impact on safety, economy, and efficiency; the documented vulnerabilities and dollar implications; and the Department's ability to effect change within a short timeframe. We also refer to the top management challenges facing the Department and our work plans and strategies. As the Department changes its priorities, we reevaluate our criteria and adjust them accordingly.

ENSURING EFFECTIVE STEWARDSHIP OF THE DEPARTMENT'S RESOURCES

Rigorous stewardship of taxpayer funds is an intrinsic mandate for any government body. Over the past 6 years, the Department has successfully maintained a clean opinion on its financial statements—a positive step towards good financial management. However, longstanding weaknesses in grants management and IT procurement and security have limited DOT's ability to maximize its return on investment.

In November 2011, we reported that idle funds from undelivered orders under inactive grants could free up approximately $1.4 billion for DOT agencies to use for other transportation infrastructure improvement projects and create jobs. Accordingly, we recommended that quarterly inactive project reviews be conducted to ascertain that inactive obligations—with particular attention to those that are tied to stagnant or closed projects—are liquidated in a timely manner. In July 2012, DOT initiated a 60-day, resource-intensive remediation effort to identify and deobligate inactive undelivered orders, which resulted in the liquidation of $2.1 billion—funds that were re-assigned to current projects. For fiscal year 2013, DOT plans to issue a policy requiring agencies to perform quarterly reviews and annual certifications of obligation balances and train personnel who handle them. Implementing this recommendation will help the Department begin correcting a persistent, systemic problem with unliquidated obligations.

DOT also has the opportunity to maximize its investments in IT. Each year, DOT spends approximately $3 billion on its IT systems—one of the largest IT investments in the Federal Government. However, as we reported in April 2012, the Department lacks an EA) to align IT investments with its mission, reduce duplicative systems, effectively spend information security funds, and realize cost savings. DOT concurred with our recommendation to develop or revise its EA policy and procedures, and plans to develop an overarching EA policy by May 2013. However, DOT indicated that it would need funding to implement the policy and would commit to a completion date when funding becomes available.

DOT also concurred with our long-term recommendation to implement the use of personal identity verification (PIV) cards as the primary authentication mechanism for all DOT employees and contractors. OMB required all Federal personnel to use by 2012 PIV cards to log on to agency computers for multifactor user identity authentication. Issuing PIV cards to all Department personnel, including contractors, is a time-consuming, costly, and logistically complex endeavor. As of June 2012, only 42 percent of DOT's systems were enabled for user logon with PIVs, and only 7 percent used PIV for identity authentication. DOT designated PIV card deployment for authentication as one of its top cybersecurity priorities for fiscal year 2013 and plans to implement our recommendation by fiscal year 2016.

EFFECTIVELY IMPLEMENTING TRANSPORTATION INFRASTRUCTURE PROGRAMS WHILE PROTECTING INVESTMENTS IN THESE PROGRAMS

Global and domestic travel are projected to significantly increase demand on the Nation's transportation system, creating considerable challenges for the Department to improve airspace and surface infrastructure. A key concern is FAA's implementation of NextGen, a highly complex, multibillion-dollar effort to modernize the U.S. air traffic control system. The Department is working hard to address numerous challenges we have identified over the years, but several challenges remain to ensure the program delivers promised benefits that represent sound investments of taxpayer dollars.

Two of the highest priority open recommendations relate to NextGen's development and implementation, which currently involve a $1 billion annual investment:

- In April 2012, we recommended that FAA establish an integrated master schedule for implementing the six programs that will provide NextGen's foundational technologies and infrastructure.[4] A master schedule, with timelines and completion dates, would better coordinate these programs' capabilities—many of which are interdependent. Without a master schedule, the agency will be challenged to (1) fully address operational, technical, and programmatic risks; (2) prioritize and make informed tradeoffs for programs' costs and schedules; and (3) determine what capabilities should be delivered first to provide users with the greatest benefits. FAA is currently working on the integrated master schedule.

- In July 2012, we recommended that FAA develop comprehensive and regularly updated cost estimates for its effort to realign and consolidate the Nation's network of manned air traffic control facilities into centralized locations—a critical step in implementing NextGen and replacing the Nation's aging air traffic infrastructure. The effort, which FAA estimated would cost in the billions of dollars, would have impacted facilities across the National Airspace System with respect to cost, technical challenges, and the aviation workforce. FAA concurred with our recommendation but has since scaled back its plans and will focus only on an integrated facility in the New York metropolitan area. FAA expects to provide a detailed cost estimate by December 31, 2014; but to completely implement our recommendation, FAA will need to produce detailed financial information for Congress and other stakeholders regarding its longer term plans for facility realignments and consolidations.

[4] These six programs are Automatic Dependent Surveillance-Broadcast, System Wide Information Management, Data Communications, NextGen Network Enabled Weather, NAS Voice System, and Collaborative Air Traffic Management Technologies.

At the same time, the Department faces challenges maximizing its investments in highway, bridge, and rail infrastructures through effective grant oversight and planning. Closing three open recommendations that we identified as highest priority would help address these challenges.

- Federal law requires DOT and States to enter into stewardship and oversight agreements that establish Federal and State responsibilities for overseeing about $40 billion in highway funds provided annually to States. While FHWA fulfilled the statutory mandate to enter into these with each State, the agreements do not consistently reflect Federal requirements or program risks and priorities that FHWA has identified and communicated to its Division Offices. Accordingly, we recommended in October 2012 that FHWA implement a coordinated and effective data-driven, risk-based approach for Division Offices and Directors of Field Services to review agreements annually and make timely revisions, when appropriate. FHWA initially planned to implement this recommendation and others from our report through its Program of Oversight Initiatives—oversight planning performed by its Division Offices. However, FHWA recently informed us that it now plans to align its approach for reviewing stewardship and oversight agreements with its risk management process, an action it plans to implement in June 2013. We are currently reviewing FHWA's plans.

- FHWA estimates that almost one-fourth of the Nation's more than 600,000 bridges have major deterioration, structural cracks, or other deficiencies. Given the limited funding to address these deficiencies, we have reported since 2006 the need to improve the quality of inspection data and implement data-driven, risk-based oversight of States' bridge programs. In January 2010, we recommended that FHWA report regularly to internal and external stakeholders on the effectiveness of States' efforts to improve the condition of the Nation's deficient bridges based on the analysis of Highway Bridge Program expenditure data and an evaluation of progress made in achieving performance targets. Such action will also be critical to help FHWA meet new requirements for more performance-based management of highway bridges in the Moving Ahead for Progress in the 21st Century Act.[5] DOT agreed to develop a new template by the end of 2013 to report on States' efforts to address deficient bridges and to take steps by 2015 to enhance the level of detail reported on bridge conditions.

- One of the Department's most ambitious and costly mandates is to develop a national high-speed rail system, with an initial down payment of $10 billion. The Passenger Rail Investment and Improvement Act of 2008 [6] calls for FRA to develop an NRP to provide a framework for the integration of passenger and freight rail across the country so that public and private stakeholders understand their roles in developing

[5] Moving Ahead for Progress in the 21st Century Act (MAP-21), Pub. L. No. 112-141 (2012).
[6] Passenger Rail Investment and Improvement Act of 2008 (PRIIA), Pub. L. No. 110-43.

services and can invest with certainty. When complete, the NRP will also identify specific interstate corridor goals and measures of success. Delays in establishing the NRP could result in FRA investing billions of dollars in Federal grant funds without assurance that these efforts support national policy goals, and stakeholders could remain reluctant to commit. We recommended that FRA complete an NPR that includes measurable performance goals and clear stakeholder roles. FRA currently expects to complete the plan by June 2014.

ENHANCING AIR AND SURFACE SAFETY

Enhancing aviation and surface safety continues to be the Department's overarching priority. This past year, the Department has made important progress toward meeting new airline safety regulations to advance air carriers' voluntary safety programs and improve pilot rest requirements. Despite this progress, the Department continues to face challenges to fine-tune how it collects, verifies, and uses safety data and to bolster its oversight of aircraft maintenance, inspector resources, and pilot performance and training.

According to the Air Line Pilots Association, roughly 60 percent of its pilots are commuters.[7] Our recommendation that FAA collect and analyze information on pilot domicile and commuting to better target solutions to reduce pilot fatigue—a longstanding concern that has been linked to air-related fatalities—remains open and is one of our highest priority recommendations for the Department to address in the short term. FAA agreed to conduct a "scan of available data" on pilot commuting and to determine whether additional data could offer significant safety benefits. According to FAA, the Agency planned to complete this work by February 2013. However, we are currently awaiting its response to our request for a status update.

In terms of surface safety, the Department has taken actions to remove unsafe commercial drivers and carriers from roadways. However, FMCSA has yet to implement our April 2012 recommendation to publish a final rule on passenger carrier leasing with requirements comparable to those for property carriers. This recommendation is similar to one made by the National Transportation Safety Board (NTSB) following its investigation of a fatal bus crash in 2008. NTSB determined the bus company was, in effect, shielded from FMCSA oversight because of a lease agreement with another company. FMCSA concurred with our recommendation and plans to issue a proposed rule in 2013.

[7] Commuting is a common aviation industry practice as pilots are not required to live within close proximity of their assigned duty locations. Many pilots reside hundreds or thousands of miles from their duty locations, and their commutes frequently involve cross-country air travel. For example, the National Transportation Safety Board's Colgan investigation revealed that out of 136 Newark-based Colgan pilots, 49 (36 percent) had commutes of at least 400 miles, with some commuting from States such as California, Nevada, and Washington.

CONCLUSION

OIG is steadfast in its commitment to ensuring DOT achieves the highest return on the Nation's substantial transportation investments. As part of this commitment, we keep a close eye on the recommendations we make to improve Department programs and operations—particularly those of the highest priority—and work with the Department to ensure recommended actions are fully implemented as expeditiously as possible. We believe the Department shares this commitment with us, as evidenced by its many actions, cooperation with our office, and monthly reporting on the status of our recommendations. We will continue to work with you, Mr. Chairman; the Department; and other key stakeholders to protect taxpayer dollars as we assist the Department in providing the American people with safe and modern air, highway, rail, and pipeline systems.

Mr. Chairman, this concludes my prepared statement. I am happy to answer any questions you or other Committee members may have.

EXHIBIT. OIG OPEN RECOMMENDATIONS AS THEY RELATE TO THE DEPARTMENT'S TOP MANAGEMENT CHALLENGES

Ensuring the Next Generation Air Transportation System Advances Safety and Air Travel		
FAA	Establish an integrated master schedule framework, policy, and standard operating procedures that include the Segmented Implementation Plan and transformational programs, and a timeline for maturing this capability.	*Status of Transformational Programs and Risks to Achieving NextGen Goals*, AV-2012-094, April 2012
FAA	To assist FAA in achieving a successful air traffic facility realignment and consolidation plan, the Agency should develop comprehensive and regularly updated cost estimates that include, at a minimum, estimates for construction, equipment, increased salaries, relocation expenses, and training.	*The Success of FAA's Long-Term Plan for Air Traffic Facility Realignments and Consolidations Depends on Addressing Key Technical, Financial, and Workforce Challenges*, AV-2012-151, July 2012
Enhancing FAA's Oversight and Use of Data To Identify and Mitigate Safety Risks		
FAA	Ensure the collection and analysis of data regarding domicile and commuting length for all Part 121 flight crews. Specifically, information regarding the number of pilots and other flight-crewmembers who commute, their methods of transportation, and the distances they commute, should be collected.	*FAA and Industry Are Taking Action To Address Pilot Fatigue, but More Information on Pilot Commuting Is Needed*, AV-2011-176, September 2011
Strengthening Existing Surface Safety Programs and Effectively Implementing New Safety Requirements		
FMCSA	Publish a final rule on passenger carrier leasing with requirements similar to those for property carriers.	*Timely and Targeted FMCSA Action Is Needed To Fully Address NTSB Recommendations for Improving Passenger Carrier Oversight*, MH-2012-087, April 2012
FHWA	Report regularly to internal and external stakeholders on the effectiveness of States' efforts to improve the condition of the Nation's deficient bridges based on the analysis of Highway Bridge Program expenditure data and an evaluation of progress made in achieving performance targets.	*Assessment of FHWA Oversight of the Highway Bridge Program and the National Bridge Inspection Program*, MH-2010-039, January 2010
Maximizing Surface Infrastructure Investments With Effective Program Oversight and Execution of New Legislative Requirements		
FHWA	Implement a coordinated and effective data-driven, risk-based approach for Division Offices and Directors of Field Services to review agreements annually and make timely revisions, when appropriate.	*Improvements to Stewardship and Oversight Agreements Are Needed To Enhance Federal-Aid Highway Program Management*, MH-2013-001, October 2012

Adequately Overseeing Administration of High-Speed Intercity Passenger Rail Grant Funds		
FRA	Complete the National Rail Plan and include in it measurable performance goals and clear stakeholder roles.	*FRA Has Made Progress in Implementing PRIIA Responsibilities, but Challenges for Long-Term HSIPR Remain,* CR-2012-072, March 2012
Strengthening Financial Management Over Grants To Better Use Funds, Create Jobs, and Improve Infrastructure		
DOT	Clifton Gunderson recommended that DOT management ensure that Operating Administrations perform the quarterly inactive project reviews to ascertain that inactive obligations are liquidated in a timely manner throughout the year. Particular attention should be paid to stagnant or closed projects.	*Quality Control Review of DOT's Audited Consolidated Financial Statements for Fiscal Years 2011 and 2010,* QC-2012-009, November 2011
Managing and Securing Information Systems To Efficiently Modernize Technology Infrastructure and Protect Sensitive Data From Compromise		
DOT	Develop and/or revise the Department's Enterprise Architecture (EA) policy and procedures to address the following: development, maintenance, and use of EA in the IT investment process.	*DOT Does Not Have an Effective Enterprise Architecture Program for Management of Information Technology Changes, FI-2012-086, April 2012*
DOT	Implement the use of personal identity verification (PIV) cards as the primary authentication mechanism to support multifactor authentication at the system and application level for all DOT employees and contractors.	*Timely Actions Needed To Improve DOT's Cybersecurity,* FI-2011-022, November 2010

Chairman ISSA. Thank you.

I will recognize myself for a short round of questioning.

Mr. Miller, well, maybe, Mr. Porcari, I will go to you first. Isn't it true that the FAA handled 23 percent more flights a decade ago than they do today, and they did it with less air traffic controllers?

Mr. PORCARI. Mr. Chairman, we have a very different traffic control system now.

Chairman ISSA. One of the deals around here is you answer the question I ask, then you give your ups and adds. So, please, isn't it true?

Mr. PORCARI. The volume of movements is less than the pre-9/11 numbers. That is correct.

Chairman ISSA. Okay. Because one of the reasons we are here today, you have all, on both sides of the aisle, talked about sequestration, so I am going to focus my short five minutes on that question. If you have less flights and more air traffic controllers, very succinctly, what is your justification with all the so-called improvements, and I am a pilot of more than 30 years, including using GPS, which is, by the way, as old, almost, as I am as a pilot and finally getting implemented? What is your justification for not gaining efficiency in the use of air traffic controllers?

Air traffic controllers work very hard under great stress. That has been true since I first got my license. But the truth is navigation aids and a lot of other things in fact genuinely justify that the numbers should be less if these efficiencies, which we are paying dearly for, are implemented.

Mr. PORCARI. In short, Mr. Chairman, the system that we operate today, primarily because commercial airline operations are very different than they were even 10 years ago, is significantly different. The hub and spoke operations are concentrated in fewer places, much higher volumes. The congestion that we have in our major hub and spoke operations is higher than it has been in the past. And on the general aviation side, while general aviation continues to do well, the patterns are different as well.

Chairman ISSA. My time is short and I want to get to all the witnesses. Look, I am a private pilot. There are less of us today than there were a decade ago. The fact is the number of aircraft in use, that are actually flying, is not going up, it is going down. It has been an industry in challenge for a long time, and as somebody who counts on air traffic controllers, but the implementation of things, including areas that essentially route or forbid private pilots do not justify that.

So the other thing, quite frankly, is I do believe you put air traffic controllers into places in excess of where they were really demanded. So telling me that some small airports are going to lose air traffic controllers, as a general aviation person, begs the real question of, yeah, isn't it in some cases about time?

Mr. Miller, we sent letters to everyone, including your boss, asking specifically for areas that, this was on February 28th, where you would like to make changes, reprogram, essentially, drop programs. So in your testimony, when you said that you were going to be forced to drop programs, you weren't going to be able to do it, do you know if Secretary Duncan has, in fact, prepared a response? Because I made it clear that I would sponsor legislation

immediately, on a case-by-case basis, to give him that specific changes, deletes, and so on; he wouldn't have to wait for the CR. And I, by the way, also sent one to Mr. LaHood.

Mr. MILLER. So we will be preparing kind of the formal response to the mechanism. I think our challenge is this, and the Secretary and I have spoken about this directly, the bulk of our programs go to poor kids, students with disabilities, students in Indian Country on reservations, students on military or close to military bases. And the real question is which of those students aren't you going to serve. It is a selfish choice.

Chairman ISSA. Okay. But for 18 months, since the President signed sequestration, there was an agreement in sequestration not for a tax increase, but for a cut. There was an agreement in the tax increase in January that we were having a tax increase. Nobody said, oh, by the way, sequestration is going to be another tax increase.

So one of the challenges we face here is 18 months after the President signed sequestration, and I am not one of those people that wants to figure out chicken or egg on who came up with it; that is for Mr. Woodward and others. The fact is the President signed it, he signed it on your behalf. Your boss agreed to these cuts. And it is surprising to me that I am still being told that nobody knows where the cuts are.

Briefly, Mr. Porcari, I would ask, in Hurricane Sandy relief, which you mentioned prominently, do you believe that out of that $50 billion, when you need to make these Draconian cuts, that perhaps the pay raises for FBI that were included in there of $10 million, could be stripped out; the $2 billion for road projects not anywhere in the affected area of Hurricane Sandy could be stripped out; or the $500 million for weather forecasting to create ocean zoning plan, at least for now, could be stripped out of this emergency and have no direct affect on Hurricane Sandy victims?

Mr. PORCARI. I would first comment on the road part of it. What Congress was doing with that appropriation is actually paying for some of the past disasters that were the emergency relief funding for the Federal Highway Administration had not been previously appropriated. Those went to previous emergency relief activities. We are proud of and believe that we are wisely spending every penny of the Hurricane Sandy Relief Fund that has been appropriated to us.

Chairman ISSA. And I will give the same amount of time to the ranking member.

I will tell you that, when I drove over the Nevada line up to Lake Tahoe just a few weeks ago, I saw a brand new, brand new sign that gave credit being put in to the stimulus, in other words, to the Recovery Act. It was being put up two weeks ago, three weeks ago, when we were driving through in the snow. It is amazing to me that, with that money still being spent, at least according to the sign and the dollars being spent, that every time there is a request for a cut there is no money and it is overdue. This is one of the challenges we face, is if you don't do the $67 billion, or some portion of it that we believe can be cut out of waste recognized by the IGs, and every program you have is essential, then you are telling

us that only tax increases of nearly double on the American people will in fact solve our deficit.

With that, I recognize the ranking member for seven minutes.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Mr. Scovel, you heard the response of Mr. Porcari with regard to the chairman's question with regard to airports and air traffic controllers. Are you aware of all this, what he just said, that there is a different situation than what it was 10 years ago? I mean, do you agree with the answer or do you have enough information to answer what I just asked you?

Mr. SCOVEL. Thank you, Mr. Cummings. I can agree with parts of it. It is a different air traffic control situation that we have today than it was 10 or more years ago. But it is also a fact that the number of operations has decreased markedly from what it was 10 or more years ago.

Mr. Cummings, we have a project underway in my office, at the request of Congress, to examine air traffic controller productivity, and I think that is what the chairman's ultimate question goes to. That project is underway. I don't want to prejudge the results but, of course, we will be reporting to House T&I and also to this committee when the review is done.

Mr. CUMMINGS. So, do you agree with the chairman that, and I don't want to put words in his mouth, I am just trying to remember what he said, that maybe the distribution of air traffic controllers is not the most efficient and effective way to use them?

Mr. SCOVEL. That is a possibility. We have examined FAA's air traffic controller workforce for a long time and we have offered, in the past, recommendations to the agency for how it could analyze the composition and also the distribution of its controller workforce, because we have found problems in that area in the past.

Mr. CUMMINGS. And, Mr. Miller, can you please tell us the total amount of cuts the Department of Education is now facing as a result of sequestration?

Mr. MILLER. Well, the impact of our programs is about $2.5 billion.

Mr. CUMMINGS. I understand that about $722 million is in cuts to Title I?

Mr. MILLER. Yes. And about $600 million in special ed programs.

Mr. CUMMINGS. And you said it is a Sophie's choice, when you were answering questions. I guess this is what I am getting to. You hear two sides of these questions, and this is where I am trying to go to, Mr. Scovel. There seems to be some people have the opinion that when these cuts are made, the cuts are made to things that they don't have to be made to; in other words, that you have some fat somewhere else that you could cut and not affect, say, programs for kids like me when I was growing up in special ed. So I am just wondering. Tell me about that. Explain that to me. Is this something mandated or what?

Mr. MILLER. So the reality is our programs are focused on those who are most needy.

Mr. CUMMINGS. Yes.

Mr. MILLER. And that is the bulk of our program funding. And in an environment where we have fallen behind the world, we are 16th in the world in terms of college graduates.

Mr. CUMMINGS. Marching towards a third world nation.

Mr. MILLER. We are 25th and 17th in terms of math and science preparation of our 15-year-olds. And you look at the direct investment in education and how that impacts GDP, how it impacts employment, how it impacts earnings, and the research is pretty compelling that the quality of education, it is clear that investing in education is critical.

Mr. CUMMINGS. But this is my question.

Mr. MILLER. Which is the tradeoff. We have no choice.

Mr. CUMMINGS. My question is, again I'm going back, is there some way that, when you have sequestration under the circumstances we have them right now, that you could avoid the cuts in these areas?

And, Ms. Tighe, you can chime in if you want. I just want to know, because the implication is that maybe the Administration is trying to just zero in on things that are going to be most— get the headlines or whatever, and I am just trying to figure out how strict this situation is.

Mr. MILLER. Simply put, it would be that is where the money is, the money is in these programs. There are no alternatives.

Mr. CUMMINGS. Ms. Tighe, do you have a comment on that?

Ms. TIGHE. Well, I would agree that sequestration, in its across-the-board approach to cutting, is going to leave many things unfunded, even things that you don't want. And since Title I and special ed and those monies are the bulk of the Department's monies, yes, that is where you are going to see the cuts. I think a better approach would be looking at other ways of reducing funding. I mean, part of this hearing was looking at the recommendations we make. The deputy secretary brought up the issue of there are programs, there are 200 programs in the Department of Education; not all of them are big money programs. But why shouldn't we look a little more thoroughly and holistically at what programs might duplicate each other? Let's get to the point where we have a duplication within the Department and between the Department and other departments that focus on education things. Why can't we look at that as a Government and make cuts there?

Mr. CUMMINGS. So, in other words, go through those programs, the ones that are not getting the most bang for the buck, either reduce or eliminate those to free up money for the others, is that right? Is that what you are trying to say?

Ms. TIGHE. Yes.

Mr. CUMMINGS. So there is some leeway, then, if these recommendations were, with this sequestration that we are going through right now, there is some leeway if we were to do these things?

Ms. TIGHE. Oh, I don't think there is leeway with sequestration.

Mr. CUMMINGS. I am talking about this one right now, what we are going through right now.

Ms. TIGHE. Yes. Right now I don't think there is leeway. I mean, we are all facing, including my office, across-the-board cuts.

Mr. CUMMINGS. What kind of cuts are you facing?

Ms. TIGHE. I am facing I believe $3 million, my somewhat small appropriation. I am going to be furloughing all of my employees for about 10 to 11 days, including for myself on down, if the sequestra-

tion continues through the end of the fiscal year. We have cut out our IT support contract for IT security, our FISMA work, and we are going to cut the support we give for our risk modeling work, and we have told four internal employees they need to leave at the end of the month, and cuts like that.

We have greatly reduced travel, which is really very much impacting. When you are a criminal investigator and auditor, you have to travel to do your business. So I am having to make choices in what cases we open and what audits we do.

Mr. CUMMINGS. I see my time is up. Thank you, Mr. Chairman.

Chairman ISSA. Thank you.

Mr. McHenry.

Mr. MCHENRY. I thank the chairman. I yield to my colleague from Ohio, Mr. Jordan.

Mr. JORDAN. I thank the gentleman for yielding.

Thank you, Mr. Chairman, again for this hearing.

Mr. Miller, I just want to be clear what the chairman's earlier questioning. You have not responded to the chairman's letter sent last week?

Mr. MILLER. I believe the letter was received on the 28th. I got notice of it upon my return on Monday. So, no, those wheels are turning, but I don't believe a formal response has been submitted.

Mr. JORDAN. Tell me when sequestration passed, when that became the law. Do you know when that was?

Mr. MILLER. Friday.

Mr. JORDAN. No, no, no, when the legislation passed requiring sequestration to take effect. Do you know when that was?

Mr. MILLER. I don't remember the exact date.

Mr. JORDAN. August 2nd, 2011, 19 months ago. Have you not been doing any planning? It seems to me, when you get a letter from the chairman about sequestration, you have had 19 months to start planning and getting ready for it. In fact, you should have been ready for it, if you took some time, you should have been ready for it in December, because it was supposed to hit January 1st and was suspended for two months. It would seem to me you would have the response ready to go just like that and you could get right back to the chairman. So you guys didn't start planning for this until the last couple weeks?

Mr. MILLER. We planned on the implementation of sequester, and that has been quite consuming, actually.

Mr. JORDAN. Well, how long have you been planning for it?

Mr. MILLER. We have been planning on the implementation of sequester in varying degrees since the beginning of the year.

Mr. JORDAN. Why not before that? It passed August 2nd, 2011.

Mr. MILLER. Because, at least I interpreted the press, like you, it was both parties and the Administration, both members of Congress thought that it would not be going into effect.

Mr. JORDAN. Let me go to the statement that the secretary made, the now famous statement: It just means a lot more children will not get the kinds of services and opportunities they need, and as many as 40,000 teachers could lose their jobs. There are literally teachers now who are getting pink slips, who are getting notices they can't come back this fall. Do you know where the secretary got

that information, when he made that statement, what information he was basing that statement on?

Mr. MILLER. Yes. The issue of the 40,000, which is a recognition that the bulk of funding goes to personnel costs and the 40,000 does represent an estimate of, if that was translated directly with the current funding splits.

Mr. JORDAN. All I am asking is did you guys do some study, were you guys given any information saying this is going to happen, we have surveyed schools across the Country, surveyed some of the military schools, some of the schools in Indian reservations you referenced, did you survey those or did you just sort of make this up?

Mr. MILLER. No, we would be precluded from that.

Mr. JORDAN. So how did you base that, how could he make that statement?

Mr. MILLER. Again, we have an understanding of the cost structures from our historic work with at the State, at the district, and at the school level. We understand the basis of the cost structure. So when the question is asked how might this translate to the impact, we can say, if consistent with the current allocation of fund, as it is today, this is what it would translate to.

Mr. JORDAN. So this was a guess. You said how this might translate. This was a guess that the Department made and portrayed to the American people as fact.

Mr. MILLER. No, I thought we have been very clear about might and that, if translated, this is the impact it could have. And I think that remains true today and I think there are examples, both in anticipation of sequestration up to now and going forward.

Mr. JORDAN. Excuse me. This doesn't say might, this says there are literally teachers now who are getting pink slips, who are getting notices they can't come back this fall. Is that true?

Mr. MILLER. I believe the secretary has already said he spoke inaccurately and tried to correct that statement. But what is true is the potential impact of up to potentially 40,000 jobs, as translated with the current spending package.

Mr. JORDAN. Is there anything in writing that was given to the secretary before he made this statement, anything in writing to say you can say this, we think this is going to happen? Anything in writing or just conversation that took place at the Department?

Mr. MILLER. I can't speak specifically to what the review materials the secretary had.

Mr. JORDAN. Was The Washington Post accurate when they gave four out of four Pinocchios to the secretary's statement? Were they accurate or do you think they were wrong?

Mr. MILLER. I would presume that The Washington Post did what they thought was consistent with their reporting practices. I also know that in a follow-up story today they have also said that there is an impact of sequestration likely on jobs, so I would believe both accounts from The Washington Post.

Mr. JORDAN. Mr. Porcari, Mr. LaHood said flights to major cities like New York, Chicago, San Francisco, and others could experience delays up to 90 minutes during peak hours because we have fewer controllers on staff. Now, Mr. Meadows tells me last week, in Transportation and Infrastructure Committee, that the FAA administrator admitted under questioning that the 90 minute delays

in major cities was not based on any data or study. Is that true? Same question to Mr. Miller. Do you have any study, any data that says we know for sure this is going to happen? Because I flew this week and it didn't happen to me.

Mr. PORCARI. We know some of the specific impacts. Chicago would be a good example. By having less controllers on duty, Chicago has two towers, we would not be able to man the north tower, which means one runway would be out of operation.

Mr. JORDAN. The question is is there any study that indicates this in fact is going to be the case? And, if so, was the FAA administrator misleading the Transportation and Infrastructure Committee last week when he said there is no data or study that indicates this is going to be the case?

Mr. PORCARI. Both the administrator and the secretary were pointing out that it is difficult to measure precisely until the cuts are in effect. We know it will have a significant impact, and the primary impact will be on our busiest airports.

Mr. JORDAN. So once again it was a guess. We have two secretaries, Secretary of Education and Secretary of Transportation, guessing, suggesting without data or any study to support, that these effects were going to happen; and we have The Washington Post calling the Secretary of Education, I won't use the term, but we have The Washington Post saying that he misled the American people to the tune of four out of four Pinocchios.

Mr. PORCARI. We believe those are reasonable estimates based on what we know now. We know the operational impacts will be significant.

Mr. JORDAN. When did you guys start planning for the sequester? Did you start planning, like I think a good administrator, a good planner, a good leader would do, did you start planning in August of 2011, when this bill first passed?

Mr. PORCARI. We were well prepared for January 1st.

Mr. JORDAN. Did you start planning then?

Mr. PORCARI. We started planning in the fall.

Mr. JORDAN. Okay.

Mr. Chairman, I yield back.

Chairman ISSA. I thank the gentleman.

We now go to the gentlelady from California, Ms. Speier.

Ms. SPEIER. Thank you, Mr. Chairman.

Mr. Miller, the IG reports that through 2010, 90 percent of their audits that they issued since 2007 have not been resolved within six months, 53 of those audits were overdue by an average of almost three years, including questioned costs of $568 million. So due to the running of the statute of limitations, it appears that costs questioned by the IG in its audits, the Department lost the opportunity to recover $415 million of costs.

Two years later, in January of 2012, 42 percent of those audits were still unresolved.

So my question to you is is that acceptable performance by the Department?

Mr. MILLER. I think we are in agreement with the IG that we need to improve our ability to resolve audits in a more timely way, including through the completion of the corrective action plans. It is directly why we have taken a number of steps, most recently

with the formulation of a dedicated task force. We have already had a 30 percent, actually, a 33 percent reduction in the backlog, and we should take that backlog to zero in the course of this fiscal year.

Ms. SPEIER. But you would agree that you have lost the opportunity to recover $415 million in costs?

Mr. MILLER. We wouldn't agree with that specific statement. Broadly stated, the opportunity, when you actually look at the recovery, that becomes the total potential, of which generally, based on finding, I mean based on what is in the public's interest, the actual amount, even when we do have timely recovery, is typically a fraction of the total potential costs. So I would not want to leave an impression that the $400 million-ish figure was in fact the amount of recovery that would have happened. That would be inaccurate.

Ms. SPEIER. Inspector Tighe, do you have any comments?

Ms. TIGHE. I would agree that we probably wouldn't have seen a recovery of $415 million. Part of our point is when you let the statute of limitations run, you have no opportunity to do anything.

Ms. SPEIER. Exactly.

Ms. TIGHE. A lot of that money did involve school districts and other State and local entities, who we know aren't richly funded at the moment. On the other hand, part of the problem is not just the money, it is the fact that, when you don't resolve the audit at all, you also lose the opportunity to work with the States and other jurisdictions to put in internal controls to make sure they are spending that money wisely. So you really lose a number of opportunities.

Ms. SPEIER. Thank you.

Mr. Miller, how much money do you spend, what resources are expended in the suspension and debarment process in the Department?

Mr. MILLER. I don't have that specific kind of allocation because, again, that would be an allocation of individuals that are across multiple functions. But we could follow up and get that specific investment we are making on the suspension and debarment specific process.

Ms. SPEIER. All right, if you would get that to the committee, that would be helpful. Have any grantees or contractors been suspended or debarred in the past three years?

Mr. MILLER. Yes. We have had 150 debarments through 2010, and I believe that number has increased since.

Ms. SPEIER. And for what kinds of offenses?

Mr. MILLER. It has been for a range of offenses. Again, we could give you a breakdown of those in a follow-up.

Ms. SPEIER. All right, would you provide that? And have any of these individuals been debarred permanently?

Mr. MILLER. That, I can't answer specifically.

Ms. SPEIER. Would you provide that as well?

Mr. MILLER. Of course.

Ms. SPEIER. Inspector, do you have some comments on that?

Ms. TIGHE. Yes, I do. I think the Department has tried to make improvements in its focus on debarment, especially in the non-procurement area. As far as grantees, usually the grantees themselves

are certainly people associated with grants that have been debarred, based often on our criminal investigative work. To say grantees themselves are debarred I think may be overstating; usually the Department doesn't debar a whole entity, it will take individuals out of that entity. But I think that the Department still faces challenges in making its suspension and debarment process effective. We did an inspection report on it last year that highlighted some issues.

Ms. SPEIER. All right, thank you.

I yield back.

Chairman ISSA. Would the gentlelady yield to me for just a second?

Ms. SPEIER. I certainly will.

Chairman ISSA. Following up on the gentlelady's question, Ms. Tighe, the $415 million, would it be fair to say that, if you had every one of those in a situation in which you were negotiating with the excess recipient, that the future savings by not having this repeat would certainly be as great as that $415 million? In other words, the behavioral change would be the ultimate goal, in addition to any recovery?

Ms. TIGHE. Absolutely. I think we have not quantified the fact that you can save money over the long haul by putting internal controls into place.

Chairman ISSA. Thank you.

Ms. Speier, I think you were exactly on the right line. I appreciate your yielding.

With that we go to Mr. Jordan, a returning star, is recognized.

Mr. JORDAN. I don't know about that. Thank you, Mr. Chairman.

Mr. Porcari, some members of both the House and Senate have said that Mr. LaHood's dire warnings aren't backed up by financial data, where I was questioning you before, and they suggested that the FAA could, instead, cut $500 million it spends each year on consultants and $200 million it spends on supplies and travel. I know this is the FAA, but do you think that is something we can focus on?

Mr. PORCARI. We could not achieve the savings that way, and I would be glad to document why. Let me first point out what the sequester means. Two-thirds, basically, I am sorry, three-quarters, 74 percent of our Department is exempt from the sequester, which means that the sequestration cuts fall disproportionately on a portion of the Department, primarily the Federal Aviation Administration. That 5 percent cut, because we are partway through a fiscal year, is equivalent of a 9 percent cut.

Mr. JORDAN. But my question is, does the FAA part of your budget spend $500 million a year on consultants and $200 million a year on supplies and travel? Yes or no?

Mr. PORCARI. Those categories do exist. What is in those categories is important.

Mr. JORDAN. Let me ask it another way. Ms. Speier and I are working on a piece of legislation. We discovered this two weeks ago in this committee, that we all remember the GSA junket to Las Vegas, where they spent $600 per day per attendee, $3,000 per attendee per conference, and if you use that as a benchmark, 183 times various Federal agencies have exceeded that mark in various

conferences they have attended. I am not sure what the number was for Transportation; I do remember Defense was over 50 times that they had exceeded that benchmark.

In the past year, has the Department of Transportation held conferences around the Country and have folks attended?

Mr. PORCARI. We have and we have dramatically scaled that back.

Mr. JORDAN. How many? How many?

Mr. PORCARI. I would be happy to get you the exact number.

Mr. JORDAN. Do you know if you were above or below the benchmark? Did you spend more than $600 per day per attendee, more than $3,000 per attendee per conference?

Mr. PORCARI. We stay within the per diem requirements.

Mr. JORDAN. Will you check on that, we can get that information, if Transportation was above or below the benchmark?

Mr. PORCARI. I would be happy to get that for you.

Chairman ISSA. Mr. Jordan, would you yield for just one second?

Mr. JORDAN. I would be happy to yield to the chairman.

Chairman ISSA. When you said per diem, that is how much the individual gets paid. What the gentleman was asking is about how much was spent. And the GSA scandal was not about per diem.

Mr. PORCARI. Mr. Chairman, what I am referring to is also the per diem rate for hotels, what people are spending on hotel rates.

Mr. JORDAN. How many conferences did you spend Department of Transportation employees to last year?

Mr. PORCARI. I would be happy to get you that. I will tell you that I have been personally reviewing and approving conferences.

Mr. JORDAN. You don't know that information? As much as it has been in the news with GSA, with the hearing we had two weeks ago, 183 times we have used that number, and you don't know that information?

Mr. PORCARI. I will be happy to get it for you.

Mr. JORDAN. You come before the committee talking about sequestration and you don't know how many conferences you went to?

Mr. PORCARI. Because we have already achieved the savings we think we can achieve on the conference issue.

Mr. JORDAN. Well, maybe we would disagree with that, and we would like to have that information in front of the committee.

Mr. PORCARI. I would be happy to get it for you. That was last year's cuts.

Mr. JORDAN. You might think you have achieved it, but maybe the American taxpayer doesn't. That is why we have these hearings. That is what it is all about.

Mr. PORCARI. We are happy to make that public.

Mr. JORDAN. Mr. Scovel, do you know how many times they went on trips?

Mr. SCOVEL. Chairman Issa requested that information from the Department. We have not audited it.

Mr. JORDAN. But do you know the number of trips?

Mr. SCOVEL. Most certainly. Fiscal year 2010, total cost, $12,833,000. The number of conferences was 49.

Mr. JORDAN. Forty-nine conferences, 12 million bucks, but we are going to have 90-minute delays because of the sequester, right? We

have to furlough FAA agents. That is the kind of stuff that just drives the American taxpayer crazy. And the fact that you know it, you know that information and the agency head doesn't is a problem.

Mr. PORCARI. If I may, the single largest FAA conference part of it, and that is the largest part of the Department, is actually safety training for our air traffic controllers.

Mr. JORDAN. I am not saying some of them aren't important. What I am saying is 12 million bucks and 49 times. That is something the American taxpayer wants to know.

Let me move quickly if I can.

Mr. Miller, do you know how many conferences you sent Department of Education employees to last year?

Mr. MILLER. It was roughly——

Mr. JORDAN. There is no roughly to it; there is a number. How many did you go to?

Mr. MILLER. No, we have a complete breakdown by size of conference.

Mr. JORDAN. Do you know how many? Was it 10, was it 49? Was it above 49 or below 49? Did you beat the Transportation?

Mr. MILLER. Below 49.

Mr. JORDAN. Below 49. Well, that is good.

Ms. Tighe, do you know how many it was?

Ms. TIGHE. I am sorry, I do not, but I can certainly get that information.

Mr. JORDAN. Do you know the cost that they had for travel and conferences?

Ms. TIGHE. I know that we reviewed the costs as reported to this committee in earlier submissions and to the Senate, but I don't have that off the top of my head.

Mr. JORDAN. Mr. Miller, do you know, off the top of your head, how much money the Department of Education spent on conferences and travel last year?

Mr. MILLER. In total, I believe it was about $10 million. I know our largest conference, which would be the Federal student aid conference, came in at about less than——

Mr. JORDAN. How many employees do you have at the Department of Education?

Mr. MILLER. About 4,400.

Mr. JORDAN. Forty-four hundred.

How many employees at the Department of Transportation?

Mr. PORCARI. Approximately 55,000.

Mr. JORDAN. Fifty-five thousand and they spent $12 million. Forty-four hundred and you spent $10 million? Maybe you weren't better. That is amazing.

Here is the point. Instead of having the secretaries of these respective Federal agencies out scaring the American people, maybe cut back on the conference; maybe actually achieve some savings for the taxpayer and do things the way you are supposed to.

With that, I yield back, Mr. Chairman.

Chairman ISSA. I thank the gentleman.

We now recognize the gentleman from Northern Virginia, Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Gosh, if the American people wonder why it is hard to reach agreement on sequestration, perhaps that last round of questioning clears that up.

Mr. Porcari, I wanted to give you an opportunity, without badgering you, to answer the question fully in terms of air traffic controller training, because there seemed to be some confusion between conferences and training. Would you care to explain what you were trying to get at before being interrupted?

Chairman ISSA. Would the gentleman yield for just a second?

Mr. CONNOLLY. Yes, Mr. Chairman.

Chairman ISSA. I would like to ask the clock be stopped. That is a question, fairly, that shouldn't come off your time.

If you would finish the answer, I would appreciate it.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Mr. PORCARI. Certainly. Thank you, Mr. Connolly. What I was referring to with our air traffic controllers is although some of the activities are technically listed as a conference, there is a safety agenda where they are basically getting updated education on safety activities and other vital parts of their role. We think that is a very important part of what they do. We also think it is management's responsibilities, mine as chief operating officer, to make sure they do that responsibly and they do that as cost-effectively as possible.

So for the last year and a half we have been very carefully reviewing conferences, where, when, how many people go, and what the agenda is.

Chairman ISSA. Thank you.

Mr. CONNOLLY. Thank you, Mr. Chairman, and thank you for that courtesy.

Mr. Porcari, if I could follow up on that. What kind of training are we talking about for air traffic controllers? I mean, is this just how to party, how to have a good time in Las Vegas? What kind of training is this?

Mr. PORCARI. This is serious safety training. For example, there are a number of new technologies that are deployed. We share safety data. There are day-long activities where they are having various safety briefings and updates and participation. What we are trying to build is a safety culture. And if you are familiar with safety management systems, it starts with the people and with a holistic approach to safety. We think the reason we have the safest air traffic control system and safest aviation system in the world is because we have the best trained safety experts, including our air traffic controllers.

Mr. CONNOLLY. And just to make sure we understand what you are talking about, training isn't for a lifetime; one has to be sort of refreshed with changes in technology, changes in new information, changes in technique. For example, we are getting ready, I hope, despite sequestration, to invest in the New Gen air traffic control system, which will absolutely expand safety over, for example, the Atlantic, but that requires some kind of training and understanding the technology involved. Would that be a fair statement?

Mr. PORCARI. It is a fair statement. The technology and the state-of-the-art is evolving very rapidly. And there was a previous

question about the number of air traffic controllers today, as opposed to previous. I mentioned that the concentration of commercial activity is different than it was 10 years ago. The other part of it that is very important is we are bringing our air traffic control community into the design and implementation of our NextGen system. That is a very staff-intensive process. But some of the early stutter steps that we had with, for example, En Route Automation Modernization, or because, in my opinion, we developed a system without an integrated project team approach, did not have our controllers as part of the process. We are doing that now. It is a very staff-intensive process to do that.

Mr. CONNOLLY. And, presumably, that serves a public purpose.

Mr. PORCARI. It certainly serves a public purpose of safety, which is our number one priority.

Mr. CONNOLLY. Right.

And, Mr. Scovel, as IG, do you take any issue with what Mr. Porcari has just said?

Mr. SCOVEL. On the basis of our available data, sir, it appears to be accurate.

If I could return to one of your earlier questions, and I do want to make sure that the record of this committee hearing is accurate, because I certainly don't want to be in a position to have misled the committee at all. When I spoke of the Department's earlier conference expenses for fiscal year 2010, I had also hoped to bring to the committee's attention that the Department reported to this committee for fiscal year 2011, having spent $3.4 million on 23 conferences for fiscal year 2012, $668,000 for 11 conferences.

Mr. CONNOLLY. Okay.

Mr. SCOVEL. So 2010 certainly appears to be an unusually high number. It has come down since then. As I mentioned before, these are not audited figures, but they had been supplied by the Department to the committee.

Mr. CONNOLLY. Thank you. I am sure the committee appreciates that.

Mr. Porcari, real quickly, before my time runs out, and again I thank the chair for his graciously allowing you to finish your answer earlier. But you were accused of scaring the public. Will there be furloughs among FAA employees, including air traffic controllers, and will that affect flight patterns and delays at airports? Will there be furloughs of TSA employees and will there be furloughs in CBP, Customs Border Patrol agents, all of which could lead to delays at airports, yes?

Mr. PORCARI. Yes, there will be furloughs among the vast majority of our 47,000 FAA staff, including air traffic controllers. Because we can't impact safety, we have to reduce the aircraft volumes that can be processed at the most busy times. We know that will have a significant impact on reliability and on-time performance.

Mr. CONNOLLY. Thank you so much.

And, Mr. Chairman, again, thank you for allowing the witness to answer the question.

Chairman ISSA. You are most welcome.

We now go to the gentleman from Utah, Mr. Chaffetz.

Mr. CHAFFETZ. Thank you.

Talking about the Department of Transportation here, can you help me understand the formula as to how many days they are going to be on furlough? How many furlough days are there going to be and how did you come up with that number?

Mr. PORCARI. First, in terms of number, we are in the process right now of notifying our employees that they will be subject to a maximum of one furlough per two-week pay period through the end of the fiscal year, so, in other words, up to 11. We have arrived at that by first looking at all other available savings, including what we can do with contracts.

Mr. CHAFFETZ. So of the $2.7 billion, how many of the savings are you going to have in non-payroll-oriented savings? Where are you going to cut that is not payroll?

Mr. PORCARI. We are cutting back in a number of contracts. And, again, within the Federal Aviation Administration, one of the largest contracts is the contract tower program.

Mr. CHAFFETZ. But looking for a value here, the dollar amount, if you have to save $2.7, how much of that is going to come from payroll, how much of that is going to come from other savings?

Mr. PORCARI. With the Federal Aviation Administration number, which, overall, the total sequestration number is just over $600 million, we are going to have information technology savings for fiscal year 2013 of about $36 million; we have a 30 percent reduction in travel costs. We are literally looking at every single contract for the Federal Aviation Administration.

Mr. CHAFFETZ. And I appreciate that you said that you started this in the fall, so here we are in March. So given, whatever, four, six months, how much is going to come out of payroll?

Mr. PORCARI. We believe, and I will get you that number, because it is a moving target, because as we get further in the fiscal year, we originally thought there would be far more than 11 furloughs, and we think 11 is the outer number.

Mr. CHAFFETZ. Okay, so we don't know the dollar amount. We are talking about maximum maybe 11 days for somebody over the course of a year. How did you come up with 90-minute delays? Where did that number come from?

Mr. PORCARI. The delay number comes from what we think can happen. Think of a bad weather day in New York or San Francisco or Chicago, and those types of delays that you typically get from weather activity we think that you will see because of the furlough activity. I use the example of Chicago O'Hare, where the airfield requires two towers. With one of them out of operation because of furloughs, we would actually have to take one of the runways out of operation. That is how we tried to measure the impact.

The other thing I would mention is that the number of impacted hub cities we think can be fairly significant, and when any of those hubs are impacted, it disrupts the entire system.

Mr. CHAFFETZ. The challenge that I have is when we say significant or big. It doesn't sound like much of a plan and some specificity. You are talking about $600 million. What I would love to know is the breakdown between the payroll costs versus the others. You talk about one day furlough, right, for every two weeks of work. Is that for the 47,000 employees at the FAA?

Mr. PORCARI. Yes, it is for the 47,000 employees that will be subject to it.

Mr. CHAFFETZ. So how many of those 47,000 employees are actually going to be furloughed?

Mr. PORCARI. The vast majority of the 47,000 employees. The employees that work for some of the mandatory contract spending areas, like the airport improvement program, are not subject to it. Every thing but AIP within the FAA is subject to furlough.

Mr. CHAFFETZ. What I would hope that you could give me, Mr. Porcari, is how long would it take you to give me some specificity on the questions we just asked? I appreciate you are coming to testify and you have lots of things you have to prepare for, but if you have a plan we would like to see it. And what I need to have is some specificity on those things I just went through. Is that fair enough? What is a fair amount of time?

Mr. PORCARI. Well, we have some preliminary numbers now. Again, we know that they will keep shifting, and I would be happy to provide those.

Mr. CHAFFETZ. By?

Mr. PORCARI. By close of business today.

Mr. CHAFFETZ. Thank you. Appreciate it.

I yield back.

Chairman ISSA. When you include in that, would you also include, to the extent that you can, for both cabinet positions, any steps that could have or were anticipated being taken from the beginning of the fiscal year? Because, for scoring purposes, if you, for example, restrained hiring, you could have abated some of this starting sooner. And I would just like to know, to the extent that that was planned or done. Because I know it is a moving number and part of the moving number is things that were not spent that had been anticipated be spent.

Mr. PORCARI. We would be happy to do that. We have been in a hiring freeze at the FAA for some time, as well as travel restrictions.

Chairman ISSA. Right. And I would like to make sure all of that, including that which may have reduced the number, is in the record.

Mr. CHAFFETZ. Mr. Chairman, if I could add to that list two quick things: the amount of bonuses that were given out this year and the number two is how much money you spent in Iraq and Afghanistan. Because there are 17 different agencies that are still spending money in Afghanistan and Iraq. If there are any dollars associated with that, I would appreciate if you would get back to us on that as well.

Mr. PORCARI. We would be happy to get you those numbers. We have not awarded bonuses this year.

Mr. CHAFFETZ. Thank you.

Chairman ISSA. Thank you all.

We now go to the gentlelady from Illinois, Ms. Duckworth.

Ms. DUCKWORTH. Thank you, Mr. Chairman.

Mr. Porcari, do you have data on how many aircraft land at O'Hare that are controlled by the north air traffic control tower every year?

Mr. PORCARI. Yes, we do, ma'am.

Ms. DUCKWORTH. And so you could tell me, if that were shut down, how many aircraft would not be landing on that closed runway based on past landings at that airport.

Mr. PORCARI. Yes, we can.

Ms. DUCKWORTH. Can you tell me how many aircraft takeoffs and landings and air traffic is controlled by the remaining tower at O'Hare every year?

Mr. PORCARI. We can get that as well.

Ms. DUCKWORTH. Wonderful. So can you also tell me how much more capacity there is on that remaining tower, should the north tower be shut down, that could be absorbed by the single remaining air traffic control tower as it stands?

Mr. PORCARI. We would be happy to. And, again, the same principles apply at numerous other airports as well.

Ms. DUCKWORTH. Wonderful. So then you would also be able to tell me, based on the capacity historic data on how many land at that north runway, if it shuts down, you know how many can get picked up by the other control tower, how many would not be able to be handled in a timely basis, correct?

Mr. PORCARI. Yes, we do. And what you are pointing out, I think, is very important because part of the estimating process for delays goes to historical patterns, whether it is for weather or any other throughput delays.

Ms. DUCKWORTH. Wonderful. Thank you. So as someone who has flown most of my adult life, as both a professional pilot, I thank you for the training that I, as a DOD pilot, received from the FAA at the safety conferences that I attended. It made me a far better and safer DOD pilot. And now that I am a general aviation pilot, I thank you for keeping me safe.

In fact, I am going to be signing up for one of those training conferences on how better to speak with air traffic controllers in a busy air traffic control environment, so I look forward to attending that training in Chicago that is coming up.

My question is really going to be towards Mr. Miller. Two weeks ago I had a meeting with the superintendents of schools in my district, who have been planning on what would happen if the funding were cut for Title I, as well as for special education funding, and they knew exactly how many people they were going to have to lay off, what it was going to cost them. Do you know, Mr. Miller, do you know how much money this Country spends on subsidies to the oil and gas industry every year?

Mr. MILLER. No, I am not familiar with that amount.

Ms. DUCKWORTH. It is $4 billion. Can you tell me what the cutting Title I education funding will cut from the Department of Education?

Mr. MILLER. It will cut $750 million.

Ms. DUCKWORTH. So, $750 million. And how about the cutting of special education funding?

Mr. MILLER. It would be another $600 million.

Ms. DUCKWORTH. Another $600 million. So instead of slashing education funding, you know, Democrats offered a balanced alternative that would have made sensible cuts in our Nation's spending to subsidize the oil and gas industries that have had record profits, but Republican House leaders have refused to allow a vote. If we

could just cut spending on oil and gas subsidies, we would save $4 billion.

I am concerned, Mr. Miller, that my superintendents of schools in my district told me that because there is the requirement that they provide services for students with special needs and also for special education funding, what would happen, actually, when that Title I funding is cut and when that special education funding, such as remedial reading tutors, is cut, they would still need to provide that, which means that they would actually cut services to the mainstream students.

Can you speak a little bit about what this would do in school districts, to have to shift the pressure from students with special needs to mainstream students, and what this would do across the Nation if these cuts were to go through?

Mr. MILLER. There is a requirement in serving the needs of students with special needs is that they need to provide a free and appropriate education, so there is a minimum standard that is required. And as the Federal resources are compromised, then they need to ensure that they are still delivering against that standard, and that puts a strain on resources.

It is also at a time when many districts like yours are investing in not just the basic services for those children, but they are investing in new instructional technologies that are going to be more effective at accelerating learning. They are having to deal with the expansions of students who don't speak English as their native language as they are putting in new data systems, as they are preparing for higher standards that are international benchmarks.

So it is not only the loss of resource, but, frankly, the leadership that is being spent to do the budget manipulations is taking precious time to also plan from these other meaningful reforms. So really it is not just a cost impact, but it is really compromising the ability to improve our education system.

Ms. DUCKWORTH. Thank you, Mr. Miller. So could you tell me if you will be keeping data on what the sequestration cuts will do to educational programs across the Country? I know some of this is based on historic trends, and there has been discussion here of the lack of data. Will you be keeping data over the course of sequestration on what it does to funding education and also to what actually gets implemented across the Nation?

Mr. MILLER. We will continue to capture the data that is currently allowable. Of course, there are restrictions in terms of the types of data that we can capture, subject to our statutory authorities and regulatory authorities. Consistent with that we will be able to capture data so we can continue to understand the adverse impact that sequestration is having.

Ms. DUCKWORTH. Thank you so much, Mr. Miller.

I am out of time, Mr. Chairman.

Mrs. LUMMIS. [Presiding.] Mr. Walberg?

Mr. WALBERG. Thank you, Madam Chairman.

And thank you to the panel for being here. I know you are taking some heat today, probably because of lack of some leadership at the top and some inaccurate, incomplete statements that have been made.

But, Mr. Miller, let me ask you a question. The statement was made earlier by one of our committee members that we are dangerously close to being third world country status educationally. I am not sure of the accuracy of that, but improper payments in the Department of Education, Pell grant programs specifically, that exceeded the OMB threshold of $750 million per year seemed to be a problem. In fact, in 2010, improper payments exceeded $1 billion. Mr. Miller, I ask you what steps has the Department taken to reduce the amount of improper Pell grant payments.

Mr. MILLER. We have taken a number of steps. First of all, what I would like to highlight is that the rate of improper payments has dropped significantly.

Mr. WALBERG. Well, I am glad for the rate, but it is still improper payments taking place. I guess I am asking what are you doing to stop it? What steps have been taken?

Mr. MILLER. And I think it is important because, again, the rate, and I am going to answer the question, the rate is important because it speaks to the impact that the steps we are taking are having, because, again, as the number of Pell grants has grown dramatically, the actual percentage that are subject to improper payment has been decreasing.

We take a number of steps to work specifically with our financial aid officers in each of our schools to work to better ensure that we have the right students taking out the right amount of loans, again, subject to the statutory constraints that we have; we are working with our IG to better understand where there is potential risk of inappropriate actors, so we are not meeting our eligibility requirements; we, specifically on the front end with our FAFSA, which is the vehicle by which students apply for and qualify for aid, we work with the IRS to put in income verification to minimize the risk that inappropriate aid would be granted.

Mr. WALBERG. Why are so few using the IRS tool?

Mr. MILLER. I would not characterize that so few are using the IRS tool. It is not as much as we would like, and that is one of the things we are trying to continue to promote.

Mr. WALBERG. Go on.

Mr. MILLER. So those are the types of actions that we are taking to reduce the rate of improper payments.

Mr. WALBERG. Any additional actions you are contemplating taking? The rate may be going down, but we have gone up in dollars. Most recent dollars that we went up was over $1 billion.

Mr. MILLER. In total. Again, that is a net. So we are as concerned because part of this is both overpayments and under-payments. So we are continuing to address both. We are concerned about borrowers to the degree that that is a concern, and we are trying to impact where it allows us to better recover funds for the Federal Government.

Mr. WALBERG. Inspector Tighe, let me address the same concern there. As you explained in your statement, some of these payments occur when applicants fraudulently report false income information to receive grants. Is the fraudulent reporting of false income information the main cause for the improper payments or has your office identified any other reasons?

Ms. TIGHE. Oh, I think that is one reason, but by no means the only reason, which is why I think that the Department's actions and the income match are going to inevitably be limited in helping improper payments. Let me speak a minute about the IRS DRT which Deputy Secretary Miller talked about. The problem there is we don't think anyone who wants to defraud the Government is going to pick the IRS data retrieval system.

So what is the Department doing to manage those students or those applicants, shall we say, some of whom might not really be students and who aren't otherwise chosen for verification by schools of their information, their application information? What is the Department doing to fix that problem?

Mr. WALBERG. What are they doing? What have you found?

Ms. TIGHE. Well, we haven't found that they are doing anything. I would also like to highlight that we do have a problem with how the error rate is being calculated, to begin with. We do recognize it has gone down, and I think it shows that there has been some modest success in the IRS DRT match. But I think that the way the error rate is calculated is really just based on a statistical study with the IRS based on income. There is also fraud related to the number of dependents and a number of other issues like that that can happen.

Mr. WALBERG. When we talk about the other issues related to $750 million that could go towards special needs programs, $650 million, when we have $750 million and now over $1 billion of fraud, wasted revenue going to education, I think we have a problem.

Mrs. LUMMIS. Thank you.

Mr. WALBERG. I yield back.

Mrs. LUMMIS. Thank you very much, Mr. Walberg.

I yield to the gentleman from Pennsylvania, Mr. Cartwright.

Mr. CARTWRIGHT. Thank you, Madam Chairman.

First, I would like to emphasize how much I value the work of our inspector general community. Your work is critical for everybody who, like me, wants our Government to work and work better and be more efficient. So I thank you for your work, in addition to being here today.

Now, Mr. Scovel and Ms. Tighe, I want you to invite you to answer these questions. The sequester's arbitrary across-the-board cuts, they also do apply to the offices of the inspectors general, am I correct in that?

Mr. SCOVEL. That is correct, sir.

Mr. CARTWRIGHT. All right. So the question is how are your offices impacted when your budgets are cut?

Mr. SCOVEL. Sir, if I may, we have heard from the other witnesses about how sequestration is impacting their offices, and it is a fact that sequestration will impact our office. My fear all along has been that because, for instance, as Mr. Porcari spoke of the FAA as being a personnel-heavy and, therefore, salaries-and expense-heavy account subject to sequestration, my office too is very personnel heavy. Seventy-five percent of my overall budget goes to personnel salaries and expenses.

So if we were going to get hit, that was where it was going to happen. And for me, if I am to accomplish my mission, I have to

have my staff on deck. So my focus from very early on was to minimize the impact on my staff, keep them at work. Sure, they may be happy because they are getting a paycheck, but I am happy because I am getting mission. And what we have been doing since, actually, late 2011 has been to focus on eliminating, reducing all expenses not staff-related, minimize those to the greatest extent possible, and then to see how we could ride out sequestration.

In interest of full disclosure, my office is the recipient of some degree of extra funding in connection with our oversight responsibilities for the Recovery Act and also for Hurricane Sandy relief, so that has provided us some flexibility. But we could not get to the position where we are today, which is that we will not need to furlough any of our staff, were it not for the cost reduction measures that we have had in place for a long time. We have had a hiring freeze in place since August 2011; we have reduced staff; we have released rented space; we have not paid any bonuses; we have withdrawn from a student loan repayment program. Across the board we have sought to cut every single expense we possibly could.

Mr. CARTWRIGHT. Let me jump in there, Mr. Scovel. According to data provided to this committee, at the end of February 2013, your office had about 10 percent fewer full-time equivalents than you had in fiscal year 2010. Is that correct?

Mr. SCOVEL. That is true. We are, in fact, at the lowest strength level in the history of our office since the Inspector General Act was enacted in 1978.

Mr. CARTWRIGHT. So what impact has that reduction had on your work?

Mr. SCOVEL. Impact. Data point. It is an imperfect measure, and I will acknowledge this. In 2004, each OIG FTE was responsible for covering $137 million in DOT budgetary resources. In 2012, each OIG FTE is now responsible for covering $192 million of Department budgetary resources. For example, last year, where, in our criminal investigation side, I regret to say it, we had to take a pass on information that was provided to us to see whether we believed we needed to dedicate an investigatory resource, a staff person, to participate with other agencies in investigating that offense. We didn't have the personnel and we decided that the expenses associated with participating in that investigation would be too great to justify it.

We have also taken steps internally to increase the degree of scrutiny that we will need to apply to every single request, whether it is from the Department or from Congress, for audit support.

Mr. CARTWRIGHT. I want to jump in there and I want to give Ms. Tighe a chance here.

Ms. Tighe, your staff also expressed concern about reductions in FTE levels in your office and with respect to audits. What impact does this have on your ability to conduct audits and investigations?

Ms. TIGHE. Well, it certainly will have an impact, as I mentioned earlier. Like Mr. Scovel's office, 70 percent of our budget is salaries and benefits. The next highest increments of funding are the common support we pay to the Department for IT and other costs that I can't control.

Then we have our financial statement contract. After that, I get travel, training, and smaller contracts. We are canceling or will cancel those contracts which support our FISMA work and our data risk modeling. We will be furloughing our employees, from me on down, for about 11 days, 10 to 11 days through the end of this fiscal year. That will have a very real impact on our work, our audit and investigative work.

We are already turning down cases; we are shifting priorities. We are telling our criminal investigators in the field that they can only open the highest priority things and they better watch what they do. Our audit work, we had put on our audit plan for this year, for example, a project to look at the grantees for the race to the top monies, which is one of the big dollar marquee initiatives of this Administration. I don't know if we are going to have the travel money to go out to those grantees.

Mrs. LUMMIS. Thank you, Ms. Tighe.

Thank you, Mr. Cartwright.

Next is the gentleman from Tennessee, Mr. DesJarlais.

Mr. DESJARLAIS. Thank you, Mrs. Chairman, and thank you all for being here today. We have had a lot of discussion today about sequester and we have talked about where we need to cut spending and how difficult this is going to be, and it has been kind of contentious and even maybe it seems like people have gotten a little defensive.

Let me ask the panel, do you agree, just looking at the big picture, looking at our Government and our budget and our deficit, do you believe that we have a spending and a deficit problem in this Country? Mr. Miller, we will start with you.

Mr. MILLER. Based on my reading of the press, I believe that there is a consensus that we need to both address the deficit to preserve the long-term health of the Country.

Mr. DESJARLAIS. Okay, so we did that with sequester; we cut $85 billion, and then we also had a tax increase that raised about $60 billion in taxes. So we have kind of taken a balanced approach. So is that kind of in line with what you think we need to be doing right now, based on this $17 trillion in debt?

Mr. MILLER. Well, to be clear, my area of focus is the Department of Education.

Mr. DESJARLAIS. I am asking you as a taxpayer.

Mr. MILLER. I wouldn't want to hazard what I think is the right fiscal policy.

Mr. DESJARLAIS. All right.

Mr. MILLER. What I would say is the Administration view is that we need a balanced approach.

Mr. DESJARLAIS. Well, I am just asking you all as taxpayers, because our committee is here to make sure that we are spending taxpayers' money properly.

So, Ms. Tighe?

Ms. TIGHE. As a citizen and a taxpayer, not as an IG, I would say that certainly a balanced approach makes sense. I can't help but think, sitting as an IG, that there is Government spending there ought to be spending that can be cut, programs that can be run more wisely. I know that the entitlement programs are a pot of money that ought to be looked at in some fashion. I say that as,

you know, a few years off, myself, from receiving some of those. And taxes, and I am no expert on tax policy, but nothing should be off the table, in my opinion.

Mr. DESJARLAIS. So we have already raised taxes. Do you want to pay more taxes?

Ms. TIGHE. My husband doesn't, but I feel sometimes it is the price I pay.

Mr. DESJARLAIS. Mr. Porcari, yes or no, do you think we have a debt and spending problem?

Mr. PORCARI. As a citizen and a taxpayer, I think the balanced approach is the right way to go.

Mr. DESJARLAIS. Okay.

Mr. Scovel?

Mr. SCOVEL. I want to stay in my lane and leave the policy decisions for all of you and the Administration.

Mr. DESJARLAIS. Okay. Well, I just say that because, again, it is easier to cut other people's spending than your own. You are all here; you are passionate about your departments, so on and so forth.

In education, I guess I am disappointed to hear Mr. Miller come out and say we are taking a hatchet to education. Do you truly believe there is no waste in education? We have had the Department of Education now for three decades, $1 trillion put in there. Math, science, and reading scores are essentially flat. There are Pell grants that have gone from $12 billion to $43 billion over the last four years; we are not really seeing a return on that investment.

We have had, as I think Representative Jordan said, 19 months to prepare for this. Is there nothing in the Department of Education that you could look at that you would want to cut first, before you start saying we are going to take a hatchet to Head Start, to special education programs? That sounds to me like scare tactics. That sounds like something I have been hearing from the White House. Is there not a better approach in prioritizing spending cuts?

Mr. MILLER. I would say I think we have. I think what you have seen is our proposals, with the support of Congress, to eliminate 49 programs that cut $1.2 billion out of our programmatic budget has in fact been very consistent with trying to make some smart tradeoffs. I think we are at a point now where Title I, in an environment where we are actually raising the standards because not enough States have competitive standards, we are actually putting more of a challenge on our educators to do more, better, faster.

Mr. DESJARLAIS. Okay.

Mr. MILLER. We think to dis-invest in education at this time is only going to threaten the long-term growth and health of this Country.

Mr. DESJARLAIS. And we all know that sequestration, we talked about the Republicans taking these Draconian cuts. You realize the super committee had an equal number of Democrats and Republicans at the table, so sequestration was a failure by both sides of the aisle to come to an agreement. So we have to make cuts, and we better get used to them because there are going to be more coming. This is just one-tenth of our deficit spending. So I would suggest that maybe this is a good learning experience today, that we

are going to see more cuts and maybe we need to prepare as we move on.

You were talking, Mr. Porcari, about the 47,000 air traffic controllers, and we are going to have to furlough them, we are going to have to take maybe up to 11 days out of the year. I know that there have been increases in salaries. Forty-seven thousand.

I don't know what their annual salary is, but could there be a pay cut before we decide, hey, taxpayer, you are going to have delayed flights because we are not going to give up anything? You know, nobody wants to give up anything; they just want to take more. And I think the problem that we have in this Country and this Government right now is excess spending. We all see it. We know that sequestration was a responsible thing to do in the sense that we finally cut spending.

But instead of all of us feeling good that we are doing the right thing after admitting we have a spending problem, we are, instead, villainizing this. This President should be out saying, thank you, everybody, for making a shared sacrifice; we have taken the first step in doing the right thing. We shouldn't be sitting here whining and complaining about what we have to do, because we have a lot more of it to do.

And I know my time has expired.

Chairman ISSA. [Presiding.] Mr. Porcari, there is a question there. Do you want to answer it relative to the contracts and so on for air traffic controllers?

Mr. PORCARI. Yes. First, I would point out, through sequestration, our employees are in fact taking a pay cut of up to 10 percent for the remainder of this fiscal year. We have worked very hard over the last couple years to have a good working relationship and an appropriate collective bargaining relationship with our air traffic controllers. We have, I think, a 180 degree turn in terms of the working relationship that shows up in how we implement things like NextGen with our workforce. I would point out I think we run the risk of undoing that and unraveling that.

Chairman ISSA. I will take a liberty for just a second to make sure that I get the answer to that last question. Within the contract structure, you can have a reduction in force, you can have furlough. If I understand correctly, simply reducing the amount of pay for per hour, even with sequestration, is not contractually allowed, is that correct?

Mr. PORCARI. That is my understanding. We have started, I should point out, over 90 days ago, the collective bargaining process with our air traffic controllers for the furloughs.

Chairman ISSA. Okay. I just want to make sure that we understand what the Government can or can't do. We all have suggestions of what we would like you to be able to do. I only want us to stick to the ones that you could do at this juncture.

With that, we go to the gentleman from Missouri, Mr. Clay.

Mr. CLAY. Thank you so much, Mr. Chairman, and thanks for this hearing.

For the record, let me state to my friend from Tennessee that the American people know exactly what is going on here in this Congress, which is nothing. We shirked our responsibility with the super committee, we shirked our responsibility with Simpson-

Bowles, and they don't like it. So you can cast blame if you want to, but the American people are smarter than that and they know that we aren't doing a thing.

Let me direct my questions to Mr. Miller and Ms. Tighe. You know, in 1994 there were only seven States with charter schools school laws and 60 operational charter schools. Today there are more than 5,000 charter schools in 40 States and D.C. The rapid growth of charter schools presents an opportunity to help reform our education system by presenting innovative practices that can be incorporated into traditional public schools. But this growth also presents risks and requires rigorous oversight.

Deputy Secretary Miller, one of the concerns identified in the inspector general's letter to the committee involves how effectively the Department is overseeing and monitoring charter school grants. There have been numerous reports of fraud in the management of charter schools. Do you agree with Ms. Tighe's concern that there needs to be increased accountability for charter school funds once they reach the entity running the charter school?

Mr. MILLER. Simply put, yes. We believe that, from a policy standpoint, the growth in charter schools and the potential they offer for being able to develop innovative reforms are good. We think oftentimes you have a proliferation of different oversight and authorization models at the State level that make the subsequent oversight kind of more complicated.

Our direct interaction, generally speaking, is with the State entity and with the authorizing entity who are responsible for the fiduciary duty in terms of the oversight of funds, so our work is with the States versus with the schools. And I think we share concerns that States need to do a better job in terms of exercising that oversight.

Mr. CLAY. So how does the Department create more transparency in how charter schools use taxpayer funds? I mean, do you look at graduation rates, test scores, reading levels, and math tests?

Mr. MILLER. Relative to if they are direct recipients of, let's say, Title I monies, they are subject to all of the statutory requirements of Title I, and there is an accountability system within that. Generally, the dominant framework, however, is the State framework for governing schools, so, again, we work in partnership but respectfully have to defer on cases to where the State's governance framework with respect to charter schools.

Mr. CLAY. Although we send them Title I money. We have some responsibility.

Mr. MILLER. And we do provide oversight for the Title I.

Mr. CLAY. Okay, Ms. Tighe, I am a strong supporter of high performing charter schools, but I am also troubled by the risk of the privatization of public schools under the guise of charter operators. In your investigation involving education charter management organizations, do you find that fraud and other problems are more prevalent with for-profit organizations or nonprofit?

Ms. TIGHE. We haven't found a difference between profit and for-profit. We have found problems with charter management organizations. We are actually getting ready to commence audit work in this area, also, because while we have had a number of investigations involving these entities and charter schools in particular, we

really wanted to go in and get a good look at what that might mean. But I agree with you that there are problems.

Mr. CLAY. So it could be we may be able to find savings in these funds that go to some of these organizations?

Ms. TIGHE. Well, yes. We have had a number of investigative cases already. Probably since the last few years we have opened 56 charter school investigations; we have had recoveries so far of about $10 million. The deputy secretary was correct when he said that part of the problem is that there are a number of authorizers in every State and they vary, and the level of oversight varies wildly among States, and that, I think, lies where some of the problems are.

Chairman ISSA. I thank the gentleman. A good line of questioning.

We now go to Mr. Mica of Florida.

Mr. MICA. Thank you, Mr. Chairman.

Secretary Porcari, in the recent legislation Congress passed, known as MAP–21, the transportation reauthorization, we mandated the consolidation or elimination of some 50 Department of Transportation programs. Can you tell me how many positions have been eliminated and what taxpayer dollars we can expect from that consolidation or elimination of programs?

Mr. PORCARI. It is a very good question. First, we are in the process of the consolidation right now and, as you know, there are specific MAP–21 requirements for doing so.

Mr. MICA. Well, can you give us an estimate? Is it going to be 100 positions, 500 positions, and will it save $1 million, $10 million?

Mr. PORCARI. Although the programs have been consolidated, the need for oversight and the implementation of the funds has not gone away. We will be redeploying the personnel in what we think is the most effective way.

Mr. MICA. So how many positions do you expect to eliminate?

Mr. PORCARI. We are currently, through selective hiring freezes, trying——

Mr. MICA. So nobody?

Mr. PORCARI. I did not say that. I said through selective hiring freezes we are trying to actually——

Mr. MICA. Okay. And the other thing I hear, too, from outside, talking to our DOTs, people are just trying to justify their continued existence, and Congress sent a mandate out to consolidate or eliminate some 50 programs, but people in the Department of Transportation are still making excuses to continue the red tape and paperwork; and I haven't gotten into the devolution on that, which again I see the same thing. So maybe you could supply the committee with some information on the savings and elimination of the programs at a time when we are trying to save money.

You talked about contract towers. Before I became chairman of aviation, back in 2001, there was a GAO study, maybe you remember it, Mr. Scovel, about the operation of contract towers, and it came in and said that they cost less and also they had better safety operations. Well, after I became chairman, they asked me, the air traffic controllers said this is a skewed study, this isn't right, they didn't ask the right questions. I said, well, give me the questions;

we will ask them. So we did another study. The study came back and it said that for every contract tower we save $1 million and they also carefully monitored the safety record safer.

Now, we have been cutting back, you said, contract towers is one of our biggest contracts and we are cutting that back? What is the proposal to cut back?

Mr. SCOVEL. First of all, the objective that we have is to——

Mr. MICA. But we are spending $134 million? Is that what we are spending?

Mr. SCOVEL. We want to minimize the inconvenience for the maximum number of travelers.

Mr. MICA. So how big is the cut here?

Mr. SCOVEL. So the criteria, there are up to 248 towers.

Mr. MICA. Yes, 248.

Mr. SCOVEL. Both FAA operated and contract towers in that universe.

Mr. MICA. And each contract tower operates, well, the price that I had is that the savings is about $1.5 million per contract tower, and it is also safer. So you are cutting back substantially contract towers. You said this is your biggest contract, right?

Mr. SCOVEL. Yes, it is one of our biggest contracts.

Mr. MICA. We had a list from way back where the Clinton administration recommended another 69 towers to be converted. Bush never converted them. Don't you think we should start looking at some ways we could save money and make it safer? Mr. Scovel, are you familiar with that report?

Mr. SCOVEL. You are generally correct, sir.

Mr. MICA. Thank you. That is all I need to say.

[Laughter.]

Chairman ISSA. The gentleman can get at least a little bit further than generally correct, if you don't mind.

Mr. MICA. Well, really quickly. But would you provide the however for the record? Because I only have about a minute left.

How much in the rail area are we cutting?

Mr. PORCARI. I am sorry?

Mr. MICA. The rail area, passenger rail.

Mr. PORCARI. On the passenger rail side, actually it is about a $10 million cut. We are cutting back on administrative expenses.

Mr. MICA. We talked about some things with conferences, et cetera. Now, you know, the increases in loss on food service on Amtrak have gone from like $81 million to $85 million in the last fiscal cycle. We could eliminate food service. Do you think anyone would starve between here and New York? We did a little analysis in the Transportation Committee. Every hamburger was underwritten almost $7. We could stop that loss, couldn't we? Eighty-five million dollars in loss. Wouldn't that be an area that we could look, instead of some of these other essential safety services? Would you consider that?

Mr. PORCARI. And again, the Amtrak cuts are about $70 million. We will be happy to have that discussion.

Mr. MICA. But we could do it just by eliminating food service, and the loss would save us $85 million just last year.

Let me close with IT. That is Mr. Clinger up there. He is the former chairman when I came to Congress. It says the Clinger-

Cohen Act required, again, that all the agencies come up with the enterprise architecture. We have $3 billion in annual expenditures for IT in your Department and we have 400 information systems; some duplicative, some archaic, some obsolete. And I understand something is coming in May, a plan?

Mr. PORCARI. Yes.

Mr. MICA. Okay, we are waiting with bated breath.

Mr. PORCARI. We agree there is significant opportunities for savings there, and that has actually been a subject of management focus.

Mr. MICA. Yield back the balance of my time.

Chairman ISSA. And now for the rest of your answer, if you don't mind.

Mr. SCOVEL. Thank you very much, Chairman Issa.

Just very quickly, Mr. Mica, I couldn't show my face back at my office if I let this go by. You mentioned a GAO study on contract towers. In fact, it was an OIG study. We have done two of them. You are right, they are less expensive than FAA-operated towers; they are as safe as FAA towers and generally accepted with approval by the user community.

Mr. MICA. I apologize. I meant IG.

Mr. SCOVEL. Thanks.

Chairman ISSA. Thought he might.

And, with that, we go to the gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman.

Ms. Tighe, your office did a study, I think, over three years; they found that there was $187 million in Federal student aid funds involved in student fraud rings.

Ms. TIGHE. Yes.

Mr. TIERNEY. So I commend you on that. It is a good study, but in reality it is about less than one-half of one percent of what we spend on Federal aid, and next to what I find on the Subcommittee of Oversight for the National Security it is like minuscule on that basis. But it is important nonetheless. So if you look at for-profit institutions in the higher education field or whatever, I have some statistics here. Ninety percent of their revenues come from taxpayers.

Ms. TIGHE. That is correct. That is the limit.

Mr. TIERNEY. Ninety percent in the form of Federal financial aid, Pell grants, student loans, GI bill funds, Department of Defense tuition assistance. They have about 10 percent of all student enrollment, but they take up about 25 percent of all financial aid dollars that we spend. The Senate Health, Education, Labor and Pensions reported, for 2009–2010, they got $32 billion of taxpayer money on that.

That is a lot. We have had some problems with over-pricing tuition and predatory recruiting practices, things of that nature, but have you looked at them with respect to whether or not they are at greater risk for these fraud rings than some of the other institutions?

Ms. TIGHE. Where we have seen the greater risk is the low-cost institutions, which is primarily community colleges. Now, there are for-profit schools. For example, University of Phoenix, that operates

a community college component called Axia College, which is a little bit lower cost, has seen a number of problems with fraud rings. It is the lower cost institutions, primarily, although not exclusively.

Mr. TIERNEY. Can you explain why that is?

Ms. TIGHE. Absolutely.

Mr. TIERNEY. You have so many more dollars in these programs going to one set of institutions and less going to the other, so what is the distinction? What invites them in?

Ms. TIGHE. It is not really a function of dollars, I agree with you on your statistics. But the problem with fraud rings is it is all about what comes back to the so-called student. So when you sign up online, online you have invisibility to your institution. So they sign up for classes, they apply for student aid; then the community college, for example, will take back from the Title IV funding. Say they receive a Pell grant of $5,000 because I am going to put zero income on my application. Well, what happens is the community college will take its, say, $600 for a semester of classes and it will remit the rest to you for room and board and books and other expenses related to education.

The problem we see for distance education is why are we funding room and board in those kind of circumstances? All of that grew up when brick and mortar schools, where you go on campus, you live there, and you need to pay room and board. You do not necessarily need to do that in distance education.

There is a restriction on the old correspondence schools. Remember those? You do not get room and board for correspondence schools.

The post-9/11 GI bill done by the Department of Defense eliminates significantly living expenses.

So that gives you money that goes back to the bad guys. So all they need to do is get a bunch of their friends or inmates in prison institutions to apply for student aid, and then they kick back some of that money to the ring leaders.

Mr. TIERNEY. So, Mr. Miller, that raises a good question. What are we doing about that?

Mr. MILLER. Generally on the issue of how do we address these fraud rings, what we are finding is, in large agreement working with the IG and following up on their recommendations to take actions, you will see they break down in a series of there are some system changes we can make.

Mr. TIERNEY. Like what?

Mr. MILLER. Like there are statistical models on the front end, through the application, through the FAFSA, of which, again, it is not a few, it is about 60 percent of eligible recipients go through the FAFSA. You can put flags in if there is a pattern that we think looks like suspicious behavior; you can basically require more personal identification to go on through the application process, would be an example. Some of these, however, require statutory changes. So there are things that require statutory changes that, if we are really going to change some of the eligibility requirements, that requires actually Congress to act.

Mr. TIERNEY. Are you making those recommendations to Congress?

Mr. MILLER. That is something I will work with Congress and pursue what we think is kind of the right process. And in the middle there is regulatory changes that we are also making to address this. We go to negotiated rulemaking and, again, it is a very public, regulatory process.

Mr. TIERNEY. So could you provide to this committee the recommendations that you have made for statutory changes and the recommendations that you are making for rule changes?

Mr. MILLER. Yes. There will be a process by which, for negotiated rulemaking, we are starting with hearings.

Mr. TIERNEY. Can you provide for us what it is you are doing? Just give us an update on exactly what requests you are making for rule changes and what you recommend to Congress we change in the statute.

Mr. MILLER. Of course. I just want it to be clear, though, part of the hearings in the regulatory process is to not in fact, we have to honor the process, which says we cannot have a prescribed prescription even before we start the negotiated rulemaking process. It is meant to be informed by the public.

Mr. TIERNEY. Okay.

Mr. MILLER. So at the time, then, that the agenda gets set, we would obviously be happy to share that with you.

Mr. TIERNEY. So you already have some idea of what you think ought to be changed in the law, so you can give me that part at least, right?

Mr. MILLER. We have an understanding of the issue. And then the question is how do we engage on what the appropriate——

Mr. TIERNEY. So you have come to no conclusion yet as to what changes in law may be required to be useful?

Mr. MILLER. No, that would be premature at this point. We understand there is a problem and we understand there are different ways to address the problem, and coming up with the specific statutory or legislative solution, we are not at that point.

Mr. TIERNEY. Ms. Tighe, can you help us?

Ms. TIGHE. Well, I think that the primary statutory change we recommended was the change to the cost of attendance. I think there has been some modest movement in the Senate through the appropriations bill for this year that would look at Pell grants, but I would urge Congress to look at it as a total package, of not just Pell, but also the loans that one can get.

Possibly just looking at Pell could lead to a somewhat perverse situation where a financial aid administrator would do two calculations for cost of attendance, one for Pell and one for loans, and a student who is disadvantaged or otherwise might get more of a Pell might end up borrowing more. So we want to avoid that.

But I don't know that the Department has put in concrete fashion any kind of proposal to change the cost of attendance.

Chairman ISSA. Mr. Tierney, if you would summarize.

Mr. TIERNEY. Thank you.

Do you have any written report with respect to this, Ms. Tighe, that you want to draw our attention to?

Ms. TIGHE. Well, we did do a written report on the fraud rings that I talked about and we did make that recommendation.

Mr. TIERNEY. You make that recommendation?

Ms. TIGHE. Yes, we do.

Mr. TIERNEY. Thank you.

Thank you, Mr. Chairman.

Chairman ISSA. I would like to thank the gentleman.

I might remind all of us that the ranking member and I, in the last Congress, sponsored the Data Act, which passed, that would have changed recipient reporting, would have changed a lot of the databases on which these kinds of investigations go.

I am not sure that you can use, but, Mr. Miller, the Recovery Act, the so-called rat board, has been extended by this committee's pushing and acting, and I might suggest that what you are trying to find, you may still be able to use that asset that former IG Devaney set up to do some modeling of what could be done on a broader basis; and we certainly would encourage that, and if you need support from us, we would provide it.

With that, we go to the gentleman from Texas, Mr. Farenthold.

Mr. FARENTHOLD. Thank you, Chairman Issa.

Back when I was in high school, I was a DJ, and about the time I would get sick of a song is about the time people would start to know what the song is and start to like it. I am kind of getting that same feeling with a lot of this talk about sequestration. A lot of the American people, busy raising their families and working, are really catching on; and, to me, I think they are seeing that this is looking a whole lot like a manufactured crisis with people screaming that the sky is falling.

If my personal budget were being sequestered and I were in your place, testifying before this committee, I might choose not to pay my mortgage and say, oh my God, because of sequestration, my children are going to be homeless; or I could choose not to eat out as often and say, oh, my family is going to go hungry, or heaven forbid we go look for a box of noodles in the pantry, macaroni and cheese. Actually, our kids would probably prefer macaroni and cheese to some of the places I take them.

But here is what I am getting at with that. I really do feel like this is a lot of posturing, and I want to ask the two secretaries here. If I were to come to you and say cut 2 percent from your budget, do whatever you need to do to cut 2 percent, 2 or 3 percent, minimize the effect on safety, minimize laying employees off. You have cart blanche to fix your budget to cut 3 percent. Could you do it? And we will start with Mr. Miller.

Mr. MILLER. I think, candidly, we struggle with that. The money is in money for poor kids, money for students with disabilities, money for kids on Indian reservations. So it is like what child is more or less important or what services are more or less important?

Mr. FARENTHOLD. But there is no 3 percent in overhead. There is no 3 percent in waste, fraud, and abuse. There is no 3 percent in something maybe we don't need to do.

Mr. MILLER. Ninety-nine percent of our budget is in program dollars, it is in direct program dollars; it is not in overhead.

Mr. FARENTHOLD. And there is no waste, fraud, and abuse in any of those programs, despite these fraud rings we are hearing about? So you are telling me you couldn't cut 3 percent from the budget if I asked you to.

Mr. MILLER. The sequester is forcing us to cut. If you said could you find cuts that would not adversely impact education in students who are struggling right now, who are at the least advantage and who are struggling to participate in our global economy because they don't have the skills, I would say no. I would say making those kind of cuts is going to have an adverse impact that we will regret.

Mr. FARENTHOLD. All right. I just can't believe there is not 3 percent there.

What about in transportation, Mr. Porcari?

Mr. PORCARI. Thanks for asking. Again, what the sequester is in a part of a fiscal year, because three-quarters of our Department is exempt from it, is the equivalent of a 90 percent cut.

Mr. FARENTHOLD. All right, so if I gave you carte blanche, could you do it?

Mr. PORCARI. Of course we can do it. It is a question of what the impacts are. And that is the process we are going through right now. I would point out the easy stuff has been done. Since 2008, for example, within the Federal Aviation Administration, we have cut $510 million out of the cost basis by reducing travel by 30 percent, IT savings of $36 million, $100 million from innovative contracts.

Mr. FARENTHOLD. I think Mr. Mica came up with a nice laundry list of things we could still continue to look at and I find it very difficult to believe that just with the increased cost of gasoline, many families have had to squeeze 3 percent out of their budget now, and I just don't think it is unreasonable that we would be asking. And yet we, in the House, have come up with two different replacements for sequester that aren't as painful, and I get at least you could find something, Mr. Miller maybe not.

I do want to go on to the inspector generals because I have an important question for them. I am subcommittee chairman on this committee of Post Office, Government Workforce, and the Census, and recent news reports in The Washington Post suggest that agency managers could be able to choose favorites among their employees to spare them from furloughs in sequestration.

Let's ask Mr. Scovel and Ms. Tighe, can you commit to us that the IG's office will be looking to make sure that whatever furloughs come are handled in a fair and appropriate manner, and we don't have political reprisals or choosing of favorites?

Mr. SCOVEL. We will investigate every allegation, and we have a hotline center that is equipped to take those allegations and to ensure that they are inquired into properly.

Mr. FARENTHOLD. Ms. Tighe, is there a similar situation in education?

Ms. TIGHE. Yes.

Mr. FARENTHOLD. All right, great.

I actually only have 25 seconds and I had a couple of questions on improper payments, so I am just going to yield back the remainder of my time.

Chairman ISSA. If I could have that time.

Mr. FARENTHOLD. It is all yours, Mr. Chairman.

Chairman ISSA. If you, Mr. Porcari, and you, Mr. Miller, if you went to your workforce and told them that they had a hypothetical

choice of taking that furlough, that 5 percent, effective, pay cut or finding a way to come back to you and show that they could do the same amount of work with 5 percent less employees next year, not this year, but in the next fiscal year, would you predict that your workers would come up with organizational changes, your middle managers with organizational changes, that would allow you to keep the pay and benefits where they are and do more or do as much with slightly less people? Just a prediction.

I think that is what Mr. Farenthold was really getting to, is isn't there enough organizational lethargia that builds in that, in fact, almost any workforce faced with reducing by attrition and other means or taking a pay cut, they will find a way to do better in efficiency?

Mr. PORCARI. Most of the savings since 2008 that I was just outlining have actually been suggested to us by our employees. We have a smart, very committed cadre of public servants. They will continue to find savings and I would submit, Mr. Chairman, they would do that with or without a sequester scenario.

Chairman ISSA. Mr. Miller, you would also agree that our workforce is smart and innovative, and, given the right motivation, can help us in this process?

Mr. MILLER. And I would argue that they have been, like what Mr. Porcari has stated. I think, frankly, we have asked them, even today, to take on more and more responsibilities that they are forced, and have been over the last several years, to be more innovative with their programs.

We are asking them to take more accountability for closing out audits. We are asking them to take more responsibility for providing real effective assistance to our grantees; not just about getting the money out, but making sure it is having an impact. So we are asking more and more of our employees each and every day. So to say, yet again, can you do more, I think our employees would welcome it, but they would not see that as a new request.

Chairman ISSA. Thank you.

We now go to the gentleman from Nevada and thank him for his patience.

Mr. HORSFORD. Thank you, Mr. Chairman.

Prior to coming to Congress, I served in the State Senate in Nevada, and over the last few years we experienced tremendous budget shortfalls. It required both sides of the aisle to come together to find a balanced approach to pass a balanced budget, which is what we have done.

I believe that the Federal cuts, whether under sequestration, under what occurred in the prior fiscal year, or what may come, needs to be put in context with the cuts that State and local entities have already incurred. In Nevada, in the Department of Education, 70 percent of our department's budget are federally funded positions, and that is on top of the reductions that were made by our State agencies.

So I am a bit perplexed, Mr. Chairman, that the line of questioning by some members on the other side somehow is pointing the blame at our Federal agency heads, rather than taking the responsibility as members to do our job, to come up with the policies

that we need to arrive at a balanced approach, which is what a lot of State governments have been doing for many years.

Now, I respect the professionals that are here today, and your viewpoints, and I specifically want to ask Mr. Porcari on the FAA. I am very concerned about air traffic control. We have 40 million visitors that come in and out of our major airports in Las Vegas. So can you elaborate on what the impact of the furloughs were that occurred in 2011 on your employees? We focused a lot on what the new impact would be, but what already occurred?

Mr. PORCARI. To the extent that we have had furloughs in the past, they have not been nearly as broad as what is being proposed under sequestration. I mentioned that the vast majority of the 47,000 FAA employees would be subject to furloughs. That is because 70 percent of our operations account is actually the cost of people. And those people are out there, overwhelmingly, in the field; not in Washington, out there in the field. Unlike anything that has happened in the past, it is going to have an across-the-board impact on operations. What we are trying to do is minimize the impact on the maximum number of people.

Mr. HORSFORD. Again, I respect the position that FAA employees are definitely going to feel the brunt of this under sequestration. What about the average American traveler, what are they going to experience?

Mr. PORCARI. If you are traveling by commercial airline and you are generally going, if you are not going point-to-point, if you are going through a hub airport, which the bulk of passengers are, you are likely to experience delays. It will be significant delays at some times. If you are a general aviation user, you will see a number of places where control tower services, controlled air space was formerly provided, but will not be either midnight to 8 or 24 hours, and you will operate in what we believe is a safe but different operating environment.

Mr. HORSFORD. And I think, again, this is an important aspect because, again, sometimes people talk about Federal employees as some nondescript bureaucrat that is not performing an essential function. We are talking about air traffic safety. Has anyone forgot about 9/11 and the effects of not having the top-notch safety that we expect as the traveling public? And what will that cause?

There is a report that was issued by the Aerospace Industries Association that said the combined reduction in passenger and commercial air traffic resulting from the sequester could lead to anywhere from $10 billion to $20 billion in reduced economic activity and a job loss of upwards of 132,000 jobs.

In Nevada, we can't afford any more job losses. We are trying to get our economy jump-started and moving in the right direction, and we need to work in that regard. So is this study accurate?

Mr. PORCARI. We have not independently verified that study, and there are several others out there that have broadly similar conclusions. What we do know is that aviation at large is one of the driving forces behind the economy, whether it is passenger commercial air traffic, whether it is aircraft production, whether it is the innovation that happens on the electronic side, on the avionic side every day. We know it is one of the drivers of the economy. There

will clearly be some impacts on the economy, broader impacts from these sequestration cuts.

Mr. HORSFORD. Thank you.

Mr. Chairman, I just want to close by saying I want to work with anybody that has a good idea for how we can identify targeted cuts in Federal programs that aren't efficient, that can be improved. But to single out these across-the-board cuts that we know are not good for our economy, that are not good for public safety and are ill conceived, we just have to move in a different direction.

Mr. FARENTHOLD. [Presiding.] Thank you, and the gentleman yields back.

We will now go to the gentleman from Gainesville, Georgia, Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. I appreciate it.

One of the things that comes when you are new and you are sitting on the front row, you get to listen to the entire hearing a lot of times, especially when you are trying to go back and forth. It is amazing to me how many things we have talked about that had absolutely nothing to do with this hearing, in all fairness. I mean, we have talked about sequestration; we have talked about how it is going to affect; we have talked about other things.

I will tell you what is interesting to me, if you want to talk about sequestration, is that there are open and unimplemented IG recommendations could have saved the taxpayers $67 billion over the last few years. Sequestration is $84 billion, $85 billion. We haven't talked about that. There are savings that can be had.

I want to tell you just a quick story to illustrate some questions that I have. A few years ago I pastored, if you know my background, if you don't, I pastored a church for 11 years, I felt led to go back to law school, Grayson Law. It was a strange thing in my life. But we looked at it and I said, the only way I can go back at 38 years old is we have to go full-time, to get this over with.

So my wife and I, we sat down and we said I am going to be losing an income, because I couldn't work and go to law school at the same time. So we looked at all of the things, from buying sandwich meat, from buying other things, that we were going to take lunches and cut back. I have three children. What was not discussed was taking a kid and selling them on eBay. We looked at what we could do.

When I look at this right here, and I served on the Georgia legislature as well, which, by the way, we had, between Federal cuts, we had $5 billion in cuts, my friend. In Georgia, what we have done is we cut our budget and we lowered taxes and we have attracted business. So it can be done. The problem I am having right here is that there seem to be IGs, and we talked about the cuts and my friend across the aisle talked about the cuts for the IGs themselves. Well, at this point in time, you are not listening to them anyway. What is the problem? You have to have a balance here.

I go back to the $67 billion that is left on the table that we are not looking at, that we are not talking about.

Mr. Porcari, the cuts that you were discussing is your pay cuts with three furlough days, correct?

Mr. PORCARI. Yes.

Mr. COLLINS. Okay. One of the other things, and I believe it was my friend from Missouri across the aisle that talked about the rhetoric from both sides in dealing with the inaction in Congress. I think there is also just an understanding here that there is a frustration in lack of sort of common sense in planning.

Mr. Miller, you said this earlier. And I just going to assume it was your statement here, and not assuming it to anything else, but you said that we just thought it wasn't going to happen. That is the problem in Government right now, this Pollyanna approach that it wasn't going to happen. But it was law. It was something that was coming and now it is here. I think the frustration that most people like myself, who had to make plans in going forward, was that you are not planning.

My question also goes back to the political nature of this. Mr. Porcari, you have done wonderfully with your talking points from the Department of Transportation. I remember Secretary LaHood saying the exact same things just the other day. You have done well with that, and I understand that. But my question is you mentioned New York, Chicago, and San Francisco, because those are the high-profile airports. Just curious, why didn't you mention Atlanta, which is the busiest airport in the world? Because it doesn't play as well?

Mr. PORCARI. No.

Mr. COLLINS. Because you don't get the bang for the buck from New York, Chicago, and San Francisco?

Mr. PORCARI. Because I could only rattle off three or four at a time.

Mr. COLLINS. So we leave off the largest in the Country?

Mr. PORCARI. Not at all. There will be substantial impacts in Atlanta.

Mr. COLLINS. I appreciate that. Next question. In planning furlough days, which a lot of governments in Nevada and a lot of other places have had to do, so you are telling me you cannot plan well enough that you cannot stagger your furlough days in such a way that you would have to close a tower?

Mr. PORCARI. We will be staggering the furlough days. In other words, the employees will have to take one furlough day per pay period.

Mr. COLLINS. But you are telling me that you cannot stagger them in such a way and make them effective in such a way that, as your comment was in Chicago, closing the north tower?

Mr. PORCARI. That is correct. In some of our major operation centers, and remember, 84 percent of our operations employees are outside of Washington in our tech center.

Mr. COLLINS. And how long have you had to think about this?

Mr. PORCARI. We have been working on this for months.

Mr. COLLINS. And I think that is the problem that I am coming to. When you have the IG's recommendations and you have these that have been left on the table, that are currently getting around to, not getting done, you have money left on the table but, yet, in a hearing like this, in a time when there is now real cuts going on, and that is part of the problem, it is now time to squeal and say, here are the problems that we are having.

I will leave with this last story. In Georgia, a few years ago, when the cuts started first coming, we were trying to look at all of our departments. One of the areas that was hit was our regents, which was our higher education, which were taking a direct hit. There became a saying that we were going to raise tuition 30 percent, and then one of our presidents actually said, who actually was over something, he said we are going to have to cut the cooperative extension program; in other words, we are going to cut 4–H, knowing good and well that 4–H was one of the least things that would have needed to be cut. Instead, what he did was generate 700 cards to every person, from crayons to pencils from every child across the State that said don't cut my 4–H program.

What the American people are frustrated here is they don't understand an out-of-balance budget, they don't understand deficit reduction and they don't understand $67 billion left on the table. That is what I don't understand and that is what the American people don't understand. And that is the only problem I have.

Mr. Chairman, I yield back.

Mr. FARENTHOLD. Thank you, Mr. Collins.

We will now go to the gentlelady from New York, Mrs. Maloney.

Mrs. MALONEY. I thank the chairman for yielding and I thank all of the panelists for being here. I would like to address my questions to Mr. Porcari, particularly as it pertains to Sandy aid. I know you referenced that in your opening statement, so I, first of all, want to thank all of my colleagues that voted for the Sandy aid for New York, New Jersey, and 21 other States that were impacted.

Mr. Porcari, the cuts to the Department of Transportation under sequestration would have a devastating impact on Hurricane Sandy relief efforts in New York and New Jersey, and I would like to ask about two key DOT programs, the Federal Highway Administration Emergency Relief Program and the Federal Transit Administration's Public Transportation Emergency Relief Program. Each faces sharp cuts under sequestration, is that correct?

Mr. PORCARI. That is correct.

Mrs. MALONEY. Now, the Emergency Relief Program, which provides relief funds to repair Federal highways and bridges, they face over $100 million in cuts under sequestration, is that right?

Mr. PORCARI. That is right, $101 million.

Mrs. MALONEY. One hundred and one million dollars. And will the Federal Highway Administration's Relief Program be required to grant less money to State departments of transportation than has already been approved for Sandy relief? Will this directly affect Sandy relief?

Mr. PORCARI. We have made provisions with the Federal Highway emergency relief money that it will not affect Sandy relief.

Mrs. MALONEY. Wow!

Mr. PORCARI. As I mentioned, part of the appropriation actually covered previous natural disasters. At least in the case of the Federal Highway Administration, this will not be true in the case of the Federal Transit Administration, we will not be impacting Sandy relief. The Federal Transit cut of approximately $544 million will, unfortunately, directly impact the rebuilding post-Sandy.

Mrs. MALONEY. Well, that is a problem. New York, as you know, is a transit city. We are probably the largest transit city in the

world in terms of how we move our people. Will that be a $544 million cut to Sandy, or how much will it affect the transportation?

Mr. PORCARI. That transit cut of $544 million will be towards Sandy aid.

Mrs. MALONEY. Whoa, whoa!

Mr. PORCARI. And if I may point out, one of the important things that Congress approved in the Sandy aid is mitigation, in other words, rebuilding to a more resilient standard. There have been two storm events in the last 18 months that have flooded parts of the transit system, for example.

Mrs. MALONEY. Five stations in my district, five subway lines. It is huge.

Mr. PORCARI. And it is those resiliency efforts that will bear the brunt of that cut.

Mrs. MALONEY. Wow. Now, is it disproportionate to Sandy than the rest of the Country?

Mr. PORCARI. This transit cut applies only to Sandy aid.

Mrs. MALONEY. Only to Sandy aid. Oh my word. Oh, no. Is there any way we can change that?

Mr. PORCARI. If it is the will of Congress, obviously.

Mrs. MALONEY. Well, why were we able not to sustain the cuts in the Emergency Relief Program, but the cuts went through in the transit program? I am just curious. How was that decision made?

Mr. PORCARI. Well, the Federal Highway Emergency Relief funds were a little over $2 billion, and of that the cut, as I mentioned, was $101 million, which left a sufficient balance to not only take care of all the highway-related Hurricane Sandy relief that we believe will be required under the program, but to cover some of the existing priorities as well.

Mrs. MALONEY. And then this other $544 million is only to the transit money for Sandy?

Mr. PORCARI. That is correct.

Mrs. MALONEY. Wow. Who made that decision? Did you cut transit across the Country or just transit to New York?

Mr. PORCARI. That was a specific sequestration cut. We did not have any flexibility in that.

Mrs. MALONEY. Okay. Thank you for that information.

I also wanted to talk about a flight from the great State of New York killing a number of people, including a very dear friend of mine. In February of 2009, Flight 3407 crashed on approach to Buffalo. It was very tragic. Both pilots, both flight attendants, and 45 passengers were killed. And the National Transportation Safety Board stated as follows, "The pilots' performance was likely impaired because of fatigue." And both of the pilots operating the flight were found to have "commuted hundreds of miles prior to the flight."

In December of 2011, the Department of Transportation issued a new rule, known as the Pilot Fatigue Rule, to emphasize the responsibility of pilots and airlines to ensure that pilots are fit to fly when they report for duty. However, the new rule does not restrict the amount of commuting the pilots may undertake on their way to the airport, and I would like to ask, who would be the proper person, Mr. Scovel? Who would be the proper person to answer this?

Have you recommended that the FAA ensure that the collection of data regarding domestic and commuting link for all part of 121 flight crews? And why did you make this recommendation? Were you the one who made the recommendation, Mr. Scovel?

Mr. SCOVEL. We did, Mrs. Maloney. Thank you.

Mrs. MALONEY. Okay. Why did you make the recommendation and what type of study do you feel is required to understand the risk of fatigue associated with pilots' commute?

Mr. SCOVEL. We made that recommendation, in part, because of just what you said, of NTSB's finding. We found that most significant and eye-opening in terms of when we looked at the FAA's available information on pilot domicile and commuting, it didn't exist.

So we thought it would be helpful to the agency in their safety oversight responsibilities to at least begin to collect that data; not to jump to the conclusion that regulation of pilot domicile or commuting practices should be embarked on, but in light of the dearth of the data, NTSB's concern, the fact that the National Academy of Sciences, as well, did a study and found a lack of available data, we thought it would behoove the safety regulators to take a look.

Mrs. MALONEY. Well, Mr. Porcari, can I ask you very quickly do you think that the amount of review of existing studies and literature is sufficient?

Mr. PORCARI. We are not satisfied with the data that we have. Mr. Scovel mentioned the National Academy of Sciences' study. There was also some work done by our own FAA Aeromedical Institute on cabin crews that we used as a proxy for flight crews. In neither case did it draw a direct link between commuting time and fitness for duty, which is the responsibility of the air crew. But we all know that we can benefit from better data on this.

Mrs. MALONEY. Mr. Scovel, do you believe the FAA's examination of existing literature is enough?

Mr. SCOVEL. Not yet.

Mrs. MALONEY. Why not?

Mr. SCOVEL. The FAA owes us their response, and I believe it was due, in fact, at the end of last week, the 28th. We haven't yet seen it. I am told informally that it is on the way.

Mrs. MALONEY. Okay, I would like to ask the chairman if we could request that we get a copy of that. That is important to me and the families that lost their loved ones, and airline pilots and everyone else.

Deputy Porcari, can you commit today to make an effort to collect and analyze primary source data on this issue to determine whether additional steps should be taken to ensure flight safety?

Mr. PORCARI. We are looking right now at what can be done in terms of reliable data, and what I can commit to you is that safety is our number one priority. We know that this is a real frustration of all of us and we need to understand this better at this point, so I would like, if I can, for the work that the FAA is completing now to speak for itself as the next step in this process.

Mrs. MALONEY. Well, thank you. My time has expired, regretfully. I have a lot of other questions, but thank you so much for your time and testimony.

Mr. FARENTHOLD. Thank you, Mrs. Maloney. We will do a quick second round. I know the ranking member has a couple questions he would like to ask and I just have one or two I would like to ask, so we will do that, if the panel will indulge us for a moment.

Mr. Scovel, I read through your testimony and listened to what you had to say. The bulk of the IG recommendations out of DOT, rightly so, deal with safety issues, bridges in particular. I know in the district I represent, we have an aging bridge that we are looking at $600 million that we are going to have to replace, and that is not uncommon around the Country.

What we didn't really talk about and one of the purposes of this hearing was where we can find savings to avoid having to do an additional tax increase to maybe offset some of the things with sequester. In some of the unimplemented reports from your Department, did you find some cost savings?

Mr. SCOVEL. Of course we did. Thank you, Mr. Farenthold. Last year we had financial recommendations totaling $1.7 billion for the Department. The year before that, $1.7 billion for the Department. That is not to say that all of those financial recommendations translate immediately to cost savings, because they do not.

For some of them, for instance, we would expect that our recommendations, for instance, for the enterprise architecture or FAA facility consolidation and realignment, they are forward-looking. We would expect that they would lead to better decision-making and ultimate cost savings over the course of a long process to fully implement the program.

Mr. FARENTHOLD. Mr. Porcari, let me ask you another. We heard a lot of testimony about NextGen in aviation. I have the privilege of also serving on the Transportation and Infrastructure Committee Aviation Subcommittee, and we have heard a lot about the delays associated with NextGen.

I also have the opportunity to speak to various folks within the airline industry on my commutes back and forth to Texas, and I hear time and time again that not only are these delays costing the airlines efficiency and money, but they are potentially costing us money. Do you have any idea how much we would have saved if we would have gotten NextGen done anywhere near on time?

Mr. PORCARI. We can get you some estimates of the accelerated benefits, but I will tell you just in one piece of it, using required navigation performance in Seattle-Tacoma Airport, where it is in place right now, it is saving the airlines a significant amount of money. It is also the equivalent to taking a couple thousand cars off the road in terms of environmental safety.

Mr. FARENTHOLD. And I know they are struggling getting a route from Houston to Corpus Christi that has all been done. There is some sort of other regulatory approval, I think environmental.

Mr. PORCARI. The Houston Metroplex initiative is actually one of the marquee early short-term benefits of NextGen. I have been down to Houston to actually meet with the interdepartmental staff working on it; they take great pride in getting the approvals concurrently, in designing the approaches and the other requires parts on an accelerated basis. They are literally committed to shaving years off of what would be a multi-year process.

Mr. FARENTHOLD. And is there anything that this committee can do to help expedite that process?

Mr. PORCARI. Congress has been very supportive, historically, of NextGen, which is a multi-year system of systems that, quite frankly, is very expensive. It is that continued year-to-year commitment so that we can plan ahead, so that the contracting community and the airlines can be confident to make those investments. That is the single most important thing, the consistency and predictability of it.

Mr. FARENTHOLD. And having had the privilege of touring some FAA facilities, you have some fine men and women working there, but you have 1950s technology in there, and I think the traveling public would be better served, as well as the environment and a vast variety of other factors, if that were taken care of.

Mr. PORCARI. Absolutely.

Mr. FARENTHOLD. And I will yield back the remainder of my time and recognize the ranking member for his second round of questions.

Mr. CUMMINGS. Thank you very much.

First of all, I want to thank you all for being here, and thank you for your testimony, it has been extremely helpful. It is clear that more needs to be done. These recommendations need to be followed through, and I would hope that both Departments would act on them swiftly.

Certainly, a lot of the discussion has gone to sequestration because that is what we are dealing with, and we have heard Mr. DesJarlais say there is more to come. He made that very clear. More cuts to come beyond sequestration.

So I guess I am trying to figure out, as I listened to you, Ms. Tighe, and you, Mr. Scovel, I was saying to myself, you know, the IG offices have tremendous credibility. As a lawyer, I tremendously respect, and as a legislator I respect what you all do. And as you talked about, I think it was you that said there was some criminal investigation that you couldn't get into or whatever because of personnel. I wish that there was a level of trust with regard to other Federal employees outside of your agencies.

I was telling a group on the Floor the other day, when they were talking about Federal employees, it was mentioned that Federal employees only leave at a .4 percent rate, Federal Government; in other words, their exit rate is not as extensive as the private sector because they have great benefits and because they have all this pay. And I tried to tell them if they listened to some Federal employees and asked them why they do what they do, in most instances it is because they want to help the public, period. It is not about pay.

So when we look at people losing their jobs, and there are going to be some jobs lost; when we look at people taking furloughs, like the lady that I met the other day who is going to lose $800 a month, when she has two kids, trying to put one through college; that is pain. And we may act like it is not a big deal, but it is a big deal.

The thing that I guess I am really concerned about is I want us to make sure that when we say that there is going to be impact, that is true; in other words, that if there is something else that can

be done to avoid certain things, I want to know that those things are being done. But I guess we get, with situation like you, Mr. Miller, when you talk about a Sophie's choice, where you have disadvantaged kids trying to make it, struggling, trying to be all that God meant for them to be, and they can't get there when you are cutting things like WIC and all kinds of things. I know WIC is not your piece, but you know, the aid, Title I and all that. That is kind of tough.

So, Mr. Porcari, coming back to you, you said that three-fourths of your budget is exempt basically, is that what you are saying?

Mr. PORCARI. That is correct, 74 percent is exempt.

Mr. CUMMINGS. So this is my question. When I look at BWI in Baltimore, they already have, according to our account, about 258,000 commercial flights a year. I am trying to figure out that backup, at some point something has to give. It seems like they are already flying from 5:00 in the morning to 1:00 at night. So I am trying to figure out what gives. Are you following what I am saying?

Mr. PORCARI. It is an excellent question, Mr. Cummings. Flight delays is like throwing a rock in a pond; it ripples through the entire system. So you may have flights taking off late as part of it; you may have cancellations. Because most passengers are moving through a hub and spoke system, they may miss their connections. Those connections are very tightly tied together in banks. So we can't fully quantify what all the impacts are. We believe that they will be significant.

It is also important to point out that they are cumulative, in the sense that your airport experience also includes the TSA delays to get through the security line, then the potential flight delays beyond that.

Mr. CUMMINGS. Ms. Tighe, just one question. Exactly where does your responsibility end and theirs begin? For example, you talk about possible criminal investigations or whatever, and you talk about this money that has been lost, statute of limitations run. Where is the line there? You follow my question?

Ms. TIGHE. No, I understand. Generally, the IG makes recommendations. We are not management; we can't make management decisions. We make recommendations and the Department has to decide how to proceed on those. And it is really their responsibility to execute. If they come up with corrective action which we do get a chance to agree on, then it is really up to them to execute that. I mean, that is fully in their responsibility.

Mr. CUMMINGS. The reason why I ask that is when you talk about criminal investigations, I am just trying to figure out where is that line.

Ms. TIGHE. Generally, when you talk about criminal investigations, that is purely under my bailiwick, that is not something the Department decides one way or another. In fact, I think the secretary, under the IG Act, is specifically prohibited from impacting my investigations and what I initiate and what I don't. I do know that, resource-wise, I am going to have to drop numbers over the next couple years. Let's look past this year. I need to drop my numbers.

Mr. CUMMINGS. When you say drop your numbers, what do you mean?

Ms. TIGHE. In terms of people. Because I have too many people. We haven't had good attrition. And that is maybe a nice reflection of we are an okay place to work, but, on the other hand, for a budget it has created some problems. So we have to drop. We are going to have to do a buyout and do all the ways the Government has to reduce numbers. That is going to mean fewer investigators and fewer auditors. And that is fine if that is the decision we make that that is how we want to spend our money, but that is one of the consequences of, let's put sequestration aside. We are still looking at an era of lower budgets.

Mr. CUMMINGS. Thank you very much.

And thank you all very much.

Mr. FARENTHOLD. Seeing we have no other members waiting to ask questions, I would like to take this opportunity on behalf of the entire committee to thank our panel for being in front of us. I realize we may not be the easiest committee to testify for. As our mission statement says, it is our solemn responsibility to hold the Government accountable to the taxpayers, and that is what we try to do. Chairman Issa likes to refer to us sometimes as the watchdogs, so thank you for coming before the dogs. Thank you very much, and we are adjourned.

[Whereupon, at 12:58 p.m., the committee was adjourned.]

Kerry L Bentivolio MI-11

"Reducing Waste and Mismanagement: Implementing Agency Watchdogs' Recommendations Could Save Taxpayers Billions"

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Committee on Oversight and Government Reform

Good morning Chairman Issa, Ranking Member Cummings, Members of the Committee and witnesses, thank you for having this very important hearing. As a teacher, both at a private and public school, for 15 years, I am not surprised by the amount of waste and lack of accountability within the Department of Education. Think of how much money we could provide to our students, teachers, and communities if we weren't wasting it by funneling the funds through the Washington bureaucracy.

Unfortunately, I am not at all surprised with the lack of accountability in the Department of Education. What is the point of audits and recommendations if they're never enforced and change is not implemented?

One thing I've learned in my short time in Congress is that politicians love passing laws and agencies love demanding more money, but no one wants to be held accountable for misuse and waste. No one wants to be the "bad guy" and demand actual accountability. Good intentions seem to have replaced good results at the Department of Education.

Only in government can audit after audit find the same problems and no one is reprimanded. Only Congress would continue to fund agencies at higher levels even though they have only produced poor results.

This hearing today will hopefully lead to some major changes, including but not limited to, actual procedures that aren't just talked about but also implemented.

We hear sound bite after sound bite about teachers being laid off, students not receiving text books, and special needs students no longer receiving services simply because Congress won't spend more. I think this hearing will once again show that Washington **does not** have a revenue problem, but a problem with how money can be used effectively. It is time for government to stop pointing fingers at the supposed "lack of funding" and instead start looking at how they can produce the best results they can with the billions of dollars of taxpayer money they have.
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My questions are directed towards Ms. Tighe.

Questions

1. With all the waste of taxpayer dollars, the obvious lack of accountability within the Department, do you believe the Department of Education should be taking on any more responsibilities or administering anymore programs or grants until it gets up-to-date on the recommendations coming from your office?

2. Your testimony referenced one department that "developed an internal action plan" to improve its overall audit resolution process. What incentives are in place to encourage such responsible behavior, and why did only one office find it necessary to develop an action plan?

3. According to Secretary Duncan, teachers will be laid off as a result of sequestration. Do you believe this is the case, or would simply implementing IG recommendations ensure teachers can stay at work?

4. HHS released a report in December about the failure of Head Start. What procedures are in place at the Department to amend programs deemed to be failing?

5. You said in your testimony that the Department audits Charter schools in order to ensure they are using funds appropriately. Do you do this for public schools as well?

6. It is clear to me there are many procedures in place to ensure wise use of taxpayer dollars, but they lack an enforcement mechanism. As the IG, what do you need us to do in order to put some actual teeth into the work you do so recommendations turn into actual results?

7. What incentives are in the Department of Education to encourage employees to be more frugal with taxpayer dollars in order to get the best bang for the buck?

8. Do you believe the Department of Education is deserving of all the federal taxpayer dollars it receives and what would you recommend to hold Department of Education employees and Administrators accountable for taxpayer dollars?

U.S. Department of Transportation
Office of the Secretary of Transportation

The Inspector General

Office of Inspector General
Washington, D.C. 20590

December 21, 2012

The Honorable Darrell Issa
Chairman, Committee on Oversight
and Government Reform
United States House of Representatives
Washington, DC 20515

The Honorable Elijah E. Cummings
Ranking Member, Committee on Oversight
and Government Reform
United States House of Representatives
Washington, DC 20515

Dear Chairman Issa and Ranking Member Cummings:

Thank you for your December 5, 2012, letter requesting that we provide our 10 highest priority open[1] recommendations—5 short-term and 5 long-term—to improve agency efficiency and reduce waste.[2] You also asked that we describe whether and what ways agency management solicits our input about how to improve efficiency and reduce waste.

We continue to support the Department through our audits and investigations as it carries out its mission to improve the management and execution of programs and protect resources from fraud, waste, abuse, and violations of law. As of December 10, 2012, we have identified a total of 637 open recommendations, which were included in 217 audit reports issued between September 2004 and November 2012. We considered several criteria in identifying the following open recommendations as the highest priorities,[3] including their impact on safety, economy, or efficiency; documented vulnerabilities; dollar implications; and the ability of the Department to effect change in these programs or areas.

[1] Open recommendations include those for which the Department or an agency has either (1) concurred and proposed action plans but has yet to complete implementation, (2) completed the planned actions but has yet to provide us with supporting documentation, or (3) nonconcurred.
[2] Per your request, we define as short-term those recommendations that can be achieved by December 2013 and long-term as those recommendations that can be achieved after December 2013.
[3] The recommendations we identified as high priority are from reports issued between 2010 and 2012. The order in which the recommendations are listed does not indicate any order of priority within those lists.

Top Five Short-Term Open Recommendations

Operating Administration	Open Recommendation	OIG Report
Federal Aviation Administration (FAA)	Ensure the collection and analysis of data regarding domicile and commuting length for all Part 121 flight crews. Specifically, information regarding the number of pilots and other flight-crewmembers who commute, their methods of transportation, and the distances they commute, should be collected.	*FAA and Industry Are Taking Action To Address Pilot Fatigue, but More Information on Pilot Commuting Is Needed,* AV-2011-176, September 12, 2011

Pilot fatigue is a longstanding safety issue but was highlighted after the fatal 2009 Colgan accident, in which both pilots commuted hundreds of miles prior to the flight. Our report recommended that FAA collect and analyze information on pilot domicile and commuting[4] to better target solutions to reduce fatigue within the aviation industry. According to the Air Line Pilots Association, roughly 60 percent of its pilots are commuters. FAA has agreed to conduct a "scan of available data" on pilot commuting and will determine whether additional data could offer significant safety benefits by February 2013.

Operating Administration	Open Recommendation	OIG Report
Federal Aviation Administration (FAA)	Establish an integrated master schedule framework, policy, and standard operating procedures that include the Segmented Implementation Plan and transformational programs, and a timeline for maturing this capability.	*Status of Transformational Programs and Risks to Achieving NextGen Goals,* AV-2012-094, April 2012

FAA now spends almost $1 billion annually to develop and implement the Next Generation Air Transportation System (NextGen). However, it has yet to complete an integrated master schedule to manage implementation of the six programs that will provide the foundational technologies and infrastructure needed for NextGen.[5] The planned master schedule will better coordinate these programs' capabilities—many of which are interdependent—and include timelines and completion dates. Without a master schedule, FAA will be challenged to (1) fully address operational, technical, and programmatic risks; (2) prioritize and make informed tradeoffs for programs' costs and schedules; and (3) determine what capabilities should be delivered first to

[4] Commuting is a common aviation industry practice as pilots are not required to live within close proximity of their assigned duty locations. Many pilots reside hundreds or thousands of miles from their duty locations, and their commutes frequently involve cross-country air travel. For example, the National Transportation Safety Board's Colgan investigation revealed that out of 136 Newark-based Colgan pilots, 49 (36 percent), had commutes of at least 400 miles, with some commuting from States such as California, Nevada, and Washington.

[5] These six programs are Automatic Dependent Surveillance-Broadcast, System Wide Information Management, Data Communications, NextGen Network Enabled Weather, NAS Voice System, and Collaborative Air Traffic Management Technologies.

provide users with the greatest benefits. FAA is currently working on the integrated master schedule.

Operating Administration	Open Recommendation	OIG Report
Department of Transportation (DOT)	Clifton Gunderson recommended that DOT management ensure that OAs perform the quarterly inactive project reviews to ascertain that inactive obligations are liquidated in a timely manner throughout the year. Particular attention should be paid to stagnant or closed projects.	*Quality Control Review of DOT's Audited Consolidated Financial Statements for Fiscal Years 2011 and 2010,* QC-2012-009, November 2011

Clifton Gunderson conducted an independent audit of DOT's financial statements and identified a significant deficiency in internal controls over unliquidated obligations (Undelivered Orders, or UDOs).[6] This weakness resulted in inactive grant UDOs of approximately $1.4 billion. These are idle funds that DOT agencies can use for other projects to improve transportation infrastructure and create jobs. DOT concurred with our recommendation and in July 2012 initiated a 60-day, resource-intensive remediation effort to identify and deobligate inactive UDOs that resulted in the liquidation of $2.1 billion in unneeded UDOs. For fiscal year 2013, DOT plans to issue policy requiring DOT agencies to perform quarterly reviews and annual certifications of obligation balances and train personnel who handle them. Implementing this recommendation will help the Department begin correcting a persistent, systemic problem[7] with unliquidated obligations.

Operating Administration	Open Recommendation	OIG Report
Federal Highway Administration (FHWA)	Implement a coordinated and effective data-driven, risk-based approach for Division Offices and Directors of Field Services to review Agreements annually and make timely revisions, when appropriate.	*Improvements to Stewardship and Oversight Agreements Are Needed To Enhance Federal-Aid Highway Program Management,* MH-2013-001, October 2012

Stewardship and oversight agreements are required by law and establish Federal and State responsibilities to oversee about $40 billion in highway funds provided annually to the States. While FHWA fulfilled the statutory mandate to enter into Agreements with each State, the Agreements do not consistently reflect Federal requirements or program risks and priorities that FHWA has identified and communicated to its Division Offices. FHWA plans to implement this recommendation and others from

[6] UDOs represent goods or services ordered, which have not been received prior to the end of the reporting period. Grant UDOs represent funding obligated through grantee agreements that have not been disbursed prior to the end of the reporting period.

[7] UDOs were elevated to a material weakness during the fiscal year 2012 audit, and while DOT's immediate efforts were commendable and substantially reduced the unneeded UDO balance, additional action is needed to ensure UDOs are deobligated in a timely manner in the future.

our report through its Program of Oversight Initiatives (POI)—oversight plans at its Division Offices. We have requested an action plan to clarify the relationship between Agreements and the POIs and identify the criteria that FHWA's three Directors of Field Services—who oversee the Division Offices in their regions—will use to approve POIs. We also recommended that the action plan be reflected in FHWA guidance and in each Division Office's POI.

Operating Administration	Open Recommendation	OIG Report
Federal Motor Carrier Safety Administration (FMCSA)	Publish a final rule on passenger carrier leasing with requirements similar to those for property carriers.	*Timely and Targeted FMCSA Action Is Needed To Fully Address NTSB Recommendations for Improving Passenger Carrier Oversight,* MH-2012-087, April 2012

FMCSA oversees more than 3,000 passenger carriers that operate millions of trips per year. Following its investigation of a fatal bus crash in 2008 near Victoria, Texas, the National Transportation Safety Board (NTSB) recommended that FMCSA require documentation of passenger carrier bus leases, as it does for property carriers. NTSB determined the Texas bus company was, in effect, shielded from FMCSA oversight because of a lease agreement with another company. FMCSA concurred with our recommendation and plans to issue a final rule by December 31, 2013.

Top Five Long-Term Open Recommendations

Operating Administration	Open Recommendation	OIG Report
Department of Transportation (DOT)	Implement the use of PIV cards as the primary authentication mechanism to support multi-factor authentication at the system and application level for all DOT employees and contractors.	*Timely Actions Needed To Improve DOT's Cybersecurity,* FI-2011-022, November 2010

This is an administration priority, and the Office of Management and Budget required that, by 2012, all Federal personnel use personal identity verification (PIV) cards to log on to agency computers for multifactor user identity authentication. As of June 2012, only 42 percent of DOT's systems were enabled for user logon with PIVs, and only 7 percent actually used PIV for identity authentication. DOT concurred with our recommendation, continued issuing PIV cards in fiscal year 2012, and designated PIV card deployment for authentication as one of its top cybersecurity priorities for fiscal year 2013. DOT plans to complete this action in fiscal year 2016.

Operating Administration	Open Recommendation	OIG Report
Department of Transportation (DOT)	Develop and/or revise the Department's EA policy and procedures to address the following: development, maintenance, and use of EA in the IT investment process.	*DOT Does Not Have an Effective Enterprise Architecture Program for Management of Information Technology Changes,* FI-2012-086, April 2012

With approximately $3 billion in annual expenditures and about 400 information technology (IT) systems, DOT has one of the largest IT investments in the Federal Government. Under the Clinger-Cohen Act,[8] each Federal department must implement a management framework—known as an "enterprise architecture" (EA)—to effectively manage IT investments. An effective EA drives all information technology changes and results in reduced costs in purchasing, training, and staffing; improved security through the development and use of mandatory security standards; and reduced technical risk by using industry standards on technology infrastructure. Because DOT currently lacks an EA it cannot be sure that it is maximizing returns on IT investments through cost savings, reducing duplicative systems, aligning information technology to mission, and effectively spending information security funds—all critical requirements in an environment of scarce resources. DOT concurred and plans to develop an overarching policy by May 2013. However, DOT indicated that it would need funding to implement this policy and would commit to a completion date when funding becomes available.

Operating Administration	Open Recommendation	OIG Report
Federal Railroad Administration (FRA)	Complete the National Rail Plan and include in it measurable performance goals and clear stakeholder roles.	*FRA Has Made Progress in Implementing PRIIA Responsibilities, but Challenges for Long-Term HSIPR Remain,* CR-2012-072, March 2012

The National Rail Plan (NRP) will form the framework for the future of passenger rail across the entire country so that public and private stakeholders understand their roles in developing services and can invest with certainty. When complete, the NRP will also identify specific interstate corridor goals and measures of success. Delays in establishing the NRP could result in FRA investing billions of dollars in Federal grant funds without assurance that these efforts support national policy goals, and stakeholders will remain reluctant to commit. FRA currently plans to complete the NRP in June 2014.

[8] Clinger-Cohen Act (formerly the Information Technology Management Reform Act), Pub. L. No. 104-106, Division E (1996); codified at 40 U.S.C. § 11101, et seq. (2011).

Operating Administration	Open Recommendation	OIG Report
Federal Highway Administration (FHWA)	Report regularly to internal and external stakeholders on the effectiveness of States' efforts to improve the condition of the Nation's deficient bridges based on the analysis of Highway Bridge Program expenditure data and an evaluation of progress made in achieving performance targets.	*Assessment of FHWA Oversight of the Highway Bridge Program and the National Bridge Inspection Program,* MH-2010-039, January 2010

According to FHWA, about one-fourth of the Nation's more than 600,000 bridges have major deterioration, structural cracks, or other deficiencies. Given the limited funding to address these deficiencies, we have emphasized over the past 2 decades the need to improve the quality of inspection data and implement data-driven, risk-based oversight to prioritize bridge safety risks. Such action will also be critical to help FHWA meet new requirements for more performance-based management of highway bridges in the Moving Ahead for Progress in the 21st Century Act.[9] DOT agreed to develop a new template by the end of 2013 to report on States' efforts to address deficient bridges and to take steps by 2015 to enhance the level of detail reported on bridge conditions.

Operating Administration	Open Recommendation	OIG Report
Federal Aviation Administration (FAA)	To assist FAA in achieving a successful air traffic facility realignment and consolidation plan, the Agency should develop comprehensive and regularly updated cost estimates that include, at a minimum, estimates for construction, equipment, increased salaries, relocation expenses, and training.	*The Success of FAA's Long-Term Plan for Air Traffic Facility Realignments and Consolidations Depends on Addressing Key Technical, Financial, and Workforce Challenges,* AV-2012-151, July 2012

FAA has plans to realign or consolidate its network of manned air traffic control facilities into centralized locations as a critical step in its NextGen efforts and in replacing its aging infrastructure. Our recommendation is key due to FAA's multibillion-dollar cost estimate for the effort and the impact it will have on facilities within the National Airspace System with respect to cost, technical challenges, and the aviation workforce. FAA concurred with our recommendation and plans to provide a detailed cost estimate for the first integrated facility in the New York metropolitan area by December 31, 2014. To completely implement our recommendation, FAA will also need to produce detailed financial information for Congress and other stakeholders regarding its longer term plans for other facilities.

[9] The Moving Ahead for Progress in the 21st Century Act (MAP-21), Pub. L. No. 112-141 (2012).

Departmental Coordination with the Office of Inspector General

We are pleased to report that the Department involves our office in various ways to aid its efforts to improve efficiency and reduce waste. These include requesting reviews of specific issues; soliciting our ideas on how to improve its practices during the course of audits; and inviting our staff to speak at conferences and panels, provide modal briefings, or attend workshops. In addition, our senior audit executives meet at least annually with senior management from each Operating Administration to discuss top audit priorities for combating waste, fraud, and abuse as well as ways to improve program efficiency. The following examples describe specific instances of our collaboration with the Department:

- The Federal Transit Administrator requested that our office review oversight procedures in its Region III to supplement the Agency's senior management nationwide review of its grant oversight program. We conducted the review and in August 2012 made six recommendations to enhance the level of oversight that the Federal Transit Administration (FTA) provides over grantees, develop performance measures assessing the effectiveness of the outcomes of its overall oversight program, and ensure regions do not close findings before receiving documentation showing that they have been fully resolved. FTA fully concurred and provided responsive plans to address our recommendations as it completes its review.

- FAA's Chief Counsel requested our assistance in identifying major organizational weaknesses that made its administration of multiple award support services ineffective. We provided general advice on weaknesses that existed in FAA's Headquarters operations, such as a lack of acquisition professionals who should be in place to oversee the implementation of its Acquisition Management System and award of large support service contracts. In addition, the DOT Senior Procurement Executive requested that we present our findings on several ongoing acquisition audits and convey some of the management weaknesses we have encountered in our work at the 2012 DOT Spring Acquisition Conference.

- At the request of the Deputy Secretary and Chief Information Officer, we developed Information Security Modal Report Cards, which score each Administration's cybersecurity performance using the same methodology that the Office of Management and Budget uses to score the Department. The intent of the request was to obtain information to better target resources in addressing information security weaknesses throughout DOT. Historically, we had targeted our reviews of DOT's information security at the Department level. In 2011, we briefed the Deputy Secretary and the Chief Information Officer on our first report cards, and, at their request, will continue to provide these report cards annually.

We also briefed several Administrators on the specific results for their respective agencies.

- After we reported in September 2010 to FAA that the performance measures for its Air Traffic Control Optimum Training Solution (ATCOTS) contract were ineffective for controlling costs and meeting goals, FAA requested our input on how to design performance measures to better hold the contractor accountable. We provided FAA with regulations and best practices documented in award fee guides used throughout the Federal Government to enhance its awareness of relevant guidance and practices that could be applied for the ATCOTS program.

- Our office has both self-initiated and received invitations from Operating Administrations and State officials to give fraud awareness and prevention presentations. Since the inception of the American Recovery and Reinvestment Act,[10] our staff has conducted over 300 such briefings and meetings to more than 21,000 participants. Audiences have included officials from FHWA, FAA, FRA, the District of Columbia and Puerto Rico, State DOT officials from every State, FTA officials, local transit authority staff, and local aviation authorities. These presentations aim to alert stakeholders to common fraud schemes (e.g., disadvantaged business enterprise fraud, collusive bid rigging, product substitution, bribery and kickbacks, and conflicts of interest). In addition, Operating Administrations have invited our staff to give presentations at other forums, such as FTA's workshops that take place across the country.

In closing, we appreciate the Department's responsiveness to our findings and recommendations and the Secretary's commitment to ensuring the safe and efficient operation of our national transportation system. We note that the Deputy Secretary is actively engaged in working with DOT's Operating Administrators to ensure that appropriate corrective actions are quickly taken to resolve and close our recommendations.

If you have any questions or need further information, please contact me at (202) 366-1959 or Nathan Richmond, Director and Counsel for Congressional and External Affairs, at (202) 493-0422.

Sincerely,

Calvin L. Scovel III

Calvin L. Scovel III
Inspector General

[10] American Recovery and Reinvestment Act (ARRA), Pub. L. No. 111-5 (2009).

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

December 20, 2012

The Honorable Darrell Issa
Chairman, Oversight and Government
Reform Committee
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Elijah Cummings
Ranking Member, Oversight and Government
Reform Committee
U.S. House of Representatives
2471 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Issa and Representative Cummings:

Thank you for your recent letter requesting information from the U.S. Department of Education (Department) Office of Inspector General (OIG) related to our work plan and high-priority recommendations. I have enclosed the requested information with this letter. I have also enclosed a copy of our Annual Plan for Fiscal Year 2013 that presents the major initiatives my offices intends to undertake this year.

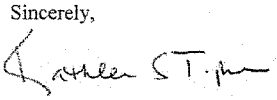
As you will note in our response, both our short-term and long-term recommendations involve five specific areas where the Department faces a number of challenges that impact its ability to effectively achieve its mission. These include long-standing issues that we have identified as management challenges, including issues relating to Federal student aid, improper payments, and information technology security.

One specific area that we did not include in the attached response yet wanted to highlight, as it directly impacts all of our recommendations, is audit resolution. In June, we issued an audit of the Department's resolution system for external OIG audits that found that the Department's process was not effective and audits were not resolved in a timely manner, which has affected the potential recovery of millions of dollars and has likely created delays in the development and implementation of corrective actions by auditees (i.e., State educational agencies, local educational agencies, and other grantees.) In that report, we made a number of recommendations to help the Department improve its process, including that it strengthen Department-wide accountability for timely audit resolution. In response to the recommendations made in the report, the Department has created a task force to examine ways to improve audit resolution. Department leaders have asked my office to participate in an ex-officio capacity on this task

force. We will be monitoring the Department's progress in addressing the recommendations made in our report. I have enclosed a copy of our audit report for your review and information.

If you have any questions or if you need any additional information, please do not hesitate to contact me directly at (202) 245-6900, or have a member of your staff contact our Congressional Liaison, Catherine Grant, at (202) 245-7023.

Sincerely,



Kathleen S. Tighe
Inspector General

Enclosures

cc: The Honorable Gabriella Gomez, Assistant Secretary, Office of Legislation and Congressional Affairs, U.S. Department of Education

Office of Inspector General
U.S. Department of Education
Work Plan and High Priority Recommendations
December 20, 2012

The following presents the U.S. Department of Education (Department) Office of Inspector General's (OIG) highest-priority short-term and long-term recommendations based on OIG audit, inspection, investigative, and other reports. These recommendations involve five areas where the Department faces challenges that impact its ability to effectively achieve its mission: specific operations related to Federal student aid, improper payments, information technology (IT) security, and charter schools. Below you will find a summary of each of five the areas, the highest-priority short-term recommendations and the highest priority long-term recommendations for that specific area. As requested, we also include information on how the Department solicits input from the OIG on improving efficiency and reducing waste.

Federal Student Aid - Fraud Rings

In 2011, we issued a report that brought to the Department's attention a serious fraud vulnerability in distance education programs—"fraud rings"—large, loosely affiliated groups of criminals who seek to exploit distance education programs in order to fraudulently obtain Federal student aid. As all aspects of distance education take place through the Internet (admission, student aid, course instruction), students are not required to present themselves in person at any point, and institutions are not required to verify prospective and enrolled students' identities, so fraud ringleaders use the identities of others (with or without their consent) to target distance education programs. Fraud rings mainly target lower cost institutions because the Federal student aid awards are sufficient to satisfy institutional charges (such as tuition) and result in disbursement of the balance of an award to the student for other educational expenses, such as books, room and board, and community. Our report offered nine specific recommended actions for the Department to take to address this issue. Although the Department agreed to all of these recommendations, most have not yet been implemented.

Short-Term Recommendation: Seek statutory change to the cost of attendance calculation for students enrolled in distance education programs under the Higher Education Act of 1965 to limit payment for room and board and other costs that distance education program participants do not incur. Section 310(a) of the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2013, S. 329, as approved by the Senate Appropriations Committee, would limit for purposes of the Pell Grant program the cost of attendance calculation for students studying exclusively online to tuition, fees, books, and supplies. If enacted, this provision would result in immediate savings beginning with the award years beginning July 1, 2013. We recommend adoption of the provision to prevent fraud by mitigating motive and opportunity. Greater savings could be achieved by extending the limitation to all student aid programs under the Higher Education Act of 1965. (For further

explanation of the proposal, including reference to our 2011 report mentioned above, see Sen. Report 112-176, pp 190-191.)

Long-Term Recommendation: Our 2011 report included recommendations to establish edits in the Department's student aid systems for verification of applicants' high school graduation status and to flag potential fraud ring participants; we also recommended implementing controls in the Department's PIN delivery system. The Department has advised us of its plans to implement these recommendations. Due to the timing of the annual student aid processing cycle, contractual requirements, and the need to identify funding to implement system changes, the Department's plans are divided into actions that could be implemented for the 2013-2014 award year, for which processing begins in January 2013, and those to be implemented for the 2014-2015 award year. To fully achieve desired savings by the 2014-2015 award year, the Department will have to stay on target in 2013 in identifying funding and implementing changes by January 2014, when processing for the 2014-2015 award year begins. We are in the process of completing a report quantifying the monetary impact of Federal student aid fraud rings. We expect to issue this report in January.

Federal Student Aid - Default Management

We recently issued an alert report that identified significant problems with the Federal Student Aid office's (FSA) process for managing defaulted student loans. Specifically, we found that the Debt Management Collection System 2 (DMCS2) was unable to accept transfer of certain defaulted student loans from FSA's loan servicers. Since the DMCS2 was implemented in October 2011, the Title IV Additional Servicers and ACS Education Solutions, LLC (ACS) have accumulated more than $1.1 billion in defaulted student loans that should be transferred to the Department for management and collection. DMCS2 has been unable to accept transfer of these loans and, as a result, the Department is not pursuing collection remedies and borrowers are unable to take steps to remove their loans from default status. The inability of DMCS2 to accept these transfers also contributed to a material weakness in internal control over financial reporting that was identified in both the Department's and FSA's Fiscal Year (FY) 2012 financial statement audits. Based on our interaction with FSA officials to date, FSA has yet to implement effective corrective action to bring these affected loans into collection and correct the problems with DMCS2.

Short-Term Recommendation: Identify each problem related to DMCS2 loan transfers, the source of each problem, and the entire population of loans adversely affected and establish dates for resolving the cause of each identified problem related to DMCS2 loan transfers. Establish temporary workarounds as necessary for all identified DMCS2 problems until permanent solutions are implemented.

Long-Term Recommendation: Determine whether DMCS2 can become a fully operational system that will meet all of the baseline functional system requirements. If the system will not meet all of the functional requirements,

develop a plan to address the deficiencies or determine whether to obtain a replacement debt management system. Identify and pursue all available contractual remedies with ACS for ineffective DMCS2 functionality.

Given the problems that our work has identified in debt management, we recently started an audit of FSA's oversight of its private collection contractors to determine if borrowers are given the information to rehabilitate their defaulted loans. We are also in the process of planning a review to determine the extent of FSA's problems with its debt management and collection system implementation. In this review, we will assess FSA's acquisition and implementation of its new debt management and collection system, identify issues caused by the implementation of the system, and assess FSA's identification of those issues and the effectiveness of FSA's response.

Information Technology Security

The Department collects, processes, and stores a large amount of personally identifiable information regarding employees, students, and other program participants. OIG has identified repeated problems in IT security and noted increasing threats and vulnerabilities to Department systems and data. Since 2006, OIG's IT audits and other reviews have identified management, operational, and technical security controls that need improvement to adequately protect the confidentiality, integrity, and availability of Department systems and data. We have repeatedly made recommendations to the Department to strengthen its controls and develop monitoring capabilities designed to help safeguard Department systems and data from unauthorized access, misuse, and fraud. Further, since 2009, audits of the Department's and FSA's financial statements by OIG's independent financial auditors found significant repeat deficiencies involving controls over IT security.

Short-Term Recommendation: Identified as far back as August 2006, FSA user accounts have been compromised by keylogger software that could have been used to infect and even extract data from FSA systems. Although FSA has a process to address keylogger compromised accounts, this process needs improvement. For instance, FSA does not (1) identify all individuals whose data were potentially compromised; (2) conduct adequate log reviews of compromised privileged accounts to identify unauthorized activity; and (3) keep adequate records of its remediation efforts for privileged accounts compromised by keylogger software. OIG recommended extending two-factor authentication to all external business partners to reduce the risk associated with the ongoing keylogger threat. Office of Management and Budget's (OMB) 2006 Memorandum M-06-16, *Protective of Sensitive Agency Information* specifically recommends that all departments and agencies allow remote access only with two-factor authentication where one authentication is provided by a device separate from the computer gaining access, such as a token. OMB stated that agencies must ensure these safeguards have been reviewed and are in place within 45 days of the memorandum's issuance. Although the Department has made progress in this area in regarding Department employees, as evidenced by our FY

2012 Federal Information Security Management Act audit, two-factor authentication has not been fully implemented and enforced by the Department for all uses by Department employees and for contractors and other authorized users. The Department must ensure that token deployment is expedited so that all employees, contractors, and authorized users are able to dual authenticate using two-factor authentication.

Long-Term Recommendation: Although the Department is making progress in remediating issues relating to its security program, more work is necessary. We have identified multiple IT security issues, many of them repeatedly, and, since 2006, our independent financial statement auditors found significant repeat deficiencies involving controls over IT security. For the long-term, the Department and FSA must determine why information technology initiatives are not effectively implemented and managed to ensure successful system integration, system and data security, and identification of fraudulent activity.

Improper Payments

In FY 2011, the OMB designated the Federal Pell Grant program a "high-priority" program because the FY 2010 Pell improper payments estimate of $1,005 million (a rate of 3.12 percent) exceeded the OMB threshold of $750 million. As required with this designation, the Department coordinated with OMB to establish and execute a plan to implement high-priority program requirements, including designating accountable officials and establishing supplemental measures to report. As a result, the FY 2011 Pell Grant improper payment rate fell to 2.72 percent, with estimated improper payments of $993 million. The preliminary FY 2012 improper payment rate also fell, dropping to 2.49 percent, with estimated improper payments of $829 million. While progress is being made, more can be done. In 2010, the Department implemented the Internal Revenue Service Data Retrieval Tool (IRS DRT), which allows Federal student aid applicants and, as needed, parents of applicants, to transfer certain tax return information from an IRS website directly to their online Free Application for Federal Student Aid (FAFSA.) However, only 26 percent of all FAFSAs submitted for the 2012-2013 academic year used the IRS DRT. Use of the IRS DRT is optional, so people intent on defrauding the program by providing false income information would not select the IRS option. The IRS DRT not being mandatory leaves the burden on institutions to verify an applicant's income.

Short-Term Recommendation: Study Pell Grant program recipients who do not use the IRS DRT and who are not selected for verification to determine whether the Department has adequate controls in place or needs to implement additional controls to mitigate the risk of improper payments to this population of Pell Grant recipients.

Long-Term Recommendation: Since 1997, we have recommended implementation of an IRS income data match that would allow the Department to match the information provided on FAFSAs with the income data that is

maintained by the IRS. While the HEA has been amended to reflect this requirement, the Internal Revenue Code has not been similarly amended. Amending the Internal Revenue Code would go a long way to identifying income inconsistencies and eliminating an area of fraud and abuse within the student financial assistance programs.

Charter Schools

Charter schools are nonsectarian, publicly funded schools of choice exempt from certain State and local regulations. In return for reduced governmental regulation, charter schools agree, in the form of a charter, to be held accountable for their academic and financial performance. To date, 41 States and the District of Columbia have enacted laws allowing for the establishment of charter schools. Charter school laws differ from State to State. State charter school laws assign authorizers to approve charter school applications, oversee and ensure compliance, review and renew contracts, and close charter schools. State charter school laws allow for various types of authorizers, which can include institutions of higher education, independent chartering boards, school districts or LEAs, and not-for-profit organizations. OIG has conducted a significant amount of investigative work involving charter schools. These investigations found that authorizers often fail to provide adequate oversight to ensure that Federal funds are properly used and accounted for. In March 2010, we issued a report on charter schools' vulnerabilities to fraud and highlighted a number of our investigative cases and the growth we have seen in this area. As an example, from January 2005 to August 2012, OIG has opened 55 investigations involving charter schools and charter school officials, founders, and other leaders. To date, these investigations have resulted in 33 indictments and 20 convictions, and more than $9.5 million in restitution, fines, forfeitures, and civil settlements.

In September 2012, we completed an audit of the Department's oversight and monitoring of the Charter Schools Program's SEA and non-SEA Planning and Implementation Grants. The audit determined that the Department did not effectively oversee and monitor the grants and did not have an adequate process to ensure SEAs effectively oversaw and monitored their subgrantees. We recommended increased oversight of grantees by the Department as well as increased guidance to SEAs on how they should oversee the charter schools in their states.

Short-Term Recommendation: Develop and implement a risk-based approach for selecting non-SEA grantees for monitoring activities. Also, ensure that grantee fiscal activities are being monitored according to the "Handbook for the Discretionary Grant Process," specifically for quarterly expenditure review and annual review of A-133 Single Audit reports.

Long-Term Recommendation: Provide necessary guidance and training to SEAs on how to develop and implement procedures to ensure SEAs have effective monitoring and fiscal controls for tracking the use of funds by charter schools. Also, ensure that SEAs develop and implement adequate monitoring

procedures for properly handling charter school closures and for properly accounting for Charter School Program funds spent by closed charter schools, including the proper disposition of assets purchased with SEA grant funds in accordance with Federal regulations.

Given the vulnerabilities we have found with oversight of charter schools, we are planning two additional audits in 2013. We will review SEA and Department oversight of agreements between charter schools and Charter Management Organizations (CMOs) or Educational Management Organizations (EMOs) to determine whether select charter schools and their governing boards are independent from the CMOs/EMOs that manage the schools and that other contract terms are appropriate. We also plan to evaluate Department and SEA controls to ensure independence of the charter schools and CMO/EMO, as well as the appropriateness of other contract terms. We will also evaluate the effectiveness and accountability of online charter schools to determine whether scores on statewide assessments show an achievement gap between students in online charter schools and students in traditional or hybrid learning environments.

Describe whether and in what ways agency management solicits input from you and your office about how to improve efficiency and reduce waste.

Department management solicits input from the OIG about how to improve efficiency and reduce waste in its programs and operations. For example, Department officials provide suggestions for our annual work plan—specific programs or areas of operation they would like for OIG to audit or review. Department officials have also asked for OIG to participate in an advisory or ex-officio capacity on various task forces or work groups focused on improving specific programs or initiatives, such as the task force recently created to improve the Department's audit resolution process, a Recovery Act Metrics and Monitoring Team, FSA policy committees, a Senior Assessment Team, an Investment Review Board and Working Group, and a Human Capital Policy Working Group. Our Semiannual Reports to Congress provide more information on the focus of these groups and our role in them.

U.S. House of Representatives
Committee on Oversight and Government Reform
Darrell Issa, Chairman

Open and Unimplemented IG Recommendations Could Save Taxpayers $67 Billion

Staff Report
Prepared for Chairman Darrell Issa
U.S. House of Representatives
113th Congress
Committee on Oversight and Government Reform

March 5th, 2013

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Executive Summary

Congress installed inspectors general (IGs) at Executive Branch departments and agencies to identify waste, fraud, and abuse in the federal government. IGs conduct independent audits and investigations and make recommendations to protect the interests of taxpayers and improve the effectiveness of government. Their valuable work is frustrated if agency management ignores or fails to implement their recommendations.

The House Committee on Oversight and Government Reform has jurisdiction over the IG community. This staff report is a compilation of four years' worth of data provided to the Committee by the IGs. The IGs responded to annual requests from the Committee for the volume and value of their open and unimplemented recommendations beginning in 2009. Based on data provided annually by the IGs, the Committee's Republican staff found that agency management has not implemented thousands of recommendations that would save taxpayers more than $67 billion.

The backlog for implementing IG recommendations has reached an all-time high, and the volume of recommendations that remain unimplemented continues to increase every year. In 2008, then-Chairman Henry Waxman found that the Bush Administration did not fully implement more than 13,800 IG recommendations made since 2001. Since then-Ranking Member Darrell Issa began surveying the IGs, the total number of open and unimplemented recommendations has increased dramatically, from 10,894 in 2009 to 16,906 in 2012. The potential savings associated with those open and unimplemented recommendations increased even more dramatically, from $26 billion when Chairman Waxman released his findings in 2009 to more than $67 billion in 2012. These figures reflect the most conservative possible accounting of the number and dollar value of the IGs' open and unimplemented recommendations. It is likely that both totals are significantly higher.

The data also show a correlation between the absence of a permanent inspector general and a high volume of open and unimplemented recommendations. Since 2009, the Department of State, the Department of Homeland Security (DHS), and the Agency for International Development (USAID) have consistently ranked among the agencies with the most Open and unimplemented recommendations. In 2012, they ranked first, second and fourth, respectively. The President is responsible for filling the IG vacancies at these agencies, as well as at the Department of the Interior, the Department of Labor, and the Department of Defense. These six agencies have been without a permanent inspector general for more than 15 years collectively. More than one quarter ($900 billion) of the President's total 2013 budget request ($3.6 trillion) was for these six agencies, which employ more than three quarters (more than 3.5 million) of the entire federal workforce (approximately 4.4 million).

As Congress and the Administration work to identify new ways to save money, they would be well-served by implementing the recommendations of the IG community. If evidence continues to mount that the Administration is dismissive of the work of the IG community, Congress should aggressively incorporate unimplemented recommendations into legislative actions.

Background

The Inspector General Act of 1978 (IG Act) established a network of inspectors general throughout the federal government departments and agencies to promote economy, efficiency, and effectiveness.[1] The IG Act placed inspectors general on the front lines of oversight in the Executive Branch. Since then, IGs have compiled an impressive track record of detecting and preventing waste, fraud and abuse in their agencies' programs. As the eyes and ears of Congress embedded within the federal bureaucracy, inspectors general are a critical component of the legislative branch's constitutionally-authorized oversight function. Because of their proximity to the agencies they oversee and their statutory independence, inspectors general are uniquely qualified to audit and investigate waste, fraud, and abuse.

The IG Act requires the IGs conduct audits, "recommend policies and activities designed . . . to promote economy, efficiency, and effectiveness" in program administration, prevent and detect fraud and abuse.[2] The IGs also "provide a means for keeping the [agency] head . . . and Congress fully and currently informed about problems and deficiencies. . . ."[3]

The IGs receive whistleblower complaints and conduct investigations and audits to prevent and detect fraud, waste, and abuse in their agencies' programs.[4] Through their investigations and audit reports, the IGs help Congress shape legislation and oversight activities.

From the perspective of taxpayers, the most important function of inspectors general may be the recommendations they provide directly to agency management. These recommendations identify measures that agency management can take to improve the agencies' effectiveness and reduce costs. During a time of record deficits and runaway federal spending, this function of the IGs is even more critical.

A 1982 Office of Management and Budget (OMB) circular provides guidance for how Executive Branch agencies should handle IG recommendations.[5] Although the IG Act requires federal agencies to act on IG recommendations within one year, OMB does not require agencies to implement IG recommendations.[6] In cases in which a recommendation identified an opportunity to reduce costs, the failure to implement it represents a missed opportunity to save taxpayer dollars or spend them in a more efficient way.

At the end of the 110th Congress, then-Committee Chairman Henry Waxman "asked the nation's IGs to identify all recommendations made between January 1, 2001, and December 31, 2008, that had not been implemented by federal agencies."[7] The Committee also requested

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[1] Inspector General Act of 1978, Pub. L. No. 95-452.
[2] *Id.*
[3] *Id.*
[4] *Id.*
[5] *See* Circular #A-50, Office of Management and Budget (Sep. 29, 1982), *available at* http://www.whitehouse.gov/omb/circulars_a050 (last accessed Sep. 27, 2012).
[6] *Id.*
[7] H. Comm. on Oversight and Gov't Reform, *Inspectors General: Implementing Thousands of Open Recommendations Could Save Taxpayers Almost $26 Billion*, 110th Cong. (Jan. 2009).

information about the potential monetary benefits that would result from implementing these recommendations.[8] Chairman Waxman's staff concluded that federal agencies could have saved taxpayers $25.9 billion by implementing open IG recommendations.[9]

This report contains the findings of the Committee's ongoing effort to conduct oversight of how Executive Branch departments and agencies respond to the recommendations of the IG community.

Methodology

After then-Chairman Waxman's report was released, Ranking Member Issa continued to solicit information about Open and unimplemented recommendations from the IG community during the 111th Congress. In April 2009, Ranking Member Issa requested information to help the Committee better understand the unrealized savings associated with open and unimplemented recommendations. Every year since then, the IGs have reported the total number of their open and unimplemented recommendations and the associated savings that could have been realized if their recommendations were implemented. Each IG was also asked to identify what he or she considered to be the three most important open and unimplemented recommendations each year. This report is based on the information provided by the IG community over the course of the last four years.

Recommendations result from audits and evaluations performed pursuant to the Inspector General Act of 1978, as amended. Implementation of the IG's recommendations generally requires one or more of three types of action: legislative, regulatory, and administrative.

The estimated savings reported by the IGs to the Committee provide indicators of potential savings. The actual savings to be achieved depend on the scope of the legislative, regulatory, or administrative action that implements the recommendations.

For the purposes of this report, the Republican staff calculated the dollar value of the open and unimplemented recommendations reported by the IGs by using the most conservative number provided. When an IG reported that a recommendation had estimated savings that would be realized over several years, the staff used the average annual value of the potential savings.

[8] *Id.*
[9] *Id.*

Findings

In fiscal year 2011, more than 14,700 employees at 73 Offices of Inspector General (OIGs) conducted audits, inspections, evaluations, and investigations.[10] Collectively, the work of the OIG community resulted in significant improvements to the economy and efficiency of programs government-wide, with potential savings totaling more than $33 billion.[11] With an aggregate FY 2011 budget of approximately $2.7 billion, every dollar invested in the OIGs provides a return of more than $10. The total potential savings included more than $24 billion from audit recommendations agreed to by management;[12] and, $9.1 billion from investigative receivables and recoveries.[13]

However, the savings could have been greater. Agency management left billions of taxpayer dollars on the table. Collectively, management at the federal agencies did not implement 15,784 recommendations from the IGs in FY2011, worth more than $55 billion. In 2012, those numbers rose to 16,906 and $67 billion.

In fact, the numbers of open and unimplemented recommendations and unrealized savings for taxpayers increased every year since Chairman Waxman issued his findings in January 2009. The total number of open and unimplemented recommendations has increased by more than 55 percent, from 10,894 in 2009 to 16,906 in 2012. The potential savings associated with the open and unimplemented recommendations increased even more dramatically, from $29 billion when the IGs were first surveyed by the Committee's Republican staff in 2009, to more than $67 billion in 2012, an increase of more than 125 percent.

FINDINGS:

- ✓ ***Federal agencies did not implement 15,784 recommendations from the IGs in FY2011, worth more than $55 billion to taxpayers.***
- ✓ ***In January 2009, former Chairman Waxman found that federal agencies could have saved taxpayers $25.9 billion by implementing open IG recommendations. Today, there are 16,906 unimplemented recommendations worth $67 billion to taxpayers.***
- ✓ ***The numbers of unimplemented recommendations and unrealized savings for taxpayers have increased every year since 2009.***
- ✓ ***There are IG vacancies at the State Department, Department of Homeland Security, and USAID. In 2012, those agencies ranked first, second, and fourth among agencies with the most unimplemented recommendations.***

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[10] COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY, A PROGRESS REPORT TO THE PRESIDENT, FISCAL YEAR 2011, "Results at a Glance." [hereinafter CIGIE FY11 Progress Report]

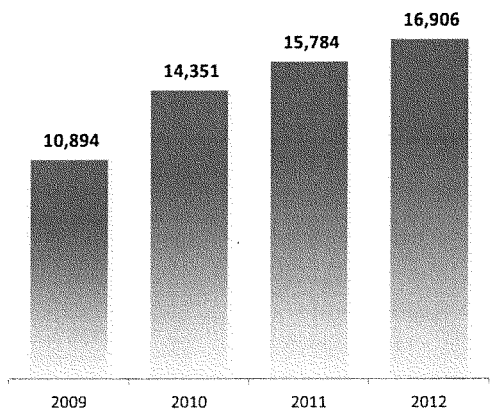
[11] *Id.* This amount does not include nearly $60 billion reported by the U.S. Postal Service Office of Inspector General on its work associated with "Substantial Savings Available by Prefunding Pensions and Retirees' Health Care at Benchmarked Levels."

[12] *Id.*

[13] CIGIE FY11 Progress Report.

A. More than 16,900 recommendations remain open or unimplemented.

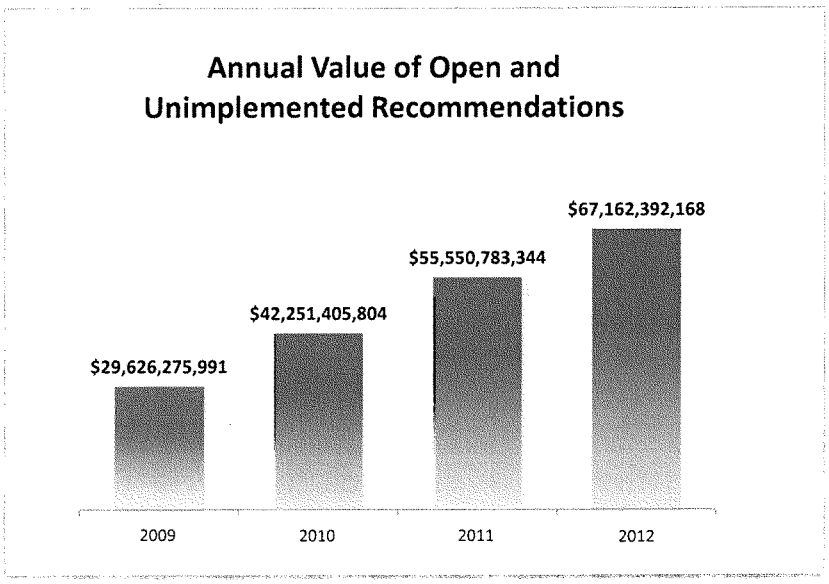
According to information provided to the Committee as of September 2012, there are more than 16,900 open and unimplemented recommendations. When the IGs were surveyed for the first time by then-Ranking Member Issa in 2009, the IGs reported only 10,884 open and unimplemented recommendations.



B. More than $67 billion worth of recommendations are open or unimplemented.

According to information provided to the Committee, there are currently more than $67 billion worth of open and unimplemented recommendations. This represents an increase of more than $40 billion compared to what former Chairman Waxman found in January 2009. When the IGs were surveyed for the first time by then-Ranking Member Issa in the spring of 2009, the IGs reported only $29 billion worth of open and unimplemented recommendations.

The potential savings associated with the current inventory of open or unimplemented IG recommendations—$67 billion—is roughly equivalent to the combined amount of money requested in President Obama's 2013 budget for the Department of Energy ($15.6 billion), the Department of Transportation ($13.8 billion), the Department of Interior ($11.4 billion), the Social Security Administration ($9.0 billion), the Environmental Protection Agency ($8.3 billion), the National Science Foundation ($7.4 billion), the Corporation for National and Community Service ($1.1 billion), and the Small Business Administration ($0.9 billion).[14]



[14] The President's Budget for Fiscal Year 2013, *available at* http://www.whitehouse.gov/omb/budget (last visited Oct. 17, 2012).

C. Agencies without permanent IGs have a disproportionately high number of open and unimplemented recommendations.

Since 2009, the State Department, Department of Homeland Security, and Agency for International Development (USAID) have consistently ranked among the departments and agencies with the most open or unimplemented recommendations. In 2012, they ranked first, second and fourth, respectively. Collectively, these three agencies have been without a permanent inspector general for more than seven years.

Agency	Number of Open and Unimplemented Recommendations (2012)	Vacancy Date
U.S. Department of State**	1,698	January 16, 2008
U.S. Department of Homeland Security**	1,697	February 27, 2011
U.S. Department of Health and Human Services	1,546	--
U.S. Agency for International Development**	1,272	October 15, 2011
U.S. Department of Veterans Affairs	1,089	--

There are currently six agencies with IG vacancies that must be filled by the President. In addition to the State Department, DHS and USAID, there are also vacancies at the Department of Defense, Department of Labor, and Department of the Interior. The lack of permanent IGs at these six agencies is especially problematic because of their sheer size. These six agencies collectively represent more than one quarter of the President's entire 2013 budget.[15] They employ more than three quarters of the entire federal workforce.[16]

Agency	President's 2013 Budget Request	Employees
U.S. Department of Defense	$672.8 billion	3,200,000
U.S. Department of Homeland Security	$55.3 billion	198,500
U.S. Department of the Interior	$13.4 billion	80,700
U.S. Department of Labor	$101.6 billion	16,700
U.S. Department of State	$58.1 billion	13,000
U.S. Agency for International Development	$1.4 billion	4,000
TOTAL:	**$902.6 billion**	**3,512,900**

Long-term IG vacancies weaken the Office of the Inspector General. A permanent IG has the ability to set a long-term strategic plan for the office, including setting investigative and audit priorities. An acting official, on the other hand, is known by all OIG staff to be temporary. One former IG has argued that temporary status "can have a debilitating effect on [an] OIG,

[15] *Id.*
[16] Office of Personnel Management FedScope database, data as of June 2012, *available at* http://www.fedscope.opm.gov/employment.asp (last visited Oct. 17, 2012).

particularly over a lengthy period."[17] Senator Charles Grassley has stated that "[e]ven the best acting inspector general lacks the standing to make lasting changes needed to improve his or her office."[18]

Undermined by a lack of legitimacy, recommendations made by acting IGs are less likely to be implemented. The vacancies at the State Department and USAID are especially problematic because of their expanding responsibilities in Iraq and Afghanistan. President Obama's budget requested $8.2 billion in "extraordinary and temporary" funding for State Department responsibilities in Iraq, Afghanistan and Pakistan.[19] The request came on top of the $43.4 billion proposed for the "core" budget for the State Department and USAID, which manages foreign aid.[20] As the military has pulled out of Iraq and drawn down in Afghanistan, the Administration has turned to the State Department to oversee spending on political, security and economic projects, such as $1.8 billion for Iraqi police training and military assistance.[21]

D. Common challenges identified by the IG community.

To identify common problems across the federal government, starting in 2010, the Committee asked the IGs to describe the three most important open and unimplemented recommendations. Although many recommendations were unique, responses from several OIGs showed common themes, the most notable relating to matters of poor IT security[22] and inadequate oversight of payments to contractors.[23]

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[17] Project on Government Oversight, "Where Are All the Watchdogs?," http://www.pogo.org/resources/good-government/go-igi-20120208-where-are-all-the-watchdogs-inspector-general-vacancies1.html (last visited Sep. 27, 2012).
[18] *Id.*
[19] Nicole Gaouette, *State Department Budget Bolsters Middle East Aid, Trims Europe*, BLOOMBERG, Feb. 21, 2012.
[20] *Id.*
[21] *Id.*
[22] *See, e.g.*, Letter from Patrick E. McFarland, Inspector General (IG), Office of Personnel Management (OPM), to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 26, 2012) (stating that weaknesses reported in FY 2008 and 2009 in Certification and Accreditation processes were "a significant deficiency in the internal control structure of the agency's IT security program," and that instead of improving in FY 2010 and 2011, the "longstanding conditions not only continued, but actually degraded.") According to the letter, the IG believed the problem resulted from "insufficient staffing in the IT Security and Privacy Group, a lack of policy and procedures, and the decentralized designated security officer model in place at OPM". *Id.*
[23] *See, e.g.*, Letter from Stuart W. Bowen, Jr., IG, Special Inspector General for Iraq Reconstruction (SIGIR), to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 26, 2012) (explaining that "the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) lacked sufficient resources and controls to adequately manage the task orders with DynCorp," making over $2.5 billion vulnerable to waste and fraud). SIGIR also questioned oversight of Anham's business systems and other contract administration functions, totaling $113.4 million. *Id.*

1. Information Technology (IT) Security

The IGs frequently identified weaknesses in information technology (IT) security in their responses to the Committee's annual survey. As cyber security threats increase, the IG community is concerned that departments and agencies are not properly addressing IT security, and has questioned how agencies will protect vital electronic data in an emergency. Information technology security recommendations have included issues related to the security of networks, servers, computers, electronic data storage, and outdated IT systems.

Not only is robust IT security imperative in the federal government to protect networks and systems containing top-secret government information, but it is also a matter of great concern for American citizens who value their privacy. Due to the increasing amount of digitally recorded and stored data identifying American citizens, a security breach could expose millions of people to fraud, identity theft, and personal hazard without their knowledge. The IGs have found that with the rapid advancement of technology, departments and agencies must take stronger measures to maintain IT security at acceptable levels.

Since 2010, at least thirty-one inspectors general communicated a problem with the implementation of IT security measures or expressed related concerns; fifteen experienced issues over multiple years; and nine expressed concerns related to IT security during all three years surveyed. Many recommendations were not new; rather, they were reissued after receiving no updates from the agencies from the previous year as to action taken.[24]

In 2009, the OIG for the Office of Personnel Management identified 44 open and unimplemented recommendations related to IT security.[25] The same year, the OIG for the National Endowment for the Humanities (NEH) stated that "the agency does not generally implement our recommendations in a timely manner."[26] Fourteen of the Agency's sixteen outstanding recommendations related to internal operations concerned IT security.[27]

In 2010, the OIG for the Government Printing Office stated that its longest outstanding recommendation related to network vulnerability. At the time, that recommendation had been open for 48 months.[28] In fact, in 2010, IT security related issues accounted for more than one-third of the outstanding recommendations made to the NEH.[29] Likewise, the IG for the

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[24] *See, e.g.*, Letter from David L. Hunt, IG, FCC, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Jun. 6, 2012) (reporting that agency's second most important recommendation, which urged development of an oversight plan for its security program over information systems that collect and maintain FCC data but are not operated by the FCC, was first cited in 2009, reissued in 2010, and updated in 2011).

[25] Letter from Patrick E. McFarland, IG, OPM, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (May 1, 2009), Enclosure 1b, *Reports with Open Audit Recommendations as of 10/31/2008*.

[26] Letter from Sheldon L. Bernstein, IG, Nat'l Endowment for the Humanities (NEH), to H. Comm. on Oversight and Gov't Reform Ranking Member Darrell Issa (May 1, 2009).

[27] *Id.*

[28] Letter from J. Anthony Ogden, Inspector General, U.S. Gov't Printing Office, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 14, 2010), attachment, *Table of Open Recommendations*.

[29] Letter from Sheldon L. Bernstein, IG, NEH, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 15, 2010) (reporting that of the fifteen open recommendations and one unimplemented recommendation, six were related to information security).

Consumer Product Safety Commission reported that "[t]he majority of the open recommendations relate to IT security issues."[30] In a statement that summarizes the situation at many agencies, the Pension Benefit Guarantee Corporation noted in 2010 that "the need for improvement of information technology operations and security has been a recurring issue at PBGC."[31]

During 2011, all three of the most critical outstanding recommendations identified by the OIG for the Federal Labor Relations Authority related to IT security.[32] In addition, NASA's IG reported:

> [C]omputer servers on NASA's Agency-wide mission network had high-risk vulnerabilities that could be exploited from the Internet. Specifically, six computer servers associated with information technology (IT) assets that control spacecraft and contain critical data had vulnerabilities that would allow a remote attacker to take control of or render them unavailable.[33]

By 2012, 24 of the most critical open or unimplemented recommendations identified by the IGs pertained to internet security, representing a slight increase from the 22 identified in 2010. All outstanding recommendations for the National Endowment for the Arts in 2012 concerned IT security deficiencies.[34] The SEC OIG issued a recommendation suggesting that the agency check to see whether employees and contractors working in the IT department had received a background investigation.[35]

2. Overpayments

The IGs also consistently reported concerns about inadequate oversight and controls over the outflow of federal funds, especially in contracting and bidding. Many times, overpayments were made where additional documentation or more stringent approval requirements could have identified an ineligibility or overpayment before the funds were disbursed. Alternatively, agencies were sometimes too trusting, allowing contractors to bill after the fact in cases in which prices were not set in advance.

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[30] Letter from Christopher W. Dentel, IG, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 2, 2010), n. 1.
[31] Letter from Rebecca Anne Batts, IG, Pension Benefit Guar. Corp., to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 26, 2010).
[32] *See* Letter from Dana A. Rooney-Fisher, IG, Federal Labor Relations Authority, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 29, 2011), Enclosure.
[33] Letter from Paul K. Martin, IG, NASA, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 26, 2011).
[34] Letter from Tonie Jones, IG, Nat'l Endowment for the Arts, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 19, 2012).
[35] Letter from SEC OIG to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 27, 2012), Table 2: SEC OIG Three Most Important Open and Unimplemented Recommendations as of April 1, 2012.

In response to concerns about contracting oversight, IGs frequently recommended that agencies only approve contracts for known, specific quantities, with a predetermined price, and a term set in advance. At least six of the significant recommendations identified annually by the IGs for USAID, the State Department, National Science Foundation, and the Special IG for Iraq Reconstruction all related to overpayment, contract, or grantee accuracy issues.

In every year surveyed, the IG for the Department of Defense reported that more than $1 billion remained uncollected from contractors. A large portion of this amount was the outstanding recoveries of payments made that were later deemed unallowable, including payments to deceased, retired military members; recoveries of unspecified improper payments made, and; recovery of unallowable costs from defense contracts.[36] The longer the overpayments remain unrecovered, the less likely collection becomes.

The IG for USAID, the agency responsible for providing emergency funds and resources to foreign countries, disclosed numerous unimplemented recommendations related to vast overpayments and suggested recoveries of unsupported or ineligible costs. Many dated back five years or more. The difficulty of recovering payments made to foreign contractors in developing countries makes the accuracy of contacts from the outset of vital importance.

In 2010, the Department of Education's IG recommended that prior to issuing grants through the State Fiscal Stabilization Fund, funded by the American Recovery and Reinvestment Act of 2009 (ARRA), reasonable support for key application data should exist. After two years without any resolution, the IG identified this recommendation as one of the three most significant open recommendations.[37] Although the Department ensured that it had received all required data and related information, it did not verify that information. The IG does not typically assign a dollar amount to recommendations made, but after a one-time appropriation of $53.6 billion under ARRA in 2009, in 2010, the budget for the State Fiscal Stabilization Fund Program exceeded $23 billion.[38]

Conclusion

In the face of record deficits and a mandate to address excessive discretionary spending from the Budget Control Act, the House of Representatives has searched for ways to use taxpayer dollars more efficiently. The IGs share that mission. They have worked for years to identify opportunities to run the federal government in a more cost-effective way, and the return on the taxpayer investment in the IG community has been significant. However, management at the federal agencies left additional savings on the table by failing to implement thousands of IG

[36] Letter from John R. Crane, Ass't IG, Dep't of Defense, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (Apr. 29, 2009).
[37] Letter from Kathleen S. Tighe, IG, Dep't of Education, to H. Comm. on Oversight and Gov't Reform Chairman Darrell Issa (May 4, 2012).
[38] U.S. Dep't of Education, State Fiscal Stabilization Fund (Mar. 7, 2009), http://www2.ed.gov/policy/gen/leg/recovery/factsheet/stabilization-fund.html.; The White House, Office of Mgmt. & Budget, Budget for Fiscal Year 2013, Historical Tables, 82-83 (2013).

recommendations worth tens of billions of dollars annually. The fact that eight of the 73 IG positions are vacant compounds the problem.

At the beginning of each fiscal year, staff from the Department of Health and Human Services OIG follows up with HHS management and its' operating and staff divisions to determine their progress in implementing recommendations.[39] This practice allows the OIG to accurately track the agency's progress and to communicate to Congress when legislative action may be necessary to effectuate the changes recommended. Because agency management has been increasingly dismissive of IG recommendations, Congress should aggressively incorporate them into legislative actions. More legislative activity based on IG recommendations will result in better use of substantial funds and improvements in program integrity and information systems and processes.

[39] HHS OIG Compendium of Unimplemented Recommendations, Mar. 2011 ed., *available at https://oig.hhs.gov/publications/docs/compendium/2011/CMP-March2011-Final.pdf* (last visited Sep. 26, 2012).

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
MAJORITY STAFF
JANUARY 2009

INSPECTORS GENERAL: IMPLEMENTING THOUSANDS OF OPEN RECOMMENDATIONS COULD SAVE TAXPAYERS ALMOST $26 BILLION

PREPARED FOR
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EXECUTIVE SUMMARY

Inspectors General (IGs) play a vital role in reducing waste, fraud, and abuse in the federal government. They conduct independent audits and investigations and make recommendations to protect the interests of taxpayers and improve the effectiveness of government. But their work produces few results if federal agencies ignore or reject their findings and recommendations. This report — the first governmentwide compilation of its kind — finds that thousands of IG recommendations, representing billions of dollars in waste and abuse, remain unimplemented.

The Oversight Committee asked the nation's IGs to identify all recommendations made between January 1, 2001, and December 31, 2008, that had not been implemented by federal agencies. The Committee also requested information about the potential monetary benefits that would result from implementing these recommendations. The Committee received responses from 63 IGs.

The information obtained by the Committee shows that the Bush Administration has failed to implement more than 13,800 IG recommendations made since 2001. Under the Inspector General Act, federal agencies are supposed to complete final action on IG recommendations within one year. Yet the information provided to the Committee indicates that almost half (48%) of the open recommendations reviewed were made before 2008, and more than a quarter (27%) were made before 2007.

The information provided by the IGs also indicates that federal agencies could save taxpayers $25.9 billion by implementing open IG recommendations. The five agencies that could save the most money by implementing open recommendations are the Social Security Administration, the Department of Health and Human Services, the Department of Defense, the Department of Transportation, and the Department of Housing and Urban Development.

Examples of unimplemented IG recommendations with potential monetary benefits include:

- In April 2006, the Social Security Administration IG estimated that the agency could save more than $2 billion annually by ceasing payments to people who no longer meet the eligibility criteria for disability benefits due to medical improvement or employment status.

- In July 2007, the Defense Department IG estimated that the Pentagon could recoup $837 million in overpayments by establishing effective recovery audits for military telecommunications contracts.

- In February 2007, the Department of Homeland Security IG concluded that FEMA could recover $16 million in excessive billings and questionable costs resulting from poor management of a contract for base camp services associated with Hurricane Katrina.

In addition to costing taxpayers billions of dollars, the failure of federal agencies to implement IG recommendations poses serious risks to the security, health, and safety of the American people. Thousands of unimplemented recommendations would improve national and homeland

security, public health and safety, environmental protection, and Americans' overall quality of life. These include:

- **Recommendations to strengthen national and homeland security,** including proposals to better manage the wars and reconstruction efforts in Iraq and Afghanistan; prevent terrorist attacks on U.S. soil; protect the nation's food supply from tampering; and secure the nation's borders.

- **Recommendations to improve the health and safety of the American public,** including proposals to strengthen the nation's food safety net; ensure worker health and safety; provide health care for the nation's veterans; respond efficiently to natural disasters; and maintain the safety of the nation's infrastructure.

- **Recommendations to improve America's environment,** including those that would protect air and water quality; strengthen management of the nation's forests, parks, and other public lands; safely dispose of nuclear and other toxic waste; and protect natural resources on or near the nation's defense bases.

I. INTRODUCTION

In 1978, Congress passed the Inspector General Act, creating statutory inspectors general (IGs) for the major federal agencies.[1] Currently, 58 IGs fall under the authority of the Inspector General Act. Separate legislation provides discrete but parallel authority to nine other IGs. In all, Congress has created IGs for 67 federal departments, agencies, and other entities.[2]

The Inspector General Act describes the primary objectives of an IG as conducting independent and objective audits, investigations, and inspections; preventing and detecting waste, fraud, and abuse; promoting economy, effectiveness, and efficiency; reviewing pending legislation and regulation; and keeping the agency head and Congress informed of its work and its findings.[3]

After conducting audits, investigations, and inspections, IGs typically issue written reports to present their recommendations to agency officials, who have an opportunity to review and comment on these reports before they are released. According to the Inspector General Act, each agency is required to decide whether it agrees with the IG's findings and recommendations within six months of the release of a final report. If the agency fails to complete final action on any recommendation within one year, the IG must disclose the delay in semi-annual reports to Congress.[4]

II. PURPOSE AND METHODOLOGY

Each year, IGs make thousands of recommendations for saving taxpayer funds and improving the operations of government. Whether these savings are realized and government operations improved depends on the actions of the agency. The purpose of this report is to assess the record of federal agencies in implementing IG recommendations.

In December 2007, the Committee sent a letter to 63 IGs requesting a list of recommendations made between January 1, 2001, and December 31, 2007, that had not been implemented by agency officials or by Congress.[5] The IGs responded with a summary of their open recommendations and the monetary and nonmonetary benefits of implementing the recommendations. In December 2008, the Committee asked the IGs to update their responses to include recommendations through the end of 2008.[6] Sixty-three IGs provided partial or full responses to this new Committee request.

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[1] Inspector General Act of 1978, Pub. L. No. 95-452.

[2] Congressional Research Service, *Statutory Offices of Inspector General: Past and Present* (Sept. 25, 2008).

[3] Inspector General Act of 1978, Pub. L. No. 95-452.

[4] *Id.*

[5] *See, e.g.*, Letter from Chairman Henry A. Waxman to the Honorable Gregory H. Friedman, Inspector General, Department of Energy (Dec. 7, 2007) (online at www.oversight.house.gov/story.asp?ID=1717). The Committee did not send a letter to the IG for the Department of Health and Human Services because this IG produces an annual compendium of unimplemented recommendations.

[6] Between the Committee's first request in December 2007 and its second request in 2008, Congress created the Special Inspector General for Afghanistan Reconstruction and new IGs for the Government Accountability Office and Architect of the Capitol. The Committee did not ask these new IGs to provide

Several of the IGs provided the Committee with a subset of their unimplemented recommendations. For example, they reported only their most "significant" unimplemented recommendations or excluded recommendations made in grantee audits or recommendations that were less than six months old. Because of these omissions, the findings in this report likely understate the full extent of the unimplemented recommendations and potential cost savings.

III. FINDINGS

A. Thousands of Recommendations Remain Unimplemented

According to the information provided to the Committee, federal agencies have not implemented 13,847 recommendations made by IGs since January 1, 2001. Although the Inspector General Act requires federal agencies to complete final action on IG recommendations within one year, almost half (48%) of the unimplemented recommendations (6,668) were made before 2008. In addition, 27% of the unimplemented recommendations (3,772) were made before 2007 and 16% (2,251) before 2006. Approximately 10% of the unimplemented recommendations were made between 2001 and 2004.

The information provided to the Committee indicates that the Departments of Defense, Labor, and Housing and Urban Development each have more than 1,000 open recommendations and that roughly half of these recommendations were made in 2007 or earlier. Table 1 sets forth the ten agencies reporting the most unimplemented recommendations.

An appendix sets forth a list by agency of the number of IG recommendations made between 2001 and 2008 and the number that remain unimplemented.

information to the Committee on unimplemented recommendations. The Committee also did not ask the IG for the Central Intelligence Agency to provide updated data.

Table 1. Ten Agencies with the Most Unimplemented Recommendations[7]		
	# of Open Recommendations	% of Open Recommendations Made Before 2008
Department of Labor	1,526	47%
Department of Housing and Urban Development	1,335	50%
Department of Defense	1,047	52%
Department of State	894	37%
Department of Homeland Security	870	*
Department of Agriculture	747	50%
U.S. Agency for International Development	644	21%
Department of Education	639	60%
Social Security Administration	595	61%
Department of Interior	592	63%

* The Department of Homeland Security IG did not provide the Committee with data on recommendations made in calendar year 2008.

Sixty of the IGs were able to provide the Committee with the total number of recommendations they made between January 1, 2001, and December 31, 2008, including those that have been implemented and those that have not. These IGs made more than 98,000 recommendations between 2001 and 2008, 14% of which remained unimplemented at the end of 2008.

B. The Federal Government Could Recover Almost $26 Billion by Implementing Open IG Recommendations

The information provided by the IGs indicates that the federal government could achieve $25.9 billion in cost savings or new revenue if agencies implemented open recommendations with estimated monetary benefits. Recommendations made in 2007 or earlier account for three-fourths ($20.3 billion) of these potential savings.

Two agencies, the Social Security Administration and the Department of Health and Human Services, could save approximately $16.3 billion by implementing open IG recommendations. The Departments of Defense and Transportation could each save more than a billion dollars by implementing open recommendations. Table 2 lists all of the agencies with open IG recommendations that could save taxpayers money.

[7] The IGs for the Department of Health and Human Services, Environmental Protection Agency, and U.S. Postal Service only provided data on "significant" open recommendations. One or more of these agencies may fall in the top 10 for open recommendations if all recommendations are included. The Department of Homeland Security IG did not provide the Committee with data on recommendations made in calendar year 2008; therefore, its total for open recommendations is low.

Table 2. Agencies that Could Save Money by Implementing Open IG Recommendations[8]

	Estimated Savings		Estimated Savings
Agency for International Development	$176,968,526	Federal Communications Commission	$1,345,673
Amtrak	$135,300,000	Federal Maritime Commission	$40,800
Appalachian Regional Commission	$440,015	General Services Administration	$673,247,380
Capitol Police	$2,800,000	Government Printing Office	$8,495
Corporation for National and Community Service	$490,670	National Aeronautics and Space Administration	$7,240,000
Corporation for Public Broadcasting	$5,632,326	National Endowment for the Arts	$969,564
Department of Agriculture	$58,371,009	National Endowment for the Humanities	$100,000
Department of Commerce	$29,800,000	National Labor Relations Board	$65,558
Department of Defense	$1,511,401,000	National Science Foundation	$206,000
Department of Education	$883,441,438	Nuclear Regulatory Commission	$350,589
Department of Energy	$835,900,049	Office of Personnel Management	$40,673,802
Dept. of Health and Human Services	$7,704,000,000	Pension Benefit Guaranty Corporation	$4,778,543
Department of Homeland Security	$131,767,999	Postal Service	$656,189,857
Department of Housing and Urban Development	$996,943,986	Railroad Retirement Board	$4,245,771
Department of Interior	$55,230,944	Securities and Exchange Commission	$134,940
Department of Justice	$62,906,030	Small Business Administration	$45,214,721
Department of Labor	$6,151,857	Smithsonian Institution	$189,563
Department of State	$47,970,730	Social Security Administration	$8,639,699,935
Department of the Treasury	$29,400,000	Special Inspector General for Iraq Reconstruction	$3,180,000
Department of Transportation	$1,467,845,280	Tennessee Valley Authority	$4,347,879
Department of Veterans Affairs	$99,120,444	Treasury Inspector General for Tax Administration	$678,895,665
Environmental Protection Agency	$948,974,949	**Total**	**$25,951,981,987**

Many of the specific recommendations made by IGs could save millions or even billions of dollars. The IGs highlighted for the Committee some of the recommendations they have made over the past eight years that could save the most significant amount of money but remain unimplemented. They include the following examples:

- In April 2006, the Social Security Administration IG estimated that the agency could save more than $2 billion annually by ceasing payments to people who no longer meet the

[8] The IGs for the Department of Health and Human Services, the Environmental Protection Agency, and the U.S. Postal Service only provided data on "significant" open recommendations. The Department of Homeland Security IG did not provide the Committee with data on recommendations made in calendar year 2008. The IGs for the Department of Interior and the Office of Personnel Management excluded questioned costs from their totals for potential savings. Data for the U.S. Agency for International Development also includes savings from recommendations made to the Millennium Challenge Corporation.

eligibility criteria for disability benefits due to medical improvement or employment status.[9]

- In July 2007, the Defense Department IG estimated that the Pentagon could recoup $837 million over five years by establishing effective recovery audits to identify overpayments to military telecommunications contractors.[10]

- In March 2007, the Department of Transportation IG estimated that the Federal Highway Administration could put $725 million to better use by ensuring that states conduct effective value engineering studies on all federal-aid highway projects.[11]

- In March 2007, the Department of Education IG recommended that management determine whether the Bureau of Indian Affairs had used more than $300 million in granted funds appropriately and recover any funds used for unauthorized purposes.[12]

- In September 2005, the Amtrak IG estimated that the agency could save $100 million annually by adopting a modern maintenance approach based on reliability-centered maintenance, which requires sound technical and economic justifications for maintenance activities.[13]

- In September 2007, the Department of Housing and Urban Development IG estimated that the agency could save $45 million within the next year by ensuring that manufactured housing meets Federal Housing Administration standards for safe and sound foundations.[14]

- In February 2007, the Department of Homeland Security IG recommended that FEMA recover $16 million in excessive billings and questionable costs resulting from poor management of a contract for base camp services associated with Hurricane Katrina.[15]

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[9] Social Security Administration, Office of Inspector General, *Congressional Response Report: Overpayments in the Social Security Administration's Disability Programs* (Apr. 3, 2006) (A-01-04-24065).

[10] Department of Defense, Office of Inspector General, *Identification and Reporting of Improper Payments through Recovery Auditing* (July 9, 2007) (D-2007-110).

[11] Department of Transportation, Office of Inspector General, *Final Report on Value Engineering in FHWA's Federal-Aid Highway Program* (Mar. 28, 2007) (MH-2007-040).

[12] Department of Education, Office of Inspector General, *Department of Education's Oversight of the Department of Interior's Administration of IDEA, Part B Funds* (Mar. 30, 2007) (ED-OIG/A06G0002).

[13] Amtrak, Office of Inspector General, *Amtrak Mechanical Maintenance Operations: System-wide Review Recommends New Maintenance Approach* (Sept. 6, 2005) (E-05-04).

[14] Department of Housing and Urban Development, Office of Inspector General, *More Than 80 Percent of Recently Insured Title II Manufactured Housing Loans Are on Homes With Substandard Foundations* (Sept. 24, 2007) (2007-KC-0004).

[15] Department of Homeland Security, Office of Inspector General, *Interim Review of Contract Costs, Clearbrook, LLC* (Feb. 2007) (DD-07-06); E-mail from Department of Homeland Security, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (July 3, 2008) (referencing a May 2008 memorandum from FEMA to the Homeland Security IG stating that FEMA does not plan to pursue recovery of these funds).

C. The Federal Government Could Improve Its Core Programs

In addition to identifying recommendations that could save billions of dollars, the IGs identified many recommendations that could improve the way the government is run and increase the efficiency and effectiveness of government agencies. Although there are no monetary savings attached to these recommendations, they relate to core governmental functions, including homeland and national security, public health and safety, and environmental protection, among others.

1. National and Homeland Security

The information provided to the Committee shows that federal agencies have failed to implement hundreds of recommendations by IGs to strengthen national security and prevent terrorist attacks on U.S. soil. Examples of national and homeland security recommendations that have not been implemented are:

- In May 2003, the IG for the Nuclear Regulatory Commission issued a report concluding that the Commission's limited oversight does not provide adequate assurance that all licensees properly control and account for special nuclear material, such as plutonium and uranium.[16] In a December 2008 memorandum to NRC management, the IG raised concerns about "continued delays" in promulgating rules to address these security concerns. NRC estimates it may not complete the rulemaking until July 2011, eight years after the report's release.[17]

- In February 2004, the U.S. Department of Agriculture IG released a report determining that the Farm Service Agency had not adequately addressed the vulnerability of agricultural commodities, including bulk grains and rice, to adulteration and destruction.[18] As of December 2008, the Farm Service Agency and the IG have been unable to reach agreement on two of the report's recommendations.[19]

- In June 2005, the Department of Homeland Security IG found that U.S. Customs and Border Protection does not consistently enforce federal export controls over chemical and

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[16] Nuclear Regulatory Commission, Office of Inspector General, *Audit of NRC's Regulatory Oversight of Special Nuclear Materials* (May 2003) (OIG-03-A-15). *See also* Government Accountability Office, *NRC and DHS Need to Take Additional Steps to Better Track and Detect Radioactive Materials* (June 19, 2008) (GAO-08-598); Government Accountability Office, *Nuclear Security: Federal and State Action Needed to Improve Security of Sealed Radioactive Sources* (Aug. 6, 2003) (GAO-03-804) (raising similar concerns about the security of radioactive material and noting that the Commission had not implemented half of GAO's recommendations).

[17] E-mail from Nuclear Regulatory Commission, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Jan. 5, 2009); Memorandum from Stephen D. Dingbaum, Assistant Inspector General for Audits, Nuclear Regulatory Commission, Office of Inspector General, to R. William Borchardt, Executive Director for Operations, Nuclear Regulatory Commission (Dec. 22, 2008).

[18] U.S. Department of Agriculture, Office of Inspector General, *Homeland Security Issues for USDA Grain and Commodities Inventories* (Feb. 2004) (500990013KC).

[19] E-mail from U.S. Department of Agriculture, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Dec. 2, 2008).

biological commodities at U.S. ports of exit. The IG recommended that the agency evaluate its export controls program, including current resources and staffing needs, and make adjustments necessary to accomplish its enforcement responsibilities.[20] According to the IG, corrective actions will not be completed until 2012, seven years after the report's release.[21]

- In July 2006, the Special Inspector General for Iraq Reconstruction released a survey of the U.S. Embassy's anti-corruption program and found fundamental problems that hindered effective implementation of U.S. anti-corruption efforts, such as a lack of coordination and leadership.[22] In a July 2008 follow-up, the IG determined that seven of the report's recommendations remained open, leaving "much to be accomplished to fully establish and implement a comprehensive and effective program."[23]

2. Public Health and Safety

The information provided to the Committee indicates that federal agencies have failed to implement hundreds of recommendations by IGs to protect public health and safety, such as providing quality health care for the nation's veterans, responding effectively to natural disasters, and ensuring the safety of government-sponsored housing, schools, and other buildings. Examples of public health and safety recommendations that have not been implemented are:

- In July 2005, the Department of Veterans Affairs IG found that the Veterans Health Administration did not follow established procedures when more than 2,000 veterans waited longer than 30 days for appointments.[24] In a September 2007 follow-up report, the IG found that the problems persisted.[25] The Veterans Health Administration is taking no further corrective action on the reports' unimplemented recommendations.[26]

- In September 2005, the Department of Homeland Security IG released a report expressing concerns about FEMA's multi-billion dollar program to update and digitize the nation's flood maps. The report warned that inaccurate and obsolete flood maps may

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[20] Department of Homeland Security, Office of Inspector General, *Controls Over the Export of Chemical and Biological Commodities* (June 2005) (OIG-05-21).

[21] E-mail from Department of Homeland Security, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (July 3, 2008).

[22] Special Inspector General for Iraq Reconstruction, *Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program* (July 2006) (SIGIR 06-021).

[23] Special Inspector General for Iraq Reconstruction, *Anticorruption Efforts in Iraq: U.S. and Iraq Take Actions but Much Remains To Be Done* (July 2008) (SIGIR 08-023); E-mail from Department of Homeland Security, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Dec. 11, 2008).

[24] Department of Veterans Affairs, Office of Inspector General, *Audit of the Veterans Health Administration's Outpatient Scheduling Procedures* (July 2005) (04-02887-169).

[25] Department of Veterans Affairs, Office of Inspector General, *Audit of the Veterans Health Administration's Outpatient Waiting Times* (Sept. 2007) (07-00616-199).

[26] E-mail from Department of Veterans Affairs, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (July 10, 2008); *see also* Department of Veterans Affairs, Office of Inspector General, *Semiannual Report for April 1, 2008 to September 30, 2008* (Nov. 25, 2008).

place homeowners and residents at physical and financial risk.[27] FEMA has not implemented six recommendations from this report as of December 2008.[28]

- In May 2007, the Department of the Interior IG visited 13 schools run by the Bureau of Indian Affairs and found severe structural problems with the potential to injure or kill students and faculty, including crumbling walls and outdated electrical systems.[29] Although the agency's management concurred with the IG's recommendations, it has not produced a plan to identify and mitigate health and safety hazards or target dates for accomplishing specific steps.[30]

3. Environmental Protection

The information provided to the Committee also indicates that federal agencies have failed to implement recommendations to improve protections for the nation's air, water, and endangered species. Examples of environmental protection recommendations that have not been implemented are:

- In June 2002, the Defense Department IG released an evaluation of the effectiveness of Pentagon programs involving endangered species, unexploded ordnance, air quality, and other issues at test and training ranges. The IG recommended that the Defense Department implement a comprehensive community outreach plan to address these issues.[31] The final instruction on community outreach and involvement will not be published until March 2009, almost seven years after the initial report's publication.[32]

- In March 2005, the IG for the Environmental Protection Agency issued a report identifying five key concerns that hamper the ability to hold major stationary sources of air pollution accountable for meeting air quality requirements.[33] Agency officials disagreed with two recommendations that would improve pollution monitoring and give the agency more power to issue sanctions. Four recommendations remain open.[34]

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[27] Department of Homeland Security, Office of Inspector General, *Challenges in FEMA's Flood Map Modernization Program* (Sept. 2005) (OIG-05-44).

[28] E-mail from Department of Homeland Security, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Dec. 2, 2008).

[29] Department of the Interior, Office of Inspector General, *Flash Report - Bureau of Indian Affairs and Bureau of Indian Education: Schools in Need of Immediate Action* (May 2007) (C-IN-BIA-0008-2007).

[30] E-mail from Department of the Interior, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Sept. 12, 2008) and follow-up phone conversation (Dec. 2, 2008); Memo from Jack Rouch, Regional Audit Manager, Office of Inspector General, Department of the Interior, to the Assistant Secretary for Policy, Management and Budget, Department of the Interior (Aug. 23, 2007).

[31] Department of Defense, Office of Inspector General, *DoD Environmental Community Involvement Programs at Test and Training Ranges* (June 2002) (D-2002-122).

[32] E-mail from Department of Defense, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Sept. 10, 2008).

[33] Environmental Protection Agency, Office of Inspector General, *Substantial Changes Needed in Implementation and Oversight of Title V Permits if Program Goals Are To Be Fully Realized* (Mar. 2005) (2005-P-00010).

[34] E-mail from Environmental Protection Agency, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Dec. 1, 2008).

- In December 2005, the Department of Agriculture IG released a report finding that the Animal and Plant Health Inspection Service needs a formal process to monitor and control field releases of genetically engineered organisms.[35] Three years after this report's release, the department still has not implemented 17 recommendations to strengthen monitoring of genetically engineered crops planted in the open environment.[36]

4. Procurement Reform

The IGs also highlighted government contracting as a subject area in which recommendations have not been implemented. Examples of unimplemented procurement recommendations are:

- In an October 2004 report on the Mine Safety and Health Administration, the Department of Labor IG found a lack of commitment to procurement principles and a management structure that allowed program staff to exert undue influence over the procurement process.[37] Management did not agree with the IG's recommendation to rescind and reassign this procurement authority. In March 2005, the IG found irregularities in the Department's award of a sole-source contract and noted inadequate separation of procurement duties.[38] Management disagreed with the IG's recommendation to create an independent acquisition office.[39]

- In May 2005, the Department of Energy IG issued a report finding that a construction project to eliminate surplus Russian and U.S. nuclear materials was substantially behind schedule and over budget.[40] The Department has failed to implement three of the IG's recommendations to finalize the design of the Pit Disassembly and Conversion Facility in order to contain costs and stabilize the construction schedule.[41]

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[35] U.S. Department of Agriculture, Office of Inspector General, *Controls Over Issuance of Genetically Engineered Organism (GEO) Release Permits* (Dec. 2005) (506010008TE).

[36] E-mail from U.S. Department of Agriculture, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Dec. 2, 2008).

[37] Department of Labor, Office of Inspector General, *Mine Safety and Health Administration Procurements Showed a Pattern of Disregard for Federal and DOL Acquisition Rules and Requirements* (Oct. 2004) (25-05-001-06-001).

[38] Department of Labor, Office of Inspector General, *Award and Management of Contracts for Encryption Software Were Significantly Flawed* (Mar. 2005) (05-05-005-07-720).

[39] E-mail from Department of Labor, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Dec. 2, 2008).

[40] Department of Energy, Office of Inspector General, *National Nuclear Security Administration's Pit Disassembly and Conversion Facility* (May 2005) (IG-0688).

[41] E-mail from Department of Energy, Office of Inspector General, to Majority Staff, House Committee on Oversight and Government Reform (Dec. 4, 2008). *See also* Government Accountability Office, *Department of Energy: Major Construction Projects Need a Consistent Approach for Assessing Technology Readiness to Help Avoid Cost Increases and Delays* (Mar. 2007) (GAO-07-336) (citing poor management and lax contractor oversight as the primary factors driving schedule delays and cost overruns).

IV. CONCLUSION

IGs play a critical role in fighting waste, fraud, and abuse in federal agencies and identifying opportunities to make government more effective and more efficient in fulfilling its responsibilities to the American people. Through audits and investigations, IGs each year identify serious management challenges and make thousands of recommendations to resolve these problems. Implementing the nearly 14,000 open recommendations identified in this report could cut waste and abuse by almost $26 billion and improve the efficiency and effectiveness of core government programs.

APPENDIX. NUMBER OF UNIMPLEMENTED INSPECTOR GENERAL RECOMMENDATIONS, BY YEAR ISSUED

	2001	2002	2003	2004	2005	2006	2007	2008	Total Open Recs.	All Recs. Made, 2001-2008
Agency for International Development[42]	3	0	3	3	13	18	96	508	644	4,719
Amtrak[43]	*	*	*	*	*	*	*	*	180	1,415
Appalachian Regional Commission	0	0	0	3	3	5	1	13	25	413
Capitol Police	0	0	0	0	0	0	47	61	108	168
Commodity Futures Trading Commission	0	0	0	0	0	1	0	0	1	66
Consumer Product Safety Commission	0	0	0	0	0	0	0	8	8	138
Corp. for National and Community Service	0	0	0	0	0	0	3	2	5	1,693
Corporation for Public Broadcasting	3	0	0	0	0	8	33	35	79	288
Denali Commission	0	0	0	0	0	2	11	14	27	59
Dept. of Agriculture	5	7	26	26	52	111	150	370	747	3,610
Dept. of Commerce	0	4	0	1	2	10	24	32	73	832
Dept. of Defense	7	18	25	57	38	168	235	499	1,047	5,699
Dept. of Education	15	32	34	33	52	105	112	256	639	3,437
Dept. of Energy	0	2	5	2	10	19	24	118	180	2,993
Dept. of Health and Human Services[44]	22	11	8	12	14	38	21	47	173	725
Dept. of Homeland Security[45]	0	0	28	71	162	174	295	140	870	3,606
Dept. of Housing and Urban Development	4	17	38	72	37	132	362	673	1,335	6,716
Dept. of Interior	0	10	38	20	96	71	140	217	592	3,310
Dept. of Justice	0	2	9	8	29	26	88	199	361	2,636
Dept. of Labor[46]	25	27	48	55	214	166	187	804	1,526	5,818
Dept. of State	3	8	11	27	24	67	187	567	894	10,027
Dept. of the Treasury	0	0	0	0	1	2	8	28	39	1,212
Dept. of Transportation	3	11	11	6	13	34	69	192	339	2,241
Dept. of Veterans Affairs	0	0	0	0	6	3	8	192	209	7,299
Election Assistance Commission	0	0	0	0	0	2	7	62	71	76
Environmental Protection Agency[47]	4	8	8	19	5	20	38	5	107	*
Equal Employment Opportunity Commission	0	0	0	0	1	0	4	29	34	42
Export-Import Bank of the United States	0	0	0	0	0	0	0	0	0	0
Farm Credit Administration	0	0	0	0	0	0	0	3	3	107
Federal Communications Commission	0	0	2	3	2	0	14	24	45	846
Federal Deposit Insurance Corporation	0	0	0	0	0	1	9	6	16	902

[42] Data for U.S. AID also includes recommendations made to the Millennium Challenge Corporation.

[43] The Amtrak IG did not provide year-by-year data on open recommendations, only an aggregate total.

[44] Data includes only "significant" recommendations.

[45] The Homeland Security IG did not provide data for calendar year 2008, only the first three months of fiscal year 2008.

[46] Data for 2008 also includes the first three months of the Department's 2009 fiscal year.

[47] The EPA IG did not provide the total number of recommendations made between 2001 and 2008. Data for open recommendations includes only "significant" recommendations.

	2001	2002	2003	2004	2005	2006	2007	2008	Total Open Recs.	All Recs. Made, 2001-2008
Federal Election Commission	0	0	0	0	0	10	43	19	72	194
Federal Housing Finance Agency	0	0	0	0	0	0	0	53	53	288
Federal Labor Relations Authority[48]	*	*	*	*	*	*	*	*	133	*
Federal Maritime Commission	0	0	0	0	0	3	0	28	31	199
Federal Reserve Board	0	0	1	0	3	6	1	8	19	90
Federal Trade Commission	0	0	0	0	1	0	2	16	19	198
General Services Administration[49]	2	5	6	5	5	9	46	135	213	*
Government Printing Office[50]	0	0	0	0	0	8	18	30	56	214
International Trade Commission	0	0	0	0	4	0	0	16	20	149
Legal Services Corporation	0	0	0	0	0	0	0	0	0	0
Library of Congress	0	0	2	2	0	4	16	34	58	639
National Aeronautics and Space Admin.	0	0	0	1	1	6	31	42	81	1,108
National Archives	0	0	0	0	1	17	14	102	134	455
National Credit Union Administration	0	0	0	0	0	0	14	28	42	477
National Endowment for the Arts	0	0	0	0	0	0	5	34	39	340
National Endowment for the Humanities	0	8	0	0	0	2	9	3	22	481
National Labor Relations Board	0	0	2	0	0	0	4	6	12	133
National Science Foundation[51]	3	1	2	0	0	7	3	45	61	465
Nuclear Regulatory Commission	2	0	4	2	19	9	28	62	126	891
Office of Personnel Management	0	0	2	15	18	55	122	76	288	3,601
Peace Corps	0	0	0	0	0	3	27	95	125	3,824
Pension Benefit Guaranty Corporation	0	0	5	3	14	23	19	56	120	662
Postal Regulatory Commission	0	0	0	0	0	0	0	9	9	22
Postal Service[52]	0	0	0	0	3	9	36	138	186	1,183
Railroad Retirement Board	13	14	5	4	43	17	50	35	181	602
Securities and Exchange Commission	0	0	0	1	7	2	27	122	159	863
Small Business Administration	0	2	1	30	8	14	17	40	112	1,229
Smithsonian Institution	0	0	0	1	2	5	22	24	54	442
Social Security Administration	29	45	50	31	41	71	95	233	595	2,717
Special Inspector General for Iraq Reconstruction[53]	0	0	0	0	4	46	17	37	104	344
Tennessee Valley Authority	0	0	0	0	1	5	13	110	129	2,124
Treasury Inspector General for Tax Admin.	5	0	5	17	13	7	44	126	217	3,290
Total	**148**	**232**	**379**	**530**	**962**	**1,521**	**2,896**	**6,866**	**13,847**	**98,317**

[48] The Federal Labor Relations Authority IG did not provide a year-by-year breakdown of open recommendations or a total for recommendations made between 2001 and 2008.

[49] The General Services Administration IG did not provide the total number of recommendations made between 2001 and 2008.

[50] Data for 2008 also includes the first three months of the Government Printing Office's 2009 fiscal year. The figure for total recommendations made does not include 2001-2004, for which data was not available.

[51] Data for 2008 also includes the first three months of the Foundation's 2009 fiscal year.

[52] Data includes only "significant" recommendations.

[53] Data for 2008 also includes the first three months of SIGIR's 2009 fiscal year.