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GSA'S SQUANDERING OF TAXPAYER DOLLARS: A PATTERN OF MISMANAGEMENT, EXCESS, AND WASTE

(112–81)

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

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U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

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Chairman

James W. Coon II, Chief of Staff

Nick J. Rahall, II
Ranking Member

James H. Zoia, Democrat Chief of Staff

April 13, 2012

BRIEFING MEMORANDUM

TO: Members of the Subcommittee on Economic Development, Public Buildings and Emergency Management
FROM: Subcommittee on Economic Development, Public Buildings and Emergency Management Staff
SUBJECT: Oversight Hearing on "GSA's Squandering of Taxpayer Dollars: A Pattern of Mismanagement, Excess, and Waste"

PURPOSE

The Subcommittee on Economic Development, Public Buildings and Emergency Management will meet on Tuesday, April 17, 2012, at 8:30 a.m. to receive testimony from the General Services Administration (GSA) Inspector General, the Acting Administrator of GSA as well as other current and former GSA officials and employees. The hearing will focus on GSA's waste of taxpayer dollars on a lavish Western Regional Conference (WRC), its "Hats Off" employee rewards program and other waste and abuse of taxpayer dollars.

BACKGROUND

General Services Administration

The Subcommittee has jurisdiction over all of GSA's real property activity through the Property Act of 1949, the Public Buildings Act of 1959, and the Cooperative Use Act of 1976. These three Acts are now codified as title 40 of the United States Code. GSA's Public Buildings Service (PBS) is responsible for the construction, repair, maintenance, alteration, and operation of United States courthouses and public buildings of the Federal Government. Additionally, PBS leases privately owned space for Federal use. GSA owns or leases 9,600 assets and maintains an inventory of more than 362 million square feet of workspace. GSA acts as the "landlord" for the Federal

government, obtaining and managing space to meet the space needs of other Federal agencies. GSA, however, is just one of nine[1] Federal agencies that, in total, own or manage 93% of Federal real property.

GSA currently operates with 11 PBS regional offices (including the National Capital Region in D.C.) which are responsible for managing GSA properties and projects in those regions.

Property Management Issues

Given the vast real estate holdings of the Federal Government, poor asset management and missed market opportunities cost taxpayers significant sums of money. For this reason, in 2003, the Government Accountability Office (GAO) placed real property management on its list of "high risk" government activities where it remains today. Unfortunately, despite executive orders and memoranda issued during two administrations and acts of Congress intended to improve the management of Federal real property, these problems persist.[2] The high risk activities of Federal real property are significant. Considerable amounts of vacant or underperforming assets can translate into significant costs associated with their operation, maintenance, and security. For example, in fiscal year 2009, the Federal Government spent $1.7 billion in annual operating costs for under-utilized buildings and $134 million, annually, for excess buildings.[3]

Subcommittee Chairman Denham introduced H.R. 1734, the Civilian Property Realignment Act (CPRA), last year. That legislation passed the House and would establish a civilian BRAC-like commission to identify and get rid of waste in federal properties through selling unneeded properties, consolidating Federal space and minimizing the Federal space footprint. The Subcommittee has held two hearings this year in vacant buildings, including the Annex of the Old Post Office and the Cotton Annex to highlight the wasteful mismanagement of federal properties by GSA.

Administrative Costs

On top of waste in how GSA has managed its buildings, the Committee has also begun investigating Public Buildings Service's administrative costs. Information received by the Committee indicates that the PBS administrative costs have increased significantly over the years. Specifically, since fiscal year 2007, the PBS administrative

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[1] The other major land-holding departments and agencies include the Department of Defense, Department of Veterans Affairs, Department of Energy, Department of Homeland Security, Department of the Interior, Department of State, National Aeronautics and Space Administration, and the U.S. Postal Service.

[2] *See,* for example, Executive Order 13327, Federal Real Property Asset Management, signed by President George W. Bush, February 4, 2004; Presidential Memorandum, Disposing of Unneeded Federal Real Estate, signed by President Barack Obama, June 10, 2010; Public Buildings Cooperative Use Act of 1976; Public Law 108-447, Division H, Title IV, Section 412, December 8, 2004 (providing enhanced flexibility to GSA in real property management).

[3] FY2009 Federal Real Property Report, Federal Real Property Council, September 2010, p. 5.

costs have increased by $260 million. The PBS Commissioner's Office expenditures have increased by more than 67% during the same period. (See chart below).

Summary of administrative personnel and other costs, FY07-FY11 ($s in thousands)						
Organization	Type	FY2007	FY2008	FY2009	FY2010	FY2011
	Personnel	$1,665	$2,492	$2,707	$5,101	$5,296
	Other	$1,310	$1,202	$545	$1,837	$3,861
PBS Commissioner *	**Total**	**$2,975**	**$3,694**	**$3,2512**	**$6,938**	**$9,157**
	Personnel	$38,557	$41,418	$42,004	$44,277	$49,432
	Other	$200,381	$236,018	$263,189	$272,948	$306,429
PBS Headquarters	**Total**	**$238,938**	**$277,436**	**$305,193**	**$317,225**	**$355,861**
	Personnel	$310,158	$328,050	$352,087	$378,645	$412,776
	Other	$156,645	$164,643	$168,628	$184,046	$190,605
Regional	**Total**	**$466,803**	**$492,693**	**$520,715**	**$562,691**	**$603,381**
Total		**$708,716**	**$773,823**	**$829,159**	**$886,854**	**$968,399**

The Committee began investigating the PBS administrative costs in 2011 after financial information included in GSA's State of the Portfolio Reports and Agency Financial Reports suggested an increase in costs and reduction of income from its owned inventory and an increase in losses for its leased inventory. Specifically, GSA's 2011 Agency Financial Report indicated that the Federal Buildings Fund net revenues from GSA-owned buildings dropped by $274 million between 2010 and 2011 and lost $133 million in 2011 on its leased facilities.

Western Regional Conference

On April 2, 2012, the GSA Inspector General issued a Management Deficiency Report on the GSA Public Buildings Service and its 2010 Western Regions Conference (WRC). The IG indicates that the GSA Deputy Administrator, Susan Brita, requested that the IG investigate allegations of possible excessive expenditures and employee misconduct related to the 2010 WRC.

Region 9, which hosted the conference in 2010, covers Arizona, California, Hawaii, and Nevada, as well as overseas in American Samoa, Commonwealth of the Northern Mariana Islands, Diego Garcia, Guam, mainland Japan and Okinawa, the Republic of Korea, Saipan, and Singapore. The conference included Regions 7, 8, 9, and 10.

The 2010 conference had approximately 300 attendees and occurred at the M Resort Spa Casino just outside Las Vegas, Nevada. The IG found that the total cost of the conference was $822,751 including $136,504 spent on 8 pre-conference scouting trips alone.

The IG made the following findings in the report:

GSA spending on conference planning was excessive, wasteful, and in some cases impermissible. To select a venue and plan the conference, GSA employees conducted two "scouting trips," five off-site planning meetings, and a "dry run." Six of these planning events took place at the M Resort (the conference venue) itself. Travel expenses for conference planning totaled $100,405.37, and catering costs totaled over $30,000. GSA spent money on refreshment breaks during the planning meetings, which it had no authority to do, and the cost of catered meals at those meetings exceeded per diem limits.

GSA failed to follow contracting regulations in many of the procurements associated with the WRC and wasted taxpayer dollars. GSA actions included:
o Disclosing a competitor's proposal price to a favored contractor;
o Awarding a $58,000 contract to a large business in violation of small-business set-asides;
o Promising the hotel an additional $41,480 in catering charges in exchange for the "concession" of the hotel honoring the government's lodging cost limit;
o Providing free rooms to a contractor's employees even though the contract cost included lodging; and
o Disclosing to the team-building contractor the agency's maximum budget for one day of training, then agreeing to pay the contractor that amount ($75,000).

GSA incurred excessive and impermissible costs for food at the WRC. GSA spent $146,527.05 on catered food and beverages during the WRC. That spending included $5,600 for three, semi-private, catered in-room parties and $44 per person daily for breakfasts. GSA also paid $30,207.60 – or roughly $95 per person – for the closing reception and dinner; attendees at that dinner included 27 guests of GSA employees and seven contractor employees. GSA obtained repayment for guests' meals, but only for 23 of the guests and not for the entire cost of the meal.

GSA incurred impermissible and questionable miscellaneous expenses. These expenses included mementos for attendees, purchases of clothing for GSA employees, and tuxedo rentals.

GSA's approach to the conference indicates that minimizing expenses was not a goal. The PBS Region 9 Commissioner/Acting Regional Administrator instructed those planning the conference to make it "over the top" and to make it bigger and better than previous conferences. Several suggestions to minimize expenses were ignored.

Following the release of this report, the Administrator of GSA, Martha Johnson, resigned from her post. Other key officials, including PBS Commissioner Robert Peck and Stephen Leeds, Senior Counselor to the Administrator, were terminated. Others have since been placed on administrative leave, including David Foley, Deputy Public Buildings Commissioner; Jeff Neely, Region 9 Public Buildings Regional Commissioner; Paul Prouty, Region 8 Public Buildings Regional Commissioner, and other senior management officials.

Other Abuses and Hats Off Program

Since the release of that report, other abuses have been unearthed, including a 2010 GSA internship conference hosted by Region 9 at the Palm Springs Riviera resort that included 120 interns and 20 senior staff. In addition, the Committee also learned of the GSA "Hats Off Program" and an associated IG report of an investigation resulting from the theft of 40 iPods estimated at $8,000 reportedly stolen from GSA storage in the Phillip Burton Federal Building in San Francisco, California (GSA Region 9).

The IG found that the Public Buildings Service (PBS) Region 9 developed an awards program store known as the Hats Off Store. Shortly after the program started in 2001, program officials did begin identifying problems including employees giving themselves awards, swapping unwarranted awards and theft of award certificates. While initially the program included items of nominal value such as mugs or mouse pads, over time high value assets like iPods, digital camera, GPS devices and other electronics were included.

Under the program, Region 9 employees would have an online account at the Hats Off Store and each employee would start with 40 virtual cards that could be given to co-workers for a "specific, work-related reason." Members of the Leadership Council could also give "Derby Hat" awards worth up to 20 virtual cards and the Regional Administrator, Regional PBS Commissioner, and Deputy Commissioner could give "Top Hat" awards worth 40 virtual cards. The cards could be accumulated by employees to redeem for items in the Hats Off Store.

Between FY 2007 and 2011, Region 9 spent $440,000 on the Hats Off Program with the largest increase spending in FY 2009 at $211,842. When 40 iPods associated with the Hats Off Program were reported missing from GSA storage space, the IG's office investigated and determined that approximately 115 iPods valued at more than $20,000 were unaccounted for.

Specifically, the findings of the IG were:

- There is an inadequate inventory process for tracking purchases and awards from the Hats Off Program Store, and no audit mechanism exists to track changes to inventory.
- There are award abuses, including patterns of employees exchanging awards with one another and supervisors exceeding their award limits.
- Top award recipients include individuals associated with the administration of the Hats Off Program.
- There is a lack of accountability for "Manager Special" awards, which are items used as gifts or prizes at meetings and events. Records of award recipients, or of justification for the awards, are lacking or inconsistent.

- There is a lack of physical security for award items in storage.
- Award items exceeded the $99 limit per item established by GSA policy.
- Total employee awards, including the Hats Off Program awards, collectively exceeded four percent of Region 9 associates' salaries for two of the past four fiscal years, in violation of GSA policy.

Conclusion

The hearing will focus on these abuses, how they happened, and the growing PBS administrative costs.

WITNESSES

The Honorable Daniel Tangherlini
Acting Administrator
U.S. General Services Administration

The Honorable Brian Miller
Inspector General
U.S. General Services Administration

The Honorable Martha Johnson
Former Administrator
U.S. General Services Administration

Ms. Susan Brita
Deputy Administrator
U.S. General Services Administration

Ms. Alison Doone
Chief Financial Officer
U.S. General Services Administration

Mr. Robert Peck
Former Public Buildings Service (PBS) Commissioner
U.S. General Services Administration

Mr. David Foley
Public Buildings Service Deputy Commissioner
U.S. General Services Administration

Mr. Jeff Neely
Region 9 Public Building Regional Commissioner

x

U.S. General Services Administration

Ms. Lisa Daniels
Event Planner
Public Buildings Service
U.S. General Services Administration

GSA'S SQUANDERING OF TAXPAYER DOLLARS: A PATTERN OF MISMANAGEMENT, EXCESS, AND WASTE

TUESDAY, APRIL 17, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 8:35 a.m., in Room 2167, Rayburn House Office Building, Hon. Jeff Denham (Chairman of the subcommittee) presiding.

Mr. DENHAM. The subcommittee will come to order. At the request of the Administration, we are going to change things up a little bit this morning. We are going to have two panels today. The first will include the Honorable Brian Miller, GSA inspector general; Ms. Alison Doone, GSA chief financial officer.

At this time, we are going to clear the panel during opening statements. Also, at this time, I ask unanimous consent that members of the Committee on Transportation and Infrastructure who are not on the Subcommittee on Economic Development, Public Buildings, and Emergency Management be permitted to sit with the subcommittee at today's hearing, offer testimony, and ask questions. Without objection, so ordered.

If you will just grab your name tags and sit in the audience for now, we are going to go through opening testimonies and then we are going to swear everybody in in a different fashion this morning, and then bring you up to testify yourselves.

Two weeks ago the inspector general released a scathing report on a GSA conference that cost taxpayers nearly a million dollars. We have seen a lot of reports about the Las Vegas lavish vacation, the spending, and I appreciate Mr. Cummings, Ranking Member Cummings on the Government Oversight Committee, as well as Chairman Issa for discussing in great detail those lavish expenditures and the wrongdoing that happened with the Las Vegas vacation.

The purpose of this committee is to talk about the systemic problem, how deep it goes; the corruption, the fraud, the waste. It is not just within the Western Region, but within GSA as a whole, and possibly within other agencies.

This committee is going to lay out a timeline of how many trips, how many people, how much money. We are going to talk about how big of a problem this is and how deep within the Administra-

tion it goes. Now, you heard yesterday the testimony of Mr. Robertson, the Chief of Staff, who is also the White House liaison, and was on Senator Obama's personal staff.

We are going to hear today from Mr. Peck, who for the last year-and-a-half I have asked, I have requested, on a bipartisan level, with Ms. Norton, we have sent emails, memos, held hearings, and asked for a budget that is outside of Congress' purview. We have been held up for far too long. And I am here to tell you the buck stops here. We are not going to hold up any longer. The American public demands to see the budget on the public buildings fund, the Federal buildings fund, and how that money has been spent. This slush fund is no longer going to be used for personal uses. When Federal buildings, when other agencies pay rent into this personnel building fund, it is meant to redevelop. It is meant to sell off, which we have been attempting to do for the last year-and-a-half, sell off the properties that are unused, underutilized and redevelop, put people back to work where we can by utilizing these funds.

The public has a right to know how much money is in this fund, where it has been used, a full accountability of the past and, most importantly, what is going to happen in the future. We are going to hear from the new administrator, Mr. Tangherlini, this morning about what has been done to reprimand those that have been involved.

But again, this goes much deeper than what has already happened; those that have been fired, those that have been put on administrative leave, those that have resigned. The American public deserves to have money paid back. And where crimes have been committed, people will go to jail. And if we have to have future hearings on this topic, you bet we will. This is about the distrust of the American public in its Government. This is about the waste of taxpayer dollars. And if you can sense my anger and frustration, you should see it at home, where we have got double-digit unemployment, the highest foreclosure rate in the Nation, people out of work, twice the national average. And to see these types of expenditures, to see the stonewalling by this agency for the last year-and-a-half hiding from the public the expenditures that have been made, and what has happened with this public buildings fund.

You bet it is an outrage. And I am looking forward to full testimony this morning to get to the bottom of it.

I am angered not only at the waste of money, but the fact that there would be people that the systemic issue here is that you would actually go out and brag about it; that you would insult the ranking member and former chair of this committee, who chaired the committee while you will were having this vacation; that you would laugh about our Commander in Chief and laugh about how you would spend this money. This goes down from the interns to those at the top, and it is a culture that we are going to get to the bottom of, and let me just issue a warning. If this continues to go on, if we continue to not only see this type of spending, we will continue to audit. If we continue to see that you are not giving us the information on a bipartisan level to show us how these expenditures are happening, I am prepared to systematically pull apart GSA to the point where we will make it a question to the American

public on whether GSA is needed at all. But the wasteful spending is going to stop, and the transparency is going to begin.

I would now like to recognize the ranking member, Ms. Norton, for any opening statements she may have.

Ms. NORTON. Thank you, Mr. Chairman. Our subcommittee has just returned from a scheduled recess, but we are obligated to turn at once to the General Services Administration inspector general and others today for testimony about the 2010 Western Regional Conference, a conference run amuck near Las Vegas, Nevada.

The final IG report found that expenditures related to the conference were, and here I am quoting, "excessive, and wasteful, and that in many instances GSA followed neither Federal procurement laws nor its own policy in conferences." End quote.

Some who planned the conference appeared to have deliberately set out to have a boondoggle of a conference, and explicitly to go "over the top"; in the words of one conference planner, hiring mind readers and clowns and having dinner and a talent show in the desert at taxpayers' expense. The expensive partying at a four-star casino resort occurred before the recovery began to take hold and as millions of Americans were living hand to mouth, struggling under debts, and the worst recession since the Great Depression.

The emerging evidence shows that the conference had been building in extravagance for years, but in the last 10 years had escalated considerably. Only now is the full extent of the spending coming to light. Moreover, coupled with the conference scandal are reports by the IG of a Federal employee awards program in the same region with little or no controls, resulting in yet more excessive spending.

The awards program, apparently helped feed the exorbitant conference in Nevada, providing iPods and other desirable technology to employees for non-work related matters. I am perhaps more shocked and saddened than most because I have sat on this subcommittee for more than 20 years and, by and large, have found GSA appointed officials and civil servants alike, including some of those named in the IG report, to be among the most dedicated and professional Federal employees. It is particularly disappointing that the actions of a few officials have cast a shadow over the hard work and professionalism of the great majority of GSA employees.

I am grateful to the President for asking immediately to take out the top officials and bring in Daniel Tangherlini, a professional of proven management skill and impeccable ethics.

Further, it was a political appointee of the administration who first alerted the IG when she saw signs of possibly excessive expenditures and employee misconduct in connection with the 2010 conference. The result was the investigation which outlined the wasteful spending that is the subject of today's hearing.

The GSA administrator resigned, two top political appointees that were overseeing the Public Buildings Service were discharged, and the civil servants who were responsible for planning the conference were placed on administrative leave pending disciplinary proceedings as required by law.

The underlying behavior was indefensible, but the system that was designed to identify and punish that behavior works. Work remains that may involve considerable reform and even restructuring

of the agency. I look forward to hearing from GSA officials about the steps they themselves believe must be taken.

Thank you, Mr. Chairman.

Mr. DENHAM. At this time, I would like to recognize the chairman of the full committee, Mr. Mica.

Mr. MICA. Well, first of all, I have to thank you, Mr. Denham, for your leadership and for not just on this—not just on this issue and the outrageous matter that is before us, but from the very beginning when I had to select someone to chair this subcommittee that oversees public buildings, I think the country was fortunate to have you and your experience and leadership, and I think when we met our first assignment was to pick up what we had discussed we would do before you got here in the minority and we published this report.

This report basically was October, ironically, of 2010, the same time that they were spending money on their GSA lavish convention. But this report is entitled "Federal Government Must Stop Sitting on Its Assets." It is online, and I hope you all get a chance to read it. The first part starts right out with GSA and the abuse of not just millions of dollars in a convention junket, but billions of dollars in waste.

This was our primer, and I couldn't have had a better partner than Mr. Denham. One of the very first hearings this committee did, and I asked him to help lead, was in the vacant annex building next to the post office, vacant for almost 15 years, between that and the Old Post Office, losing $6 million a year. Put this in perspective. Here again, I reference this document. So this isn't the Johnny-come-lately hearing or attempt to get an agency under control.

We held the first hearing in that empty building. It was 32 degrees outside, 38 degrees inside. The picture you can see here are the GSA bureaucrats with their coats on because we brought them down to the empty building to try to get a $6 million-a-year loss, again two blocks from the White House, a Federal building. There is the empty building that we held the hearing in, and get it turned around, and make it a productive property.

The Federal General Services Administration is our Government's landlord. It is appalling to see the wasteful spending, of course, on this conference that Mr. Denham will outline, not just this conference. He is going to talk about trips to Hawaii, Atlanta, junkets to the South Pacific, California, Atlanta, Hawaii, Guam, Saipan, all at taxpayers' expense. But that is just the tip of the iceberg. The billions that are lost, again, by having the Federal Government's primary landlord agency out of control and not operating as it should and making these assets perform for the public is what is outrageous.

You know, we smelled a rat, and we asked for data, because if you look at the budget, and the expenditures for the public buildings commissioner, they went from $2.9 million in 2007 to $9 million. That is what, 200- or 300-percent increase? So we started asking for data. We got stonewalled time and time again. Mr. Denham asked at almost every hearing, you heard him say, we requested information and data.

What we got instead, this is what we got instead, folks, just a few pages of the top numbers. Anyone can see now why they didn't want to disclose what was going on. Ms. Norton said, and I agree, we have thousands of people who work for the Federal Government who work day in and day out and do a good job. This is not an example of the average performance of our Federal employees. We have some incredible men and women.

We are going to hear from one of them today, Susan Brita. She worked on this committee. When you see the timeline of what took place, you see a timeline of coverup, a timeline of deceit, a timeline of keeping Congress in the dark on what was going on, you see one woman who stood up. This conference was held in, what, October 10th in Las Vegas. In November she requested the IG, the Office of Inspector General, to look into this matter. You see yesterday, and our committee has legislative oversight responsibility for public hearings, and we coordinated this very well with Mr. Issa because he has broader jurisdiction over the White House and others that we don't have. And you saw yesterday and in the timeline that the White House knew about this in June of 2011. That is great for the President and others to condemn the action in the last week or two. They have known for nearly a year of what was going on. And again, our former staffer not only went to the IG on this, but other matters, and that is detailed and I will submit this list for the record, Mr. Chairman, without objection.

Mr. DENHAM. Without objection.

[The information follows.]

Timeline of Investigation and Ongoing Travel Abuses

Page 1

• May 2010	Intern Conference, Palm Springs Riviera Resort - $150,664 excluding travel and per diem
• October 2010	Western Regions Conference, M Resort Las Vegas - $822,751
• November 2010	Deputy Administrator Brita requests that GSA OIG initiate a review of Western Regions Conference (WRC) expenses
• May 2011	GSA OIG provides interim briefing for Administrator Johnson and Deputy Administrator Brita regarding concerns over waste fraud and abuse at the WRC. GSA OIG also advises Administrator Johnson to "get a handle on the RC's travel"
• June 2011	GSA Chief of Staff Michael Robertson informs Kimberly Harris, a White House counsel, about an active IG investigation regarding fraud and wasteful spending related to the Western Regions Conference
• August 2011	GSA appoints Ruth Cox, Regional Administrator, for Region 9 GSA OIG briefs Ms. Cox and advises her to get a handle on the Regional Commissioner (RC) Neely's travel

Timeline of Investigation and Ongoing Travel Abuses

Page 2

• October 2011	Nine day trip to Hawaii for RC Neely for a "Road Show"
• November 2011	Five day trip to Atlanta for RC Neely to a attend non-training conference
• December 2011	GSA OIG warns Deputy Administrator Susan Brita about upcoming 17 day south pacific junket headed by RC Neely
	• Deputy Administrator Susan Brita warns Regional Administrator Ruth Cox about upcoming south pacific junket, however, Regional Administrator Ruth Cox ultimately approves the trip. • Three day off-site trip to Dana Point for Executive Team meeting
• February 2012	17 day trip to Hawaii/Guam/Saipon for RC Neely and staff Five day trip to Atlanta for RC Neely to attend a non-training conference
• March 2012	Four day site visit to Hawaii for RC Neely Four day off-site trip to Napa for Executive Team Meeting - $40,000 excluding travel expenses

Mr. MICA. You know, it is kind of upsetting in a way, and it should be upsetting to the American people that this has all been revealed, and maybe it wouldn't have been revealed. It probably could have all been swept under the table but for one person who stood up, and I want to hear from her today. I hope they haven't intimidated her. I hope that she feels secure, and I hope that she realizes that we recognize her patriotism in stepping forward and, again, revealing what was going on. Because otherwise, we might not have known. We have would been handed one sheet and said don't pay attention.

When I announced I was going to do hearings on this, I was pretty saddened by the comments of the majority leader of the U.S. Senate. He said Mica needs to get a life. Well, I want to tell him and others that I have a life, and that is dedicated to uncovering waste and inefficiency in Federal Government and bringing business-type commonsense practices to whether it is GSA or other Federal agencies.

So we were stonewalled. We were delayed. We were not given information, but the American people need to know that this is just the tip of the iceberg and they will hear much more about what is going on and what needs to be done to reform this agency, or to replace it. Mr. Denham and I had a discussion last night. Maybe it is time to look at a total replacement.

How many of you out there, how many of you out there, if you have property, would turn it over to the Federal Government to manage for you? I ask you that question. Not very many of you. And as you see the wasteful overhead and cost and what takes place when you are on the taxpayers' dime, it is even more offensive.

So with that, again, I thank Ms. Norton for her cooperation, Mr. Denham for his leadership, and other Members for being with us today.

Mr. DENHAM. In deference to the Administration's request, we will swear in those that have been fired, put on administrative leave, or resigned together at this time. I would like to request Ms. Johnson, Mr. Peck, Mr. Foley, and Ms. Daniels to please rise. Stand and raise your right hand and be sworn in under oath.

[Witnesses Johnson, Peck, Foley, and Daniels sworn.]

Mr. DENHAM. We will have two panels today. The first panel includes, and I invite you back to the table, the Honorable Brian Miller, GSA inspector general.

Mr. MICA. Mr. Denham, Chairman Denham, I would just like to insert at this point in the record this comment, and note for the record, that Mr. Neely is not with us today. We had requested that he be with us. And he has, I guess, taken the Fifth in another committee and is not appearing today against one of the requests that at least I made for him to be with us. I guess the only way we will get to see him is on a video in the hot tub, so, but I want to make certain that it is noted in the record that he did not appear.

Mr. DENHAM. Mr. Miller; Ms. Susan Brita, GSA deputy administrator; Ms. Alison Doone, GSA chief financial officer; Mr. Robert Peck, former Public Buildings Services commissioner; Mr. Neely is—Chairman Mica has already said Mr. Neely, through his attor-

ney, has refused to appear this morning; and Ms. Lisa Daniels, the event planner for Public Buildings Service.

Would you join us at the table up front. I ask unanimous consent that our witnesses' full statements be included in the record. Without objection, so ordered. Since your written testimony has been made part of the record, the subcommittee would request that you limit your oral testimony to 5 minutes. And as far as this committee today, we will be going by the strict 5-minute rule. We have a lot of questions.This is going to be a very long hearing. We want to make sure that we have as many opportunities to go through Members' requests as possible.

Mr. Miller, you may proceed.

TESTIMONY OF THE HONORABLE BRIAN D. MILLER, INSPECTOR GENERAL, U.S. GENERAL SERVICES ADMINISTRATION; SUSAN BRITA, DEPUTY ADMINISTRATOR, U.S. GENERAL SERVICES ADMINISTRATION; ALISON L. DOONE, CHIEF FINANCIAL OFFICER, U.S. GENERAL SERVICES ADMINISTRATION; ROBERT A. PECK, FORMER PUBLIC BUILDINGS SERVICE (PBS) COMMISSIONER, U.S. GENERAL SERVICES ADMINISTRATION; AND LISA DANIELS, EVENT PLANNER, PUBLIC BUILDINGS SERVICE, U.S. GENERAL SERVICES ADMINISTRATION

Mr. MILLER. Good morning, Chairman Denham, Chairman Mica, Ranking Member Norton. Thank you for inviting me here this morning to testify about our report. I think everyone is familiar with the facts of our report. OK, and so I would simply ask that my written statement and the report itself be included in the record. I would be happy to answer any questions. Thank you.

[The report follows. Please see the table of contents for the section entitled, "Prepared Statements Submitted by Witnesses" for Mr. Miller's statement.]

Office of Investigations
Office of Inspector General
U.S. General Services Administration

Management Deficiency Report:

General Services Administration
Public Buildings Service

2010 WESTERN REGIONS CONFERENCE

April 2, 2012

U.S. General Services Administration
Office of Inspector General

April 2, 2012

MEMORANDUM FOR MARTHA N. JOHNSON
ADMINISTRATOR (A)

FROM: BRIAN D. MILLER
INSPECTOR GENERAL (J)

SUBJECT: Final Management Deficiency Report
Public Buildings Service

Our final management deficiency report on the Public Buildings Service 2010 Western Regions Conference is attached. We will publish the report with your response concurring with our recommendations and outlining the steps you are taking to prevent such waste and abuse from occurring in the future.

Thank you for all the assistance and courtesies extended to our staff during this review. Should you have any questions or require additional information, please contact me or have a member of your staff contact Assistant Inspector General for Investigations Geoff Cherrington on (202) 501-0035.

Attachment

1800 F Street, NW, Washington, DC 20405

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EXECUTIVE SUMMARY

The Public Buildings Service (PBS) of the General Services Administration (GSA) held its biennial Western Regions Conference (WRC), which had approximately 300 attendees, in October of 2010, at the M Resort Spa Casino (M Resort) just outside Las Vegas, Nevada. The GSA Deputy Administrator requested that the GSA Office of Inspector General (OIG) investigate allegations of possible excessive expenditures and employee misconduct in connection with the 2010 WRC.

The OIG found that many of the expenditures on this conference were excessive and wasteful and that in many instances GSA followed neither federal procurement laws nor its own policy on conference spending. Conference costs included eight off-site planning meetings and significant food and beverage costs. The total cost of the conference was over $820,000, broken down as follows:

Phase	Description	Costs
Pre-Conference	Travel, Catering, Vendors, and Other Hotel Costs	$136,504
Conference	Travel, Catering, and Vendors	$686,247
TOTAL		**$822,751**

Our findings included the following:

- **GSA spending on conference planning was excessive, wasteful, and in some cases impermissible.** To select a venue and plan the conference, GSA employees conducted two "scouting trips," five off-site planning meetings, and a "dry run." Six of these planning events took place at the M Resort (the conference venue) itself. Travel expenses[1] for conference planning totaled $100,405.37, and catering costs totaled over $30,000. GSA spent money on refreshment breaks during the planning meetings, which it had no authority to do, and the cost of catered meals at those meetings exceeded per diem limits.

- **GSA failed to follow contracting regulations in many of the procurements associated with the WRC and wasted taxpayer dollars.** GSA actions included:

  - Disclosing a competitor's proposal price to a favored contractor;
  - Awarding a $58,000 contract to a large business in violation of small-business set-asides;
  - Promising the hotel an additional $41,480 in catering charges in exchange for the "concession" of the hotel honoring the government's lodging cost limit;
  - Providing free rooms to a contractor's employees even though the contract cost included lodging; and

[1] "Travel costs" or "travel expenses" as used in this report include per diem, lodging, and transportation costs.

- Disclosing to the team-building contractor the agency's maximum budget for one day of training, then agreeing to pay the contractor that amount ($75,000).

- **GSA incurred excessive and impermissible costs for food at the WRC.** GSA spent $146,527.05 on catered food and beverages during the WRC. That spending included $5,600 for three semi-private catered in-room parties and $44 per person daily breakfasts. GSA also paid $30,207.60 – or roughly $95 per person – for the closing reception and dinner; attendees at that dinner included 27 guests of GSA employees and seven contractor employees. GSA obtained repayment for guests' meals, but only for 23 of the guests and not for the entire cost of the meal.

- **GSA incurred impermissible and questionable miscellaneous expenses.** These expenses included mementos for attendees, purchases of clothing for GSA employees, and tuxedo rentals.

- **GSA's approach to the conference indicates that minimizing expenses was not a goal.** The PBS Region 9 Commissioner/Acting Regional Administrator instructed those planning the conference to make it "over the top" and to make it bigger and better than previous conferences. Several suggestions to minimize expenses were ignored.

GSA, in its management response, concurred with our recommendations and outlined the steps it is taking to prevent future waste and abuse.

SUMMARY OF INVESTIGATION

BACKGROUND

PBS Regions 7, 8, 9, and 10 (covering the western half of the United States) have held the WRC since the early 1990s and now hold it every other year. The conference typically includes about 300 people, selected from the participating regions' thousands of employees. The WRC's purpose has been described variously by different PBS officials as principally offering training in job skills; an exchange of ideas between the "higher-ups" in the four regions; and a combination of those things.

The 2010 WRC, which took place from October 25 through October 29,[2] was hosted by Region 9. PBS chose "A Showcase of World-Class Talent" as its theme; the conference was to "celebrate, share, and showcase the diverse professional and personal talents of GSA associates." GSA considered this theme a good match for the Las Vegas location, which, as GSA stated, has long "been a destination for talented musicians, dancers, magicians and showmen" to "showcase their talents to the international audience Las Vegas attracts." GSA created an internal website with information on the conference, including pictures and videos of conference events, which was taken down on March 23, 2012.

The GSA Deputy Administrator requested that the OIG investigate allegations of possible excessive expenditures and employee misconduct in connection with the 2010 WRC. The allegations included concerns with the team-building exercise, donation of bicycles to charity, and the costs of the conference. In reviewing these allegations, the OIG conducted interviews and reviewed contract files, correspondence, invoices, and other documents related to the WRC. On May 3, 2011, the OIG provided GSA management an interim presentation communicating many concerns regarding the WRC. The M Resort provided the most recent set of documents on January 13, 2012. Investigations are ongoing regarding a number of issues addressed in this report.

EXCESSIVE SPENDING ON CONFERENCE PLANNING

GSA held eight scouting and off-site pre-conference meetings, costing over $130,000, to plan this conference. Six were held at the conference site. Below we discuss the pre-conference planning trips and their cost.

GSA published a notice of its planned procurement on February 2, 2009. The subsequent conference planning meetings included the following:

March '09	Five GSA employees conducted a "scouting trip" to visit nine Las Vegas-area hotels.
March '09	Fifteen GSA employees returned to visit two of the nine hotels again, staying at the M Resort and the Ritz-Carlton.

[2] The morning of Monday, October 25, and all of Friday, October 29, were travel days.

August '09	Seven GSA employees stayed at the M Resort for a planning meeting.
November '09	A second WRC planning meeting, attended by 11 GSA employees, was held at the M Resort following Region 9's leadership council meeting.
March '10	Sixteen GSA employees stayed at the M Resort again for a planning meeting.
June '10	Nine GSA employees attended another planning meeting, this one at a Marriott Hotel in Denver, Colorado.
August '10	Twenty-one GSA employees attended a conference planning meeting at the M Resort.
October '10	Thirty-one GSA employees traveled to the M Resort for a "dry run" of the conference to be held later that month.

These off-site meetings cost the government over $130,000, including:

- A total of $100,405.37 in employee travel costs.
- Significant spending on catered food and beverages during the various pre-conference trips to the M Resort, totaling over $30,000 for the scouting trip, four pre-planning meetings, and dry run. These charges included $57.72 per head lunches ($44 for lunch plus beverages and a 22% gratuity) and $48.80 breakfasts ($40 plus a 22% gratuity).
- Other expenses, such as audio-visual services and printing costs.

IMPROPER CONTRACTING

GSA failed to follow contracting regulations in many of the procurements associated with the WRC and wasted taxpayer funds. Below we discuss (1) the original solicitation and agreement with the hotel, (2) the revised hotel agreement, (3) the contract to provide a team-building exercise, and (4) the contract for audio-visual services.

Original Solicitation and Agreement with M Resort

On February 2, 2009, PBS posted on the Federal Business Opportunities website a combined synopsis and solicitation for its proposed acquisition of hotel space for the WRC. The solicitation sought proposals for single-occupancy sleeping rooms and meeting space during three possible date ranges, the preferred range being October 25-28, 2010. It specified that a "Cyber Café Room" and a conference-style office for 20 people must be available from Sunday through Friday, and that Monday through Thursday GSA required a conference room that would hold 275-300 people. The solicitation also described food and beverage requirements. This included a cash bar on Monday evening, a closing dinner on Thursday evening, breakfast and "AM/PM Breaks" Tuesday through Thursday, and a lunch on Wednesday. The solicitation also requested that offerors provide their price lists for food and "indicate discount off menu prices, if applicable." The acquisition was open to hotels in Las Vegas and the commuting area of McCarran Airport with both sleeping rooms and meeting rooms, and which could offer lodging rates "within prevailing Government per diem (currently $105.00/night)."

Role of Location Solvers

Immediately after posting the solicitation on the Federal Business Opportunities site, a GSA national event planner sent a copy of it to the sales representatives of national hotel chains and to Location Solvers, a private company that assists organizational clients in finding venues for conferences. Location Solvers then informed the M Resort and other independent Las Vegas hotels about GSA's interest in acquiring a conference facility.

In making its proposal, the M Resort contacted GSA through Location Solvers; Location Solvers also assisted GSA in negotiating pricing and other terms of the agreements for the various trips GSA employees made to the M Resort. In exchange for these services, Location Solvers received a $12,601.50 commission from the M Resort. The M Resort's willingness to pay over $12,000 as a finder's fee strongly indicates that further discounts might have been available to GSA if GSA had contacted the hotel directly, rather than working through Location Solvers. Since GSA already employs several full-time event planners, the use of Location Solvers seems redundant and wasteful.

Original Agreement

GSA first entered an agreement with the M Resort on May 8, 2009. The agreement was signed by a national event planner, who had a contracting officer's warrant limited to $100,000. That agreement did not comply with the Federal Acquisition Regulation. Weaknesses included the following:

- That agreement required GSA to pay a $50,000 fee if the event were cancelled. That fee increased to $200,000 (which is above the event planner's warrant) if cancellation occurred after May 1, 2011. Exclusive of lodging costs, which were to be paid by individual employees, the original projected cost was $92,720; the final cost was $153,975.60.

- The agreement was missing many clauses that statutes and regulations required to be included in contracts with the federal government.

- Although the solicitation stated the government-approved lodging rate was subject to change, the agreement set forth a nightly lodging rate of $105, without noting the approved rate might change.[3]

Revised M Resort Agreement

One month before the conference itself, on September 21, 2010, a contracting officer with a $10 million warrant (rather than the event planner, who had a $100,000 warrant) signed a revised

[3] As discussed later, the government-approved lodging rate dropped to $93, which led to GSA making numerous "concessions" to the hotel to obtain the lodging price reduction.

agreement with the M Resort. That agreement stated that the standard commercial agreement terms mandated by the Federal Acquisition Regulation took precedence over the M Resort's own standard terms and reduced the nightly rate to $93, because the federal rate ceiling had dropped after GSA signed the initial agreement. Because regional officials did not inform the recently assigned contracting officer that GSA had published a solicitation in February 2009, he prepared a written justification for procuring facilities from the M Resort on a sole-source basis – without advertisement or competition. He argued that it was "a very time sensitive procurement" and that it would have been too costly "to review each and every site." That a contracting officer prepared a sole-source justification for a procurement that was in fact advertised is indicative of the carelessness of GSA's planning of the conference.[4]

Contract for Team-Building Exercise

GSA awarded a $75,000 contract to Most Valuable Performers (also known as Delta4) to provide a morning team-building exercise during the conference, followed by an afternoon bicycle-building project that would use the new teamwork skills. As part of the contract, the vendor purchased the 24 bikes used for that project. That contract suffered from significant irregularities:

- A GSA program director told the vendor that its initial offer of almost $125,000 was too high. At the vendor's request, the program director disclosed that GSA's maximum budget for one day of team-building training was $75,000. GSA then awarded the contract at this price.

- The goal of the bicycle-building project was that employees would work together in an act of service to those in need.[5] Therefore, GSA officials wanted participants to see the bicycles donated to the children of the local Boys' and Girls' Club during the conference. However, if the government acquires property, it may only dispose of that property pursuant to the Federal Surplus Property Donation Program – created by GSA itself to enable all federal agencies to comply with the Property Act. In order to avoid the requirements of the Property Act, GSA specified that the bicycles would remain at all times the property of the team-building provider. Even though GSA specified the bicycles were the property of the provider, GSA selected the recipient of the bicycles (from a list provided by the vendor); this action appears inconsistent with the assertion that the vendor owned the bicycles.

[4] In addition, federal conferences may only be held at a hotel that is on FEMA's list of Fire Safety Act-approved accommodations. The M Resort is not. Although the solicitation posted on Federal Business Opportunities required that the venue comply with this requirement, GSA's eventual contract with the M Resort was silent on the subject. This requirement may be waived, but we found no evidence of a waiver.

[5] One employee suggested that if GSA wished to indicate its commitment to service, employees should voluntarily work on a service project after work hours rather than on the clock; this suggestion was ignored.

Contract for Audio-Visual Services

GSA awarded Royal Productions a $58,808 contract[6] for audio-visual services. The flaws in this procurement included the following:

- Prior to selecting a vendor for these services, GSA was required to publish a solicitation on Federal Business Opportunities, but did not do so.[7]

- Federal regulation also provides that contracts in this dollar amount are "reserved exclusively for small business concerns." Royal Productions is not a small business for purposes of this type of contract.

- GSA personnel provided the quote from the competing offeror for the audio-visual contract to Royal Productions, enabling it to present a winning bid. Disclosing source information is prohibited.

- GSA paid the housing expenses of Royal Productions employees twice. Royal Productions' contract included $1,962 for "technical crew housing," comprised of $110 per night for three rooms at six nights each. However, GSA *also* provided the Royal Productions crew with twenty room-nights (four rooms for five nights each) out of its "comped" rooms. (The M Resort contract provided for one free room-night for each 50 paid room-nights.) Had GSA not provided these rooms to the Royal Productions employees, it could have used them for GSA employees, reducing the cost by $1,860 (twenty room-nights at $93 each).

EXCESSIVE SPENDING ON FOOD

GSA expenditures on food, as provided for in the contract and in actuality, were excessive, and in several cases, impermissible.

Contract Provisions Regarding Food

GSA's original contract with the M Resort included a food and beverage minimum of $76,000, exclusive of gratuity – which was set at 22%. However, in September of 2010, GSA contacted the M Resort seeking a reduction of the nightly room rate to the new government rate of $93. Recognizing that "this would in essence cost the hotel $16,800.00," GSA offered the hotel "concessions." These included increasing the food and beverage minimum to $110,000 ($134,200 with gratuity), which included adding a cocktail reception before the Thursday night

[6] This amount was later increased by $3,000.

[7] GSA took disciplinary action against an employee in connection with this failure.

dinner and a catered breakfast on Friday morning. GSA also advised the hotel that "[o]ur host[8] is having a post function wrap up party in his loft suite after dinner Thursday bringing in approximately $2K to the room service team." As an additional concession, GSA said it would attempt to book another event at the hotel in March 2011, noting that "GSA absolutely loves this property" and "would gladly share any future leads with M Resort."[9]

The government may not enter into contracts without determining that pricing is fair and reasonable. A month before the conference, the contracting officer sent regional personnel an email asking whether they had negotiated the food pricing, or determined that the prices were fair and reasonable. He also noted that the breakfasts cost $34 or more, while employees' allowances for breakfast are much lower ($12 for Las Vegas). The regional event planner responded that GSA had simply accepted the hotel's menu prices that any customer would have paid, as "[w]e used the . . . increase" in catering costs to "justify" the hotel honoring the government lodging rate.

Rules Governing Food Expenditures

A brief summary of the rules governing food expenditures follows. As discussed below, many of the GSA food expenditures violated these rules or were otherwise questionable.

- Federal employees traveling for work are paid for their lodging costs plus a fixed amount for meals ("per diem"). In 2010, the meal and incidental expenses allowance for Las Vegas was $71 per day. If the government provides employees with meals, they must deduct a portion of this amount: $12 for breakfast, $18 for lunch, and $36 for dinner. Employees attending the WRC were instructed beforehand to make these deductions for the meals provided, and most of them did so.

- GSA policy states that if conference planners use a contract to purchase meals for employees (rather than allowing employees to find their own meals), the contract pricing may not exceed the regulatory limitations on meal expenses.

- Agencies may pay for meals or "light refreshments" for their employees if these are necessary to achieve the objectives of a training program or an official conference. Agencies may not pay for food (other than the set meal allowance for employees who are traveling) at "'day-to-day' meetings" that "involve discussions of the internal procedures or operations of the agency."

- Agencies also may pay for food for nonfederal employees at training, such as conference speakers, when necessary to the effective accomplishment of the training function.

[8] Since the party on Thursday night occurred at the behest of the PBS Region 9 Commissioner/Acting Regional Administrator, it appears the agency considered this employee to be the conference's "host."

[9] Favoring the M Resort in future government procurements would be improper; the agency's obligation is to conduct all conference and acquisition planning so as to minimize costs and act in the best interest of the United States.

- Agencies may pay for food for contractor employees who are traveling to perform their duties, to the extent specified in their contracts.

- Agencies may pay for food for agency employees at an award ceremony if this would make the ceremony more effective. It is also permissible at an award ceremony to pay for refreshments for a guest (for example, a spouse) of an employee who is receiving an award.

Questionable Expenditures for Food

GSA spent $146,527.05 on catered food and beverages during the WRC itself. That amount breaks down as follows:

Food and Beverage Catering	**Costs**
Light Refreshments and Breakfast Buffets	$ 79,511
In-Room Parties	$ 5,600
Networking Reception	$ 31,208
Cocktail Reception and Award Dinner	$ 30,208
TOTAL	**$146,527**

Specific questionable expenditures included the following:

- The "networking reception" on the conference's first evening included 400 pieces of $4.75 "Petit Beef Wellington," 400 "Mini Monte Cristo Sandwiches" at $5.00 each, 1,000 sushi rolls for $7.00 apiece, 150 units of a $19 per person "American Artisanal Cheese Display," and 225 units of a $16 per person "Pasta Reception Station." Also during that reception, GSA paid $525 for two hours of "bartender service fees" for a cash bar;[10] the total cost of the reception was $31,208. We understand commemorative coins were presented at that reception. We do not believe this expense can be justified as either an award ceremony or light refreshments, based either on the nature of the event or the amount spent – over $100 per person.

- Meal expenses exceeded per diem limits. For example, GSA provided breakfast for the WRC's three mornings at a cost of $44 per person, or $32 per person per day more than it would have spent had it simply allowed employees to purchase their own breakfasts and claim the travel allowance set by regulation – a cost of $29,568 over the per diem allowance for breakfasts at the WRC.[11] As another example, the total cost for the closing

[10] There is no evidence that GSA paid for any alcoholic beverages during the WRC. Alcohol was apparently purchased with personal funds, and is not included in this report.

[11] Twenty-five employees who worked on planning the conference received a $48.80 catered breakfast the morning after the conference's concluding dinner, representing an additional $920 in cost over the individual employees' meal allowances.

dinner was $73.20 per person – $37.20 more than the allotted per diem. Moreover, as discussed above, a month before the conference GSA added a cocktail reception before the closing dinner as a "concession" to offset the reduction in the nightly lodging rate. That reception included 300 shrimp at $4.00 each, and 300 items of $5.00 "Boursin Scalloped Potato with Barolo Wine Braised Short Ribs." The total food bill for the evening's events was $30,207.60 (or $95 per person based on 318 attendees), which, again, included $525 in bartender service fees for a cash bar. This made the total cost $59 per person more than the employee travel allowance for dinner, a total of $18,760 over the per diem allowance.[12]

- GSA impermissibly purchased food for non-employees. Examples include the following. A total of 299 GSA employees attended the conference but GSA purchased the dinner on the final day of the conference for 318 people. The list of attendees GSA prepared included 27 personal guests and seven of the agency's embedded contractor employees in addition to 284 GSA employees. Twenty-three GSA employees paid $60 apiece for the dinners of their personal guests. This figure did not include the 22% gratuity added to each meal, however (a total of $303.60 for the 23 guests). Moreover, GSA paid the M Resort for meals for guests who were expected to attend but canceled before the event, but did not charge employees for those guests. The seven embedded contractor employees did not pay for their dinners. Relatives, who were not employees, also ate agency-provided meals throughout the conference. We question whether the meals purchased for personal guests and contractor employees were permissible.

- GSA officials also hosted several semi-private "parties" in their own hotel rooms or suites, which were catered at taxpayer expense. On the evening before the conference officially began, two regional officials hosted a party in an upgraded room. Catering for the event totaled $922.90. The stated purpose of the event was for those organizing the conference (who had arrived a day early) to become acquainted with one another. Two nights later, the PBS Commissioner hosted an essentially celebratory party in his loft suite for GSA senior officials, at a cost of $1,960.[13] Neither of these parties fit any legal authority for GSA to spend funds on food.

- On the last night of the conference, after the closing dinner, the PBS Region 9 Commissioner/Acting Regional Administrator hosted a third party, in the empty loft suite vacated by the PBS Commissioner, who had already departed. GSA had retained the suite

[12] The M Resort did not charge the agency a room rental fee for conference space, either at the pre-planning meetings or at the WRC itself. Thus, the catering costs to some extent compensate for usage of the facility as well. However, one must also consider that during the WRC itself, the conference occupied 314 of the hotel's 390 rooms, making the agency the only likely user of the meeting space. Moreover, less expensive breakfast and refreshment options were available. Agency policy states that if hotels offer "packaged" costs (as here, for meeting space and catering), the agency must still obtain "a total cost for subsistence [i.e., food] items," so the agency can determine "that the maximum per diem rates have not been exceeded." That did not occur here.

[13] As noted previously, these amounts do not include any alcoholic beverages, which were purchased with personal funds.

for use as a "hospitality suite."[14] This party cost $2,717.09. Conference organizers and regional "ambassadors" were invited; regional officials played a slide show of the conference, and the ambassadors received awards and "souvenir books." While purchasing food for award ceremonies is authorized, the event's qualification as an award ceremony is weak, at best.

- Because the pre-conference meetings were for planning, not training, GSA was not authorized to pay for the refreshment breaks at these meetings. As with the conference itself, meal charges exceeded the traveling employees' meal allowances. [15]

OTHER IMPERMISSIBLE AND QUESTIONABLE EXPENSES

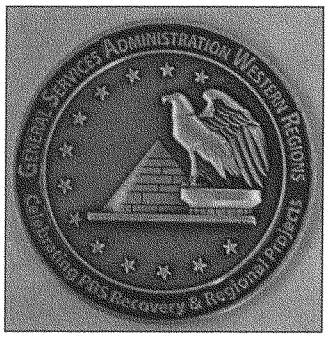
GSA made various impermissible and questionable expenditures unrelated to food, including improperly purchasing mementos for conference attendees.

- GSA policy provides that agency funds "are not available to purchase memento items for distribution to conference attendees as a remembrance of an event." Contrary to this policy:
    - At the closing-night dinner, all participants received a "yearbook" containing pictures of all those attending the conference, taken when they checked into the hotel. GSA also printed souvenir books for the regional ambassadors. These costs totaled $8,130.
    - GSA purchased numerous other items for distribution to conference participants. Canteens and carabiners cost $2,781.50, and shirts for all conference participants for the team-building activity were $3,749.40.

[14] GSA selected this suite as one of its "comped" rooms. An internal GSA email to the PBS Region 9 Commissioner/Acting Regional Administrator noted the options of giving the room to a GSA Associate Administrator who was checking in on the same day the PBS Commissioner checked out, or keeping it "as a 'hospitality' suite (where you can have your party Thursday night)."

[15] Additional questionable expenses included such items as two birthday cakes, one for $120 and one for $50, for pre-conference planning attendees and an ice cream station costing $292.80 for 24 children brought in by the Boys' and Girls' Club to receive the bicycles GSA employees had assembled.

- GSA spent $6,325 on commemorative coins "rewarding" all conference participants (as well as all regional employees who did not attend the conference) for their work on Recovery Act projects, along with velvet boxes to hold the coins. These did not qualify as permissible awards because the coins' design, which appears below, shows that they were intended to be mementos of the WRC.



- GSA spent $1,840 for vests for the 19 "regional ambassadors" and other employees, and $393.90 for the rental of tuxedos worn by three employees who acted as masters of ceremonies at the awards dinner.

INDIVIDUAL IMPERMISSIBLE AND QUESTIONABLE ACTIONS

GSA employees may not solicit or accept gifts from any entity doing business with the agency, or use their positions to induce another person to provide any benefit, financial or otherwise, to themselves or their friends or relatives. Numerous employee actions may have violated these prohibitions, including the following:

- Before the original M Resort site visit in March of 2009, Location Solvers emailed the hotel to relate that an agency employee would be staying at the hotel on the night before the travel days for the scouting trip, and therefore was not entitled to the government rate or a complimentary free night. Thus, Location Solvers stated, the employee "needs a friend of a friend of the owner rate. (wink)."

- During the second trip in March of 2009, a different employee stayed in a flat suite – with a connecting room for her sister and niece, apparently offered at a discount by the hotel, which was then working to secure the eventual contract to host the WRC.

- At the behest of the spouse of a senior PBS official, a GSA event planner asked for and the hotel provided an adjoining room during the WRC, at the $93 government rate, for the spouse's relatives. Neither the spouse nor the spouse's relatives were agency employees or participants in the conference.

- During the WRC, a GSA event planner contacted the M Resort's catering and conference services manager and said that she "cannot live without" a $98 purse from the hotel's gift shop, asking whether the manager received a discount and "if so, will you help me?" The manager responded, "I can give you a $30 comp," which was promptly accepted.

GSA'S OVER THE TOP APPROACH TO THE CONFERENCE

Federal regulations on conference planning emphasize cost reduction, stating conference planners "must minimize all conference costs," use government-owned conference facilities as much as possible, and take into account "all direct and indirect conference costs." The evidence the OIG developed, however, showed the goal was not to minimize costs, but to be "over the top." That evidence included the following:

- The PBS Region 9 Commissioner/Acting Regional Administrator instructed those planning the conference to make it "over the top," bigger and better than previous conferences. Several suggestions by regional employees that costs be reined in were ignored.

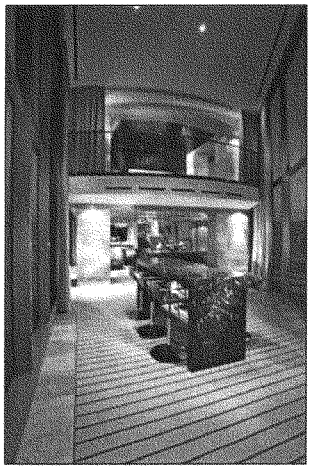
- In planning meetings, GSA personnel discussed that the theme was intended to showcase the business talent of the regional offices, but the emphasis was to be split between business talent and "theatrical talent." Thus, the "Capstone Dinner" on the last evening of the conference was to have a "red carpet" and "lighthearted awards," having "more to do with contribution at the conference" than job performance. Employees were told that the "award" ceremony was necessary so that federal funds could be spent for food; several employees indicated this has become something of a running joke in the region. [16]

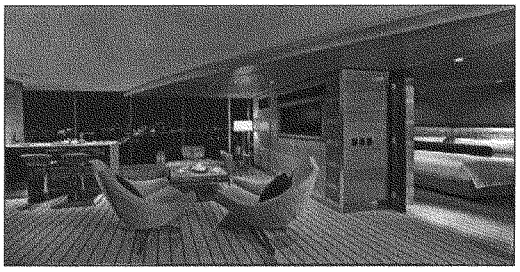
- The in-room "party" on the evening of the closing dinner was hosted by the PBS Region 9 Commissioner/Acting Regional Administrator. A relative of the host worked closely with the agency's regional event planner on the food items selected for that party. Among other things, the employee's relative, who is not a GSA employee and yet "co-hosted" the party, contacted the event planner to add more food items, commenting, "Knowing we have a bit more money in the budget helps." The event planner acquiesced and ordered additional food, increasing costs to $2,717.09 at the government's expense.

- During scouting trips, GSA "VIPs" were shown upgraded suites that they received as a perk for GSA contracting with the M Resort for the 2010 WRC. Loft suites have 2,400 square feet of space, two stories, multiple HD televisions and wet bars, and a going rate

[16] The agenda on the last day included a "Cocktail Reception" at 4:00 pm, a "Red Carpet Show" at 5:30, a "Talent Award Showcase" at 5:50, and dinner with a speaker at 6:20. The only "awards" given during these events were presented during the Talent Award Showcase. There were four non-monetary awards given at that ceremony for musical performances, one for each region. The proper purpose of an awards ceremony is to give out awards recognizing significant contributions to the efficiency and effectiveness of government operations, rather than holding an event and giving out awards as an ancillary purpose to justify food. We do not believe the expenditures at the reception or dinner can be explained as incident to an awards ceremony.

of $1,179 per night. Flat suites have 1,440 square feet and cost $449-$599 per night. The contract between GSA and the M Resort provided that GSA could have two loft suites for five nights each at the government rate for hotel rooms; GSA used all but one of those nights. GSA also received six flat suites for five nights each at the government room rate, and used 25 of those room-nights. The value of the discount that the M Resort offered GSA for these 40 nights was $21,540.





Luxury suites at Nevada's M Resort. *At left, a loft suite; above, a flat suite.*

CONCLUSION

The excessive pre-conference planning, catering, and other costs, as well as the luxury accommodations and overall approach, show that GSA's planning and expenditures for the 2010 WRC were incompatible with its obligation to be a responsible steward of the public's money. As the agency Congress has entrusted with developing the rules followed by other federal agencies for conferences, GSA has a special responsibility to set an example, and that did not occur here.

RECOMMENDATIONS

The GSA Administrator should take appropriate action to:

- Ensure expenditures at all future conferences comply with all applicable regulations and policies, including that costs be minimized and Executive Order 13589 on Promoting Efficient Spending, which was issued after the date of this conference; these steps should include:

  - Minimize planning expenses for all future conferences;
  - Ensure food expenditures comply with applicable regulations and are necessary and appropriate;
  - Do not spend GSA money on mementos; and
  - Eliminate extraneous and unnecessary expenses such as vests and tuxedo rentals.

- Ensure events are not improperly designated as award ceremonies in order to justify the purchase of food.

- Ensure all regulations are followed in procurements associated with conferences, including:

  - Do not share proposals with competitors;
  - Follow small business set-aside requirements;
  - Ensure contracts adequately protect the government's interests and include all required clauses;
  - Obtain fair and reasonable pricing on all costs;
  - Ensure the contracting officer has an adequate warrant and all relevant information;
  - Do not provide benefits to contractors outside the scope of the contract, including free rooms when those costs are included in the contract;
  - Do not request personal benefits from conference contractors.

- Determine whether GSA can recover funds from Royal Productions based on GSA including the cost of rooms in the contract price and subsequently providing the rooms for free.

- Determine whether GSA can recover funds improperly paid, such as for meals for non-employees.

- Hold senior GSA officials responsible for excessive spending at conferences.

MANAGEMENT RESPONSE

GSA, in its management response, concurred with our recommendations and outlined the steps it is taking to prevent future waste and abuse. GSA's response is contained in the Appendix.

Appendix

The Administrator

April 2, 2012

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM: MARTHA JOHNSON
ADMINISTRATOR (A)

SUBJECT: Response to the "February 12, 2012 Draft Management Deficiency Report Public Buildings Service"

Thank you for your response to our request for a review of possible excessive expenditures and employee misconduct in connection with the 2010 Western Regions Conference (WRC). I appreciate the thoroughness of the Draft Management Deficiency Report and your review of this matter. I concur with all of the recommendations in your Report. I find the information in your Report to be very troubling as it outlines potential violations of federal procurement laws and agency policy. The excessive spending and other misconduct described in the report would be absolutely unacceptable under any circumstances. But it is especially egregious at a time when the fiscal constraints facing our nation demand that every dollar deliver the greatest value to the American taxpayer. Such misconduct will not be tolerated at GSA.

I am committed to eliminating excessive spending, promoting efficiency and ensuring strict compliance with GSA policies and federal regulations, The Agency has internal controls and extensive guidance in place that addresses excessive spending and what constitutes serious misconduct. However, we recognize in this situation that the internal controls were not adhered to, and the guidance was not followed. In order to ensure this situation does not occur again, I have taken proactive steps to implement tighter internal controls over conferences, finances, and procurements in order to eliminate waste and improper or unnecessary expenditures. In addition, we are taking appropriate disciplinary actions where warranted.

While this document outlines only those steps that address the recommendations made in your report, GSA will be taking a number of other decisive actions to address broader issues related to other conferences, overall risk management and internal controls, and

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employee ethics. In response to your specific recommendations, the Agency is taking the following direct actions:

IG Recommendation: Ensure expenditures at all future conferences comply with all applicable regulations and policies, including that costs be minimized. Additionally, ensure that conferences are in accordance with steps and recommendations identified in Executive Order 13589 on Promoting Efficient Spending.

GSA Action: On August 9, 2011, I established the Office of Administrative Services (OAS) in order to provide greater oversight and accountability for all administrative functions within the agency. In light of your report, I am accelerating and escalating changes that were already planned for this year. Effective immediately, functions that will be performed by the Chief Administrative Services Officer will include:

- Oversight of contracting for conference space, related activities, and amenities;
- Review and approval of proposed conferences for relation to GSA mission;
- Review and approval of any awards ceremonies where food is provided by the Federal government;
- Review and approval of conference budgets as well as changes to the budget;
- Oversight and coordination with GSA conference/event planners and contracting officers on conference planning; and,
- Review of travel and accommodations related to conference planning and execution.
- Handling of procurement for all internal GSA conferences

This is effective immediately and written notice will be sent to GSA Heads of Services and Staff Offices and Regional Administrators informing them of these changes. The Office of Acquisition Policy, the Office of the General Counsel and the Office of Administrative Services will develop mandatory annual training for all employees regarding conference planning and attendance.

These changes are consistent with the OAS's broad range of functional responsibilities that are primarily focused on internal GSA administrative policies, programs and operations. The OAS's mission is to ensure GSA runs as cost-effectively and efficiently as possible by developing and implementing policy and operational programs, including but not limited to, Personal Property (Internal) Accountability, Internal GSA Procurement, and GSA's Travel Program.

IG Recommendation: Hold senior GSA officials responsible for excessive spending at conferences.

GSA Action: I have directed the GSA Region 9 Regional Administrator to perform a thorough review of the conduct of the Regional Commissioner for the Public Buildings Service in Region 9 with respect to the 2010 WRC. The Agency will take any

disciplinary action that may be warranted based on the results of the review. The [redacted] has been placed on administrative leave until further notice pending the outcome of the review.

I have made a decision to take disciplinary action against several senior management officials. This can include a range of disciplinary actions, up to and including suspensions or removals. Further, I have directed the appropriate senior management officials to vigorously review the matters raised in your report and determine if additional policy and organizational changes are necessary, and if additional disciplinary actions are warranted against other senior officials and employees.

In addition to the above, I am taking the following steps:

- Directing PBS to cancel all future Western Regions Conferences;
- Reducing PBS travel budgets for FY 2013 in Regions 7, 8, 9 and 10;
- Shifting reporting and oversight of all Regional PBS budgets to the Central Office PBS; and
- Directing the GSA Chief Financial Officer and Senior Procurement Executive to review contracts and expenses not only associated with the WRC, but also all conferences currently in the planning phase, but also all conferences currently in the planning phase.

IG Recommendation: Ensure events are not improperly designated as award ceremonies in order to justify the purchase of food.

GSA Action: The Chief Administrative Services Officer will review and approve any awards ceremonies where food is provided by the Federal government. This topic will be covered in mandatory training for supervisors and managers.

IG Recommendation: Ensure all regulations are followed in procurements associated with conferences, including the ones identified in the recommendations.

GSA Action: I have directed the GSA Office of Acquisition Policy to ensure that the proper training courses are mandatory for contracting officers and event planners who are tasked with conference planning, contracting and execution. Training will be annual and mandatory. Unannounced and random Procurement Management Reviews, under the direction of the Senior Procurement Executive, will be conducted at least quarterly.

IG Recommendation: Determine whether GSA can recover funds from Royal Productions based on GSA including the cost of rooms in the contract price and subsequently providing rooms for free as well as, determine whether GSA can recover funds improperly paid, such as for meals for non-employees.

-4-

GSA Action: I have directed the GSA Senior Procurement Executive to explore all opportunities for funds recovery in this matter and take appropriate actions.

I appreciate your attention to this matter and will continue to work closely with the Office of Inspector General until it is resolved.

Mr. DENHAM. Without objection, so ordered. Ms. Brita, you may proceed.

Ms. BRITA. Good morning, Chairman Mica, Chairman Denham, Ranking Member Norton, thank you for inviting me to testify here this morning.

Mr. DENHAM. Pull the microphone up.

Ms. BRITA. Can you hear me now? How about this? Better? It is hard being on this side of the dais. As you all know, I spent 18 years on this committee working with all of you in a bipartisan manner to conduct oversight on a variety of general Government management issues, but with an emphasis on the operations of the General Services Administration.

On February 2nd, 2010, I had the honor of being appointed by President Obama to the position of deputy administrator at the General Services Administration. During my 18 years with this committee there were many serious issues that this committee addressed, but none rises to the level of the wasteful spending and lack of management associated with the Western Regions Conference. As deputy administrator, as a civil servant, and as a taxpayer, I share your anger and disappointment in GSA's conduct. When I first became aware of the excessive spending related to the Western Regions Conference, I requested that the GSA's Office of Inspector General conduct a review of these allegations. I am grateful to Mr. Miller and his office for the work that they did in uncovering and reporting these abuses. I believe the inspector general's report warranted immediate corrective action within GSA, and I advocated for such action. I am committed to working with acting administrator, Mr. Tangherlini, to restore faith in the agency, not only to members of this committee, but also to colleagues and other Government agencies and more importantly to the American taxpayer.

I look forward to answering any questions you may have.

Ms. DOONE. Good morning, Chairman Denham, Chairman Mica, Ranking Member Norton, and members of the subcommittee. My name is Alison Doone, and I am the chief financial officer of the General Services Administration. I appreciate the opportunity to come before the committee today.

I have served as the GSA's CFO since September 27th, 2010. Before arriving at GSA, I served at the Internal Revenue Service for 5 years as a CFO and deputy CFO where I oversaw the financial management and accounting operations for a $12 billion budget and $2.3 trillion in tax revenue. I also have held executive positions as deputy staff director and CFO of the Federal Election Commission and deputy assistant administrator at the Office of Finance at the Drug Enforcement Administration.

Until the acting administrator's recent action to centralize oversight financial management, GSA's financial management operations were decentralized and were managed by autonomous regional CFOs with no oversight or control by my office. The budget and all costs for the Western Regions Conference were approved by employees in the Pacific Rim Region, including those in the regional budget and financial management division, commonly referred to as the region's "CFO," and not by anyone in the GSA office of the CFO. This decentralized organizational structure of GSA

financial operations increased the risk of these types of abuses at the regional conference and in the Hats Off Program.

In my experience at IRS, and other Federal agencies, the agency CFO had far more oversight and control. To correct these issues, the acting administrator has already taken strong action by realigning all Public Buildings Service regional budget and financial management operations under the direct authority of GSA's CFO. In addition to this strengthening of the internal control environment, the acting administrator is reviewing employee relocations, will require all future relocations to be approved by both the chief people officer and the CFO, and has closed the Pacific Region Rim Hats Off Store, as well as all similar programs.

In addition to the actions taken by the acting administrator, I added two controls to CFO processes. First, CFO is now performing an additional review of selected approved invoices before payment to verify appropriateness of the expenditures. The second control is the addition of a monthly review of obligated amounts compared to budgeted amounts to ensure expenditures are within budget. These additional controls, together with centralization of budget and financial management operations, will greatly improve our ability to prevent the abuses described in the IG report. I welcome the opportunity to answer questions.

Thank you.

Mr. DENHAM. Thank you. Mr. Peck.

Mr. PECK. Good morning, Chairman Denham, Chairman Mica, Ranking Member Norton, and members of the subcommittee. My name is Robert A. Peck. Until earlier this month, I served as the national commissioner of the Public Buildings Service of the GSA, having served in that role previously from 1995 to 2001.

I am deeply troubled and disappointed about what I have learned about the costs associated with the GSA Western Regions Conference held in October of 2010. There were excessive and inappropriate costs that should never have been incurred. Those planning it made fundamental errors of judgment. It is also troubling that procurement policies, travel policies, and other agency procedures appear not to have been followed.

While I was not personally involved in planning, conducting, or approving the conference, and the unacceptable conference expenditures described in the IG report, they took place within the PBS on my watch. I am not here to shirk that responsibility.

I am deeply disappointed by what the IG reported. I have been removed from the job I loved, and I offer my personal apology that some people within the GSA acted as they did. The taxpayers deserve better than this. The actions of those responsible for the expenditures outlined in the IG report failed to meet the obligation we all owe the American people. Those actions failed to meet the standards I expected from those employed in PBS headquarters and throughout the regions, and those actions dishonored the thousands of hard working and dedicated Federal employees I have worked with over the years.

At the GSA, and at other agencies, the Federal employees and managers with whom I have worked in my times both inside and outside the Government, have overwhelmingly been concerned with

carrying out their missions within the Government's rules at the lowest costs possible.

As PBS commissioner, I was not involved in planning conferences. As a political appointee I had a policy to not be involved in the selection of contractors or vendors. In the case of 2010 Western Regions Conference, it was a regionally organized event, and while I was invited to address the conference, I had nothing to do with its planning, nor was I involved in approving any part of its spending or program in advance. I was present for only a portion of the conference before returning to DC.

As is the case with most large Federal agencies, the GSA holds training conferences for its employees. In my many years at the GSA, I attended a number of conferences. From what I personally saw, the conferences I attended were not extravagant. The 2010 Western Regions Conference described in the IG's report was a serious aberration.

When I arrived the first afternoon of the conference I was shown to a very large suite. I questioned the organizers as to the cost. They told me that all of the rooms were within the Government rate, including this room, and that my suite was included at the basic room rate as part of the conference's package of rooms.

My first morning at the conference, I made a PowerPoint presentation to the entire group about national PBS goals and priorities. I attended presentations from the four western regions about their projects and performance and another about the GSA's sustainability goals.

That afternoon, I asked the conference organizers to invite a number of employees of their choosing to my room. My intention was to have a meet and greet with a group of regional employees attending the conference. This pre-dinner reception went from about 6:00 p.m. to 7:30 p.m. Since this was my initiative, rather than an event on the organizers' agenda, I said I would pay personally for beer, wine, and chips. I was told that food would be made available without additional cost under the conference contract with the hotel. The beer and wine were purchased separately and upon returning to DC, I wrote a check for that cost. Only within the past few weeks did I learn from the GSA inspector general that the food for this reception was apparently invoiced at $1,960.

It is not unusual for an IG to issue a report and Federal managers count on that as part of our internal oversight. In the normal course of events the IG will issue a draft report, then the agency will respond, and ultimately the IG will issue a final report with its recommendations. The IG's recommendations, including those calling for any disciplinary action, are ordinarily implemented following the release of a final report. In this case, the IG issued a very preliminary report last May, and at that time, I understood that the IG cautioned the GSA not to take personnel actions until the final report was complete. That final report which contained the IG's recommendations was just published 2 weeks ago.

Until the IG's draft report last year, I was not aware that there had been numerous planning trips incurred in connection with this conference. Nor was I aware until I was recently informed by the IG that there were questions about the competitive contracting procedures used to find the conference hotel. As I have indicated, it

is now clear that much of the expense at the hotel was excessive and unacceptable. Therefore, even before having the benefit of the final IG report, I took measures to try to ensure that something like this would not happen again.

In fiscal 2011, in response to this conference, and as part of my focus on overhead expenses, I canceled a number of nationally controlled PBS conferences, instituted a review of PBS outside conference attendance, and took steps to reduce spending on travel.

Further, when I was first interviewed about the conference by the IG last month, I invited the IG to audit other travel and conferences that PBS had conducted under my tenure.

I deeply regret the behavior of the GSA employees involved in this incident and the damage that this caused. I look forward to answering any questions you may have.

Mr. DENHAM. As the chairman mentioned, Mr. Neely is not with us today. He has used his Constitutional right to plead the Fifth Amendment and has hired a lawyer, nor did he testify yesterday.

Ms. Daniels, you are next to testify. Do you have a lawyer?

Ms. DANIELS. I do not.

Mr. DENHAM. Can you pull the microphone, please?

Ms. DANIELS. I do not have a lawyer.

Mr. DENHAM. I would just issue you a word of caution. I read your testimony, and there is a great deal of troubling information on there. I would certainly issue caution today as you testify.

Ms. Daniels, you may proceed.

Ms. DANIELS. Good morning. This is my first time at a hearing. I am not—I did not prepare testimony because I was placed on administrative leave last Wednesday. All of my files were confiscated. I was directed to turn in all of my Government equipment and cell phone to the Director of HR in Fort Worth on Thursday morning. And on Thursday evening, my supervisor called me late in the evening and said that I would be receiving a letter from the House of Representatives requesting my testimony. As you know, I did not provide 100 copies by close of business. I received my letter at 10:30 on Friday morning, and I am not clear what testimony you are referring to unless you are referring to interviews that I held with the IG, of which I didn't sign anything, other than the Garrity warning, and without my files or anything—and I was not even sure since the title of this hearing was: "A Pattern of Mismanagement, Excess, and Waste"—I didn't feel comfortable without my computer or files to be able to even provide testimony to that subject.

I will be happy to answer any questions.

Mr. DENHAM. Ms. Daniels, if you don't have prepared testimony, we will allow up to 5 minutes, but I was referring to your transcripts and the investigative report that the IG did. That is what we have gone through. We got emails as late as last night and certainly there is a great deal of concern with your transcripts. So you are not obligated to have an opening statement, or obligated to go any further than you already have, but we certainly afford you that right to up to 5 minutes.

Ms. DANIELS. I will decline to provide testimony, but happy to answer any questions that I can.

Mr. DENHAM. Thank you. I will now recognize each Member for an additional 5 minutes. We will start the first round of questioning.

Mr. Miller, I want to first start by better understanding how you get around rules; how you get around Executive orders; how when the President issues an Executive order, how members of an agency may disregard those Executive orders and figure out a way to get around it.

So as my staff has put together an outline here for me, basically, if you get a large number of people together, in this case, Western Regional Conference, 300 people, it gives you a reason to have an offsite meeting. Now, certainly you could have a meeting in Des Moines, Iowa, or Modesto, California, but the whole purpose of having these lavish conferences is to go to places like Hawaii, Las Vegas, Palm Springs, Napa, New Orleans. That is going to be a good question on why the Western Regional Conference would need to go to New Orleans, which is not even a Western Regional Conference.

So you get a lot of people together. It gives you a reason to have a conference, and then you go to a luxury resort. How much per diem are you supposed to get on a trip?

Mr. MILLER. Per diem varies from place to place. And it is listed on the GSA Web site as to how much per diem per day individuals would get. For example, in Las Vegas, the per diem for breakfast is $12. And it is stated, there is a chart on per diem. If your question is, why did they have the conference, they—the Western Regions Conference this year, they said that they wanted to showcase GSA talent.

Mr. DENHAM. Is the per diem cumulative, meaning if you pay your own way for the entire week you get a check at the end of the week? And is it you get a lunch, a breakfast, a lunch and a dinner per diem?

Mr. MILLER. Well, you have to put a voucher in, and you would get repaid the money. It is $71 for the whole day in Las Vegas. That is for everything, meals and everything. The hotel room was $93. So a traveler would come back and submit a voucher, and that would be paid back to the traveler.

Mr. DENHAM. So if you got a free room or a comp room, you could then apply for that $93 at the end of the day?

Mr. MILLER. If you received a free room, you should not submit that in the voucher. If you received a free meal that the conference provided, you should not submit that in the voucher.

Mr. DENHAM. And how about appetizers?

Mr. MILLER. Well, we don't think the appetizers were appropriate at all. We think that the appetizers were impermissible expenses.

Mr. DENHAM. And how do you get around that rule to have appetizers?

Mr. MILLER. There is a rule that says that if you have an awards ceremony and food is necessary for the performance of the awards ceremony, you may have food as part of the awards ceremony. That was routinely skirted by Region 9.

Mr. DENHAM. How often are awards given at these conferences?

Mr. MILLER. I would guess fairly often. They gave out——

Mr. DENHAM. Once a conference?

Mr. MILLER. At least.

Mr. DENHAM. Every day of a conference?

Mr. MILLER. I am not sure if they received an award every day. They had——

Mr. DENHAM. What type of awards?

Mr. MILLER. Well, they received a number of things. They received souvenir coins. Everyone in the region received——

Mr. DENHAM. To write off a meal, to write off, to have the expense of appetizers or a full meal, whether it is sushi or a long list of different types of appetizers we have here, what types of awards would be given?

Mr. MILLER. Well, I am not sure that any of those things would be appropriate at an awards ceremony. And the rule is these—food has to be necessary for the awards ceremony, not the other way around. You don't get the food. You don't give out an award in order to get the food. You are giving an award and you have a ceremony, and if incidental food is necessary for that awards ceremony, then it is permissible under the rules. It became kind of a running joke.

Mr. DENHAM. That is how they felt it was justified.

Mr. MILLER. Yes.

Mr. DENHAM. To get around the Administration's rule of not having food, they got around it by having an awards ceremony at every conference, or every day of a conference.

Mr. MILLER. Many times, in Region 9, witnesses told us that it became a running joke with the Region 9 regional commissioner, that even at staff meetings, he would say we are going to have a meeting in another location and we are going to have food, so we have to do what? Senior staff is said to have said, give out awards. And so according to witnesses that we have interviewed, it was a running joke in Region 9 that in order to get food, you had to give out awards. And many of these awards were silly awards. One of our witnesses characterized them as I guess fake awards and jackass awards, and things of that nature.

Now, getting back to the Western Regions Conference, they gave out awards for theatrical performances. We do not consider that a proper award. The award has to be for contributions to the work of the agency.

Mr. DENHAM. How might they also get around the lodging per diem limits? How would you get a 2200-square-foot suite or several 2200-square-foot suites? How would you get a suite at every conference? How would multiple suites be given when it is only $93?

Mr. MILLER. Well, suites are provided by the hotel. Sometimes as part of the negotiation a hotel will provide an upgraded room or suites as part of the negotiation. They will throw in what they call comped rooms, if they have a number of rooms paid for by the Government, by the conference.

Mr. DENHAM. What type of negotiation? How would you justify a 2200-square—how in this case would you justify two 2200-square-foot luxury suites? It must be some large contract. How do you get a contract that large?

Mr. MILLER. Well, GSA apparently had a very large contract with the hotel. And the large contract with the hotel would——

Mr. DENHAM. I am sorry, Mr. Miller, proceed.

Mr. MILLER. With the large contract with the hotel, the hotel would throw in a room. And——

Mr. DENHAM. So how do you build up a large contract?

Mr. MILLER. Well, GSA had a number of rooms that they were renting from that hotel. And——

Mr. DENHAM. Rooms alone would allow you to get those large luxury suites.

Mr. MILLER. Well, they had catering as well. They had food.

Mr. DENHAM. How much catering?

Mr. MILLER. It is detailed in the report. They had receptions. They had light refreshments. By the way, light refreshments are allowed in between sessions at a conference according to the rules. The report identifies food expenditures. On page 9 of the report, we have identified $146,527 of expenditures on food and beverage catering.

Mr. DENHAM. Let me move on. We are short on time here and we are going to try to stick to the 5-minute rule. If you have luxury suites, how would you bring your entire family and friends? How would you have a 21-year-old birthday party for your daughter? How would you have all of these various friends and family gatherings, extended stays on these different trips?

Mr. MILLER. Well, they would have to be a gift from the hotel. The hotel would provide an upgraded room, or a suite, and if you are in the middle of negotiating a contract with the hotel, that might be conceived as a gift from the hotel.

Mr. DENHAM. So let me ask you. If you set up a contract and said our per diem rate is $93, that is how much we can spend on lodging. We would like to have 5 days at $93 but we are going to spend several hundred thousand dollars on appetizers. We would like to extend our stay on the front-end and the back-end and create a 9-day trip out of that. And by the way, we would like 2200-square-foot rooms so that we can bring our family and friends and throw a party there on the weekend. Is that possible?

Mr. MILLER. Not under the regulations. Not under the rules.

Mr. DENHAM. Is it possible under what you have seen in your investigation?

Mr. MILLER. Yes. Yes. In fact, I think that does describe what happened. What you are talking about is essentially inappropriate relationships with vendors. And an inappropriate relationship with the hotel would be to go to the hotel and ask for favors that benefit the individuals personally. And all of that is improper. It is appropriate to negotiate a good rate for the food, appropriate food under the rules, but it is inappropriate to negotiate with vendors for personal benefits. That would—you are not allowed to use your office for personal gain.

Mr. DENHAM. Nor can you accept——

Mr. MILLER. Correct.

Mr. DENHAM. Many other perks were accepted here. I am out of time. I want to definitely go back to this a little bit deeper, but at this time I recognize ranking member, Ms. Norton, for 5 minutes.

Ms. NORTON. Thank you very much, Mr. Chairman. Mr. Miller, what the chairman has just described, if someone in Region 9 wanted to know whether or not what they were doing was within

the rules under the present structure, would they turn to—who would they turn to in Region 9?

Mr. MILLER. Is that directed towards me?

Ms. NORTON. Yes. Or to you or Ms. Brita. In Region 9, if what the chairman described, if someone wanted to know, is this within the rules, who would they go to to find out in Region 9?

Mr. MILLER. They have regional counsel in Region 9, and regional counsel was consulted at least once about the possession of the——

Ms. NORTON. And what did regional counsel say?

Mr. MILLER. I believe that regional counsel provided an opinion that the regional commissioner requested was not in writing, and if you can hold on a minute—they provided an unwritten opinion about bicycles, when the charity——

Ms. NORTON. Because there was an inquiry about the bicycles, but not about other things.

Mr. MILLER. Well, the regional commissioner asked about the bicycles——

Ms. NORTON. Yes.

Mr. MILLER [continuing]. Because it would involve disposal of Federal property.

Ms. NORTON. Yes. Mr. Neely is not here. Did he have the final authority on the matters, for example, just described by the chairman, or was there someone above him who had some authority and to whom he reported on matters of the kind that have just been described?

Mr. MILLER. Well, at the time of——

Mr. DENHAM. Can I clarify Ms. Norton's point. They asked for legal opinion on the bicycles, correct?

Ms. NORTON. Only.

Mr. MILLER. Yes, they did.

Mr. DENHAM. And what was the legal opinion?

Mr. MILLER. The legal opinion was that if the charity maintained the bicycles it would not be disposal of Federal property.

Mr. DENHAM. And was that in writing?

Mr. MILLER. No, it was not in writing.

Mr. DENHAM. Is it normally in writing?

Mr. MILLER. Yes, it is. The regional commissioner requested that it not be in writing to avoid any obligation under FOIA.

Mr. DENHAM. Is that in writing?

Mr. MILLER. I believe we have—we have some evidence of that. I am not sure if it is a direct writing or not. But we do have evidence of that.

Mr. DENHAM. Tried to cover it up after they made the request?

Mr. MILLER. Well, he requested that it not be in writing.

Mr. DENHAM. Thank you. I am sorry.

Ms. NORTON. So the counsel himself didn't want his opinion in writing? What I am trying to establish, who was the operating officer who was in charge of this conference, and whether he, in fact, had to report what happened in the conference, or had to ask for any permission, or whether he was an island unto himself who had control in Region 9 over the matters that we have just heard about?

Mr. MILLER. What we found in our investigation was that the regional commissioner essentially controlled everything, and that he was the final say-so. He was acting regional administrator at the time. There was little oversight or supervision by central office and, you know, as a practical matter, the regional commissioner decided——

Ms. NORTON. Yes, well, I am going to have—I am going to have questions for Mr. Tangherlini and Ms. Johnson about the structure of GSA, which is very troubling in this regard. I would like to ask Mr. Peck a question.

Mr. Peck, there are many who have come to your defense. I have known you in this administration, or prior administration. And so it is unusual for people to publicly speak well of someone who has had—has encountered what you have and been discharged by the President. Do you understand why the President took out the top of the agency and do you believe that that was the right thing to do and the fair thing to do?

Mr. PECK. I understand why he did it. And as I said in my testimony, I was—it was on my watch. I was brought up in a military family. I was an Army officer and I subscribed to the axiom that someone in charge is responsible for everything their organization does or fails to do.

Ms. NORTON. I just want that on the record. The way in which—normally in this country, it doesn't operate the way it does in parliamentary democracies, where the top resigns. Somehow in our country, often only people who have hands on but not direct authority are the ones held culpable. So I can understand the feelings for you, but in light of how structures should be structured in this country, I understand your response.

There is a question, Mr. Peck, about the letter of reprimand for Mr. Neely. We just heard that Mr. Neely was essentially an island unto himself. You didn't know anything about him. But when it became known, you believed he deserved only a letter of reprimand. I mean, he may be facing termination now. He may be facing criminal charges. What made you believe that what is one of the lightest forms of penalty, given his large responsibility, regional administrator, and commissioner, that a letter of reprimand was all that should take place here, especially when you say you understand why the President would fire you and other top officials because of the responsibility that the top must have for what goes on and those charged to him?

Mr. DENHAM. Mr. Peck, I would allow you to answer, but I would ask you to be brief.

Mr. PECK. Yes, sir. I believed it was the appropriate response at that time. The IG investigation was ongoing. It was my impression, and I think I have seen documentation since, that the IG was asking us not to take disciplinary action against anyone involved in this until the IG——

Ms. NORTON. Well, I thought it said do not take any personnel action, and that is a personnel action, isn't it?

Mr. PECK. The letter?

Ms. NORTON. Yeah.

Mr. PECK. Well, I am not sure the letter was actually sent. There was a great deal of conversation about what we could and could not do at that time given what we knew about Mr. Neely.

The other thing I will just note is that a lot more facts have come out since about what happened at that conference. But we certainly——

Ms. NORTON. So you still believe he deserved only a letter of reprimand?

Mr. PECK. Oh, no. Not based on what I know now, no.

Ms. NORTON. No, at the time, what you knew about the conference, you think he deserved no more than a letter of reprimand?

Mr. PECK. No. At the time, we took it into account in—I took it into account in his rating. I spoke to him, I spoke to the other regional commissioners about conferences, I took other actions. At that time, given what we knew about what had happened at the conference, particularly with respect to him—and we didn't know a lot of other things about his travel expenditures and other things—we thought that that was an appropriate response at that time. It was kind of like a shot across the bow rather than a final action.

Mr. DENHAM. Thank you, Mr. Peck.

Chairman Mica?

And before we do, in consulting with Democrats in a bipartisan fashion, we have made a determination that, Ms. Daniels, after receiving a transcript over the last 48 hours, it is in our judgment on a bipartisan level that we will excuse you at this time. I would advise you, as chairman of this committee, you ought to seek legal counsel. You are dismissed.

Chairman Mica?

Mr. MICA. I thank you.

First of all, Ms. Doone, an expenditure that rises about 300 percent for the public buildings commissioner's expenditures, from $2.9 million to $9 million, does that raise any flags to you, a 300-percent increase? Actually, it is in about 2 years because it was about $3.2 million in 2009.

Ms. DOONE. I am not sure what number you are referring to.

Mr. MICA. The expenditures for the public building commissioner's operations, its administrative and personnel costs. Does that raise any flags?

Are you aware of a request that I have had in, our committee has had in, we sent it to David Foley on December 7th, 2011, to give us a breakdown of administrative costs?

Ms. DOONE. I was not aware of that request, and I only became aware of it as the Public Buildings Service came close to finalizing its response.

Mr. MICA. We have been trying to get this information since last year. So you are the chief financial officer. And, of course, in my opening statement, I described what was sent to us, and we see why there wasn't much detail sent to us now.

Mr. Miller—well, first of all, Susan Brita, you asked that—this conference took place in October 2010. In November, shortly thereafter, you asked for a review, IG review; is that correct?

Ms. BRITA. Correct.

Mr. MICA. And it looks like a preliminary briefing was not done until May of 2011.

All this was not made public until a few weeks ago, Mr. Miller. What took so long between briefing Administrator Johnson and Ms. Brita in May 2011?

Mr. MILLER. Chairman Mica, we investigated a number of individuals. We interviewed individuals. We turned over every stone, and every time we turned over a stone we found 50 more, with all sorts of things crawling out from under——

Mr. MICA. But you never published a report.

But in June, after providing that briefing to Ms. Brita and Administrator Johnson, somehow the GSA chief, Michael Robertson, yesterday who was before OGR Committee, informed Kimberly Harris, a White House counsel, about the investigation going on. Were you aware of that?

Mr. MILLER. I was not aware of that.

Mr. MICA. You were not aware of it.

It was interesting that, back in May, you advised Administrator Johnson to get a handle on the Regional Commissioner Neely's—this is May of 2011—on RC's travel, Regional Commissioner Neely's travel. Is that correct?

Mr. MILLER. Chairman Mica, I did brief Administrator Johnson on the interim report——

Mr. MICA. But did you tell them to get a handle on his travel expenditures?

Mr. MILLER. I told the regional administrator to get a handle on his travel in August of 2011.

Mr. MICA. So you told him?

Mr. MILLER. I told her. It is Ruth Cox.

Mr. MICA. OK, Ruth Cox. OK. And then we have a trip to Hawaii, we have another trip by Neely to Hawaii in October, another trip to Atlanta, another—Susan Brita warned, I guess, you about an upcoming 17-day South Pacific junket headed by Neely?

Mr. MILLER. Well, actually, Chairman Mica, we were so concerned about it, we contacted Ms. Brita, the deputy administrator——

Mr. MICA. You contacted her.

Mr. MILLER [continuing]. And said, "Do you know that this travel is going on?"

Mr. MICA. And, Ms. Brita, you notified the regional administrator, Ruth Cox, about the upcoming junket and expressed concern, right?

Ms. BRITA. I did.

Mr. MICA. Yeah. And what happened?

Ms. BRITA. I expressed concern and asked her to review the plans and make sure the——

Mr. MICA. And that called it off, didn't it? No.

So they went on that junket; then another one to Dana Point, California; the Hawaii-Guam-Saipan trip with staff; another trip to Atlanta; a 4-day site visit to Hawaii. And then I guess one—where is Napa, this offsite trip to Napa? Is that California? You have to go to the wine region.

Well, I see why Mr. Neely is not with us today and the only pictures I can get of him are in his hot-tub suite. But I thank you,

Ms. Brita, for your coming forward and for your trying to be a good steward of taxpayer dollars.

I yield back.

Mr. DENHAM. Thank you, Chairman Mica.

Mr. Michaud?

Mr. MICHAUD. Thank you very much, Mr. Chairman and Ranking Member, for having this very important hearing today.

Needless to say, I was appalled when I first heard about some of the things that the GSA administration had charged to the taxpayers for their conference. This Congress has had its share of disagreements over the past on how to reduce the Federal spending and how to address the deficit issue; however, I think that we all can agree on that there is no place for this type of an abuse of taxpayers' funds.

The employees that put together this conference forgot that the Federal Government is supposed to work on behalf of the taxpayers. Families and small businesses throughout Maine should not have to pay for employees of GSA to take lavish vacations in Las Vegas or anywhere else throughout the country. And I hope that we can get the information that we need here today to make sure that this does not happen again.

And, additionally, I plan to offer an amendment to the financial service and general Government appropriation bill to prevent GSA from holding this type of conference in the future. But this is just extremely disturbing.

I do want to commend Ms. Brita for what you have done and are going to do, hopefully, with the agency.

I guess my question is for the inspector general and Ms. Brita both. Since this has been brought to light in the public's attention, what has been done or will be done in the future to make sure that this does not happen again?

And for the inspector general, Mr. Miller, has the IG looked at other agencies that you are aware of for similar type of abuse that might have occurred or is occurring?

Mr. MILLER. We are currently looking at all the conferences in Region 9. And we are looking at conferences in general.

Mr. MICHAUD. Just Region 9?

Mr. MILLER. No. Well, we are focusing on Region 9 right now, but we are generally looking at conferences. We are receiving a number of hotlines, as you can imagine, about other conferences throughout the country.

Ms. BRITA. Mr. Michaud, Acting Administrator Tangherlini has committed to do a complete, top-to-bottom review of the agency, management structure, reporting lines, centralization versus decentralization, and with an eye, of course, to improving the management and overall service delivery of the agency.

Mr. MICHAUD. Is the acting director also looking at making sure that the Federal Government is reimbursed?

Ms. BRITA. Yes, sir. He has already taken action in that regard. Three letters were sent out, and additional letters will be forthcoming. Yes.

Mr. MICHAUD. And, Mr. Miller, what do you expect or what should Congress do to make sure that this doesn't happen again,

not only with GSA but other agencies, when you look at these type of conferences?

Mr. MILLER. I think supporting IGs is something that helps. We have to investigate these frauds and abuses and waste. Unfortunately, you cannot legislate good judgment, you can't legislate good management. And so I think one of the things you can do is strengthen inspectors general in all the agencies.

Mr. MICHAUD. OK. Now, as far as GSA, are you understaffed in the inspector general's office for GSA? And how many vacancies do you currently have?

Mr. MILLER. I will leave that to the judgment of the appropriators.

We currently have 70 special agents. They are the ones that actually interview witnesses. And I think you have read some transcripts with our special agents. We have forensic auditors that are trying to find all of the funds that are charged to purchase cards as part of this conference, charged to building operations funds, just trying to trace the money. So we do have forensic auditors. We have auditors currently who are under our FTE level and not hiring due to appropriations problems.

Mr. MICHAUD. Could you submit to the committee the number of vacancies you currently have?

Mr. MILLER. I would be happy to.

Mr. MICHAUD. Thank you.

I see I have run out of time. Thank you very much, Mr. Chairman.

Mr. DENHAM. Thank you very much, Mr. Michaud.

The vice chair of the committee, Mr. Crawford.

Mr. CRAWFORD. Thank you, Mr. Chairman.

Mr. Peck, what were your impressions of the $30,000 pool-party award ceremony where you were given an award for your work on the stimulus program?

Mr. PECK. Mr. Crawford, there was a reception, I think, the afternoon I got there. It was outdoors at the hotel. I wasn't aware of what it cost. Until reminded by the investigator, I didn't remember what the food was because I don't think I ate very much of it. Nor was I aware that there might have been an award ceremony there to justify food expenses. That is not something I would have thought of, not a rule I believe I was familiar with.

I thought as part of a hotel package I had seen both in public and private sectors before that those kinds of receptions were provided as part of a hotel package. So I thought, at the end of the day, not knowing the expense, I didn't think it was out of the ordinary.

May I say one thing about the awards?

Mr. CRAWFORD. Sure.

Mr. PECK. If I have an opportunity, I would like to say something about coins.

When I left the Government in 2001, Federal agencies did not give out coins. When I came back in 2009, this fad had apparently evolved from the military where civilian agencies had coins. Everywhere I went, somebody gave me a coin from their agency.

There had been a coin minted for the commissioner's office of the Public Buildings Service. When I was told that they were running

out and that we needed to order more, I asked how much they cost. They told me about $10 apiece. And I said, we don't need coins; if I want to give someone an atta-boy, I can give them a handshake or a paper certificate.

So that was my view. I was concerned when I saw the coins, I will say that.

Mr. CRAWFORD. OK. We will get back to that in a minute.

I am going to ask that they put up a slide of your suite. When you arrived at your two-story, 2,400-square-foot suite, what was your impression?

Mr. PECK. That it was ludicrously large and kind of like you would see in Las Vegas. And I also, as I noted in my testimony, immediately asked what the charge was for this suite and whether there was an extra charge for it.

Mr. CRAWFORD. OK. I have an email here. It is dated October 28th. It is from you to Jeff Neely. And it states, "Jeff, that conference is unbelievable, awesome, a terrific lesson to all our folks about what preparation, professionalism, and a sense of perspective and humor can do. I just sent a rave review to Martha Johnson. Thanks for inviting me."

Do you want to comment on that?

Mr. PECK. Yes, sir. At that time, I was—remember, I had arrived on Monday afternoon or late Monday morning. What I had seen were, during the presentations that I saw the 1 day I was there, a number of presentations that were all substantive about the work of the Public Buildings Service. I thought that the presentations prepared by the four regions were good. The conversations that I saw during the sessions were about the work of PBS and how we could get work done better. I thought that was professional, and that is what I was referring to.

Mr. CRAWFORD. OK. When you decided to throw a party in your suite, who ended up paying for the food and alcohol, which was about a $2,000 bill for the food? You indicated in your testimony, in your written testimony as well as your oral testimony, that you actually paid for the alcohol. Is that correct?

Mr. PECK. Yes, sir. Well——

Mr. CRAWFORD. You had bartenders and staff there for the party?

Mr. PECK. No, sir.

Mr. CRAWFORD. No?

Mr. PECK. Not to the best of my recollection, but I don't recall the——

Mr. CRAWFORD. OK, why would it be OK—there were no awards at this party. Why would it be OK to bill the taxpayers for $2,000 worth of food at your party?

Mr. PECK. It would not.

Mr. CRAWFORD. So it is not OK to do that?

Mr. PECK. No, sir. And, as I said, I specifically said, because it was not an award ceremony, it was not part of an official function—I had a practice when I went to meetings, whether they were in regional office buildings or somewhere else, of trying to meet the GSA employees and mostly talk shop. This thing was a pre-dinner thing. I thought it was a nice thing to do. And I specifically said

it was not a part of the conference program, I would pay for it myself.

By the way, I was not prepared to pay for fancy food, and that is why I said, let's do beer, wine, and chips. And then this other food arrived, and I said, how did that happen, and they said, well, it is covered in the existing conference contract. And I believe I said something to the effect of, so no additional cost? That is what I was told. I did not know that it had been charged additionally or separately until I was interviewed by an IG agent about, I guess, 4 weeks ago now when I asked him when he told me about the money whether that was an additional amount or was it covered by the contract.

In any event, Mr. Crawford, I totally agree with you. I had no intention of charging it to the taxpayer, did not believe it was a legitimate taxpayer expense. And I yesterday sent a letter to the inspector general saying if that, in fact, was an additional cost, I am prepared to pay it back.

Mr. CRAWFORD. OK, I have one quick question for Mr. Miller. These OIG reports are a great window into how well or poorly an agency is being run. Do you believe the public would be better served by having a central location where any citizen could access all the OIG reports from across the Government and be provided with an opportunity to learn what the OIG does, how to read the reports, and why they are important?

Mr. MILLER. I think that would help. We have a Web site where you can access our public reports, and every IG does. There is also a Web site called IGnet.gov that will give you the list of all the IG Web sites.

Mr. CRAWFORD. All right, thank you.

I yield back.

Mr. DENHAM. Thank you, Mr. Crawford.

Mr. Walz?

Mr. WALZ. Well, thank you, Chairman Denham and Ranking Member Norton.

I would like to thank the chairman, too, for his unwavering commitment to transparency. And I have had the opportunity, along with Congressman Michaud, to work with Mr. Denham on the VA side.

And I bring that up for a reason. Every adjective has been used on this, from deeply disappointed, furious, and so forth. None, to me, get to the heart of the matter, and I think the folks sitting here recognize this. It is always healthy in a democracy to be skeptical—be skeptical about Government, be skeptical about large institutions. But it is this type of behavior that moves into cynicism, and cynicism is cancerous.

The American public is cynical, if you look at some of the polling, at rates never before seen. They don't trust large financial institutions. They watched Wall Street go broke. They watched their taxpayer dollars bail them out. And they watched bonuses paid to those very people who caused the problem in the first place. And then the very people they expect to oversee things being done do this very same thing.

And I think, as Mr. Denham said, this attack on trust is so frustrating at a time when, yes, we are all being asked to provide effi-

ciencies and get things out of this. But I think to put this into perspective, to understand the choices that were made here, for you to understand, the folks who made those choices, exactly what this means, I would like to just talk a little bit about what it means, the choices we have too.

We have an unprecedented number of veterans trying to seek service. And in my Sunday paper in Minneapolis this weekend, it talked about this. One-point-two-five million veterans were treated for especially mental health care. And when interviewed by this, 70 percent of these providers said that they do not have adequate resources or space. We are asking them to do more for less on the very basic principle of providing mental health care for our warriors when they return. And somebody had the audacity to do this.

It goes beyond public trust. It goes beyond a thought that how can we get to a point of that type of selfishness when others are being asked to do more with less. And it is so frustrating to me that this becomes—and I thank the inspector general.

And I want to be very clear, Mr. Miller, I am an unabashed, huge fan of inspector generals. They return $12 for every $1 we spend on them. I fought for years to make sure in the VA—one of the most important jobs we do sitting up here is to provide oversight in the checks and balances.

And amongst this whole thing, I think you brought up a very good point: You can't legislate some of these poor choices that were made. But you know what we can do? We can put in redundancies and safeguards. That is the way you protect against bad judgment. That is the way you protect against a rogue employee or whatever it might be.

I am just baffled here that the redundancies fell through. At some point in time, somebody is looking at this—and, Mr. Peck, you know this. There is no free lunch. If it is part of the contract, the price was jacked up. They don't give you something free in Las Vegas. You could have a big suite, they know you are going to spend the money elsewhere. That money was spent elsewhere. They are not going to give that away.

And I appreciate your attention to detail in trying to look at this. But at some point in time, somebody just had to recognize that, that it had to be.

And your coin issue is exactly right. Members of Congress have to use their own money or campaign money, which is private money, not taxpayer money, if they are going to use coins. So I think you bring up a point on that.

But how does it just get passed beyond those redundancies? So, Mr. Miller, I am going to come back to you for just a second. How, when they knew this was being done on, you know—and I don't—we can pick out the things, sushi or whatever makes the highlight tonight or whatever, but 44 bucks for breakfast? I am a big man, I can't spend 44 bucks for breakfast. Somebody had to say that. Are you kidding me?

And then what it does is the American public believes every single employee and every single agency is corrupt and not doing what they are supposed to. And I watch those providers, those mental-health providers out at those CBOCs in southern Minnesota doing

the best they can with a crowded waiting room, and it is simply unacceptable.

So, Mr. Miller, I think what needs to come out of this is, yes, somebody needs to be held accountable and, yes, ensuring it doesn't happen again and that the safeguards are put into place. So how do we do that? How do we strengthen that? What are your suggestions going to be, if I can ask?

Mr. MILLER. Sir, I think that we need to have stronger central control. I believe the new Acting Administrator Tangherlini has already instituted more centralized control of the finances so that each budget is not controlled by a regional commissioner or a regional administrator. I think he is working on having control over their IT systems, as well.

But, as you said, redundancies, controls, checks and balances, those are all things that can help check the excesses, the bad judgment, the criminal activities of others. And we always rely on people to tell us when they see something wrong. And that is why Acting Administrator Tangherlini and I reminded all GSA employees recently to call our office if they see anything wrong, because we do rely on people telling us about this. And I, too, commend Susan Brita for bringing this to our attention.

Mr. WALZ. Would you have caught it without her help, if I can end on that? Would the IG have been able to figure this out, with the things that are in place, without her coming forward?

Mr. MILLER. That is a difficult question. We are told by witnesses that the culture in Region 9 was a culture that put down anyone that complained. Witnesses said that the regional commissioner would put people down, and the witness said, "And he knew how to put people down." One witness said there was somebody who tried to raise an objection and the witness said, quote, "He squashed her like a bug," unquote. And with that kind of an atmosphere——

Mr. WALZ. That is some of the most disturbing things I have heard, because the culture of an organization is where all of this starts. And if it is in there, it will continue forward. That is the piece that has to be changed.

Mr. Chairman, thank you for the extra time. I yield back.

Mr. DENHAM. Thank you, Mr. Walz.

Mr. Barletta?

Mr. BARLETTA. Thank you.

I have gone through this report here, and to be honest with you, I don't know where to start. I mean, we could probably spend weeks talking about all the abuse and the different items of abuse. And to be honest with you, it actually makes me sick to my stomach. So I don't want to go there, because I think the public will eventually see what has happened.

I think there is a bigger problem here. I think there is a much bigger problem here. Because, you see, the people back home in my district in Pennsylvania, they may not be able to go on one vacation this year, not one, because of the price of gas. They are hard-working, blue-collar Americans. And to look at reports where the GSA spent $136,000 on a scouting trip before the conference is more than upsetting.

And I am just fortunate that I have the opportunity to be here today to get some of this off my chest, but most Americans don't have that chance. They won't be able to stand here and get it off their chest, what they feel. In my 1 year here, I will tell you, I have seen more waste, fraud, and abuse in this Government, and it is absolutely frightening. It is frightening, the way our Federal Government works and how we treat the hardworking taxpayers' dollars and laugh. And those videos literally make me sick.

Mr. Peck, you said that you told someone that the food—someone told you that the food at your party in your suite was covered. Who did you tell?

Mr. PECK. I don't recall exactly, Mr. Barletta, but I asked——

Mr. BARLETTA. OK. Well, who told you that it was covered?

Mr. PECK. One of the conference organizers.

Mr. BARLETTA. Who was it?

Mr. PECK. I don't recall who it was. It may have been——

Mr. BARLETTA. You don't recall who it was——

Mr. PECK. It may have been—excuse me——

Mr. BARLETTA [continuing]. You don't recall who you told.

Mr. PECK [continuing]. It may have been Ms. Daniels.

Mr. BARLETTA. OK. Let's move on. Let's move on. Who did you ask about the cost of the room?

Mr. PECK. I asked Mr. Neely. I asked at least one of the other people who worked on the conference.

Mr. BARLETTA. And they told you that there was nothing wrong with it. Who was the other person?

Mr. PECK. It is either Ms. Daniels or one of the other people who had worked on the conference.

Mr. BARLETTA. Is this the only time that you have witnessed any type of abuse in the GSA? Was this conference, was this the only example that we could talk about today? Or were there other times other than this?

Mr. PECK. As I said in my testimony, Mr. Barletta, this is the only conference that I am aware of in which this kind of expense, including pre-conference planning and all that, was out of control. Most of the GSA meetings and conferences I attended were focused on the business of the General Services Administration and trying to do a better job getting real estate for the Government.

Mr. BARLETTA. This happened—and this is where I am going, about the bigger problem—this happened in 2010, and here we are in 2012 talking about it. But it didn't end there. That wasn't just a one-time deal here. Just this year, just this year, on February 4th, the regional commissioner spent 17 days in Guam—17 days, this year. Who does that in the private sector? Who does that? Who leaves their job for 17 days? That is not the way the private sector works, that is not the way real people work, real companies work.

Oh, it didn't end there either. March 12th, there was a meeting in Napa, offsite, $40,000 for that offsite meeting. Why do we have to meet in Napa?

Mr. PECK. Mr. Barletta, that is—I believe you are talking about the same regional commissioner. I don't know. I was not aware of the meeting.

I can tell you the senior management meetings that I held were mostly in regional cities, many of them held in Federal building

conference rooms. We brought in boxed lunches. When people went to dinner, they paid their own way. Those are the kinds of meetings, when necessary, that I believe are the right kinds of meetings to have.

Mr. BARLETTA. And who reports to who? I mean, we can sit here and pound on Mr. Neely, as well he should be pounded on. But who reports to who? Who oversees who?

I ran a company, I ran a business. And I could tell you, this would not have been going on. And it wouldn't be 2 years later that we would just be sitting here talking about it.

Who reports to who? Who oversees whom? Who is responsible for whom? And who did you report to? At what point do you blow the whistle, like Ms. Brita finally did? At what point do other employees in the GSA say, "This is wrong, and something needs to be done"? Why are we here now trying to drag information out of people when most Americans are barely making it.

Let me just finish this. Here is the bigger problem, and here is a news release. Big Government doesn't work. It just doesn't work. This is not the way the private sector works. And I think what we need to be talking about is, what do we do instead of the GSA? Because there is lots of abuse in the GSA, and there is lots of abuse in other Government agencies throughout this Government. And I believe the $822,000 spent in Las Vegas by the GSA should be a farewell party.

Thank you.

Mr. DENHAM. Thank you, Mr. Barletta.

Mr. Cummings?

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

I want to thank you and the ranking member for your decision with regard to allowing the witness, Ms. Daniels, to be excused. I thought that was the appropriate thing to do. As a lawyer practicing for many, many years, I think it was the appropriate thing.

I want to follow up a little bit on some of the questions that Mr. Walz was asking. And, Mr. Miller, we have heard these—you just restated something that you said yesterday before the Oversight and Government Reform Committee about Mr. Neely saying to one witness that you interviewed that she would be squashed like a bug.

Let me read her entire—the statement that she made. And I quote, "She has been"—this is a quote. "She has been trying to bring this stuff up at the board of directors meeting, and she would promptly get squashed like a bug when she brought up any kind of things concerning the conferences and the extravagances and the suites and, you know, the hotel suites. Because typically at a conference—I mean, the WRC was not a one-time thing where certain people got these very extravagant accommodations."

Does that sound familiar at all?

Mr. MILLER. Yes, sir, it does.

Mr. CUMMINGS. And the witness also said that, and I quote, "The intimidation factor is pretty large," end of quote.

Mr. Peck, let me return to you. Were you aware that Mr. Neely intimidated employees who reported to him?

Mr. PECK. Mr. Cummings, I didn't know that he intimidated employees, but I did, in fact, on more than one occasion, tell him that

I had heard that in his headquarters, as opposed to some of his field offices, there were people who might be reluctant to give him bad news because he wouldn't take it well.

Mr. CUMMINGS. What did you mean by that?

Mr. PECK. I meant that I—this was hearsay. It is the kind of thing that, as a manager, I think you want to pick up. And I reflected it in his performance evaluation that I meant that I had heard there were some managers who, when people sit in a meeting and say, "Gee, I don't think that is the way we ought to be operating."

Now, to be honest, I thought that we were talking about policy issues. I didn't know we were talking about issues of real Government waste and integrity. But I——

Mr. CUMMINGS. OK.

Mr. PECK [continuing]. Had heard this enough to talk about it.

Mr. CUMMINGS. I only have a limited amount of time. I want to ask you some other questions.

Did any GSA employee ever raise with you concern about Mr. Neely's conduct in terms of lavish or excessive spending?

Mr. PECK. Not that I recall, sir, no.

Mr. CUMMINGS. Did any GSA employee ever raise with you concerns about Mr. Neely's retaliatory actions, whether through negative performance reviews, threatening to relocate them, or other similar actions?

Mr. PECK. No, sir, not to my recollection. And I am sure if I had, I would have taken action on it.

Mr. CUMMINGS. This GSA employee who was squashed like a bug was clearly right about all the lavish spending. What does this mean to you if it was not retaliation?

Mr. PECK. That——

Mr. CUMMINGS. In other words, somebody who felt that they had been squashed like a bug.

Mr. PECK. Mr. Cummings, I am not going to—I wouldn't split hairs over that. That is an intimidating atmosphere.

Mr. CUMMINGS. And if somebody had said that to you, you would have taken some type of action?

Mr. PECK. Yes, sir.

Mr. CUMMINGS. According to the inspector general's office, Mr. Neely may have spent a quarter of a million dollars on travel over 5 years. Mr. Peck, as the head of the Public Buildings Service, did you track the travel expenditures of regional administrators or commissioners?

Mr. PECK. Mr. Cummings, thank you for asking that. The way we tried to maintain managerial controls was by benchmarking the travel, training, information technology expenses, and other overhead expenses of one region against the others, balancing them for the amount of workload they had, their geographic dispersion.

And that is what at least the PBS assistant commissioner for financial management was supposed to be tracking. I am not able to access the information anymore; I don't know how it is that that kind of travel might have happened without showing up in that kind of a review.

Mr. CUMMINGS. Well, you stated that Mr. Neely did, quote, "a great job for GSA over the years," end of quote. You argued that

Mr. Neely should receive a positive performance rating, and you basically defended him. So I am having great difficulty understanding your position.

Mr. PECK. OK.

Mr. CUMMINGS. Let me finish. Maybe you were not aware of what Mr. Neely was doing or maybe you did not fully appreciate the level of abuse. And I agree with Mr. Walz, this is abusing people. We are better than that, we are a better country than that, and this is a better agency than that.

But there is no question that Mr. Neely's actions were inappropriate and they should have been halted. And you were his supervisor, were you not? Yes or no?

Mr. PECK. No, sir. But I don't want to—again, the way the GSA structure works, the regional commissioners do not report directly to the national commissioner. However, there is a very strong dotted-line authority to the PBS national commissioner. So there is certainly—I could exert control when I felt it necessary.

Mr. CUMMINGS. And you were head of Public Buildings, were you not?

Mr. PECK. Yes, sir. Yes, sir.

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

Mr. DENHAM. Thank you, Mr. Cummings.

Mr. Hultgren?

Mr. HULTGREN. Thank you, Mr. Chairman.

Mr. Miller, please tell me what you know about the 2010 intern conference in Palm Springs. I wonder if you could tell me—we have heard about luxury suites and catered award ceremonies. I wonder you can tell us a little bit about that.

Mr. MILLER. We are currently investigating that. The intern conference occurred between May 10 and May 14, 2010, in Palm Springs, California.

Mr. HULTGREN. And what do you know about it so far?

Mr. MILLER. Well, there were 150 attendees, and we are currently in the process of investigating it. There appears to be food served, as well. Food is also served at that conference, and we are looking into the propriety of that as well as other allegations.

Mr. HULTGREN. And, Mr. Peck, I wondered, how is it after your briefing by the IG in May of last year that you continue to allow lavish conferences to continue?

Mr. PECK. As I testified, in fact, when I came back, after that, I cancelled a number of conferences. Before that even, we had eliminated funding for the next Western Regions Conference. I cancelled a number of other national conferences, which, by the way, I do not believe would have been lavish but which we still felt, given the budget environment, that there was not enough benefit given the expense that they were going to make us have.

Mr. HULTGREN. Mr. Miller, I wonder if you could tell us a little bit about some of the offsite meetings in Region 9. I wonder how often were they having those site meetings, where would they go, and how much would they cost.

Mr. MILLER. Well, the offsite meetings appeared to be fairly regular. There was an offsite meeting at Napa, I believe, at the end of March of 2012—that is March of this year—a PBS Region 9 off-

site leadership meeting in Napa. Food is reported to be about $40,000 for that particular offsite.

We are also looking into allegations regarding other offsites and tours, like a Jeep tour and that sort of thing, charged to the Federal Government.

Mr. HULTGREN. Now, that one in Napa, that was just recently, wasn't it?

Mr. MILLER. In March, yes, of this year.

Mr. HULTGREN. Thank you.

Mr. Miller, I wonder also if the investigation that you have been overseeing with your Hats Off investigation revealed that more than $400,000 was spent in Region 9 alone for that awards program. I know you found evidence of employees exchanging awards with one another and supervisors getting awards from subordinates. What controls, if any, were in place to prevent this?

Mr. MILLER. Well, the problem with Hats Off was there were very little controls. GSA had a policy about all of these so-called reward stores, and they were not being followed in Region 9.

We did our report, we gave a draft report in May of 2011, along with the interim Western Regions report. Our Hats Off report became final. And in terms of providing discipline or adverse personnel action, the agency could always have taken adverse personnel action against the Region 9 regional commissioner based on the Hats Off award and based on other issues. And we always said, even with the interim Western Regions Conference report, that the agency should take steps to prevent further waste. They could restrict his travel, they could restrict conferences, but they didn't.

The only thing we said was, with respect to Western Regions, we were still investigating and that a technical adverse personnel action that would end up in litigation would not be a wise thing. But everything else was permissible, and adverse personnel action based on Hats Off was permissible.

Mr. HULTGREN. I know you began your investigation largely because of a report of some stolen items. I wonder if you can tell us a little bit more. Were you able to locate those? What happened to some of those stolen items? Where and how did you find them?

Mr. MILLER. Originally, I think around 40 items were reported stolen. We began the investigation. We subpoenaed Apple. We found that there were about 115 iPods missing. Apple provided us with some of the addresses where iTunes were being downloaded, and one of the iPods was located in Mr. Neely's personal possession. The subpoena from Apple told us that his daughter had been downloading iTunes and that sort of thing.

Ultimately, there were just so few controls and so little restrictions preventing people from even going into the store and taking things out that we could not tell for sure who stole what from that store.

Mr. HULTGREN. My time has expired. I yield back. Thank you, Mr. Chairman.

Mr. DENHAM. Thank you, Mr. Hultgren.

Mr. Peck, my anger and frustration have finally gotten to a boiling point. February 10th, my first committee hearing. I became chair—was sworn into office January 5th of last year, had concerns about this agency. Held our first hearing February 10th, where I

first requested information from you. March 10th, 2011, requested it again at a hearing. May 12th, requested it a third time. October 21st, we sent a letter, a bipartisan letter, from the committee on behalf of myself and Ranking Member Norton. November 4th, we held a hearing on the LA courthouse where we again requested the budget. December 7th, written request once again on the administrative costs. February 9th, we held another hearing and requested the PBS administrative cost information once again. March 20th, another written followup letter to the December 7th request. March 20th, again we went over the administrative cost information received from the GSA and let you know how lacking that very top line one page was. March 22nd, had another hearing where again we asked for the administrative costs. And March 30th of this year, we had a staff meeting on the administrative costs. April 13th, we have now sent a letter to the new GSA director, Mr. Tangherlini.

It has been a year-and-a-half. We have requested, we have sent a letter from the committee, we have demanded. Why are you hiding the information from this committee and from the American public?

Mr. PECK. Mr. Chairman, I don't——

Mr. DENHAM. You are not hiding it? Do you not have the information?

Mr. PECK. Mr. Chairman, I don't have access anymore to either your letters demanding information or our response.

What I recall is that, in December, this past December, the committee asked for detailed information about overhead costs of the PBS nationally, the PBS headquarters in Washington, and the commissioner's office. I believe we responded to that in February or March. There were a number of conversations, I know, that were had amongst my staff and the committee staff——

Mr. DENHAM. Were there details of these conferences?

Mr. PECK. Sir, I don't believe that—you know, again, not having access to what you requested, I don't know if that was covered. I believe that the requests were for spending on things like travel and training——

Mr. DENHAM. Did you give us any information on travel and training?

Mr. PECK. As I said, Mr. Chairman, I no longer have access to what we gave you or not, but I do——

Mr. DENHAM. Look——

Mr. PECK [continuing]. Believe we gave you an answer to the best of our ability on——

Mr. DENHAM. I don't have the data in front of me either right now, but I can tell you for the last year-and-a-half I have been requesting the information. Do you not remember any of these requests? I can name them off again. I mean, but it is over a dozen times that I have requested and you and I have had the conversation.

You and I had several conversations on cell phone where we have discussed this issue. And I have asked you, what is it going to take? Do you have to have a letter from the committee? Do we have to pass a bill, a legislation, demanding that we actually have a budget in place?

Mr. PECK. Mr. Chairman, I am fairly certain the agency provided you with information about the PBS budget we provided to the committees as a matter of course. I don't know what exact demands for information you are talking about.

Mr. DENHAM. We asked for one page. Obviously there was no information on there on this Las Vegas scandal or any of the other trips that were planned. And we are going to go through all of those trips, but several dozen trips across the Nation, lavish expenses. This is just the tip of the iceberg, but none of that information was in there.

So the question is, if it wasn't in there, why are you hiding it from us?

Mr. PECK. Mr. Chairman——

Mr. DENHAM. Do you not have it? Do you not have that information?

Mr. PECK. Mr. Chairman, I don't have access to any information from GSA anymore.

Mr. DENHAM. Anymore. Did you have information—you were the top guy. Did you have information that would show you the budget for Mr. Neely for Region 9, for the Western Regional Conference or all of the conferences?

Mr. PECK. Mr. Chairman, are you referring to a specific request that the committee gave for information about conferences?

Mr. DENHAM. I am trying to figure out, if you are the top guy at GSA, how did you not know that this was going on in the Western Region or all of the regions?

Mr. PECK. Mr. Chairman, the allegations that I have heard so far today have been limited to Region 9. And we have discussed when and how I became aware of the expenses of the Western Regions Conference in October of 2010. With respect to other——

Mr. DENHAM. So you did not know?

Mr. PECK. With respect to other conference spending and travel spending in general, we were always taking a look at what expenses were across the various regions. I was working at a level where I was looking at large numbers across the Nation, not at specific conferences.

Except to the extent that nationally planned conferences I did put under review in my office, partly in response to budget restrictions and partly in response to what we learned in May of 2011 about the Western Regions Conference.

Mr. DENHAM. Well, you have managed to filibuster long enough to get through my entire time here. But let me reiterate one more time exactly what this committee has requested and then demanded.

First of all, we asked for the number of employees of PBS as well as the number of authorized FTEs; the amount of administrative costs with a breakdown of how much relates to the personnel costs; to the extent additional staff were hired for the purposes of the stimulus bill, how many staff were hired, and costs associated with additional personnel; a breakdown of GSA-occupied space for administrative purposes, including square footage and to the extent space is leased and the annual lease cost; and an explanation of which account the employee and administrative costs are coming from.

We wanted a detailed budget for the last 5 years, not just about the Obama administration but the Bush administration as well, 5 years of a budget. How much money has been spent, in what areas, in what regions—transparency for the American public. This is not a Republican or a Democrat issue; this is about an American issue of knowing what their Government is doing.

You have certainly went through my time here, but we have plenty of time today.

Mr. PECK. Mr.——

Mr. DENHAM. I hope you had a good breakfast, because we are going to have a long time to go through these.

Mr. PECK. Mr.——

Mr. DENHAM. You can take as long as you want on these questions, but we are going to continue to go through them.

Ms. Norton?

Ms. NORTON. Mr. Miller, I think it would be important for the committee to know, as far as you know or perhaps Ms. Brita or anyone at the table may know, whether or not what we find in Region 9 has metastasized to other parts of the agency. I think it is fair to say that there was building up over time something of an abusive culture or a region apart. But we need to know whether this culture has spread to other parts of the GSA or whether you believe that it is essentially a Region 9 issue.

Ms. BRITA. Ms. Norton, that is precisely why the acting administrator has decided, and informed this committee, to doing a top-to-bottom review, so that we will be able to answer that question rather than just intuitively come up with an answer or speculate. One of the purposes for doing the top-to-bottom review will be to answer that question: Is this an isolated Region 9 issue or do we have a larger issue agencywide? And we believe that the review, where we are looking at all facets of GSA, will be able to answer that question as we move forward——

Ms. NORTON. Well, Mr. Miller, have you seen any evidence outside Region 9? And in light of what you see in Region 9, are you looking at other parts of the GSA at this time?

Mr. MILLER. We have continuing investigations into other conferences in other districts. We are looking at at least one other conference in another district. But Region 9 employees say that spending was part of the culture in Region 9. So we do have plenty of evidence regarding Region 9.

Ms. NORTON. Are you doing continuing investigations in Region 9?

Mr. MILLER. Yes, yes, we are, into many issues in Region 9, other conferences. And we are looking at other conferences outside of Region 9, as well.

Ms. NORTON. Ms. Doone, now, your title is chief financial officer of the General Services Administration. The CFO for Region 9 apparently did speak up about the excessive spending. Did any of his concerns—I don't know if it is a he or a she—reach your office?

Ms. DOONE. No, they did not.

Ms. NORTON. Well, how could you be called the CFO for the GSA? I don't understand what your function is then.

Ms. DOONE. The regional CFOs in the Public Buildings Service report up through the regional commissioners of the Service and do not report to the agency chief financial officer.

Ms. NORTON. So you never know anything about the financial matters in the regions? Who does know then?

Ms. DOONE. The Public Buildings Service has a central budget and financial management division in their headquarters office. And that is the office that allocates the funds out to the various regions.

Ms. NORTON. You can see the difficulty I am having——

Ms. DOONE. Yes.

Ms. NORTON [continuing]. With an agency whose hierarchy, whose structure is very difficult to understand. Do you think that that is—do you believe that you were the CFO for the entire agency? What were you the CFO of?

Ms. DOONE. Well, I believe that I was the CFO of the entire agency, but, unfortunately, with a decentralized financial management structure in place, it was very difficult to have the visibility into the financial operations——

Ms. NORTON. When did that happen? Has that always been the case, that——

Ms. DOONE. It has been that way for a number of years. I joined GSA in September of 2010, and it is my understanding that it has been decentralized for at least a number of years. And that is why——

Ms. NORTON. Is there a CFO at the Public Buildings Service then?

Ms. DOONE. There was a position in the Public Buildings Service that had carried the title of CFO. And I was very concerned, actually, about this decentralization because it caused a number of issues when one is trying to oversee the financial operations of the agency. And this is one of the reasons that Acting Administrator Tangherlini has taken the step very quickly to recognize——

Ms. NORTON. This issue, Mr. Chairman, of how this agency is structured, it seems to me, is a major factor if we are going to look at how to prevent this in the future. And I have to asked Ms. Brita, who, apparently, the moment she understood—it must be the moment, because the conference was held in October and in early November Ms. Brita asked for a report.

Do you think, Ms. Brita, that there would have been any way for you to have known or for the agency to have taken preventative action? The agency worked well with your IG when it came to action to penalize what had taken place, and the penalties are still rolling out. But, of course, the taxpayers are going to want to know, isn't there anything that could have been done to prevent this problem in the first place?

Ms. BRITA. As Alison said, under the decentralized structure, it would have been very difficult for people in central office to have found out. But——

Ms. NORTON. You then think that the——

Mr. DENHAM. Ms. Norton, your time is expired.

Ms. NORTON. All right.

You then think that the structure should be more centralized?

Ms. BRITA. Yes, I do. And the acting administrator has taken steps to do that already.

Mr. DENHAM. Mr. Barletta?

Mr. BARLETTA. Mr. Miller, you had said earlier that you thought that there was inappropriate behavior with vendors by employees of the GSA. Would "inappropriate behavior" mean possible criminal behavior?

Mr. MILLER. Congressman, I do not want to talk about criminal charges. We do have a referral at the Department of Justice, and so I would decline to answer.

Mr. BARLETTA. Thank you.

Do you also believe—I mean, we are talking about this conference, and I know you said you are looking at other conferences around the country. But this would send a red flag that this abuse could be more than just conferences. Are we also looking throughout the entire agency?

Mr. MILLER. My office does look throughout the entire agency. And we have had a number of important criminal prosecutions over the last couple of years. We sent some individuals making counterfeit goods, selling counterfeit IT products to the United States, we sent them to Federal prison. There was a Chief of Staff that lied to our agents in the FBI. We have had a number of property managers receiving bribes and kickbacks. About 11 of them were sentenced recently.

So we have a number of criminal prosecutions. And to answer Congressman Walz's question more precisely, the ultimate deterrent to this kind of behavior is criminal prosecution.

Mr. BARLETTA. Thank you.

I yield back, Mr. Chairman.

Mr. DENHAM. Thank you, Mr. Barletta.

Mr. Walz?

Mr. WALZ. Well, thank you, Mr. Chairman.

And I am going to come back and go on this. I am a cultural studies teacher by trade, so this idea of culture, all the learned and shared values, beliefs, and customs of a group of people, I think we would be very naive to not see this in other regions.

I am deeply concerned of this decentralized accounting, which seems to me to go back to the heart of the lack of transparency, the lack of oversight, the lack of direct accountability back to it, which makes it much more difficult. And this culture—and just like the private sector, there can be healthy and unhealthy business practices, there can be healthy and unhealthy agencies. This one I am getting very concerned about.

And I am going to segue here because—which region is Kansas City in?

Mr. PECK. Six.

Mr. WALZ. So it is a different region here. So an IG report that dates back to 2010, and I think I quote here, "The inspector general first accused Regional Commissioner Mary Ruwwe's office of providing misleading information and doing damage to GSA's credibility in an audit of health and safety conditions." There is a concern there. And are some of you aware of what is being reported there? And it was again last night here on WUSA about the health risks that are being reported by GSA members.

And it troubles me deeply that—were they squashed like bugs, too, when they brought this concern forward? Because apparently this was a big enough concern for the commissioner there that she spent $234,000 of taxpayer money to get a PR firm to, I quote, "respond to questions regarding toxic substance exposure" instead of dealing with that.

Mr. Miller, can you tell me about this? Is this out of your realm of responsibility? Or how familiar are you with this?

Mr. MILLER. Sir, we wrote the report. And we did a report of the Bannister Federal Building in Kansas City, Missouri, at the request of Senator Bond and other Senators, Senator McCaskill, and Congressman Cleaver. And we did a report; we found that GSA did not manage the environmental risks at that facility well over the last 10 years. In the last year, they were taking steps to manage the environmental risk, but historically they did not.

Mr. WALZ. The risks or the risks of bad PR? Because it seems to me they spent more money on the risks of bad PR than the environmental risks.

Mr. MILLER. Well, that is a fair statement. Our audit report was on the environmental risks.

Now, as soon as we announced our audit, they entered into a PR contract within 24 hours to handle PR, even though they had a PR staff there——

Mr. WALZ. Is that legal to do that?

Mr. MILLER. In our opinion, they violated just about all the procurement rules in hiring this PR firm.

Mr. WALZ. How long did it take them to get that contract? Because it has taken me 18 months to get the contract on the community-based outpatient clinic for southern Minnesota for our veterans.

Mr. MILLER. They had it done within 24 hours. The CO was starting to do a competition, a bid, and the CO was directed not to do that bid.

Mr. WALZ. So we have basically a no-bid contract for $234,000——

Mr. MILLER. Correct.

Mr. WALZ [continuing]. To cover up—I won't use that term; we will let the courts decide on that—at least to not address the issues that were being brought up by employees there who were trying to do a job—again, these are good civil servants trying to do a job who were exposed to toxic substance, in their opinion.

Mr. MILLER. Well, we didn't get into the exact—how much toxic substances were there. We only looked at how GSA managed the risk, what did GSA do when they got notice of a problem. So we didn't—we are not scientists, we didn't get into the environmental——

Mr. WALZ. Did you get into how, for lack of a better term, the whistleblowers or the affected people were treated? Were they squashed out? It appears to me like they were not taken seriously in this.

The reason I bring this up is, I think, you know, being the cultural studies teacher, not the lawyer, it doesn't take a great leap of imagination here to see this is not just Western Region. Now I

have another region that we brought in with a very similar cultural disinterest in their employees and a desire to have PR trump——

Mr. MILLER. Right. As an IG, before I make a general statement, I need to have facts supporting it.

Mr. WALZ. Right.

Mr. MILLER. We have facts in Region 9, but we do have this incident in Kansas City. We did the report. They hired the PR. There were hearings before Senator McCaskill's Subcommittee on Contracting, and Senator McCaskill tried to hold them accountable. We noticed a number of misstatements. We informed the committee of that, the misstatements by GSA officials in the context of that hearing.

Mr. WALZ. That is just deeply troubling again. We move at a snail's pace until it is something with PR in an agency and we were able to issue a contract. Again, it goes back to this. We have crossed between healthy skepticism to cancerous cynicism and that doesn't make it any better.

So Mr. Chairman, I yield back.

Mr. DENHAM. Thank you, Mr. Walz. I want to get down to the point of who reported to who, and who is accountable on these budgets. Ms. Brita, who did Neely report to? Everything is getting blamed on Neely because he has pleaded the Fifth. I want to know who he reported to.

Ms. BRITA. Jeff Neely had two reporting streams. One was to the regional administrator, and then a separate reporting requirement to commissioner of the Public Buildings Service. So he had two people that he reported to.

Mr. DENHAM. And there was no regional administrator, correct?

Ms. BRITA. Well, Jeff Neely, at that time, Jeff Neely was acting in both capacities, regional administrator and as the head of the Public Buildings Service.

Mr. DENHAM. So in that position who did he report to? He reported to himself on one hand and as administrator he reported to somebody?

Ms. BRITA. And as acting regional administrator, he also reported to Steve Leeds, who was a senior counsel to the administrator who handled all of the regional administrators. So he had—Jeff reported to Bob, and then he reported to Steve Leeds. Once Ruth Cox was appointed as a regional administrator, he then reported to her and stopped reporting to Steve Leeds.

Mr. DENHAM. Did you agree with that, Mr. Peck? Yes or no.

Mr. PECK. Yes, sir.

Mr. DENHAM. So he was a direct report?

Mr. PECK. There is not—there is not a—in GSA's organizational chart there is not a direct report between the regional commissioners to the PBS commissioner, but as I said, for all intents and purposes the Public Buildings Service commissioner has a lot of command and control over——

Mr. DENHAM. You signed his letter of reprimand.

Mr. PECK. Yes, sir.

Mr. DENHAM. And Miss Brita, you did not feel that that letter of reprimand went far enough?

Ms. BRITA. That's correct.

Mr. DENHAM. And what did you think should be done at the time?

Ms. BRITA. At the time, we had not decided what would—what we were going to do. It was still in draft. I felt the letter was too weak, given what we knew already about Western Regional, as well as the Hats Off Program.

Mr. DENHAM. Let me read your email. "You were not there and you are not in a position to judge the entirety of the conference. We will not be sending two separate letters if I have anything to do with it." That was Bob Peck's email to you.

Ms. BRITA. That's correct.

Mr. DENHAM. And though he didn't—you are saying he did not officially report to you, and even though you sent a letter of reprimand to him, you still recommended him to be upgraded so that he could receive a bonus.

Mr. PECK. Well, I recommended——

Mr. DENHAM. You are under oath. And I do have the email in front of me.

Mr. PECK. Yes, sir. I don't—I don't know what you mean by upgraded, but I did recommend a rating of 4 for his performance for the year, most of which was based on the performance of his region on business metrics that we had in place.

Mr. DENHAM. What did the Performance Review Board recommend?

Mr. PECK. I don't—I thought the Performance Review Board recommended a 4 as well, but I don't have access to that information anymore.

Mr. DENHAM. Do you not chair that board?

Ms. BRITA. Yes, Mr. Chairman.

Mr. DENHAM. What did you recommend?

Ms. BRITA. The rating that was reported out of the board, we recommended that his rating be held as a 3. He came in as a 3. We recommended that he be held as a 3.

Mr. DENHAM. Well, let me read a separate email from Martha Johnson. "I spoke to Bob yesterday after the session. He is recommending a 4. Yes, on a bonus. He was also the acting RA forever and a day. Martha Johnson." Should he have received a bonus?

Ms. BRITA. The board did not recommend that he get a bonus.

Mr. DENHAM. Should he have received a bonus, Mr. Peck? You are the one who upgraded him.

Mr. PECK. In retrospect, no, sir.

Mr. DENHAM. What has changed your mind today? What do you know now that you didn't know a year ago when you were recommending him for a bonus?

Mr. PECK. That principally that there were contracting irregularities in the Western Regions Conference, and a pattern of conduct that Mr. Neely apparently engaged in that I did not know about at the time.

Mr. DENHAM. You didn't know about it at the time. You were at the conference.

Mr. PECK. No, sir. I didn't know about the pattern of the other trips, the travel, the other conferences that were held in the Region 9. That's—that's the difference.

Mr. DENHAM. You are the Public Buildings commissioner. When it comes to public buildings you are the top person. The regional—each of these different 11 regions report to you. You are supposed to be overseeing the budgets and doing an authorization—let me ask. I know you are going to give me a long-winded question. I only have so much time. Miss Doone, do you not see all of these budgets?

Ms. DOONE. No, my office does not see those budgets for the regional commissioners.

Mr. DENHAM. Should Mr. Peck be able to see all of those budgets?

Ms. DOONE. Yes, he should.

Mr. DENHAM. Is there any reason that those budgets would have been hidden from him?

Ms. DOONE. I don't know.

Mr. DENHAM. Is there any reason that Mr. Peck should be hiding those budgets from this committee after requesting them over a dozen times?

Ms. DOONE. Not that I know of.

Mr. DENHAM. Is there any reason that this issue should not have come to light a year-and-a-half ago when the IG released his initial report?

Ms. DOONE. I don't know.

Mr. DENHAM. I'm out of time. Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman. I just want to follow up on the chairman's questions. Mr. Brita—I mean, Mr. Peck, what is up with this? I mean, what's happening with the budget? I mean, why can't you get that information to us? And I know—don't tell me that you don't have it now. I'm talking about when you did have access to it.

Mr. PECK. Mr. Cummings, the—as to the detailed questions that Mr.—that Chairman Denham mentioned about personnel employment and those kinds of things, I believe that we submitted that—that we first got a request in that detail from the committee, to my memory, my memory last December, and I believe we submitted it in late February or early March, and it had to go through—we had to dig out the information, get it reviewed and approved, and then sent it up here. I believe that was delivered.

Mr. CUMMINGS. Now, let me go back to the questions I was asking you a few minutes ago with regard to your supervisory role over Mr. Neely. I think you said that you had heard some complaints about him, is that right?

Mr. PECK. Yes, sir.

Mr. CUMMINGS. And tell me what the nature of those complaints were again.

Mr. PECK. Well, it was general and not specific, but I had heard that Mr. Neely in his headquarters at least was regarded as someone who you didn't—he didn't take well if people debated with him on his decisions.

Mr. CUMMINGS. And did that concern you?

Mr. PECK. Yes, sir, and I discussed it with Mr. Neely on more than one occasion.

Mr. CUMMINGS. And so did you hear about this on more than one occasion?

Mr. PECK. Yes, sir.

Mr. CUMMINGS. And did you hear about it from a number of employees, one, two, three?

Mr. PECK. I actually heard about it more from senior management peers of Mr. Neely, than I did from employees in the region itself.

Mr. CUMMINGS. And so, you know, I guess what's bothering me about your role, and I have listened to your testimony very carefully, it seems as if you play down your role in all of this, but as the immediate supervisor, and you can call it whatever you want to call it, when you have got a man who has got two supervisors and one is himself and the other is you, as far as I'm concerned, you are his supervisor. It seems as if you, you know, would have had more hands on Mr. Neely. And I just—and you know, my mother used to—who was a former sharecropper, used to say, son, you can have motion, commotion, and emotion, and no results. And I don't want these hearings to be, you know, very emotional, and then we don't get results. And so I'm trying to get to what happened here. I'm wondering if somebody, the structure was one which the person in your position should have had more authority and should have had access to more information, or whether you didn't do your job; whether you failed to overlook Mr. Neely. Then I wondered, too, whether you felt intimidated by Mr. Neely. Because obviously, he had a reign of threats going on around him, and so I just—help me with this. I mean, if you had to restructure that relationship, that is, the Neely position and your position, I mean, how would you restructure that? Because Mr. Tangherlini is trying to make sense of this, and I know he is going to do a great job. So—but help him. He is watching you. So tell him what—give him your suggestions.

Mr. PECK. Mr. Cummings, before I left the agency I was discussing with Miss Doone and with former Administrator Johnson doing what Mr. Tangherlini is doing, which is providing more direct control from the central office over the financial operations of the regions. That's one. Two, I would have the regional commissioners unequivocally report directly to the PBS national commissioner. I was focused a lot on the business metrics for each of the regions, including how much space the Government was occupying, how much we were spending on leasing, and we were working very hard to get those numbers down because they are in the billions of dollars, and they can exercise real savings——

Mr. CUMMINGS. So as far as these conferences were concerned, you would have it so that you had absolutely nothing to say about that, a person in your position?

Mr. PECK. Unless someone brought something to my attention and I thought that there was something out of line, I would not generally be supervising where and when regional conferences were happening.

Mr. CUMMINGS. Very well. I mean, as I listen to you, I think that you made it sound like you played a very lightweight role in this, and sir, I must tell you, I think that you played a major role and I am sure we will get to the bottom of it at some point.

With that I yield back.

Mr. DENHAM. Thank you, Mr. Cummings. Mr. Peck I'm going to remind you not only that you are under oath, but that this has already been referred to the Department of Justice. There are criminal issues at hand here. And to play this lightly, that everything is Mr. Neely's fault, certainly I think has this entire committee puzzled. I want to just bring back those emails that I was talking about. The emails from you to Miss Brita, July of last year, the whole bonus, November 5th of last year, an IG report, which came out in May of last year. This is an internal report. The conference happened in 2010. Miss Brita very bravely stepped forward and brought this attention to the IG. The IG did a preliminary report, issued that report back to Mr. Miller.

Who did you submit this report to?

Mr. MILLER. Administrator Johnson.

Mr. DENHAM. And who did the administrator give it to?

Mr. MILLER. Well, Miss Brita as well, and I'm not sure who she gave it to. I don't know the exact nature of the list, but I believe she gave it to Mr. Peck and——

Mr. DENHAM. Mr. Peck, did you receive a copy of this?

Mr. PECK. I'm sorry. Could you say again what it is?

Mr. DENHAM. Did you receive a copy of the Western Regions Conference "OIG Interim Alert Report on Investigation Into Potential Fraud, Waste, and Abuse."

Mr. PECK. I did, yes, sir.

Mr. DENHAM. And did you receive it in a timely fashion, somewhere around May of last year?

Mr. PECK. Yes, sir.

Mr. DENHAM. This gets to a bigger question of the culture in GSA. If somebody stepped forward, a whistleblower stepped forward and alerted the IG to an issue, and the IG came back and issued a report on investigation into potential fraud, waste, and abuse, why then would you have a dispute with Miss Brita and Martha Johnson and recommend somebody to get a bonus at the end of the year?

Mr. PECK. Mr. Chairman, as I described, the bonus system is based on a number of performance metrics. And I was looking at the performance of the region with respect to its major real estate responsibilities as well as Mr. Neely's problems with the conference. But I will say again, as I said in my testimony——

Mr. DENHAM. This is 20 pages long with quite a bit of detail. And you told Susan Brita, "You were not there. You are not in a position to judge the entirety of the conference. We will not be sending two separate letters if I have anything to do with it."

She sits on the committee. She recommended a 3, no bonus. You came back, and sent an email to Martha Johnson, or Martha Johnson sent an email to Susan Brita. "I spoke to Bob yesterday after the session. He is recommending a 4. Yes on a bonus. He was also the acting RA forever and a day."

There are criminal issues at stake here. This is all in this report that you had a copy of a year ago, that you read, that Mr. Neely had a copy of and he read, and still continued to take many other trips, which we are going to get into greater detail here shortly, many other trips with other criminal issues involved, and you felt

that it was important to go against committee staff and upgrade him and give him a bonus.

That is a culture within an agency that shows no matter what investigative report is going on, no matter what information or details we have, we are going to operate business as usual. So I don't think that you can sit here and blame everything on Mr. Neely when you are the one who recommended him for a raise after giving him a letter of reprimand.

Do you have a response?

Mr. PECK. Mr. Chairman, as I said, I take responsibility for everything that happened on my watch. As I said, I was focused on performance among the regions on a lot of the metrics, things that you and I discussed about reducing the amount of space the Government occupies, trying to do a better job, getting real estate——

Mr. DENHAM. In this report.

Mr. PECK. Excuse me, sir, and but I understand—what I knew at the time in that report, I believe it deserved him being graded down to a 4 because on performance metrics alone he might have got—he would have gotten a higher number, so we were grading him down to a number and then we had a conversation about whether it should be a 3 or a 4, yes, sir.

Mr. DENHAM. In this report, I'm going to go through one page of it before I turn this back over to Ms. Norton. The preplanning meetings, the dry runs. Again, this goes to the overall culture of these expensive trips. Back in 2009, March 9th through 11th, was the first planning trip with free stays at Caesars Palace for several attendees. March 30th through 31st, 2009, 13 attendees at the Ritz-Carlton and M Resort. August 17th through the 19th, 2009, other attendees, $6,000 cost. November 4th through 6th, the M Resort, 65 attendees. March 8th through 12th, 15 attendees, back at the M Resort. June 30th through July 2nd, 8 attendees. And August 17th through 19th, 20 attendees. And on several of these trips Mr. Neely not only approved, approved all of them, but on several of these trips Mr. Neely went and brought his family and friends as well.

Many of these trips I should verify—I don't know if all of these trips included suites, the very large 2200-square-foot room that you and Mr. Neely, separate hotel rooms, but you and Mr. Neely both enjoyed. And then October 12th through 15th, 31 attendees, including Mr. Neely. Nine trips before this lavish conference. This is part of this that was in this report that you saw; that you shared with Mr. Neely. You gave a copy to Mr. Neely, this official inside document, showed him what he did. You knew of it, and then you still went against Ms. Brita's recommendation—the Commission's recommendation and gave him a bonus and upgraded him from to 3 to a 4. How can you blame all of this on Mr. Neely when you were the one who approved it?

Mr. PECK. Mr. Chairman, I'm not saying that—as I made clear, I thought that Mr. Neely's actions were wrong. I thought the conference went—was clearly excessive.

Mr. DENHAM. I am not going to continue to beat up on the conference. I think that Mr. Cummings and Mr. Issa did a very good job talking about the Las Vegas conference yesterday. This is about

the overall culture and you were the man that was in charge of the public buildings area which allowed all of these different trips.

Now, we are going to go into many other trips that GSA has gone through, but the Public Buildings Fund has been used not only on these nine trips, but the lavish Las Vegas vacation and Napa and everything else that was on your watch that not only the Western Region did, but every other region.

Miss Norton.

Ms. NORTON. This question is not only for Mr. Peck. I have to ask all of you sitting at the table, because you all live with this system. This puzzled us yesterday at the Government Reform hearing. I sit on that committee as well. This notion about performance and conduct sounds very, very bureaucratic, but I can tell you one thing, that nobody in the real world, I don't think in the private sector even, would separate out conduct and performance so that one could, in fact, be seen as an excellent performer or a good performer while engaged in conduct that the agency frowned on.

So you have to make me understand where the system comes from, if it is peculiar to GSA, and whether you think it is defensible. I would like to go right across the board. Do you think it is a defensible system to bifurcate performance and conduct?

Mr. PECK. No. And I think some of—some of the ways in which there are impediments to—in personnel management and in conducting discipline—have something to do with this, by which I mean this: That there are on the one hand, as every civil servant should have, the right to fair play, the right to due process in disciplinary action. But it is sometimes a very cumbersome practice, and what one is able to do and not to do is not clear, and I think that that gets in the way of mixing the two.

Ms. NORTON. Well, I have got to ask Mr. Miller. Mr. Miller, you are an inspector general. Is this system found across the Government where performance and conduct are on two separate tracks?

Mr. MILLER. No, I don't—I don't believe—well, first of all, I'm not an expert in personnel law, but I don't believe that that distinction makes sense. If someone brought in a lot of leases, but they did it through stealing, that is still a bad performance. You can't separate out the two. And you know, the fact of the matter is that Mr. Neely got a performance award of $9,000, and he got a special act award.

Ms. NORTON. It does seem to me that civil service, which is supposed to keep favoritism out of the picture, this almost encourages favoritism because you can always say, and I'm not assuming that that happened here, you can say well, this is based on one factor or the other. And of course, it runs counter to everything you teach a child. It runs counter to how the President handled this situation. Mr. Peck and Miss Johnson have extraordinary performance records in the Federal Government, but the conduct of the employees under them was laid to them, and so the President decided, it seemed to me appropriately, that he could not bifurcate even their years of excellent performance.

Now, Ms. Brita, you have been in the Government a long time. You were I think Chief of Staff, or very high in the General Services Administration before your record there brought you to the Congress. You have been brought back as a political appointee. Did you see this in the agency when you were there before? Mr. Miller

didn't know of any such bifurcation elsewhere, and given your—given your time in the agency, I would like your view of the performance versus conduct way of viewing one's employees, and where it came from.

Ms. BRITA. Well, Miss Norton, I can tell you what we did on our performance board, not only most recently, but certainly in the mid-1980s, when I was there. Performance and conduct were always considered——

Ms. NORTON. There were no separate tracks in the 1980s.

Ms. BRITA. Performance is a bedrock. Everyone has to perform, so that is a—you must consider performance, but overlaying that is always the overall conduct.

Ms. NORTON. So you don't know when this bifurcation took place.

Ms. BRITA. No, but when you are evaluating the SES conduct as well as performance has to be a part of the overall evaluation.

Ms. NORTON. If one is looking for one way, one remedy, it would certainly be that.

Could I ask you, Mr. Miller, in light of what you testified about the aura of retaliation, and the rest, whether you found that there was any obstruction to your own investigation.

Mr. MILLER. We are looking into all sorts of leads. We currently—we did not find any outright obstruction yet.

Ms. NORTON. In fact, you were able to put quite a bit on the record, it does seem to me.

Mr. MILLER. Yeah, well, we were able to investigate and write this report and publish it without obstruction.

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

Mr. DENHAM. Let's go to slide 13. Mr. Miller, we talked about the 17-day trip to the South Pacific in February 2012; this February, a couple of months ago. So in the last couple of years, Mr. Neely has taken many trips to Napa, several trips on the planning missions to Las Vegas. It all came out in your IG report of May last year. Miss Brita downgraded him on her committee. Mr. Peck went ahead and gave him a bonus anyways. And then your new report came out, which I have got to hand it to you, this report was pretty detailed. This would have been several, I think, committee hearings just in having your initial report a year ago. So your new report comes out. Now it is all hands on deck.

Mr. MILLER. Yes.

Mr. DENHAM. Everybody in GSA knows, apparently, because we have handed this report out. We have seen Members hand this report out to many people beyond Martha Johnson. The Administration is now aware of it. And then several other trips happened, including this trip, a 17-day trip to the South Pacific, to Hawaii, Honolulu, Guam, Saipan, in an internal email trying to justify it.

But here is the personal email at the bottom where his wife asks about the schedule. He tells her it is going to be a birthday present for her. They are excited about the party. What can you tell us about this trip? Was it justified?

Mr. MILLER. Well, we were concerned about the trip. That's why we brought it up with the deputy administrator, Susan Brita. She then brought it up with the regional administrator.

Mr. DENHAM. Miss Brita, did you bring that up to the regional administrator?

Ms. BRITA. Yes, sir, I did.

Mr. DENHAM. Which was who?

Ms. BRITA. Ruth Cox. She is the regional administrator.

Mr. DENHAM. Mr. Peck know about it?

Ms. BRITA. I don't know if Ruth called Bob or not. I know I spoke directly to her.

Mr. DENHAM. Martha Johnson know about it?

Ms. BRITA. I don't believe I mentioned it to Martha. I think I just called Ruth directly.

Mr. DENHAM. OK, so you had concern about this. Obviously, this has gone on for well over a year-and-a-half. We have got two IG reports out now. Still at this point nobody has been fired. Nobody has been put on administrative leave. Nobody has resigned.

A year-and-a-half more of lavish spending, lavish trips. This trips happens. You once again are put in a position where—and you have already been a whistleblower. I mean, I think you did your job. I think you did your job by going to the IG in the first place to say hold on a second, I think we have a problem here. Now, I mean, I congratulate you on that. I think most people would have stopped there. And then this continued to go on for the next year-and-a-half, and you brought it to a number of different people's attention, that this trip shouldn't go on.

And Mr. Miller, you also made a recommendation. What was your recommendation?

Mr. MILLER. Well, we were concerned that this was an unnecessary trip and a waste of money. You saw the email. He says it is a birthday gift for his wife. They quote the song, it is your party, we are going to party like your party—you have read the emails. We were very concerned about this. We were concerned about the performance award that was given, $9,000. There was a special act award of $3,000.

Mr. DENHAM. And have you investigated this trip and the expenses associated with this trip?

Mr. MILLER. We are currently investigating them, yes.

Mr. DENHAM. And you have not provided any of that investigation to this committee yet, have you, other than the emails that directly correspond to it?

Mr. MILLER. We provided the emails, yes.

Mr. DENHAM. You don't have the expenses associated with that trip?

Mr. MILLER. I'm not sure that we provided that yet. We are still working on all of the expenses and working in conjunction with the Department of Justice.

Mr. DENHAM. Did Mrs. Neely or Mr. Neely pay for the expense of a spouse travel?

Mr. MILLER. If you hold on, I will check with staff.

1We have no evidence at this time that the Government paid for Mrs. Neely.

Mr. DENHAM. How often does this happen that you can take a family, you can throw a 21st birthday party for your kids in these suites? How often does it happen that you have family travel, you

have friends travel, you have these expensive suites on the taxpayers' dime?

Mr. MILLER. It seems like they have it backwards. They have to have a legitimate business reason. If it is necessary to travel to accomplish your goals——

Mr. DENHAM. Would a 1-hour ribbon cutting justify a 7- to 9-day trip?

Mr. MILLER. Not in my opinion.

Mr. DENHAM. But in some opinion in the GSA it happens.

Mr. MILLER. Well, apparently it happened. I can't see how anyone can condone that, but——

Mr. DENHAM. Thank you. Mr. Walz.

Mr. WALZ. I yield back my time to you, Mr. Chairman.

Mr. MILLER. They have it backwards. If you have to travel, it is permissible if a family member stays in your hotel room and you pay for that family member's travel apart from that. That's OK. But to plan travel for a birthday is totally impermissible.

Mr. DENHAM. In one of these lavish suites, one of these 2200-square-foot rooms that Mr. Peck and Mr. Neely each had, there was a 21st birthday party thrown for family and friends. Can you discuss what you found in that issue?

Mr. MILLER. As I recall, there was a 21st birthday of a family member of one of the event planners for PBS. And the Location Solvers, I believe, according to testimony, the Location Solvers found a hotel in Las Vegas for that family member and the party, and kind of helped arrange the party, and that they had a party in Las Vegas and they got special room rates arranged by the Location Solvers. Is that the event you were referring to?

Mr. DENHAM. Yes.

Mr. MILLER. OK.

Mr. DENHAM. That was one of the nine trips prior to the Las Vegas vacation.

Mr. MILLER. That was a separate trip. There were nine trips, and I guess planning for the Western Regions Conference. And there were—maybe you are thinking of—they stayed on an extra day and tried to get the special Government rate that was not available for the loft suite, and they tried to get that special rate. Ultimately, they could not get the special rate, and they charged the balance to the Federal Government.

Mr. DENHAM. That was the $1,000, roughly $1,000.

Mr. MILLER. Yes, roughly that.

Mr. DENHAM. So the Government paid for the room?

Mr. MILLER. Yes.

Mr. DENHAM. GSA is the landlord of all of our public buildings. Is there any reason that GSA, all agencies of Government, is there any lack of space that we have right now that would not allow all agencies of Government to hold some type of conference in a public building?

Mr. MILLER. I think there is plenty of space in public buildings to have conferences. This particular conference was to showcase talent, theatrical talent as well as other talent of the GSA employees. You can draw your own opinion as to whether it was necessary in the first place.

Mr. DENHAM. Miss Doone, we have been asking for the financial information and administrative cost data since last year. Obviously, you can see my frustration. It does seem like GSA has been stonewalling us for quite some time. Why has it taken so long to get this basic information?

Ms. DOONE. I can't answer that, but I can tell you that we have your most recent request, your most recent letter that you sent to Acting Administrator Tangherlini, and my office is working on that answer.

Mr. DENHAM. Is there a reason that we have a 200-percent increase in the PBS commissioner's budget.

Ms. DOONE. I can't answer that question because I don't have the numbers that you are referring to.

Mr. DENHAM. Has there been an increase in the PBS budget?

Ms. DOONE. Yes, there has been.

Mr. DENHAM. How big, in your estimation?

Ms. DOONE. It has gone up—it has gone up over the past several years, and as a result of an increase in FTE, as well as cost in utilities and fuels in the administrative cost area that you are referring to.

Mr. DENHAM. Traveling conference budget gone up?

Ms. DOONE. I do not know.

Mr. DENHAM. How do you not know?

Ms. DOONE. Because that information is managed at the level—at the Public Buildings Service level.

Mr. DENHAM. It is not managed. Mr. Peck is unaware of it as well. Does GSA have the authority to remove funds from the Federal Buildings Fund?

Ms. DOONE. The money stays within the Federal Buildings Fund.

Mr. DENHAM. Does GSA have the authority to move money from the Public Buildings Fund?

Ms. DOONE. Not that I'm aware of.

Mr. DENHAM.What is your relationship with the regional CFOs and how are you ensuring that their authority is not undermined at the regional level?

Ms. DOONE. I had no authority with the regional CFOs until Acting Administrator Tangherlini realigned that relationship.

Mr. DENHAM. You have been there for a while though. Did you not have a relationship before?

Ms. DOONE. No.

Mr. DENHAM. So this is a new procedure that is being put in place——

Ms. DOONE. Yes, that is correct.

Mr. DENHAM. Mr. Miller, did you learn from your investigation how a regional office can go so far over budget without anyone holding them accountable?

Mr. MILLER. Yes, I think Region 9 is a good example of that. And if I could just correct something for the record. The special act award to Mr. Neely was $2,000 this year, not 3 that I said. And the performance award was $9,000.

Mr. DENHAM. Thank you. Miss Norton.

Ms. NORTON. I have been—Mr. Neely apparently figures as a central character in this drama. I have been trying to figure out how he became so powerful, if I may use that word.

Mr. Neely is not a political appointee, is that correct? Is Mr. Neely a political appointee?

Mr. MILLER. No, he is career SES.

Ms. NORTON. So this is a career civil servant, not a political appointee who was acting regional administrator for a very long time. I believe 30 months. Could I ask you, Mr. Miller, you, Miss Brita, in playing the role of regional administrator for all intents and purposes and PBS commissioner, in effect was Mr. Neely reporting from one level as himself to another level as himself with no reporting above him?

Mr. MILLER. When he was acting regional administrator, he, as regional commissioner of PBS in one sense would report to himself as acting regional administrator. Theoretically, the PBS regional commissioner would report to the central office PBS commissioner, and to the deputy administrator and the administrator.

Ms. NORTON. So he was reporting in his commissioner roll up through a something of a chain of command to Mr. Peck?

Mr. MILLER. Yes.

Ms. NORTON. In his acting regional administration role, he was doing what?

Ms. BRITA. He was reporting to Steve Leeds, who was the senior counsel to the administrator. He——

Ms. NORTON. Which is like reporting to the administrator?

Ms. BRITA. Well, he was directly reporting to Steve Leeds, and——

Ms. NORTON. No, I am trying to establish whether he had a chain of command.

Ms. BRITA. And Steve reported to the administrator, correct, yes.

Ms. NORTON. What did that lead to? Were there reports up to whoever Steve Leeds is to the—to headquarters from—in his role as acting administrator?

Ms. BRITA. When Jeff reported to Steve Leeds?

Ms. NORTON. Yes.

Ms. BRITA. Whatever conversations he had with Steve Leeds, Steve reported to Martha. I was not part of that reporting chain.

Ms. NORTON. I'm simply trying to understand whether or not Mr. Neely was an island unto himself when he held these two roles, or whether there was any coherent reporting authority who was in charge here.

Ms. BRITA. Well, certainly on paper there was a chain of command and a coherent reporting.

Ms. NORTON. And what paperwork would that have been, Miss Brita?

Ms. BRITA. It would have been—as RA he was reporting himself to Steve, and then Steve—Steve Leeds reported to the administrator. In his role as commissioner, he reported through the RA and he reported directly into headquarters to the commissioner of Public Buildings Service.

Ms. NORTON. Is this true of all of the regional administrators, they have this dual reporting——

Ms. BRITA. Yes.

Ms. NORTON. And how does that work at GSA?

Ms. BRITA. It has been something—we are looking at that. It is something that the acting administrator is reviewing very care-

fully. There are obviously things that need to be streamlined, but we are looking at that as part of our top-to-bottom review.

Ms. NORTON. One wonders if the—two, this is one agency. The two functions are of course quite distinctly different. And I can understand the difficulty we have here. It does seem to me, though, that other agencies with very distinctively different parts end up where somebody at the top is in charge of the whole, and I don't know if this is what happened with the Western Region. I do not know whether this is what happened with Mr. Neely. But Mr. Peck said, in essence, he knew nothing about the conference. So whatever you do down there, if you hold conferences, it apparently never gets to headquarters. Miss Doone knew nothing about the cost, and her title is CFO of the entire agency. This is an agency whose structure makes no sense. I don't know if it grew like Topsy over time, so that you just kind of fill in the the triangles, but I do not understand how, allowing each level to not know what the other is doing with a level of decentralization that comes without accountability. Certainly you have got accountability at the top.

So I am very, very concerned about the structure of the agency. I don't know the origin of this structure. At this point it seems simple minded, and it—and I do want to—I do want to make clear that as a person who ran a complicated Federal agency myself, I certainly believe in decentralized management control. I mean, if you run Federal agencies like it is the Army, you are really going to get in trouble, and by the way, even in the Army there is very decentralized control that you have got. For example, and this is not quite the Army, but in the Selective Service or the Secret Service matter, you notice that when that scandal broke this week that they took the whole unit out? And ultimately, they are going to the supervisors and they are going, it seems to me, up a chain of command. As long as we know who reports to who, so that each one can hold the other accountable, then the decentralization is good. Otherwise, you lose all sense of innovation. People have to ask the layer above them, and then the layer above it what should be done.

Mr. Miller, I don't know if you will be involved because you now know more about at least what went wrong, when the new administrator considers whether there are structural issues. So could I ask you, generally is the IG consulted on such matters as to whether or not there are structural issues that should be remedied when an agency like this one has to consider what its conceivable remedies are?

Mr. MILLER. In the past we have not been, but I would suspect that Dan Tangherlini, the new acting administrator, will consult with us. And I did want——

Ms. NORTON. You would have some recommendations, I take it. Do you think——

Mr. MILLER. We will have some recommendations. Generally, this is an agency function, how to manage itself. It has spilled over into all sorts of problems that we have observed. So——

Mr. DENHAM. Your time has expired. We are going to get deeper into those recommendations in the second panel. We are going to invite you backup for the second panel as well.

Miss Brita, going in a slightly different direction. Do you think the L.A. Courthouse should be built?

Ms. BRITA. The agency has made a decision to move forward with the L.A. Courthouse, Mr. Chairman.

Mr. DENHAM. Do you think it should be built?

Ms. BRITA. As a member of the agency, that is a decision of the agency, and I abide by the decision.

Mr. DENHAM. We have emails. Do you think—we have email. Do you think that it should be built?

Ms. BRITA. I am a member of the agency, and as of now, I believe the L.A. Courthouse, that is the decision the agency made, and I abide by it.

Mr. DENHAM. Have you changed your mind?

Ms. BRITA. I personally will not change my mind about Los Angeles, but as a member of the——

Mr. DENHAM. OK, I will not push any further in this direction.

Ms. BRITA. Thank you, Mr. Chairman.

Mr. DENHAM. The reason I bring up the L.A. Courthouse, this is something that was authorized a decade ago. We have less judges than we had a decade ago. We have empty office space in the Roybal Building, a courthouse that is adjacent to the old courthouse that is there now. The old courthouse has eight vacant buildings. We have vacant courthouses across the Nation.

Why I bring this issue up, it is estimated $400 million that we are going to spend that exceed authorized amounts. This committee in a bipartisan fashion has asked for a new prospectus, regardless of GSA's position, regardless of L.A., or California's position, or the Western Region's position. This is a decade-old prospectus. The building has changed significantly. Expenditures are grossly going to exceed the amounts that have been authorized and there is going to be less space than what was originally authorized a decade ago.

I mean, to me, this seems like we are going to build this at any cost. Why this is relevant, not only has the GSA not come back with a prospectus and ignored this committee, but we have a separate letter from Martha Johnson on the very topic. We are going to be bringing that up again at the next panel as well.

To me it smells like an inside deal. Why would you move forward on this? Let me back up. I don't think that it is a question of why wouldn't you move forward. Because GSA may have its reasons. L.A. may have a way to justify it. There may be a number of different issues and questions out there. But a project that has changed significantly from what it originally was, an expenditure that is going to far exceed what was originally allocated, and a congressional committee that has not said stop the project, not give the money back; just said, give us a new prospectus. Show us how you are going to spend the money. If it is justified, show us that it is justified.

Is there any reason why we would not do a new prospectus on this building?

Ms. BRITA. Mr. Chairman, we have, in Region 9, a new regional commissioner for the Public Buildings Service. We have a new commissioner here at headquarters, and we have a new acting administrator. I believe that this project will get a thorough review. We will work very closely with the subcommittee to answer as many questions—in fact, all of your questions and we will come to a joint

resolution about the Los Angeles courthouse project. It is one of the projects that the acting administrator has asked about in his first few days. We are preparing that briefing. We will get it ready, and we will work with the committee to reach resolution on Los Angeles.

Mr. DENHAM. Thank you. Mr. Walz.

Mr. WALZ. I yield back to you.

Mr. DENHAM. Thank you. I want to go through a separate timeline, Mr. Miller. May of 2010. Intern conference in Palm Springs. You are doing an investigation on that property, or that——

Mr. MILLER. Yes.

Mr. DENHAM [continuing]. That conference?

Mr. MILLER. Yes, sir, we are.

Mr. DENHAM. Is that customary to have interns do a conference? Are interns employees, or are they like our interns that are——

Mr. MILLER. They are employees. They are hired under an intern program, where they are probationary employees for, I believe, 2 years, hired right out of college. So they are full employees, but on probationary status.

Mr. DENHAM. Probationary employees right out of college, interns. Any reason why we would have an intern conference in Palm Springs, Riviera Resort. Excluding travel and per diem the conference itself spent $150,000. Is there any reason we should be spending that on interns?

Mr. MILLER. I see no reason.

Mr. DENHAM. Does it happen in other agencies that you know of?

Mr. MILLER. I don't know that it happens in other agencies. I don't believe it happens throughout GSA, but I will check on that.

Mr. DENHAM. OK, and that IG report you are conducting currently?

Mr. MILLER. Correct.

Mr. DENHAM. OK, October 2010. This is the Western Regional Conference that we have heard so much about, almost $1 million spent, nine different preplanning parties where we had friends, family, all join in on those. Out of all of those different preplanning events, how many is customary? I mean, do you always—do you have preplanning events for each of these different conferences across the United States, around the world?

Mr. MILLER. It varies, but nine is clearly excessive. And they had representatives from the region and a central office representative involved in the preplanning.

Mr. DENHAM. What is customary? In your work as an IG, what is customary in GSA? What is customary in other agencies?

Mr. MILLER. To have a preplanning conference—in terms of offsite at the actual location, I am not sure there is anything that is customary. I can't imagine having, you know, just from my own perspective, having any more than one, if that, at the location.

Mr. DENHAM. I have just never seen it from the business standpoint where you have businesses, corporations that would send not only—I wouldn't think a corporation would send anybody for a preplanning conference, but if you did you would send, I don't know, one or two people. Is there any reason why—let's just assume for a second that there was a need for a preplanning trip.

How many people do you think should go on a trip like that if you were planning?

Mr. MILLER. I don't plan conferences. I am not an expert in this area. I don't know that—how many they should send or not. I think what they would say is that they would need to hook up the audio-visual and make sure it all worked right and that sort of thing.

Mr. DENHAM. Wait. I thought that that was the planning—private company that we paid to do that.

Mr. MILLER. They did hire a private company for that.

Mr. DENHAM. So they hired a private company and they took nine preplanning trips.

Mr. MILLER. Indeed, indeed.

Mr. DENHAM. To check out audio-visual.

Mr. MILLER. In my opinion, the preplanning trips were not justified.

Mr. DENHAM. Shortly after that, Deputy Administrator Brita, we talked about her involvement in this. What is customary when you have an IG investigation? I assume that when a whistleblower comes forward, you talk to the top administrator, which would have been Martha Johnson. Is that—walk us through. How—what happens when you get contacted by a whistleblower? What starts the investigation, and who do you contact?

Mr. MILLER. Well, our office of investigations will assign a special agent to the allegation. We will check it out. We will interview people. We will get documents. We will find out is there anything to this? Is this a meritorious complaint? And as we look at it, we—and we may find more allegations. We may find more suspicious activity, which happened in this case. As I mentioned, you know, we are turning over the—every proverbial rock, every proverbial stone, we found 50 more. And so this is how it would work. The whistleblower comes to us. We assign agents. We may assign auditors. We may assign forensic auditors. In this case, we also assigned attorneys. I would not necessarily communicate with the administrator. I chose to do so on this particular one, in May of 2011, because it was so egregious. We wanted to stop the spending. We wanted to stop the waste.

Mr. DENHAM. How many trips took place between October or November when the whistleblower contacted you and the investigation that you turned over in May of 2011?

Mr. MILLER. The trips by the Region 9 commissioner that's separate from the Western Regions Conference report and investigation. As we looked at the Western Regions Conference issue, we discovered these additional trips by the regional commissioner, and we were quite concerned about that.

Mr. DENHAM. Ongoing investigation on those trips?

Mr. MILLER. Yes, we do. And——

Mr. DENHAM. All of the various trips prior to the October 2010 Vegas trip, and after, subsequent to the Vegas trip you are doing an investigation on.

Mr. MILLER. We are investigating the trips we know of. They include some trips prior to that.

Mr. DENHAM. OK, I am not going to dive too much into that. I have seen some of the emails already, but we will come back to that. May 2011, you came up with your report. You gave that to

Administrator Johnson, and at that time you wanted to get a handle on the regional conference's travel.

Mr. MILLER. We briefed the—Administrator Johnson in May about the WRC. We went through the PowerPoint. The idea was to stop more spending, for her to get control of the conferences. I personally met with the regional——

Mr. DENHAM. I am out of time, but did it stop?

Mr. MILLER. Not that—not that I could tell.

Mr. DENHAM. Thank you. Miss Norton.

Ms. NORTON. I would just like some clarification on the L.A. Courthouse. I mean, it goes back to my first days in the Congress. Why was—I think it was $400 million. Why was the L.A. Courthouse not built then? I mean, it should not have lived to be an issue today since it wasn't built. Miss Brita.

Ms. BRITA. Ms. Norton, the L.A. Courthouse, there was always an ongoing discussion between the judges, between the Administrative Office of the Courts and GSA itself, PBS itself, about what would be built out in Los Angeles; the number of courtrooms, the size of the buildings. It was back and forth and back and forth. It spanned commissioners. It spanned administrations. Even the Bush administration, the Clinton administration. It went back and forth. And it was very difficult for the agency to reach resolution with the judges about what exactly to build out there.

Ms. NORTON. So here we have judges who may know something about the law having a considerable role in what the GSA builds and even—even deeply enough so that they can stop a building from being done simply by objecting to the number of rooms, even how big it is. This is one of the reasons why, of course, we got a GAO report on shared courthouses, and while the judges have been the bane of at least my existence ever since I have been in the Congress, and the committee of course now has a policy which is very clear about who makes decisions about the size of courthouses and who should be involved. I will say it again, the judges have been a major factor in courthouse waste, and the L.A. Courthouse which was bandied about by them in GSA, and I am going to say GSA paying disproportionate attention to them, now leaves us in the position where you have some appropriators wanting the courthouse because the money is out there.

Let me ask you, Mr. Peck. Will any additional funds be necessary—this was at least, what it is 15 years ago, Miss Brita, that this money was appropriated? How is anybody even going to build a courthouse at all, or are you expecting that you will begin to build and you will come back and say, we need some more money for the L.A. Courthouse, which of course this committee thinks we don't need in the first place.

Mr. PECK. Ms. Norton, the appropriations I think for this were made in 2001 and then again in 2004 or 2005.

Ms. NORTON. I am sorry, what was made in 2000?

Mr. PECK. The appropriations for the courthouse.

Ms. NORTON. You mean they keep reappropriating the same money?

Mr. PECK. No, ma'am. I am just saying there were two tranches. There was an appropriation I believe for site and design in 2001 and then appropriation for construction in 2004.

Ms. NORTON. Well, is the total cost $400 million?

Mr. PECK. The total cost is $399 million.

Ms. NORTON. So in 2000, a dozen years ago, it was believed that the courthouse should cost $400 million. Could a courthouse be built in L.A. for $400 million today?

Mr. PECK. Today the construction budget, if I recall correctly, is about $335 million. It can be built. It is much reduced in scope from what the judges wanted. And if GSA manages——

Ms. NORTON. So it is half of your——

Mr. PECK. I would have to go back and look at how many. It is many fewer courtrooms than were proposed back in 2001 or 2004.

Ms. NORTON. Do you think this courthouse should be built at all now that you are free of the post that you held at GSA? If you had your—if you had the ability to make an independent judgment, Mr. Peck, would you believe that there are other ways to accommodate the needs in L.A. than building even a scaled down courthouse?

Mr. PECK. I did take a look at alternatives for providing the kind of security and space that the courts need. I was convinced that the best thing to do was, in fact, to build a new courthouse, to fill up the other building, the Roybal Building, and with respect to the historic courthouse, either retain it in the GSA inventory and move a lot of expensive lease space in Los Angeles into that building or sell off the historic courthouse.

Ms. NORTON. Is that what the agency is going to do?

Mr. PECK. Well, that was when I left, those two alternatives for the use of the historic courthouse was what were being considered.

Ms. NORTON. Could any additional Federal building funds be used if there were any shortfall in building, assuming it precedes the L.A. Courthouse, or does the agency feel constrained by whatever funds have already been appropriated?

Mr. PECK. Well, when I left I said that we would, GSA would never come back for more money for the Los Angeles courthouse if the contract were in fact awarded, but that was my direction.

Ms. NORTON. Has construction begun on a new courthouse in L.A.?

Mr. PECK. No, ma'am. It is, as I understand it, there is a solicitation on the street for a design-build contract to design and build a courthouse for $335 or so million.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. DENHAM. Ms. Doone, when was Mr. Peck fired?

Ms. DOONE. I don't know the specific date.

Mr. DENHAM. Do you have a specific date, Ms. Brita?

Ms. BRITA. I don't. I am sorry, Mr. Chairman. It was the beginning.

Mr. DENHAM. Do you recall, Mr. Peck?

Mr. PECK. Yes, sir.

Mr. DENHAM. Mr. Miller.

Mr. PECK. April 2nd.

Mr. MILLER. April 2nd.

Mr. DENHAM. April 2. Mr. Leeds the same day?

Mr. MILLER. Correct.

Mr. DENHAM. And administrative leave for Mr. Neely?

Mr. MILLER. I believe it was around the same time.

Mr. PECK. Mr. Chairman, I believe it was a week or two in advance of that.

Mr. DENHAM. And who else has been put on administrative leave?

Ms. BRITA. Mr. Chairman, there are four other people who are on administrative leave, the RCs of the various regions and one person at headquarters.

Mr. DENHAM. So which regions?

Ms. BRITA. 7, 8 and 10.

Mr. DENHAM. And 9 is Mr. Neely?

Ms. BRITA. That is correct.

Mr. DENHAM. All four regions have been put on administrative leave?

Ms. BRITA. That is correct.

Mr. DENHAM. None of them have been fired? And then one person at headquarters?

Ms. BRITA. And one person at headquarters.

Mr. DENHAM. How about Ms. Daniels?

Ms. BRITA. I think Ms. Daniels was put on administrative leave just recently. I think she mentioned she got her letter.

Mr. DENHAM. And when did Martha Johnson retire, resign?

Ms. BRITA. The 3rd.

Mr. DENHAM. Mr. Miller, when did you make this committee aware of the IG report?

Mr. MILLER. I believe it was on April 2nd.

Mr. DENHAM. I would agree. I want to go back to this timeline. November 2010, Ms. Brita requests the IG report. May 2011, you finalize the first draft of this. You have now determined there is some fraud, there is some waste, there is some wrongdoing here. And while you have not completed the report at this point you have said stop, we have a problem here.

Mr. MILLER. Yes, sir.

Mr. DENHAM. You took that all the way to the top to Ms. Johnson?

Mr. MILLER. Yes.

Mr. DENHAM. June 2011, GSA Chief of Staff Michael Robertson informs Kimberly Harris, a White House counsel, about an active IG investigation regarding fraud and wasteful spending related to the Western Regions Conference. In June, you would agree with that timeline, Mr. Miller?

Mr. MILLER. I don't know what was said to the White House.

Mr. DENHAM. August 2011, GSA appoints Ruth Cox regional administrator for Region 9, GSA OIG briefs Ms. Cox and advises her to get a handle on Regional Commissioner Neely and his travel.

Mr. MILLER. Correct.

Mr. DENHAM. October 2011, you have already said let's get a handle on this, you have made it clear, crystal clear to the Administrator Martha Johnson.

Mr. MILLER. Correct.

Mr. DENHAM. She has done what she has, at least partially what she is supposed to do and let the White House Chief of Staff or GSA Chief of Staff, liaison to the White House, know that there is a problem. The GSA Chief of Staff, liaison to the White House, alerts Kimberly Harris, a White House counsel. Then a new admin-

istrator or a new regional administrator comes in. Is Ms. Cox still employed?

Mr. MILLER. Yes, she is.

Mr. DENHAM. OK. So you had a recommendation, the White House is alerted, we have a new regional administrator and then Mr. Neely continues to go on a number of different trips: October 2011, a 9-day trip to Hawaii for this road show that we already threw up the email on the party with his wife; November 2011, a 5-day trip to Atlanta to attend a nontraining conference; December 2011, Ms. Brita, deputy administrator, warns of the 17 South Pacific junket that Mr. Neely is about to take in December; several other trips here, Dana Point, Napa, a number of other ones that I know you are going through on your investigation. But February of this year, the 17-day trip goes on. This is after you have told Martha Johnson we had a problem the previous May, we put a new administrator in charge, the White House has been alerted, Ms. Brita has come back and said this trip is not a good idea, you said this trip is not a good idea, and Mr. Neely continues to go on this trip with his wife for her birthday and a party.

Mr. MILLER. Right.

Mr. DENHAM. Did it stop there, did he take any more trips after that? February of this year, was that his last trip?

Mr. MILLER. I believe they had a Napa Valley conference.

Mr. DENHAM. Just one was that?

Mr. MILLER. Yeah, I believe just one.

Mr. DENHAM. How about the March trip, the 4-day visit to Hawaii?

Mr. MILLER. The March trip, March of this year, I think that was the last one we have knowledge of.

Mr. DENHAM. In March of 2012, I have got a 4-day site visit to Hawaii for Mr. Neely, also in March 2012 a 4-day offsite trip to Napa for the executive team meeting, $40,000 for that conference not including travel expenses.

Mr. MILLER. He had four trips after the Saipan 3-week trip.

Mr. DENHAM. I have been asking for information about this budget since day 1. We have requested as a bipartisan fashion to get a handle on this budget. An IG report comes out, internal recommendations, the White House is alerted. We go so far as to replace Neely. You recommend no more trips, Ms. Brita recommends no more trips. Martha Johnson is aware of all of these trips and they continue to go on for the next several months. We are talking a year-and-a-half now. Was anybody fired during that year-and-a-half that you know of? Was anybody put on administrative leave?

Mr. MILLER. Not that I know of.

Mr. DENHAM. Anybody resign?

Mr. MILLER. Not that I know of.

Mr. DENHAM. So on April 2nd, we still don't have a budget, a year-and-a-half later we still don't have all of the expenses that have been spent out of this fund. There is no justification for the amount of money that continues to increase every single year, a budget that is outside of Congress because it uses all the rent money from all of the public buildings, and then not until April 3rd does anybody get fired, does anybody resign or is anybody put on administrative leave and held accountable.

I think the American public can see why this committee is so frustrated. I hope the administration, I hope the new GSA administration is seeing how frustrated the American public is. A lot has been talked about in the media about this lavish expense of Las Vegas, and it is inexcusable. But this culture of fraud, waste, corruption, coverups, while we can't prove it yet there certainly has the perception that there is an inside deal on some of these things. We certainly are going to investigate more into the L.A. Courthouse and other issues like it. But this certainly is not only a dark day for GSA but it is a dark day for the United States Government. We wonder why there is so much distrust in Government.

Mr. Walz.

Mr. WALZ. Well, I would—I think the chairman's frustration, Ms. Norton's frustration and all the Members' is apparent. Again, I would like to thank the IG's office for continuing to do the work that is necessary and to prove that there are checks and balances. This hearing is one of those. And I would echo what Mr. Cummings said, the emotions and frustrations need to translate into changes, systemic changes to make sure it doesn't happen again. That is the real goal. So this is probably only the beginning. And again I don't think words adequately describe our frustration, because as I said, this is money that could have been targeted towards veterans, targeted towards Head Start, targeted towards limited resources, and it wasn't.

So with that I yield back, Mr. Chairman.

Mr. DENHAM. Ms. Norton.

Ms. NORTON. Just one final comment. Mr. Chairman, when the chairman goes through all the trips made after a new administrator was appointed and suggests that there may have been nefarious dealings here, I go back to whether appointing a regional administrator makes any difference in the structure you have. It seems to me that if these trips were going on, the only line, straight line I see is to the commissioner in Washington because these were, he was then a PBS commissioner only. As the commissioner in Washington says, he wasn't the one who was supposed to keep track of these trips even after these issues had become known inside the agency. So I am not sure whether one needed to do anything nefarious if you have—if you appoint a regional administrator and it really doesn't make any difference. Because it looks like her control is either so bifurcated or so attenuated that it doesn't matter unless she is a very strong person, and remember she is only at the regional level.

So I have great problems with how this could have continued. I think that appearance problems are raised. I see no evidence that there was any corruption going on. I think all you had to do was take a trip. And since no one was in charge when you were acting administrator of your trips or when you were PBS and acting administrator of your trips, when you went back to being PBS nobody was in charge, because this agency apparently is structured so that people in Washington don't have accountability even though the line runs straight up to them.

That is very, very troubling. I do want to say for the record that the employees who were put on administrative leave, even people who carried the title of commissioner, were civil servants. And in

our law and in Federal regulations you cannot simply fire them without some due process. So I think that is going on now. What has happened at the top of the agency is that all of the political appointees, so far as I can tell, have in fact been taken out of the agency. That is not going to cure the problems, as testimony here I think today makes clear. And the chairman and I have an obligation to proceed to see just what is going to happen. It is going to be a new regime, but it is going to involve some of the same actors who are at the table this afternoon, and I want to thank you for your testimony.

Mr. DENHAM. We are going to move into the second panel. I would ask Mr. Peck, Ms. Doone, and Ms. Brita to remain within the committee room. There may be further questions that we have for you as the second panel comes on. Mr. Miller, we invite you to stay here on the panel. The second panel of witnesses will not only include Mr. Miller but the Honorable Daniel Tangherlini, acting administrator, U.S. GSA, the Honorable Martha Johnson, former GSA administrator, and Mr. David Foley, Public Buildings Service deputy commissioner.

Mr. Tangherlini, you are the new guy?

Mr. TANGHERLINI. Yes, sir.

Mr. DENHAM. I see no reason that you will not tell us the truth, therefore we will forego the swearing in.

I would ask unanimous consent that our witnesses' full statement be included in the record. Without objection, so ordered. Since your written testimony has been made part of the record, the subcommittee would request that you limit your oral testimony to 5 minutes. Mr. Miller, since we have already received your statement, unless you have anything further you would like to add at this time, we will ask Mr. Tangherlini to begin.

Mr. Tangherlini.

TESTIMONY OF THE HONORABLE BRIAN D. MILLER, INSPECTOR GENERAL, U.S. GENERAL SERVICES ADMINISTRATION; THE HONORABLE DANIEL TANGHERLINI, ACTING ADMINISTRATOR, U.S. GENERAL SERVICES ADMINISTRATION; MARTHA N. JOHNSON, FORMER ADMINISTRATOR, U.S. GENERAL SERVICES ADMINISTRATION; AND DAVID FOLEY, PUBLIC BUILDINGS SERVICE DEPUTY COMMISSIONER, U.S. GENERAL SERVICES ADMINISTRATION

Mr. TANGHERLINI. Good morning, Chairman Denham, Ranking Member Norton, members of the subcommittee. My name is Dan Tangherlini, and I am the acting administrator of the U.S. General Services Administration. I appreciate the opportunity to come before the committee today.

First and foremost, I want to state that the waste and abuse outlined in the inspector general's report is an outrage and completely antithetical to the goals of the Administration. The report details violations of travel rules, acquisition rules, and good conduct. Just as importantly, those responsible violated rules of common sense, the spirit of public service and the trust that America's taxpayers have placed in us. I speak for the overwhelming majority of GSA staff when I say that we are as shocked, appalled and deeply disappointed by these indefensible actions as you are.

We have taken strong action against those officials who are responsible and will continue to do so where appropriate. I intend to uphold the highest ethical standards at this agency, including referring any criminal activity to appropriate law enforcement officials and taking any action that is necessary and appropriate. If we find any irregularities, I will immediately engage the GSA's inspector general. As indicated in the joint letter that Inspector General Brian Miller and I sent to all GSA staff, we expect any employee who sees waste, fraud or abuse to report it. We want to build a partnership with the IG while respecting their independence that will ensure that nothing like this ever happens again. There will be no tolerance for employees who violate or in any way disregard these rules. I believe this is critical not only because we owe it to the American taxpayers, but also because we owe it to the many GSA employees that work hard, follow the rules and deserve to be proud of the agency for which they work.

We have also taken steps to improve internal controls and oversight to ensure this never happens again. Already I have canceled all future Western Regions Conferences. I have also canceled 35 previously planned conferences, saving nearly $1 million. I have suspended the Hats Off stores and have already demanded reimbursement from Mr. Peck, Mr. Shepard and Mr. Neely for private in-room parties. I have canceled most travel through the end of the fiscal year agencywide, and I am centralizing budget authority and have already centralized procurement oversight for regional offices to make them more directly accountable.

I look forward to working in partnership with this committee to ensure that there is full accountability for these activities so that we can begin to restore the trust of the American people. I hope that in so doing GSA can refocus on its core mission, saving taxpayers' money by efficiently procuring supplies, services and real estate, as well as effectively disposing of unneeded Government property. We believe that there is a great need for these services and the savings they bring to the Government and the taxpayer.

There is a powerful value proposition to a single agency dedicated to this work, especially in these austere fiscal times. We need to ensure we get back to basics and conduct this work better than ever. At GSA our commitment is to our service, our duty and our Nation and not to conferences, awards or parties.

The unacceptable, inappropriate and possibly illegal activities at the Western Regions Conference stand in direct contradiction to the express goals of this agency and the Administration, and I am committed to ensuring that we take whatever steps are necessary to hold responsible parties accountable and to make sure that this never happens again. We need to focus this agency on the basics, streamlining the administrative work of the Federal Government to save taxpayers' money.

I look forward to working with the committee moving forward, and I welcome the opportunity to take any questions. Thank you.

Mr. DENHAM. Thank you. Ms. Johnson.

Ms. JOHNSON. Chairman Denham, Ranking Member Norton, and members of the committee, on April 2, 2012, I resigned as administrator of the General Services Administration and left my cherished career as a public servant. I stepped aside to allow a new

team to rebuild GSA from the major missteps of the Western Regions Conference in October 2010.

I previously served GSA in the Clinton administration, leaving in 2001. At that time the leadership team was strong, the schedules, design excellence and other programs were producing much value for their customers.

When I returned to GSA in 2010, the agency was not the same. A quarter of the executive positions were empty, customers viewed our partnership askance, labor relations were acrimonious, the leasing portfolio had ballooned and more. Nearly 2 years had elapsed without a confirmed administrator. My confirmation was delayed 9 months. By the time I was sworn in, a sequence of four acting administrators had overseen the agency.

I did not know there was yet another problem. The Western Regions Conference had evolved into a raucous, extravagant, self-congratulatory event that ultimately belittled Federal workers. The expense of planning for the conference was well underway when I entered GSA and I was unaware of the scope.

Thus, I began my tenure as administrator. I take this opportunity to thank the overwhelming majority of GSA's 13,000 employees who rose to the task of renewal. Their record is extraordinary. Energy efficient buildings, competent management of the fleet, IT acquisition, the innovative challenges .gov Web site and much more.

For my part I set about reconstituting GSA's executive team after much work. Customers now praise GSA publicly, the labor partnership is fruitful, GSA has email in the cloud and GSA will relinquish leases and save millions with its renovated headquarters.

However, GSA's performance tragically does not compensate for the mistakes of the Western Regions Conference. I greeted the IG report of the conference without hesitation agreeing with all the recommendations. I am extremely aggrieved by the gall of a handful of people to misuse Federal tax dollars, twist contracting rules, and defile the great name of GSA.

This is how that chapter unfolded. Deputy Administrator Susan Brita requested an investigation into the conference. The IG subsequently shared with us a PowerPoint deck in May 2011. I realized this was a very serious matter. We needed all the facts, all of them, however painful and disruptive. While the investigation continued we appointed a regional administrator for Region 9, relieving Mr. Neely of that role, established a chief administrative services office reporting to me with responsibility for GSA's acquisition, oversight of travel and conferences and the like, continued streamlining and shortening Government training conferences. We also catalogued our own conferences, and Ms. Brita reviewed expenditures until she was satisfied that controls were in place. Upon receiving the IG's draft report in February 2012, we began disciplinary action, revised internal controls and adjusted budgets to penalize regions for the wasted money.

The egregious and coarse nature of the evidence and the waste of resources assured a loss of confidence in GSA leadership. Therefore, I terminated two appointees in the chain of command and submitted my own resignation. I personally apologize to the Amer-

ican people. As the agency head, I am responsible. I will mourn for the rest of my life the loss of my appointment.

Mr. DENHAM. Mr. Foley

Mr. FOLEY. Thank you. Chairman Denham, Ranking Member Norton, members of the subcommittee, thank you for inviting me here to testify today. My name is David Foley, and I am the deputy commissioner for the Public Buildings Service.

I sincerely apologize for my remarks at the awards ceremony for the Western Regions Conference. At the time of my remarks I was not aware of the significant spending irregularities. I did not intend to condone any wasteful spending or minimize the role of congressional oversight. As I said yesterday, I especially want to apologize to this committee in particular and Congresswoman Norton. I have the utmost respect for her and this committee. You have always been strong advocates for GSA and its programs while holding us accountable as an agency.

I did not mean to belittle you or your role in any way. I attempted to make a joke in the context of a talent celebration that I perceived as being similar to a comedic roast. As the deputy commissioner, I should have taken the stage to stress that we have a serious job and responsibility as stewards of taxpayer funds. I realize I missed a real opportunity to address the nearly 300 people in my organization and stress the importance of the work we do.

During my presentation at the award ceremony I told the award recipient I was making his dreams come true by making him commissioner for the day. Obviously that was a joke. I was not seriously delegating any authority to the awardee. I also joked about some of the obligations of being commissioner. My understanding at the time was that the commissioner was paying for the charges associated with the after-hours party on Tuesday evening, so I tried to use that in a humorous way and suggested the awardee would have to pay for the party and the hotel.

Finally, I said the acting commissioner would have to answer for his proposed pay increases in the video. My intent was to point out the commissioner has a lot of responsibilities and has to answer to a lot of people in the Administration and Congress, not to mock the various oversight roles. My remarks were wrong and I take full responsibility for what I said.

I understand the outrage about this conference, my comments and how they have inflamed all of the issues surrounding this event.

I preface the rest of my statement by saying I have only seen a draft of the IG report that appears to be the same as what has been released publicly. I have not seen any of the supporting documents and was not questioned or briefed by the IG during the investigation so I do not know all of the details. This represents my understanding based upon what I remember from almost 2 years ago.

Concerning my role in the Western Regions Conference, again I want to start by personally apologizing. While I was not directly involved in the planning for the conference or any of the financial and contracting irregularities identified in the inspector general's report, I did attend 2½ days of the conference. There were things

that seemed over the top, but I believed they were not being paid for with Government funds.

In past conferences items like the tuxedos and the after-hour parties were paid for by individuals, not the taxpayer. Had I known what has since been revealed I would have been concerned and reported it. Because of the regional reporting structure in our agency I did not have supervisory control or authority over how the regional budget was spent, procurement activities or any of the employees in the Western regions. The regional commissioners and their staff reported directly to their regional administrators with input from the commissioner who report in turn to the administrator's office. My primary role as the deputy commissioner is dealing with the Office of Management and Budget, Congress and other Federal agencies on critical projects and policy issues. I am not a contracting officer, and I do not have a warrant to approve expenditures.

I have spent the last 15 years of my career working for GSA, and I believe strongly in the agency's mission and the value it provides to other agencies and our country. I am truly sorry for my comments and apologize to this committee, the Administration, my fellow GSA employees and, most importantly, the American taxpayers.

At this point I am willing to take any questions you may have.

Mr. DENHAM. Thank you. Let me start with Mr. Tangherlini. I know there is going to be a number of questions about what you are implementing today and the reassurances you can give to the American public that you have put the safeguards in place to address this.

I want to just touch on before we get started with the questions what is being done on transparency. You have heard—I have been asking, this committee has been asking for quite some time for a budget for the last 5 years. I assume that that is something that you have readily available today. How long will it take you to get that to this committee?

Mr. TANGHERLINI. I have your letter of April 13th. You have given us an April 25th deadline. I intend to meet that deadline.

Mr. DENHAM. Five-year budget, full details, full disclosure?

Mr. TANGHERLINI. We will provide you all the information that we can get. As you heard today, there are serious concerns about the way the data has been managed within the regional structure, but I will get you everything I can.

Mr. DENHAM. You are also doing an internal audit right now. The IG is still doing an audit or an investigation. What will the audit, what do you anticipate, what are you looking for in the audit that you are not going to get for me in the IG report?

Mr. TANGHERLINI. Well, I want to do a top-to-bottom review of the organization, how it is set up, how it spends its money. I want to see what I get out of that. I want to see if there are issues of how we can better structure it. Already we have taken a move to bring the financial offices, the regional financial offices, and the service financial officers under our CFO. We have done—taken some action to centralize oversight of procurement authority. And that is just the start.

Mr. DENHAM. When do you expect to be done with the audit?

Mr. TANGHERLINI. Well, I want to take as much time as necessary to get a great picture of the status of the organization. That having been said, if there are ideas that come out of our review, we are going to implement them immediately.

Mr. DENHAM. Will the audit take months, weeks, years?

Mr. TANGHERLINI. We would like to do it as part of the budget development process, which culminates in submitting the 2014 budget in September. That having been said, if there is anything that needs to be changed immediately we are going to change it.

Mr. DENHAM. Well, this committee would request not only the immediate changes that are being done in detail but we would also request a copy of that audit. Do you think it will take as long as September to receive a copy of the audit?

Mr. TANGHERLINI. I would call it more of a top-to-bottom review than an audit. An audit is a very specific activity. But that having been said, any details that we develop we will be happy to share with the committee.

Mr. DENHAM. Thank you.

Mr. Miller, you have referred a number of things to the Department of Justice, criminal action, some sweetheart deals. Can you—what can you share with this committee on the reference to DOJ?

Mr. MILLER. Very little, unfortunately. I can state that we made the referral and that is about it.

Mr. DENHAM. Ms. Johnson, the timeline that I went through—well, first of all, let me start with the first timeline that I discussed with Mr. Peck. Ultimately I hold him accountable for not sharing or ignoring or stonewalling this committee on the budget. Obviously there was a great deal to hide. But in over a dozen requests to have a copy of that budget over the last year-and-a-half, we also requested and submitted a letter to you, is there any reason why you failed to permit us or failed to give us a copy of the budget?

Ms. JOHNSON. I am sorry if there was a request in to me to supply you information that I did not acknowledge or respond to. I do not have a memory of this at this time.

Mr. DENHAM. Thank you. Let me go into the timeline of the different travels we have seen here. I would assume that when we see the further investigation that it is going to result in a number of other trips. I think this committee, I think the American public at this point is probably prepared for the worst after seeing what we have. But nevertheless let me start with May of 2010, where we had the nine trips for the preplanning. A lot has been talked about Las Vegas. You endured a lot of that yesterday with $1 million being spent on the Vegas trip. My concern is the pattern here and what happened after the fact.

Ms. Brita went to the IG in November. In May the IG came back with the recommendation to you, advised you to get a handle on the regional conference's travel. This is May of last year. In June, the Chief of Staff, your Chief of Staff Michael Robertson informed the White House, he was formerly the liaison to the White House, he let Kimberly Harris, a White House counsel, know about an active IG investigation regarding fraud and wasteful spending related to the Western Regions Conference. In August you felt it was important enough to put Ruth Cox, regional administrator for Region

9—let me stop there. Did you put Ruth Cox in as the new regional administrator?

Ms. JOHNSON. Yes, we appointed Ruth Cox as the regional administrator.

Mr. DENHAM. Why?

Ms. JOHNSON. We needed to fill the administrator, the regional administrator's position. It had been double filled by Jeff Neely for quite a while. While I had been working hard to get regional administrators in all the regions, this is the one that was still outstanding and I was eager to get it filled. For a number of reasons, not the least of which is that the regional administrator is an important person in the line of, in the chain of command, in the line of authority over the regions and I am the administrator of the whole organization, the regional administrators are in the regions, and it is important to have that presence there.

Mr. DENHAM. You advised the new regional administrator, Ruth Cox, to get a handle on the Regional Commissioner Neely's travel?

Ms. JOHNSON. I did not personally advise her to get a handle on his regional travel.

Mr. DENHAM. Thank you. My time is expired. I will come back to that.

Ms. Norton.

Ms. NORTON. Thank you very much. Mr. Foley, I heard your testimony yesterday as I was of course in the cloakroom, and as I said yesterday, even members of the Oversight Committee know the difference between a joke and corruption. So I recognize that that was a joke. The problem with the joke is that what nobody knew at the time was that there was some honest to goodness, perhaps not as the joke had indicated, but some honest to goodness nefarious dealings that have come out since. And as I reported to you, unless you feel that I took umbrage at the joke, I took just the opposite since the joke had you, or somebody had me already on the phone with a conference call questioning some of the excesses. That really wasn't the problem. The problem was that it turned out that this whole affair was no joke.

I must say I don't understand your title. You have the title of deputy Public Buildings Service commissioner.

Mr. FOLEY. Deputy commissioner, yes.

Ms. NORTON. Does—do the commissioners report, in the regions do the commissioners, the building service commissioners report to you?

Mr. FOLEY. No.

Ms. NORTON. So what is your function?

Mr. FOLEY. As I said in my opening statement, my primary function is dealing with the Office of Management and Budget, congressional committees and other agencies on critical projects, policy issues and initiatives.

Ms. NORTON. So you are basically a policy person, not a person in the line, in the chain of command for the public service commissioners?

Mr. FOLEY. Correct. I have one direct report.

Ms. NORTON. Why did you go to Nevada?

Mr. FOLEY. I gave a presentation on the afternoon of my arrival on Tuesday on our performance results, key initiatives, and outlook

on the capital budget for fiscal year 2011. I also stayed until the end for the award ceremony.

Ms. NORTON. Mr. Miller, the notion of Hats Off will have no meaning to the general public, has no meaning to me. As I understand it, it is supposed to reward employees for meritorious work. Would you please describe the Hats Off program?

Mr. MILLER. The Hats Off program was one of many programs at GSA. Each program had a different name. In Region 9 it was known as Hats Off.

Ms. NORTON. Was it only in Region 9?

Mr. MILLER. No, it was in other regions except for Region 2. All the other regions had a similar program. The idea was if an employee performed well they would get a certain number of points.

Ms. NORTON. Well, who would give the points, Mr. Miller?

Mr. MILLER. They could be given by a coworker, they could be given by a supervisor.

Ms. NORTON. Mr. Miller, just a second. They could be given by a coworker?

Mr. MILLER. Correct. So one coworker could give points to another coworker and the other coworker could give them back.

Ms. NORTON. Based on what, Mr. Miller? Is Hats Off for the purpose of awarding something at the end after a number of points have been reached?

Mr. MILLER. Yes. You collect the points and you can trade the points in for a prize. Under GSA regulation the prizes could not exceed $99. In Region 9 they did exceed $99. They included iPods, digital cameras, and similar electronic items.

Ms. NORTON. Mr. Miller, what is to keep—I don't understand the point system. I have a friend, I need some points. How does one have to justify giving points if you are a coworker or for that matter if you are a supervisor?

Mr. MILLER. We found a rampant abuse of the point system and of the program, and we recommended shutting it down. So I believe that Administrator Johnson had a review by the CFO Alison Doone, who was on the first panel. She did a review of all the programs across the country. We were told that in September of 2011 that Region 9 was shutting down its Hats Off program.

Ms. NORTON. I am going to have to come back to this, but I have got to understand how a coworker could help you get points, but go ahead.

Mr. MILLER. Well, that is part of the problem that we identified.

Ms. NORTON. Because it is supposed to be for work related matters?

Mr. MILLER. Correct.

Ms. NORTON. And normally work is judged by a supervisor of some kind?

Mr. MILLER. Correct. And supervisors technically were not supposed to receive rewards on the basis of this.

Ms. NORTON. Supervisors themselves could not receive?

Mr. MILLER. Correct. But in Region 9 I believe there were some supervisors receiving some awards.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. DENHAM. Ms. Johnson, what restrictions were on the regions to confine their spending to approved budget levels?

Ms. JOHNSON. Restrictions by the regions. The regions are made up of the two divisions, the Federal Acquisition Service and the Federal—the Public Buildings Service. The Public Buildings Service budgets were allocated out of the central Public Buildings Service office to the regions, and so that portion of the regional budget was managed by the region and reported back up into the Federal, the central office of the Public Buildings Service. The Federal Acquisition Service has a different process. They have a different fund that they work from and their reporting structures are highly centralized and—are highly centralized.

Mr. DENHAM. So how do you approve the budgets?

Ms. JOHNSON. I approved the budgets. I met with the commissioners weekly and on a quarterly basis we reviewed their financial performance. In terms of approving their budgets as we went through the budget cycle every year thinking about what was—well, in the Public Buildings Service what was going to be a budget request. All of that was related to me and we met and discussed it. On the acquisition side it was a different kind of conversation because it was based on the acquisition fund that yielded their essential revenue and then how they spent it. They reviewed that with me quite carefully.

Mr. DENHAM. So how did the budget triple, PBS commissioner's budget triple from 2009 to 2011?

Ms. JOHNSON. Congressman, I am sorry, I don't know about those numbers and I am not able to research them.

Mr. DENHAM. How did it go up by $50 million for the PBS headquarters?

Ms. JOHNSON. I don't understand that and I don't know.

Mr. DENHAM. How did it go up by $80 million, $83 million for the regional offices?

Ms. JOHNSON. I don't understand that and I have no knowledge about that that is useful right now.

Mr. DENHAM. So then you certainly wouldn't know how a budget for these conferences would balloon from $250,000 if they had it budgeted to more than $800,000, almost $1 million?

Ms. JOHNSON. Congressman, when I received the final report from the IG delineating these expenses and these abuses, I was appalled and I pulled the disciplinary levers that I could pull immediately. I then removed the two senior officials in the chain of command and I resigned.

Mr. DENHAM. I want to come back to that. But let me finish with this understanding of how your operation worked.

Ms. JOHNSON. OK.

Mr. DENHAM. Mr. Neely and the other Public Buildings Service regional commissioners, who are they accountable to? Was it Mr. Peck?

Ms. JOHNSON. GSA is a matrix organization. I know Congresswoman Norton is also concerned with this. It is a matrix organization in that the regional commissioners, both the FAS acquisition service and PBS service, reported in two ways. They reported to their regional administrator who was the immediate representative of me in the region, and then they reported functionally to the central office commissioners because that is where they received their budgets and their strategic direction. It is a matrix, like a corpora-

tion, it is not an easy one. It is not command and control like military services, it is a matrix. And so——

Mr. DENHAM. Mr. Tangherlini, I assume you think that is a problem?

Ms. JOHNSON. It was difficult to manage, it is always difficult to manage a matrix.

Mr. DENHAM. Or changing the matrix, Mr. Tangherlini?

Mr. TANGHERLINI. We are going to look at the matrix. Clearly this form of structure created some issues associated with this conference and we are concerned about what it could create going forward.

Mr. DENHAM. Ms. Johnson, you were briefed by the IG last May. Why did you allow Mr. Neely and others to continue their trips and offsite meetings up until just a couple of weeks ago?

Ms. JOHNSON. Congressman, the conversation that we had with the IG in May alerted me to how serious this investigation was. I have a lot of respect for the IG and what an investigation entails. I immediately began some activities with respect to the controls and the immediate leadership in the region. But I have to say I respected the investigation and I did not want to act on inconclusive material. It was not the final report. And until I got the completed final report I did not feel I would be doing anything but interrupting what was an investigation, which my deputy had requested. So the fact that it took an additional 9 months was not what I was expecting at that point. That was a wrinkle in this problem that was very difficult to manage around. I did——

Mr. DENHAM. The IG—an investigation is a very serious thing, is it not?

Ms. JOHNSON. It is a very serious thing. And the initial report indicated a number of things that were very concerning. It was an inconclusive report. It was not——

Mr. DENHAM. Yeah, inconclusive. But you have the inspector general here. Mr. Miller, did you inform Ms. Johnson about this potential fraud, waste and abuse and did you tell her to get a handle on Mr. Neely's travel, on the entire regional conference's travel?

Mr. MILLER. We went through the PowerPoint very clearly.

Mr. DENHAM. Did you tell her to get a handle on it? We went through a lot of this already. I just wanted to know whether you told her to get a handle on it or not?

Mr. MILLER. I told the regional administrator in August to get a handle on Mr. Neely's travel. When I talked to Administrator Johnson, I told her directly that I thought that Mr. Neely needed to be candid with our special agents because in the interview he said some things that we thought were less than candid and I thought that was not appropriate for a Senior Executive Service official.

Mr. DENHAM. Ms. Johnson, you said you took immediate action. You took immediate action 2 days ago. This is a pretty scary report.

Ms. JOHNSON. I agree.

Mr. DENHAM. I mean yes, certainly you want to see the overall findings. But to see that they spent $1 million in Las Vegas is right here. To see what they spent it on, to see the pictures of the 2200-square-foot rooms, to see that they went well over their budget. We

have a completely separate investigation going on now because you failed to take action. It has in here in this initial report of May of last year that they had nine different trips. It certainly has, while inconclusive, at least the initial appearance that laws have been broken, criminal acts have been committed. I guess the very simple question is if you took this serious why did you not act, why didn't you stop all travel, why didn't you make serious adjustments, why didn't you make the budget—bring the budget out then and allow this committee at the very minimum to see what was happening in the budget?

Ms. JOHNSON. At the time, as I said, I highly respected that the IG was undertaking a very serious investigation. To preclude what would be the conclusions of that investigation I was concerned would in some way taint the ability we would have to discipline.

I took it very seriously, Congressman. I can only say that I took it so seriously I gave up my public service career.

Mr. DENHAM. A year-and-a-half later. And during this time nobody was fired, nobody was put on administrative leave. You had a report back last May that showed all of these trips, that showed how much over budget they went. Now, you may not have very good controls over your budget, which I find appalling, but that report last May shows you the numbers. So if you didn't have control over your own budget, the inspector general is now telling you what is in your budget, how much over budget they went, some of the egregious acts and some of the criminal action, and you took no action during that time.

Ms. JOHNSON. I did take some action.

Mr. DENHAM. Was anybody fired?

Ms. JOHNSON. I appointed a regional administrator, I set up a centralized office to oversee GSA travel, conferences and procurement, and we continued what had been a very strenuous effort around disciplining and streamlining conferences that I can go into detail about.

Mr. DENHAM. Ms. Norton.

Ms. NORTON. I want to make sure we draw a line between what might have been mixed in the chairman's questions. On the one hand he talks about people fired and administrative leave, on the other hand he raises a serious question about expenditures and what could have been done. Now, the reason I raise that is because of an email I have from Mr. Miller's deputy which—this is on May 3, 2011—I am sorry, on July 25, 2011, indicating that the May 3rd report was an interim report and, and I am quoting the email, our purpose in issuing the interim report was to alert GSA to potential waste and abuse so GSA could take steps to avoid future issues.

So that speaks to the first part of the chairman's question about reining in spending. The second part warns, please be advised that the investigation is ongoing and no personnel action should be taken until you have received the final report. I view that to read that you could not have put people on administrative leave and you could not have fired people until the final report.

Is that true, Mr. Miller?

Mr. MILLER. I think the point of the last part is adverse personnel action and that is firing someone. If they wanted to restrict travel that was fine, if they wanted to restrict conference planning

that was fine. They also had the final Hats Off report that implicated misconduct on the part of the regional commissioner. If they wanted to take action on that report that was fine; if they wanted to fire or put on administrative leave, all that would have been fine.

Ms. NORTON. So I think the chairman's question, if we can leave aside what Mr. Miller's deputy had warned you about, which is taking personnel actions, and that would have meant putting people on administrative leave, that would have been firing people, the deputy does seem to say, indeed almost seems to encourage, because he uses the word "alert," alert GSA to potential waste and abuse so GSA could take steps to avoid future issues. That is why I want to give you every opportunity to outline whether or not you took that as a warning that you should move ahead on the spending and expenditure issues even though you could not take the action you ultimately took with respect to administrative leave and discharging employees?

Ms. JOHNSON. I believed upon hearing the report and knowing about the Hats Off situation that we had a number of issues around——

Ms. NORTON. Did you do anything about the Hats Off at that point?

Ms. JOHNSON. Deputy Administrator Susan Brita and Steve Leeds were briefing me on it. I do believe, the best of my remembrance, and again I do not have any of my material, so bear with me on that and I can try to check it out if I need to, but they were updating me on the status of the Hats Off investigation. The CFO was doing a report about the various regional——

Ms. NORTON. Did you ultimately—before you left did you ultimately eliminate Hats Off in that region?

Ms. JOHNSON. I understood that we had, yes. The——

Ms. NORTON. You understood that we had. I mean, whose job was it?

Ms. JOHNSON. I was being briefed by Steve Leeds and Susan Brita, my deputy administrator and my senior counsel, both who had been in those activities and both of whom had met more often with the IG than I was able to meet. Susan, Ms. Brita, was the deputy administrator and she was the chief operating officer, and we have processes by which we are formally interacting with the IG.

Ms. NORTON. Ms. Johnson, in retrospect if you had to do it all over again, would you have taken more affirmative steps to rein in the spending and to get a foothold on the excesses in spending and in conduct that were reported that you might have done something about?

Ms. JOHNSON. Hindsight is always much better than current vision. I believe I was working from the best understanding I could make of what my—of what the situation was. There were a number of levers that I was pulling, putting leadership into the region. As I believe Alison Doone mentioned, she and—or maybe it was Bob Peck—she and Bob Peck and I had met——

Ms. NORTON. You don't believe other actions, given what you knew at the time, should have been taken?

Ms. JOHNSON. I believe action should have been taken. I believe that—I believe other actions were being taken. I was—I dealt—I tasked my commissioners and my senior staff with various issues and responsibilities. I assumed that they were managing accordingly. They were part of this. My deputy, my senior staff, my senior counsel, and the commissioner and I were hearing that things were moving. So I was assuming it was going on. I did not review in a line item way all of these things with each one of them all the time.

I do want to go to the point about the financial controls. The CFO, Bob Peck, and I had met and were beginning to move in the direction of consolidating the financial reporting structure that you asked about earlier. And I am heartily in agreement with the need to pull much more, much more of that reporting structure into the central office of the Public Buildings Service.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. DENHAM. We will get back to this timeline here in a minute, but you are an administrative appointee. You are appointed by the President.

Ms. JOHNSON. Yes, I was and approved by the Senate, uh-huh.

Mr. DENHAM. You were approved by the Senate when?

Ms. JOHNSON. I think in February——

Mr. DENHAM. When did your confirmation——

Ms. JOHNSON. In February 2010.

Mr. DENHAM. The Commander in Chief appoints you to a position. I assume that you follow his directive?

Ms. JOHNSON. I certainly tried to.

Mr. DENHAM. December 22nd, 2010, Executive Order 13561, Adjustment of Certain Rates of Pay. The Executive order was given by the President in December of 2010, prior to you being confirmed as an appointee. Why would you not follow that directive by the President?

Ms. JOHNSON. I am not sure I can speak to that substantively. I assumed that directives from the President about salaries and so on flowed through OPM and we received them in our human resources office and responded.

Mr. DENHAM. Were you giving raises?

Ms. JOHNSON. I believe that there are—I believe the raises that were allowed were within a grade. But I don't have a lot of detailed knowledge about that nor substantive memory of it right now.

Mr. DENHAM. Did you give bonuses?

Ms. JOHNSON. We did give bonuses to the senior executives, yes.

Mr. DENHAM. Did you give a bonus to Mr. Neely?

Ms. JOHNSON. We did give a bonus to Mr. Neely.

Mr. DENHAM. Why?

Ms. JOHNSON. The recommendation from the Performance Review Board chaired by Ms. Brita was to give him a 3. I asked Ms. Brita if they had discussed in the review the IG report and where it was. She said there was virtually no mention of it in the meeting. I can't remember her exact words, but she said that they did not consider that in their deliberations of recommending a 3.

The buildings commissioner recommended a 4. He said that based on Mr. Neely's performance with respect to the leasing port-

folio, was the strongest across the country, and that fit with a 4 recommendation.

I appreciate the issues between conduct and performance, but both recommendations given to me were based on these performance measures, and I accepted the commissioner's recommendation.

Mr. DENHAM. You have a report that has been issued by the IG. I got to say, if the IG called my office, I think everybody in our office would snap to attention. I mean, the FBI comes into your business? You bet people pay attention. Now, if the FBI came back to a business and issued a preliminary report, do you think that—let me back up.

Mr. Miller, when you go into somebody's office and you issue a preliminary report, what happens?

Mr. MILLER. People pay attention to the report. They read it. They try and——

Mr. DENHAM. They pay attention. They take the recommendations you give serious?

Mr. MILLER. Yes.

Mr. DENHAM. OK. And you gave some recommendations in this case?

Mr. MILLER. Well, it was an interim report. So we went through the interim report, and——

Mr. DENHAM. You gave the top execs a heads-up?

Mr. MILLER. Yes.

Mr. DENHAM. "There is a problem here. We have identified there is a problem. I just want to let you know that we are going to dig deeper."

Mr. MILLER. Yes. And there is a big problem.

Mr. DENHAM. Mr. Neely is mentioned several times by name all over this report.

Mr. MILLER. Yes, sir.

Mr. DENHAM. Ms. Brita comes back and says that—part of this commission—he should not be approved for a bonus. The President issues an Executive order on December 22nd of 2010.

So between the President's Executive order to his appointed secretary and Ms. Brita coming back and saying he should not be recommended for a bonus, and your IG report that shows, at a minimum, egregious behavior, but probably some criminal action—obviously, the DOJ—we are not going to name names, but the DOJ has been alerted to criminal action. We have dismissed people from this committee because of that.

Mr. MILLER. Yes. And she also had a final Hats Off report that identified bad behavior on the part of the regional commissioner.

Mr. DENHAM. So if you are taking the Commander in Chief, the President who appointed you serious, and you follow his direction, and he issued an Executive order, and your own committee staff said that this is not a good idea, why did you move forward?

Ms. JOHNSON. The President—the Performance Review Board was recommending bonuses. I don't believe they were covered by the President's Executive order. We were encouraged to and we were reducing the amount of the bonuses substantially.

The Performance Review Board made a recommendation to me of a 3, which could have carried a bonus. They recommended the 3, the commissioner recommended a 4, and I accepted the 4.

Mr. DENHAM. If the FBI came to my business and said that they were investigating several individuals, I can tell you, those individuals would not be traveling, those individuals would not be getting raises or bonuses. And you had the equivalent of that, the inspector general coming to you and saying that there is an issue. Not only saying that there is an issue, "Heads-up, we have an investigation going on," but they gave you documentation back that you then shared with other people in your agency.

Is that customary, to share that information?

Ms. JOHNSON. I did not share that information with anyone else.

Mr. DENHAM. You didn't give it to anybody?

Ms. JOHNSON. No, I did not.

Mr. DENHAM. How did Bob Peck get it? How did Mr. Neely get it?

Ms. JOHNSON. Ms. Brita and Mr. Leeds and Bob Peck and Michael Robertson and I discussed the entire matter together in a meeting. It was a meeting in which we reviewed what was happening. We agreed it was egregious, it was of high concern. And we——

Mr. DENHAM. Who was at the meeting?

Ms. JOHNSON. The deputy administrator, the Chief of Staff, the commissioner, the senior counselor, and myself.

Mr. DENHAM. Mr. Robertson, Mr. Peck, Ms. Brita——

Ms. JOHNSON. Mr. Leeds and myself. And we discussed this report, and we agreed it was egregious. And we were eager—we were eager to get the final report so we could act. It took 9 months before we were able to receive a final report. I will say that, had I had that report earlier, I felt I could have moved much more strongly with respect to——

Mr. DENHAM. We will come in deeper into those details.

Mr. Walz?

Mr. WALZ. Well, thank you, Mr. Chairman.

And, Ms. Johnson, I want to make sure I avoid gross generalizations, and due process. And I, myself, and I know this committee as a whole, the interest is not for grandstanding. And while the loss of your career is personally tragic to you, I will have to tell you, if you will excuse me, my concern lies with the taxpayers today. And regardless of what happened here, I don't doubt your sincerity that you are sorry this happened, but I hope you recognize the magnitude of how far this reaches.

And it is just incredibly difficult for me to imagine that this happened, having worked in different organizations and seen it. I think your analysis was very honest about the organizational, your matrix design, or whatever. But, I mean, first-year graduate students can do a GAAP analysis and see there were problems here. And it doesn't appear like that was done. And waiting for—I am not going to pass judgment other than what we have seen here. There are certainly some problems.

I want to turn here a little bit here, Mr. Tangherlini, to you. How did you get this job?

Mr. TANGHERLINI. I was asked by the White House to step in.

Mr. WALZ. What were you doing prior to this?

Mr. TANGHERLINI. I was the assistant secretary for management and chief financial officer of the United States Department of Treasury.

Mr. WALZ. And do things at Treasury work the same as you see working at GSA?

Mr. TANGHERLINI. Based on what I have seen just through this report and the little I have seen, no, they do not.

Mr. WALZ. I have a question on this. Now, you came in, you made a command decision, you canceled 34 conferences. What was your criteria to determine that those were wasteful?

The reason I ask this is, professional development and conferences for personnel and for professional employees isn't necessarily a bad thing if they are done correctly. And that internal personnel development—I see it in myself as a teacher. The professional development communities we put together, while we didn't go offsite and while we had coffee that someone made in the back room, that gathering together was certainly valuable. And I would make, in the long run, our outcomes for student achievement were improved by those.

How did you determine these 34 weren't going to live up to the standards of professional development?

Mr. TANGHERLINI. We cancelled those actions pending the outcome of people providing us with some explanation as to the value of those. There was no centralized program by which people would explain in detail the value of the activity they are undertaking. And I am not saying that there isn't value to these activities——

Mr. WALZ. There was no outcome-based approach to this that said this is what it was. We had standards that said this is what our professional learning community was going to do during the 9-month school year. Here was our July meeting, our August meeting, these outcomes. And then they were measurable by performance reviews and outcomes that were metrics.

Were any of those available for these professional developments?

Mr. TANGHERLINI. I am not sure about these in particular, but I will tell you, there is a combination of both conferencing and the formal training. The formal training actually does have those kind of metrics, and we are doing whatever we can to preserve those trainings. However, we are also asking the employees of the agency to see if there are non-travel-based approaches that we can use to get that training, to get that activity.

Mr. WALZ. I would assume in-house that your trainers are following best practices and all that. That is why I am still amazed by this. There had to be professional trainers at this thing. What a waste of time.

It is like pulling teeth to get money for professional development in any organization, let alone governmental organizations. Didn't somebody say, this is going to kill our opportunity? Because you know this, Ms. Johnson. When is the next time we are going to get meaningful professional development conferences in GSA? Not in our lifetime. That is the destructive outcome of this, and that is going to be detrimental for the services that need to be provided.

So I ask you, Mr. Tangherlini, the SES folks, this Mr. Neely, I wish he was here today, too, because I am kind of like Ms. Norton. This guy set up a fiefdom. Not since Jack Abramoff has anybody

walked in with such swagger and ability as what it appears like this guy was able to do.

Here is what I would tell you. These SES folks, I have seen some of the most dedicated professional public servants that I have ever come across in both private and public sector in my life, and I have also seen some of the worst obstructionists. How are you going to deal with SES?

These folks simply—many of them have an attitude that they will outlive you. The next President will come, and you will be gone, and they will continue. Apparently, that is what Mr. Neely did. This guy has been around forever. He outlasted Ms. Johnson. Whether he outlasts you or not will be seen what comes out of this.

How are you going to address that with SES?

Mr. TANGHERLINI. I think that is a great question, Congressman, and I think that that is part of what we have to look at in our top-to-bottom review, is what kind of performance system do we have in the General Services Administration? How do we create a system that measures conduct as well as performance? And then, how do we hold people accountable to it? So I am committed to doing that, and I look forward to working with you on that.

Mr. WALZ. Because there is the taxpayer in this, the services we could be providing. But, you know, there are comparable people out there that serve in the position that Mr. Neely did, and I would assume some of them are performing absolutely admirably. Could probably take their talents and go into the private sector and make more money; they have chosen not to because they are trying to serve. Every one of those is painted with the same brush now.

We have to, and what the chairman has been asking for is, is I just encourage you, Mr. Tangherlini, in this, is transparency and sunshine is the best disinfectant for everything. Err on the side of over-giving, just as my advice.

And I yield back.

Mr. TANGHERLINI. Thank you.

Mr. DENHAM. I want to go back to this timeline. So this big, extravagant trip takes place in October 2010. There have already been nine different trips, pre-planning trips, associated with it. Ms. Brita gets hired; she blows the whistle in November. The IG comes in. IG alerts you he is coming in. IG comes back with an initial document, says, "We have a problem here." He advises you to get a handle on the travel.

Then your Chief of Staff goes to the White House, let's them know there is an IG investigation going on regarding fraud and wasteful spending related to the Western Regions Conference. Then we have a new appointee, Ruth Cox, regional administrator for Region 9. She is advised, "Get a handle on the regional commissioner."

Then in October of last year—and there are a number of other trips. I have looked at all the different trips that he has taken. And we are going to continue to investigate that as a separate issue because you didn't take care of it. But in October, a 9-day trip to Hawaii. In November, a 5-day trip to Atlanta for a non-training conference.

In December, Ms. Brita is alerted to this 17-day junket to the South Pacific. She alerts Mr. Miller, and Mr. Miller alerts you. And

yet he is still allowed to go on it? And his wife? Their birthday trip? You don't see a pattern here? A pattern that you have been aware of for the last year-and-a-half. But you took immediate action. That doesn't sound like immediate action to me. They went on a 17-day trip to Hawaii, Guam, Saipan.

And then in March, this year, last month, a 4-day visit to Hawaii again, 4-day offsite trip to Napa for an executive team meeting, $40,000, excluding travel expenses.

You took immediate action? You got a recommendation from the IG, "Get a handle on it." You got a new administrator, "Get a handle on it." What immediate action did you take?

Ms. JOHNSON. First of all, Congressman, I did not know about those trips. I knew that the IG, as he has said——

Mr. DENHAM. You knew about the nine pre-planning trips and the Vegas trip, did you not?

Ms. JOHNSON. I learned about those last May, yes.

Mr. DENHAM. You heard—no, no, no. You are under oath. You heard about them when?

Ms. JOHNSON. I learned about the Vegas trip in—well, I learned about the Vegas conference in September 2010 when I understood that my senior counselor was going to attend a conference in the Western Regions. That is when I learned about the conference.

Mr. DENHAM. So you knew about the conference and the pre-planning trips before the IG came in. The IG came in——

Ms. JOHNSON. No, I did not. No, I did not. I did not know about the pre-planning conferences. The IG informed me of the pre-planning conferences. It was through the IG's office and our investigation, which my deputy requested, that we learned the extent of the expenditures, the frivolity, the contracting violations.

Mr. DENHAM. On May 3rd of last year, you were made aware. And you had a meeting with Mr. Peck, Ms. Brita, several other people——

Ms. JOHNSON. Yes, my senior staff.

Mr. DENHAM [continuing]. To discuss this.

Ms. JOHNSON. We discussed this.

Mr. DENHAM. And the immediate action that you say you took was what?

Ms. JOHNSON. The——

Mr. DENHAM. Did Mr. Neely go on any more trips?

Ms. JOHNSON. I do not know about Mr. Neely's travel.

Mr. DENHAM. Yes, he did, a lot. You didn't know about any of his travel?

Ms. JOHNSON. I did not know—I did not track his travel, no.

Mr. DENHAM. Did you know about any of his travel? Did anybody ever tell you he had upcoming trips?

Ms. JOHNSON. I believe that summer, in August, there was a meeting of all of the regional commissioners in Austin. I believe he was there, so I knew he had traveled to Austin. I was not monitoring his trips personally. I had had——

Mr. DENHAM. The IG said, get a handle on it. Why wouldn't you——

Ms. JOHNSON. He gave that instruction to the regional administrator.

Mr. DENHAM. The President had an Executive order. We are cutting Government.

Ms. JOHNSON. Right.

Mr. DENHAM. We are seeing cuts to the military, to veterans. The President sure sees it is a big issue. There are seniors being cut. And the inspector general comes to you——

Ms. JOHNSON. To the regional administrator. He said that—he said that himself. In August, he informed the regional administrator she needed to get a handle on his travel. I had just put her into office.

Mr. DENHAM. "OIG also advised Administrator Johnson to get a handle on the RC's travel." Did the IG get it wrong?

Mr. MILLER. If I could clarify, I did speak to the regional administrator in August of 2011, and I told her to get a handle, to get control of Mr. Neely's travel, and to perhaps get her CFO to look at his travel.

In May, when I met with Administrator Johnson, I went through the interim report that has the eight pre-planning trips to Las Vegas and exactly who was at these trips, which includes Mr. Neely at many of them.

Mr. DENHAM. I will ask you one last time. What was the immediate action you took when you received this report from the IG?

Ms. JOHNSON. There were a number of things I did. One is I appointed Ruth Cox into the regional administrator's office, the job in Region 9. I also began the process of creating a centralized office with chief administrative services offices pulling in a lot of the oversight across the agency for travel conferences, FOIA, a number of other things.

And we continued to work on an agenda that we had had undergoing to streamline and shorten conferences GSA runs, and we were quite focused on reducing their size and their scope. I can give you more detail on that if you would like.

Mr. DENHAM. Ms. Norton?

Ms. NORTON. Ms. Johnson, you are very experienced in Government. This is why the President appointed you to be administrator of GSA. In fact, that was, if anything, a promotion, because you had been at GSA before, had done such an incredible job. And I think everyone recognizes that, up until this point, you had had a very distinguished career.

One thing that those of us who have been in the Federal Government are used to are GAO reports. I am not here talking about IG reports. The GAO reports can be particularly deadly. And what agency heads and supervisors do when they see the GAO on the job is to rush to get in front of the GAO report so that, by the time it comes out, they are able to say, we have already done XYZ. It is almost a given if you run an agency. Here you had virtually run an agency before, and now you ran an agency, which is why I think you are getting these questions. You are not a novice. You had a storied career. And it is hard to understand why you would not have treated—and let me go to the bonus.

The bonus, much like I treat someone or I am sure most people do, when you were asked to do a recommendation to someone, the first thing I think about is, "Wait a minute, this is on me now. If I recommend that person and that person messes up, my reputa-

tion is attached to that person." That is what has happened to you with the bonus.

You had a specific recommendation after the interim report, after the report, that Mr. Peck—or no, Neely—excuse me—was to receive a 3. Apparently, Mr. Peck lobbied and he got a 4. I understand Mr. Peck can be persuasive. Your own committee, though, had looked at all of the circumstances and come out with a 3. And you had knowledge of, you knew, or, as it goes in the law, you knew or should have known about the interim report and that much of that involved a commissioner, a PBS commissioner.

It is hard to understand why you didn't understand that you would be implicated, personally, after you knew the interim report was out and what it said, if you actually raised this man beyond what your own committee had said. That is why it is difficult to understand how you, in light of your knowledge of the interim report, would have felt it necessary to give Mr. Neely a bonus. That is what it is, a bonus, and a bonus recommended by you, overruling your own committee.

And I wish you would—I wish you would make us understand. Was it that Mr. Peck offered factors that overcame the committee, overcame the interim report? Make us understand why you would have raised that from a 3 to a 4.

Ms. JOHNSON. Congresswoman, there are two responses I can give.

The first is, as I have said, I treated the interim report as inconclusive. It was not the final report. Had I had——

Ms. NORTON. In other words, you thought that the——

Ms. JOHNSON [continuing]. The final IG report——

Ms. NORTON. Well, wait a minute.

Mr. Miller, weren't the allegations in the interim report substantiated? And wasn't the point of the interim report to say that there were other things that were going to come out, not that what was in the interim report should not be given value? In fact, didn't your deputies say, "You should give it value"?

Mr. MILLER. Right.

Ms. NORTON. "That is why we are bringing it to your attention."

Mr. MILLER. Right. What is in the interim report is that there is a problem. We may not have the precise numbers, you know, we may adjust the numbers from the interim report to the final, but this was basically it.

She also had the final Hats Off report that was final at the end of June. And she also had my——

Ms. NORTON. Now, Hats Off was under Mr. Neely?

Mr. MILLER. Correct.

Ms. NORTON. And there were accusations that went to Neely's conduct.

Mr. MILLER. Conduct, yes, identified in that report. When I briefed Administrator Johnson, I also mentioned that he was less than candid, in our opinion, to our special agents when interviewed.

Ms. JOHNSON. Congresswoman, if it was just short of a final report, why did it take 9 months to get it to me? As the time went on——

Ms. NORTON. Just a moment, Ms. Johnson. Are you criticizing——

Ms. JOHNSON [continuing]. I was concerned——

Ms. NORTON [continuing]. The IG for not having rushed through to the report? He provides you with an interim report, knowing full well that it is taking him longer than he expected. He was finding far more problems than he expected. So he says, why don't I do something here to alert the top people so that they know to proceed now before my final report.

So how can you criticize Mr. Miller in this for not having gone faster? I am glad he didn't go faster because he uncovered——

Ms. JOHNSON. Yes.

Ms. NORTON [continuing]. Much by not going faster. And, by the way, he is still at it.

Ms. JOHNSON. Yes. And I am—and we asked for the investigation, and it was clearly quite serious because it was taking the kind of time and attention it did.

And so I was—were I to have had the final report when I made the bonus decision, I would not be here explaining about a bonus. I would not have made that bonus decision.

Mr. DENHAM. This is a good point for us to transition back to me again and follow up on that same question.

Let me go through what you did know. You knew that they spent four times what they were budgeted, because it says that right here. You had this report, you discussed it with your staff, you discussed it with Mr. Peck. You knew that they had 300 people that went to Las Vegas. You knew that they had spent $250,000 on a variety of different trinkets. You knew about the Hats Off Program and all of the money that they spent there. You knew about the pre-planning meetings and the dry run, meetings where 31 people went to a planning conference, 20 people, 8, 15, 65. Nine different planning trips. You knew about the comped rooms in Caesars Palace. You new about the comped rooms at the Ritz Carlton. You knew that there were many different individuals that were taking these trips. You knew about the vendors and the possibility of improprieties and kickbacks.

You knew about the team-building exercise. You knew about the clowns. You knew about the videos. You knew about the $75,000 for the bicycles. You knew that there was a legal question that was brought up and then swept under the table because they didn't want it in writing. You knew about the coins that were printed up for this, the $6,000 stimulus coins. You knew about the spending, nearly $3,000 per attendee just for the one conference in Vegas alone. You knew that they didn't follow legal requirements. Again, several laws being broken.

You knew that this went well beyond Neely. But I think that Neely provides the best example of why this goes to the level of fraud, waste, corruption. And had he been here today, we would have a lot more questions for him as well. But he has a good reason to have a lawyer.

I have looked at both this original, a year-and-a-half ago, as well as the final draft. But I can tell you one thing that is very clear to me, one thing that I think is very clear to Ms. Norton and the entire committee. I mean, it doesn't take a whole lot to take a look

at all of these various picture, parties, see the birthday parties, see the families and friends that are traveling—and understand that there is an IG—the first IG investigation going on.

May of last year, you had all of this information that I am holding in my hand right now that I just went through on a top line. I can tell you, I wouldn't have had anybody traveling. I can tell you, I wouldn't have given anybody bonuses, especially when the President that appointed you had a directive.

And your Chief of Staff, Michael Robertson, lets the White House know last June. And you still allowed Neely to take all these trips and you knew about it? How is that immediate action? I am surprised that the administration, that the President didn't take immediate action. I am assuming that somebody in the White House, somebody in the administration said, "Hey, how is that IG report coming? That investigator come up with anything else? We saw a copy of this; it is pretty bad."

If he is giving you regular meetings, I would assume the White House would have somebody going, "Oh, boy, this is really going to look bad. Maybe we ought to get some regular meetings too. And if Martha Johnson is not doing something about it, maybe we need to replace her. And if Bob Peck is not doing something about it, maybe we need to replace him. Maybe we need to put Mr. Neely on administrative leave in May of last year rather than waiting until the American public finds out about it."

Nothing happened for a year? And you allowed all of these trips to continue on? Multiple conferences? I mean, I can appreciate Mr. Tangherlini coming in and suspending the 35 conferences that are scheduled. How were they even scheduled? How didn't you stop those conferences? I am amazed that, with the recommendation from Mr. Miller, that more wasn't done to stop this over the last year.

Mr. Miller, I want to go back to something you said. You are going to be exhausted by the end of this week. In fact, I assume all of you will be. I don't know that—you know, I am a freshman, I have only been here for a year-and-a-half, but I have not seen four committee hearings on any topic yet.

But in yesterday's testimony, Mr. Cummings, Congressman Cummings, asked you a question. It took 9 months to investigate. Ms. Johnson indicated that she was surprised it took that long. Were you communicating with her regularly about the progress in the investigation, and you replied back, "Yes, we provided information. The briefing—and I asked her to get a handle on the RC's travel." You testified to that yesterday. Did you misspeak yesterday? Are you misspeaking today?

Mr. MILLER. Well, I must have misspoken yesterday. I specifically told the regional administrator in Region 9 to get ahold of his travel in August of 2011. I did brief Administrator Johnson in May of 2011 on the interim report. And we went through the interim report. She saw the pre-planning travel. I did tell her about the less-than-candid comments. And, of course, we also had the Hats Off report that she was fully briefed on.

Mr. DENHAM. How often were you meeting with Ms. Johnson?

Mr. MILLER. We met in May, May 17th I think. And then we met again in August. I don't think we met before that.

Mr. DENHAM. I can't imagine that you had any of these meetings where you didn't say, "We have a big issue here."

Mr. MILLER. Yeah. We met in August, I think maybe twice in August.

Mr. DENHAM. And during that same period of time, were you also meeting with other people that worked within GSA?

Mr. MILLER. Indeed. And my senior staff is in constant touch with senior staff throughout GSA. And——

Mr. DENHAM. How often do you think you communicated, whether it is between staff to staff or you with Ms. Johnson? No matter what level, how often is it?

Mr. MILLER. Oh, I think we communicate several times a week between our staff and staff at GSA. And I know that my deputy communicates regularly with the deputy administrator, and I believe they did so about this investigation. And I communicated with Steve Leeds, as well, about this investigation.

Mr. DENHAM. Did anybody from the administration ever contact you?

Mr. MILLER. No one from the White House has ever contacted me. I have never spoken to them about this report.

Mr. DENHAM. So several times a week the OIG contacted GSA and let them know——

Mr. MILLER. Well, we contacted——

Mr. DENHAM. As you found new stuff, did you let them know?

Mr. MILLER. No, because it is an investigation, and we need to keep the investigation confidential in order to do the investigation.

And when we contact people throughout GSA, it is about many matters. We are involved in audits, we are involved in many things. So the contacts between my office and GSA are on many topics.

Regarding this——

Mr. DENHAM. Let me understand the OIG's—you know what? My time has expired. I will come back to this.

Ms. Norton?

Ms. NORTON. Thank you, Mr. Chairman.

Now, occasionally, the distress of the committee comes out. I think one of the Members said, you know, we ought to just get rid of—perhaps we ought to just get rid of GSA. Well, it is precisely because GSA serves an indispensable function in the Government that this is such a serious matter. So we have to do it the hard way.

And I am looking—I am trying to be as remedy-oriented as I can. On the one hand, there are issues of misconduct. Either the law enforcement system, our hearings will bring out some, or the system within GSA now under Mr. Tangherlini are going to ferret those out.

But we are still going to be left with the existing structure. I believe in good personnel, but I don't believe that the Government or any other agency or private business can always assure that there will be precisely the people in charge who will keep things going. So I am therefore looking very carefully at the structure.

And, Ms. Johnson, the structure you found in place had been put in place by an acting GSA administrator. He is now on administrative leave because he was in real life a PBS commissioner. His

name is Paul Prouty, I understand it. He is apparently responsible for the present structure of the region at GSA.

Now, the regional administrator is a political appointee. But under Mr. Prouty, that administrator apparently was made no more than a figurehead. You say you appointed Ms.—I forget her name.

Ms. JOHNSON. Ruth Cox.

Ms. NORTON. Yes, the new administrator. But as it appears from his organization of the GSA, before his organization, or shall I say reorganization, the regional administrator apparently had direct control over the two commissioners—the PBS commissioner, the FAS commissioner.

Under his reorganization, that was no longer the case, and you have the reporting straight up that we have talked about today. It looks as though this person you appointed was something like a figurehead, just the way the CFO, also called the GSA CFO, was a figurehead. And yet, you kept this structure, this structure put in place by an acting GSA administrator, when you could have looked at it and seen, it seems to me, that your own, it seems to me, your own position had been weakened.

Remember, he is a PBS commissioner. He makes sure that these people report around the regional administrator and straight up to the commissioners, the respective commissioners. That means, if I am coming in, that I am looking at less authority for me, because my own person there no longer has the authority that she had before.

Why did you accept this organization, this form of organization that was not put in by a Presidential appointee but was put in by someone who acted for a very long period of time when there was no Presidential appointee—in fact, he may have gone over into two administrations—and left in place this structure that we have now with a series of figureheads, including at the regional level, where Mr. Neely was able to do his work when he was both regional administrator, of course—and PBS commissioner didn't much matter, because Prouty, before him, had reorganized the place so that the regional administrator wasn't left with much authority anyway. And now Prouty is on administrative leave because he is implicated in what happened in Region 9.

Could you tell us whether you were satisfied with the structure you found in place and why you left it in place?

Ms. JOHNSON. The structure that I found in place was one in which the regional administrators did the performance reviews of the regional commissioners. So, in that sense, they were not toothless. They were not—I can't remember the word you used. They weren't just figureheads.

Ms. NORTON. They did the what? I am sorry.

Ms. JOHNSON. They gave performance reviews to the regional commissioners. The regional administrator had to review the regional commissioners. They signed off on it. They got input from the commissioners, but they signed off——

Ms. NORTON. So what did they have to do with budget? What did they have to do with function? You know, this is where you understand line authority.

Ms. JOHNSON. This is the matrix, yes, this is a matrix, because they would receive their budgets from their commissioners, but their performance review would come from their regional administrators, who had the ultimate signoff with input from the commissioners.

And the shift, as I understand it, the shift that happened was that the contracting authority, the head of contracting authority was moved from the RA to the regional commissioners, and that was the change under Paul Prouty.

Should I have changed that back? I believe it is something we should have reviewed thoroughly. It had been in place for a couple of years. Frankly, there were so many other things that we were undertaking, it wasn't at the top of my list. Perhaps it should have been.

Ms. NORTON. Look what Mr. Prouty did. As acting administrator, he changed the agency so that he went back to his old position as PBS commissioner in the region with enhanced authority that he himself had made, and your regional administrator had diminished authority, and you, yourself, therefore, had diminished authority because of it. I have to say, Ms. Johnson, I think you were snookered by your own PBS commissioner.

Ms. JOHNSON. There is one piece to that that makes it a little bit difficult. I believe that the way to think about that contracting authority is either it came up to me through the regional administrator or it came up through the commissioner. It was still coming to me. So I don't know if it is six, one-half dozen, or seven to five, but it was a shift, and it still devolved up to me in terms of contracting authority.

Ms. NORTON. Mr. Chairman?

Mr. DENHAM. It was still coming up to you, but you were doing nothing about it. That is the issue here. That is why we continue to come back around on this issue.

Mr. Miller, when you do an investigation and you come back with this preliminary report, what normally happens?

Mr. MILLER. Well, this was an unusual report. We did the interim report so that we could stop some of the waste in the future. So it is unusual. Usually when we do an investigation, we will complete the investigation, make a referral to the Department of Justice, and there is a criminal prosecution or perhaps a civil case that is brought.

Mr. DENHAM. So, as of May 3rd, you did a preliminary report, ongoing investigation, a couple of investigations now, but you did a preliminary report——

Mr. MILLER. Correct.

Mr. DENHAM [continuing]. So that you could stop the abuses right there.

Mr. MILLER. Correct.

Mr. DENHAM. And so, after May 3rd, you started having multiple conversations per week with GSA, either through you or through your staff, from everybody from Ms. Johnson to Ms. Cox when she was appointed.

Mr. MILLER. Well——

Mr. DENHAM. How was it that the spending did not stop? How was it that the trips did not stop?

Mr. MILLER. I do want to clarify that when I said we have multiple contacts, and we have contacts throughout my office, my senior staff contacts senior staff throughout GSA, it is on many different issues. On this particular issue, because it is an investigation and because of the nature of it, we wouldn't be going out of our way to tell GSA people about this, because it is an investigation.

Mr. DENHAM. But you went out of your way in this case.

Mr. MILLER. Well, we went out of——

Mr. DENHAM. You gave them a heads-up. You let them know that there was a big problem here.

Mr. MILLER. Yes.

Mr. DENHAM. And you told them to get a handle on RC's travel.

Mr. MILLER. I told the regional administrator that in August. And we did the preliminary—the interim report in May to alert the administrator.

Mr. DENHAM. You came back in December of last year. Ms. Brita alerted you to Mr. Neely's 17-day trip which he was taking his wife on. You got the emails of the party that they were going to have and the——

Mr. MILLER. It is the other way around.

Mr. DENHAM [continuing]. The different places they were going to travel to.

Mr. MILLER. It is the other way around. We contacted Ms. Brita, the deputy administrator, about the travel and said, "Do you know about this travel? Is it really necessary?" And Ms. Brita contacted the regional administrator, and——

Mr. DENHAM. Ms. Cox.

Mr. MILLER. Yes. And I believe——

Mr. DENHAM. Did Ms. Cox let you know that this 17-day trip was going to happen?

Ms. JOHNSON. I did not know about the trip from either Ms. Brita or the inspector general or Ms. Cox.

Mr. DENHAM. Has Ms. Cox been fired?

Ms. JOHNSON. I did not fire her.

Mr. DENHAM. Has she been put on administrative leave?

Ms. JOHNSON. I do not know. I am not at the agency anymore.

Mr. DENHAM. Has she resigned?

Ms. JOHNSON. I do not know.

Mr. DENHAM. Mr. Tangherlini, Ms. Cox, who was aware of this 17-day trip, who was made aware of the ongoing OIG investigation, has she been fired?

Mr. TANGHERLINI. No, she has not.

Mr. DENHAM. Put on administrative leave?

Mr. TANGHERLINI. No, she has not.

Mr. DENHAM. She hasn't resigned?

Mr. TANGHERLINI. No, she hasn't.

Mr. DENHAM. Any reason to believe that she was not aware of the May 3rd report?

Mr. TANGHERLINI. I am still reviewing all of the outcomes of the analysis of the inspector general, all of the outcomes of this hearing, and we are still conducting—still undertaking personnel actions.

Mr. DENHAM. Do you dispute whether Ms. Brita alerted Ms. Cox to this 17-day trip that was coming up?

Mr. TANGHERLINI. I have no reason to dispute that.

Mr. DENHAM. Is she irreplaceable?

Mr. TANGHERLINI. I haven't been there long enough to know who on the staff is replaceable or irreplaceable, so that is part of the review I want to do—understand who we have, what role they play, and how they can continue to serve.

Mr. DENHAM. Ms. Johnson testifies that she took immediate action. April 3rd, Mr. Peck is fired. April 3rd, Steve Leeds is fired. Mr. Neely and four others that represent the different regions are put on administrative leave on the 3rd. And I believe that is the same day that you resigned, Ms. Johnson.

This committee gets the information on April 2nd—or we called our hearing on April 2nd. And it wasn't until we called a hearing and prepared subpoenas before any action was taken. A year-and-a-half prior to that was when you had the May 3rd report. What immediate action was taken?

Ms. JOHNSON. When we received the final draft of the report from the IG, we spent some—we absorbed it, we met with the IG further to deepen our understanding of the background evidence. I called Ruth Cox in to begin some disciplinary activities. I placed the regional commissioners—I placed Jeff Neely on administrative leave. I placed the regional commissioners on—all four regional commissioners on administrative leave, ultimately. I had gone——

Mr. DENHAM. Were you directed to do so?

Ms. JOHNSON. No. No. These were my decisions.

Mr. DENHAM. Why didn't you make the decision on Ms. Cox? What was different with her?

Ms. JOHNSON. I admonished all of the regional administrators. I then removed the two people in the chain of command who were the political appointees. Ruth Cox reported to Steve Leeds. I removed Steve Leeds, and I resigned. So I took out the senior people.

Mr. DENHAM. Ms. Norton?

Ms. NORTON. Mr. Chairman, I only have one more question.

I do want to welcome the seniors from Cardozo High School who have come into the room. It is rare for visitors to see a hearing in progress. I can't say this has much to do with the District of Columbia, but Mr. Tangherlini is here.

And I do want to say for the record that the President took action without hesitation. And the action was not simply to discharge some or indeed all of the high officers of the agency. The President also brought in Dan Tangherlini. And I can say from my own personal experience that it was an appointment made for this situation. Mr. Tangherlini has been the administrator of the District of Columbia, a very big and complicated city; done the same thing at Metro. So here as an administrator not only with impeccable management skills but also impeccable ethics.

But you see what you have laid out for you to do.

I have one question about these conferences. In one of my other committees, we are focusing on teleworking, and we are having, finally, some progress in getting teleworking. I don't know about teleconferencing. And I do want to say this also for the record: As somebody who manages people right now in the Congress and man-

aged much more people in prior positions in my life, I value what face-to-face meetings can do. My own staff is in the same city. But the district office staff—and there are two district offices—and the congressional office staff don't have face-to-face meetings that often, but they have telephone meetings—now, of course, it is a much smaller staff than you would have in an agency—they have telephone meetings every Monday morning.

I would like to ask, because I don't know enough about the value of these face-to-face conferences, but I would like to ask you, Mr. Tangherlini, since the conference is the vortex of this problem, what criteria you will use—I know you don't know what you are going to do now—in determining whether these face-to-face conferences serve a legitimate need. And how much of the work that is now being done in face-to-face conferences do you think, in light of the priority the Federal Government and the administration is putting on teleworking, could be done with more teleconferencing?

Mr. TANGHERLINI. Well, I have to say that GSA is already a leader in teleconferencing, telepresence, moving out on ideas such as webinars. That is one of the things we are asking ourselves to be, is more like GSA for GSA, and ask ourselves, can we challenge ourselves to use some of the technology we have developed, challenge ourselves to use some of the innovations that have come out of GSA over the last several years and use this to overcome the costs associated with some of the travel for conferences and training.

I will say that we believe that there is huge value in high-quality training, interaction between Federal employees who are working on the same areas and ideas. When you are dealing with things like the Federal acquisition system, you need to have skilled, trained people managing those resources, because literally billions of dollars go through those folks. And so we want to make sure that they have the highest quality training.

So our chief administrative officer office, which has been set up under the former administrator, we have given extra powers to oversee these conferences, to oversee the training, to oversee the travel. And, in fact, I issued on April 15th guidelines on conferences and travel that ask those questions first: Does this have to happen by actually having people come together? Can we use Federal facilities instead of renting a conference facility to do this kind of training? And what is the value we are going to get out of these activities?

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

Ms. JOHNSON. Mr. Chairman, could I correct a couple of dates here? I just want to be really clear about the record.

We put Mr. Neely on administrative leave on March 19th. I removed Steve Leeds and Bob Peck and resigned on April 2nd. I just wanted to be sure that is in the record correctly.

Mr. DENHAM. Thank you.

In June of last year, your Chief of Staff—Michael Robertson is your Chief of Staff, correct?

Ms. JOHNSON. He was my Chief of Staff, yes.

Mr. DENHAM. He was the liaison to the White House prior to that?

Ms. JOHNSON. Before that he was—well, he was in the policy shop for a while, and before that he was the White House liaison, yes.

Mr. DENHAM. He did work on Senator Obama's staff before Senator Obama became President Obama?

Ms. JOHNSON. Yes.

Mr. DENHAM. In June of last year, he informed Kimberly Harris, White House counsel, about this report. Did you ever have subsequent meetings with the administration?

Ms. JOHNSON. First of all, I learned that yesterday in the testimony. I did not realize he had informed anyone at the White House.

Mr. DENHAM. Did you ever inform anybody at the White House?

Ms. JOHNSON. We held meetings with the White House after we received the draft report in——

Mr. DENHAM. After May 3rd?

Ms. JOHNSON. After—sorry?

Mr. DENHAM. After May 3rd, when the draft—when the report came out last year.

Ms. JOHNSON. No. I did not talk to the White House until after the final draft report was delivered to us in late February.

Mr. DENHAM. Which was when?

Ms. JOHNSON. When the——

Mr. DENHAM. The final.

Ms. JOHNSON. The draft report came to us at the end of February. February—I don't have——

Mr. MILLER. In terms of terminology, Mr. Chairman, we termed the May 3rd report the interim report.

Mr. DENHAM. Uh-huh.

Mr. MILLER. And our practice, when we have a final report, we give the agency 30 days to respond. At the end of 30 days, we will publish everything. We technically call that a draft. And that draft report was delivered on February 17th with the 30-day notice, which Administrator Johnson asked us to extend it by another 30 days, which we did.

Ms. JOHNSON. So after that draft report was delivered to me, I was in some discussions with the White House, but not before.

Mr. DENHAM. You had no discussions with the White House last year.

Ms. JOHNSON. No, I did not.

Mr. DENHAM. Anybody in the administration above you? I am just trying to figure out what the pattern here is and how deep this goes.

Ms. JOHNSON. I did not talk to the White House. I understand from yesterday's hearing that my Chief of Staff spoke to someone in June.

Mr. DENHAM. March 17th you received the draft.

Ms. JOHNSON. February.

Mr. DENHAM. I am sorry, February 17th you received the draft?

Ms. JOHNSON. Right.

Mr. DENHAM. So what we have up here is the May 3rd preliminary?

Mr. MILLER. Interim report.

Mr. DENHAM. Interim report. I want to make sure I use the correct terminology. So almost a year passes by. Nine months passes by. You continue your report, you finalize your investigation, you put that in a nice package, you give that over to Ms. Johnson on February 17th, that is the draft?

Mr. MILLER. Correct.

Mr. DENHAM. Your immediate action was what?

Ms. JOHNSON. We reviewed the report. He gives us the draft report so that we can review it and respond to him, and then he will publish the final report with our response. We immediately realized that we agreed with all the recommendations in the report. I then contacted our chief human resources officer and our general counsel so that I could begin to frame up the disciplinary actions that we needed to take. We did that work. We met more with the IG. We put Jeff Neely on administrative leave.

Mr. DENHAM. Wait a minute. You put Jeff Neely on administrative leave March 19th?

Ms. JOHNSON. Yes.

Mr. DENHAM. You received the draft report on February 17th. You said you took immediate action?

Ms. JOHNSON. Yes. I received the report. As I said, I consulted with our HR staff, with our general counsel.

Mr. DENHAM. Before you went back to Mr. Miller and requested an additional 30 days did you think—did you find some things in the report that you thought that were false?

Ms. JOHNSON. That were false? No, I had no reason to think that anything was false.

Mr. DENHAM. Anything misleading?

Ms. JOHNSON. No. As I said, I accepted the entire report.

Mr. DENHAM. So you accepted—you didn't have any concerns about the report itself when you received it on February 17th. You asked for an additional 30 days. Why did you ask for an additional 30 days if you didn't have any problem with the report?

Ms. JOHNSON. The amount of material that the IG had as underlying evidence which he had gathered over something like 15 months was fairly substantial. Our human resource officer and general counsel needed to dig into some of that to be sure to be able to frame up the letters that we needed to be sending in order to put people on various, on the various disciplinary actions that we were beginning to take. It was a phenomenal amount of material. And so we——

Mr. DENHAM. A lot of material. But did you have any reason to believe that Mr. Neely did or did not go on these trips? Did you believe that all the trips that were detailed in this report were factual?

Ms. JOHNSON. Yes, I accepted the report.

Mr. DENHAM. OK. So if you accepted the report and you didn't put Mr. Neely on administrative leave until March 19th, why would you let him go on a 17-day trip that you have got emails on that show that it is a party for he and his wife? That happened in February. And then in March another trip to Hawaii and then another trip to Napa. So the immediate action—I understand. I don't agree with you on why it took so long to put Mr. Neely on administrative leave. I think it is absurd. I think it is a disjustice

to the taxpayer. But how did it go on for 2 more months after you had the report, the final report? Decisions should have been made easily May 3rd of last year, but February 17th of this year you said you received the report, you agreed with the report and then you took immediate action, yet Mr. Neely still went on a 17-day trip which he took his wife on, which they had a party and a birthday present. You have the emails to that. And then he went on another trip to Hawaii for 4 days and another trip to Napa where the entire executive team went and spent over $40,000 without even the travel expenses on there.

Do you see how I have a hard time understanding how you took immediate action.

Ms. JOHNSON. Congressman, upon receiving the report, I recognized that although I had tasked senior leaders with various responsibilities and oversight, clearly management controls had been breached. I fired the two people most immediately in the chain of command and I resigned.

Mr. DENHAM. On February 17th you received a report, you had no problems with the report, you knew that it was factual. Did you meet with the White House then?

Ms. JOHNSON. Not immediately.

Mr. DENHAM. Have you ever met with the President over this topic?

Ms. JOHNSON. No.

Mr. DENHAM. Any other administrative—anybody else within the administration over the last 45 days?

Ms. JOHNSON. We briefed people in the White House, yes.

Mr. DENHAM. At what point?

Ms. JOHNSON. I can dig out my calendar to help me remember. It was in the week of—as we were putting—it was in the week of, I believe, and I don't have access to my schedule anymore so this is as well as I can recollect, the week of March 18th and the week of March 25th. They were information meetings. We needed them to know what we were doing.

Mr. DENHAM. And who did you meet with?

Ms. JOHNSON. I met with people in the White House counsel's office, people at the Office of Management and Budget, I met with people in the communications staff. These are people in the meetings I held in the White House counsel's office. I also met with people in the Chief of Staff's office. Oh, and Presidential Personnel, since we were taking action on political appointees.

Mr. DENHAM. Who within general counsel did you meet with?

Ms. JOHNSON. I met with—hang on a sec. To the best of my memory we met with the general counsel, the White House counsel, Kathy Ruemmler.

Mr. DENHAM. Anybody else within counsel?

Ms. JOHNSON. There might have been one or two more staff there but I didn't—I don't remember and I don't know their names.

Mr. DENHAM. How about within budget?

Ms. JOHNSON. We—in one of the meetings Jeff Zients came through, stopped in briefly. He is the head of Office of Management and Budget. And also met with Danny Werfel, Dana Hyde and Boris Bershteyn, who is at OMB. Those meetings were about policy. We wanted to talk with them about possible conference policy,

travel policy because they are clearly interested in how we can move forward from this kind of event and create ever better policies to try to prevent this thing, the same question——

Mr. DENHAM. Who did you meet within communications?

Ms. JOHNSON. I was in a meeting in the general—in the White House counsel's office. There were communications people there. Jennifer Palmieri I believe was there. And I think there might have been others, but I didn't know their names. She might have been the only one.

Mr. DENHAM. Chief of Staff's office?

Ms. JOHNSON. I met with—in the meetings there was representation from the Chief of Staff's office. I believe Mark Childress is in the Chief of Staff's office and Alyssa Mastromonaco. She was there briefly. Ultimately I met with Jack Lew as well.

Mr. DENHAM. And in Personnel?

Ms. JOHNSON. Nancy Hogan, the head of Presidential Personnel.

Mr. DENHAM. Just the two of you?

Ms. JOHNSON. No. She was in one of the other meetings.

Mr. DENHAM. So you had meetings the week of March 18th, you made the decision to put Mr. Neely on administrative leave on the 19th?

Ms. JOHNSON. To the best of my recollection, that is the right date, yes.

Mr. DENHAM. You went back to the White House or the administration March 25th. Why did it take all the way up until April 3rd or April 2nd to fire Mr. Peck, to fire Mr. Leeds and to put all of the other administrators on leave?

Ms. JOHNSON. Well, there are——

Mr. DENHAM. I am trying to understand what you found out between those.

Ms. JOHNSON. What we were doing was we were working, I was working particularly with our HR senior executive and a person from the general—senior executive in the general counsel's office to understand what were the particular, what was the particular evidence that the IG had uncovered and how we could fit that into letters of admonishment and what kind of disciplinary actions they fit against. This required some understanding because it needed to be documented and we needed to create documents in order to execute those activities.

Mr. DENHAM. You had all those documents.

Ms. JOHNSON. No. We had to write letters, we had to create—and there are two officials involved in a dismissal so you need to get the person in, get them to go through the evidence and have them understand it and so on. It is not—it is not something you get done quickly. There is a process, there is a due process here that we needed to follow.

Mr. DENHAM. Each of those different meetings, I assume you met with White House general counsel to let them know that you were going to be firing people and putting people on administrative leave, so you were seeking counsel from them.

Ms. JOHNSON. No, I was informing them. And the meetings were about helping them understand what Ms. Norton is so concerned about, helping them understand the structure, who the people were in the reports, what was going on. They don't know the internal

workings of GSA. So I needed to explain who and where and how, how this all sorted out. And I also needed to explain to them the various disciplinary options that we had and that we were working through them, yes.

Mr. DENHAM. And budget, the reason to meet with them?

Ms. JOHNSON. I met with them predominantly to talk about policy. They were eager to understand what we might suggest around the kinds of policies they could create so that this wouldn't happen again.

Mr. DENHAM. Communications?

Ms. JOHNSON. She attended the meeting in the White House counsel's office. Basically it was largely a meeting with the White House counsel and she was there in the room.

Mr. DENHAM. Dan Pfeiffer was not in any of those meetings?

Ms. JOHNSON. Who?

Mr. DENHAM. Dan Pfeiffer.

Ms. JOHNSON. Dan Pfeiffer. Not that I am aware of.

Mr. DENHAM. Jack Lew.

Ms. JOHNSON. I met with Jack Lew in a separate meeting, yes.

Mr. DENHAM. Which? In the Chief of Staff's meeting?

Ms. JOHNSON. I met with him in his office with Nancy Hogan of Presidential Personnel.

Mr. DENHAM. That was the week of March 18th?

Ms. JOHNSON. I think that was the next week.

Mr. DENHAM. So the purpose of all of these various meetings with all of these different individuals within the administration was to inform them what had come out of the IG's report. Did you give them each a copy of the IG report? Did the IG—did you give them——

Ms. JOHNSON. I did not. I believe—I did not.

Mr. MILLER. I had no contact with the White House about this report.

Ms. JOHNSON. However—right, I did not either.

Mr. DENHAM. Mr. Tangherlini, when did you get a copy of this report?

Mr. TANGHERLINI. I got a copy of this report on Monday, April 2nd.

Mr. DENHAM. So the purpose of all these different meetings with the White House was to let them know the decisions that you were about to make over the next couple of weeks?

Ms. JOHNSON. Including my resignation.

Mr. DENHAM. When did you let them know that you were planning on resigning?

Ms. JOHNSON. I had that meeting with Jack Lew the Friday before, so it must have been March 31st—30th, March 30th, in which we discussed that I was planning on resigning and I was planning on terminating, removing the other two political appointees.

Mr. DENHAM. Ongoing investigation. We are still going to follow up with you, Mr. Tangherlini, on finding out how deep this goes. I appreciate the fact that you are doing an internal audit and going to share that with this committee. And I assume over the next couple of days or the next couple of hearings, especially with this investigation going on, when somebody does get fired I am sure that

we will hear about it. I would like to hear about it from you before I hear about it from the media.

I assume that when somebody goes to jail that will come through the DOJ. We will probably hear that from the press before we hear it from you. And I think a bigger issue here is what gets paid back, what do the taxpayers own? I would like to know who you are going after and what you are asking them to pay, and when they actually pay the money I would like to know that, too.

Mr. Tangherlini, we are drafting legislation to require GSA to obtain approval specifically for its administrative budget each year. We want to ensure that there is transparency. We should have had this information a long time ago. But there is no reason the taxpayers should not know where these expenditures are going forward. I know you haven't seen that legislation yet, but at least the idea, the concept of this do you support?

Mr. TANGHERLINI. I would be happy to work with the committee on any such language.

Mr. DENHAM. Do you have any issue with providing greater transparency to this committee?

Mr. TANGHERLINI. We have no issue with providing greater transparency.

Mr. DENHAM. Do you have any issue sharing the annual budget with the Public Buildings Fund with this committee?

Mr. TANGHERLINI. I can't see why we would have any problem with that.

Mr. DENHAM. Thank you. As we talked about here—well, let me just confirm, the Hats Off program is done?

Mr. TANGHERLINI. Yes, it is.

Mr. DENHAM. We talked about the L.A. Courthouse. We have great concern as a committee on that issue. Not only that it is moving forward but that a new prospectus wasn't done. Are you planning on doing a new prospectus on that project?

Mr. TANGHERLINI. Mr. Chairman, at this time I don't know enough about that project to be able to do that.

Mr. DENHAM. I would request that you take a look at that issue and provide this committee with your recommendation on how you plan on proceeding forward on that issue.

A much smaller issue. I am also planning on putting through a bill on banning all coins. It sounds like Mr. Walz will be more than happy to cosponsor that issue with me. Any reason in the future why we need to be spending taxpayer dollars on coins, commemorative coins?

Mr. TANGHERLINI. I can't think of any reason as it pertains to GSA, but again I don't know enough to know how these have been used.

Mr. DENHAM. Do you—you don't know of any reason why we would need to?

Mr. TANGHERLINI. I can't think of any reason, no.

Mr. DENHAM. To say I am disappointed would be an understatement. I have been outraged in my district, angry. Mr. Walz knows that because we work on a lot of veterans issues together, and what we see our veterans going through is very personal. To see this type of abuse is, it goes beyond irresponsible.

I have had a good relationship with Mr. Peck, we really have. As a freshman coming in I had a lot to learn. We have communicated quite often on cell phone and discussed how we could get the Civilian Property Realignment Act, how we can change the way of doing business here. I am disappointed that a lot more of this didn't come into light during those conversations. I would just say I hope that you and I have a better relationship so that you feel comfortable that we can have an off-the-record conversation if something does arise, whether it is in this investigation or whether future investigations need to happen.

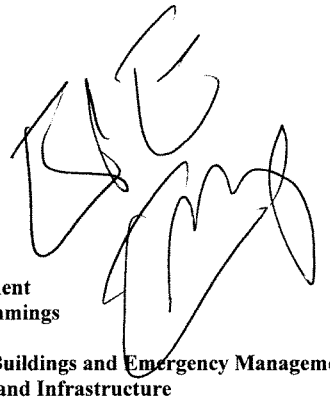
I am very proud of the fact that this committee most often works as a bipartisan committee. I mean, I think Republicans and Democrats probably agree on this committee more than most here in Washington. So it is really disheartening when we see things being hidden from the taxpayer, that there aren't better decisions being made.

So in closing, I would just say I look forward to having a better relationship, a more open relationship, that we can share some of this information and work together not only in a bipartisan level but on a bicameral level and making sure that we can address this stuff together.

I would like to thank each of our witnesses for their testimony today, some of their very frank and difficult testimony. And if there are no further questions, I ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may be submitted to them in writing, and unanimous consent that during such time as the record remains open for additional comments offered. Without objection, so ordered.

I would also like to thank our witnesses again for their testimony, and again if no other questions, this committee stands adjourned.

[Whereupon, at 1:55 p.m., the subcommittee was adjourned.]



Opening Statement
Rep. Elijah E. Cummings

Subcommittee on Economic Development, Public Buildings and Emergency Management
Committee on Transportation and Infrastructure

Hearing on "GSA's Squandering of Taxpayer Dollars:
A Pattern of Mismanagement, Excess and Waste"

April 17, 2012

Thank you Mr. Chairman. At today's hearing, we have an opportunity to continue to review the actions of GSA employees who organized and participated in the 2010 conference in Las Vegas.

Yesterday, at a hearing before the Oversight Committee, we heard testimony from Inspector General Brian Miller, who is here again today. Mr. Miller, I want to thank you again for bringing to light this gross abuse of taxpayer funds and for your office's year-long investigation of this issue.

Mr. Miller's report yesterday was very troubling. For example, he described the actions of Jeff Neely, a career GSA employee for many years and a senior-level executive in the Pacific Rim region based in San Francisco. Although Mr. Neely is not the only official implicated in this investigation, his role as the host of the 2010 conference has raised significant questions.

According to the Inspector General's investigation, Mr. Neely engaged in a pattern of misconduct that included violating federal travel and procurement rules, holding lavish parties in luxury suites, and allowing his wife and other non-government officials to participate in some of these events at taxpayer expense.

As I said at yesterday's hearing, Mr. Neely disregarded one of the most basic tenets of government service—he treated taxpayer funds as if they were his own.

We also heard troubling new accounts from the Inspector General that Mr. Neely may have retaliated against other GSA employees who tried to object to his actions and rein in this lavish spending. According to one witness who spoke with the Inspector General, one GSA employee was "squashed like a bug" when she tried to object to Mr. Neely's actions.

As the Inspector General also told us, one witness was so scared of potential reprisal from Mr. Neely that she asked to be treated as a confidential informant.

These reports, although they certainly do not justify Mr. Neely's actions, may help explain why these improper activities apparently went on for so long. Witnesses reported to the Inspector General that the conference in Las Vegas in 2010 was just the latest in a series of conferences over many years where lavish and extravagant spending had become the norm.

As we heard yesterday, this issue was not brought to light until it was reported to the Inspector General by the Deputy Administrator of GSA, Susan Brita, who is here today. Ms. Brita, who is a top-level Democratic political appointee, should be commended for her actions, not only in reporting these abuses, but also for insisting that action be taken to address them.

At yesterday's hearing, Mr. Neely invoked his right under the Fifth Amendment to remain silent, and the Committee excused him from testifying. The Inspector General also confirmed for the Oversight Committee that he has referred this case to the Department of Justice.

Today, we will have the opportunity to continue examining this issue in detail, including hearing from other GSA officials who were involved, including Bob Peck, the former Commissioner of GSA's Public Building Service, who apparently condoned and sanctioned the actions of Mr. Neely.

Finally, let me close by noting that there are millions of government workers across the country who dedicate their entire lives to public service. They are scrupulous, honest, and hardworking, and we should not use today's hearing to tarnish their reputations. We should thank them for their hard work and honor their service.

Thank you, Mr. Chairman.

Statement of the Honorable Brian D. Miller

Inspector General

General Services Administration

**Economic Development, Public Building Service, &
Emergency Management
Subcommittee**

Committee on Transportation and Infrastructure

United States House of Representatives

APRIL 17, 2012

Chairman Denham, Chairman Mica, Ranking Member Norton, members of the Subcommittee, I thank you for inviting me to testify here today. As you know, on April 2, 2012, the General Services Administration Office of Inspector General (GSA OIG) published a report regarding GSA mismanagement of its Western Regions Conference in the fall of 2010.

It may be very difficult to find among all the bad news and repugnant conduct, but there is at least a glimmer of good news. The oversight system worked. My office aggressively investigated, audited, interviewed witnesses, and issued a report. No one stopped us from writing the report and making it public. Based on the final report, swift action has been taken, hearings have been scheduled, and the whole ugly event now lay bare for all to see. Justice Brandeis said that sunlight is said to be the best of disinfectants.

Almost every federal agency has an inspector general, someone watching and reporting fraud, waste, and abuse of taxpayer dollars. Congress recently strengthened Offices of Inspectors General so that we can better perform our oversight work. We are often the last resort for protecting taxpayer dollars -- unfortunately catching the fraud, waste, and abuse after the money is spent. More needs to be done to establish early warning systems. This is why Acting Administrator Tangherlini and I recently reminded GSA employees to alert us as soon as they see anything wrong. The Western Regions Conference could only occur in an environment where the best lack all conviction while the worst skirt the rules.

Benjamin Franklin warned us at our Nation's founding: "There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government." Those tempted to engage in fraud, waste, and abuse need to know they will be caught. The ultimate deterrence against fraud, waste, and abuse is criminal prosecution. We frequently partner with the Department of Justice in civil and criminal cases.

The GSA Office of Inspector General has about 300 employees to oversee an agency of over 12,000 employees, who are responsible for almost $50 billion in civilian contracts, most federal buildings, and the federal automotive fleet. Despite the ratio of IG personnel to GSA personnel, our office has achieved over $6.5 billion in savings to the taxpayer since 2005. In 2008, GAO found that the GSA OIG had an average return of $19 dollars per dollar budgeted (GAO Report 09-88, 2008).

Our special agents, forensic auditors, and lawyers deserve the recognition for this report. But our office and other Offices of Inspectors General produce great work like this day after day. My own office has issued numerous audit reports relating to GSA's construction and renovation contracts under the Recovery Act. We discovered and investigated eleven federal property managers and contractors taking bribes and kickbacks. All eleven are now convicted. Criminals selling counterfeit IT products were caught and convicted, and are now serving time in federal prison, because of the work of our office and other law enforcement agencies. Federal contractors have paid back hundreds of millions of dollars, because of our audits. Most recently, Oracle paid $199.5 million to settle False Claims Act allegations.

The core mission of GSA is to provide low cost goods and services. When GSA wastes its own money, how can other agencies trust it to handle the taxpayer dollars given to them? GSA also has the sole responsibility for the Federal Travel Regulation, which governs travel and conference planning by agencies across the executive branch. 5 U.S.C. § 5707(a)(1). As detailed in my office's report, in putting on the Western Regions Conference, GSA committed numerous violations of contracting regulations and policies, and of the Federal Travel Regulation. This is of special concern because other federal agencies need to be able to look to

GSA as a model of how to conduct their contracting and procurement efforts, and manage their travel and conference planning.

In attempting to model the entrepreneurial spirit of a private business, some in the Public Buildings Service seemed to have forgotten that they have a special responsibility to the taxpayers to spend their money wisely and economically. While a private business may use its profits to reward employees in a lavish fashion, a government agency may not. Even so, this report should not obscure the fact that thousands of GSA employees work hard and do a great job for the American taxpayers. It is only a minority of employees that are responsible for this debacle.

In preparing the Western Regions Conference report, numerous dedicated professionals from throughout the OIG worked long hours to ensure that the report was accurate and that it drew no conclusions beyond those fully supported by the evidence. My office continued to receive documents relating to this report as late as this January. We are still receiving documents relating to ongoing investigations. It is my hope that these efforts will enable GSA to improve its contracting and conference planning practices in the future, so that GSA may not only be a better steward of taxpayer dollars, but act as a leader within the federal government in efficient procurement and conference planning.

I thank you for an opportunity to discuss this important work of the OIG with the Subcommittee. I request that the attached report and this statement be made part of the record, and I welcome your questions.

Statement

Susan Brita

Deputy Administrator

General Services Administration

Committee on Transportation and Infrastructure

Subcommittee on Economic Development, Public Buildings, and Emergency Management

April 17, 2012

Chairman Mica, Ranking Member Rahall, Chairman Denham, and Ranking Member Norton, thank you for inviting me to testify at today's hearing.

As you all know, I spent 18 years on this committee working with you all in a bi-partisan manner to conduct oversight on a variety of general government management issues, but with an emphasis on the operations of the General Services Administration (GSA). On Feb 2, 2010 I had the honor of being appointed by President Obama to the position of Deputy Administrator of GSA.

During my 18 years with the Committee there were many serious issues that this committee addressed, but none rises to the level of wasteful spending, and lack of management associated with the Western Regions Conference. As Deputy Administrator, as a civil servant, and as a taxpayer I share your anger and disappointment in GSA's conduct.

When I first became aware of the excessive spending related to the Western Regions Conference, I requested that GSA's Office of Inspector General conduct a review of the allegations. I am grateful to Mr. Miller and his office for the work they did in uncovering and reporting these abuses. I believe the Inspector General's report warranted immediate corrective action within GSA and I advocated for such action. I am committed to working with Acting Administrator Tangherlini to restore faith in the agency by not only members of this committee but also our colleagues at all levels of government and most importantly, the American taxpayer.

I look forward to answering any questions you may have.

U.S. General Services Administration

Alison L. Doone
Chief Financial Officer

Testimony before the Committee on Transportation and Infrastructure, Subcommittee on Economic Development, Public Buildings, and Emergency Management

April 17, 2012

Good afternoon Subcommittee Chairman Denham, Ranking Member Holmes Norton, and Members of the Committee. My name is Alison Doone, and I am the Chief Financial Officer (CFO) of the U.S. General Services Administration (GSA).

I appreciate the opportunity to come before the committee today. I have served as the GSA CFO since September 27, 2010. Before arriving at GSA, I served at the Internal Revenue Service for five years as the CFO and Deputy CFO where I oversaw the financial management and accounting operations for a $12 billion budget and $2.3 trillion in tax revenue. I also have held executive positions as Deputy Staff Director and CFO of the Federal Election Commission and Deputy Assistant Administrator of the Office of Finance at the Drug Enforcement Administration.

As stated by the Acting Administrator, GSA financial management operations are decentralized and are managed by autonomous regional "CFOs" with no oversight or control by my office. The budget and all costs for the Western Regions Conference were approved by employees in the Pacific Rim Region, including those in the regional budget and financial management division, commonly referred to as the region's "CFO", and not by anyone in the GSA Office of the CFO. This decentralized organizational structure of GSA financial operations contributed to the abuses at the regional conference and in the "Hats Off" program. In my experience at IRS and at other federal agencies, the agency CFO had far more oversight and control, and I expressed my concern to the Administrator beginning in the Fall of 2010.

To correct these issues, the Acting Administrator is realigning all Public Buildings Service regional budget and financial management operations under the direct authority of GSA's CFO. In addition to this strengthening of the internal control environment, the Acting Administrator is reviewing employee relocations, will require all future relocations to be approved by both the Chief People Officer and the CFO, and has closed the Pacific Rim Region "Hats Off" store, as well as all similar GSA programs.

In addition to the actions taken by the Acting Administrator, I added two controls to CFO processes. First, CFO is now performing an additional review of selected, approved invoices before payment to verify appropriateness of the expenditures. The second control is the addition of a monthly review of obligated amounts compared to budgeted amounts to ensure expenditures are within budget. These additional controls together with centralization of budget and financial management operations will greatly improve our ability to prevent the abuses described in the IG report.

I welcome the opportunity to answer any questions. Thank you.

STATEMENT OF
ROBERT A. PECK

BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS, AND EMERGENCY MANAGEMENT
U.S. HOUSE OF REPRESENTATIVES

April 17, 2012

Good morning Chairman Denham, Ranking Member Norton, and members of the Subcommittee.

My name is Robert A. Peck. Until earlier this month, I served as the national Commissioner of the Public Buildings Service of the General Services Administration. I held this position from August 2009 until just recently and served in the same position from December 1995 to January 2001. I am fortunate indeed to have had the opportunity to serve the American people twice in this position.

In addition to my 7½ years of government service with the GSA, I served on the Senate staff on the Environment and Public Works Committee for 4½ years and as Chief of Staff for Senator Daniel Patrick Moynihan for more than 2 years. I have also worked for many years in commercial real estate law and finance. I served in the U.S. Army Reserve for more than 15 years, principally as a Special Forces officer.

I am deeply troubled and disappointed by what I have learned about the costs and excesses associated with the GSA's Western Regions Conference held in October of 2010 at the M Resort. There were excessive and inappropriate costs that should never have been incurred. Those planning it made fundamental errors of judgment. It is also troubling – as detailed in the April 2nd GSA Inspector General's final report – that procurement policies, travel policies and other agency procedures appear not to have been followed.

While I was not personally involved in planning, conducting, or approving the conference and the unacceptable conference expenditures described in the IG report, they took place within the PBS on my watch. I am not here to shirk that responsibility – I am deeply disappointed by what the IG reported, I have been removed from the job I loved, and I offer my personal apology that some people within the GSA acted as they did. The taxpayers deserve better than this, especially from an agency whose primary responsibility is contracting for goods and services. I am confident that those who are found to have violated agency policies will be dealt with appropriately and the public's confidence in the GSA will be restored.

The actions of those responsible for the expenditures outlined in the IG report failed to meet the obligation we all owe the American people; those actions failed to meet the standards I expected from those employed in PBS Headquarters and throughout the regions; and those actions dishonored the thousands of hardworking and dedicated Federal employees I have worked with over the years. At the GSA and at other agencies, the Federal employees and managers with whom I have worked, in my times both inside and outside the government, have overwhelmingly been concerned with carrying out their missions within the government's rules at the lowest cost possible.

As you know, the Public Buildings Service builds, renovates and operates Federal buildings and leases privately-owned real estate to accommodate approximately 1.1 million Federal employees. This is not a small undertaking – the GSA owns and operates over 1,500 Federal buildings and leases space in 8,000 private buildings. As PBS Commissioner, I focused on improving the GSA's performance regarding its core real estate mission with an eye toward cost efficiency and providing Federal agencies the workspace that would optimize their ability to carry out their missions.

I successfully implemented real estate cost performance metrics and established "key performance indicators" in each PBS business line to identify management changes that would lead to improved performance and lower costs. I was focused

on reducing the amount of real estate that Federal agencies occupy per employee. This required culling through thousands of locations to determine where we could reduce the overall amount of space occupied and paid for by the government. We began to dramatically reduce the Government's vacant properties. We reformed the GSA process of leasing private real estate to make it less cumbersome, more flexible and more consistent, resulting in increased competition and significant potential cost savings in the more than $5 billion annual GSA leasing budget. We did pioneering work in sustainable building initiatives. I put in place a review procedure to reduce PBS's information technology costs, with potential savings in the millions of dollars.

As PBS Commissioner, I was not involved in planning conferences. As a political appointee, I had a policy to not be involved in the selection of contractors or vendors. In the case of the 2010 Western Regions Conference, it was a regionally-organized event and, while I was invited to address the conference, I had nothing to do with its planning, nor was I involved in approving any part of its spending or program in advance.

As is the case with most large Federal agencies, the GSA holds training conferences for its employees. In my many years at the GSA, I attended a number of conferences. From what I personally saw, the conferences I attended were not extravagant. The 2010 Western Regions Conference described in the IG's Report was a serious aberration.

When I arrived the first afternoon of the conference, I was shown to a very large suite. I questioned the organizers as to the cost. They told me that all the rooms were within the government rate, including this room, and that my suite was included at the basic room rate as part of the conference's package of rooms.

My first morning at the conference, I made a PowerPoint presentation to the entire group about national PBS goals and priorities. I attended presentations from the four western regions about their projects and performance and another about the GSA's sustainability goals.

That afternoon, I asked the conference organizers to invite a number of employees of their choosing to my room. My intention was to have a meet and greet with a group of regional employees attending the conference. The pre-dinner reception went from about 6 pm to 7:30 pm. Since this was my initiative, rather than an event on the organizers' agenda, I said I would pay personally for beer, wine and chips. I was told that food would be made available without additional cost under the conference contract with the hotel. The beer and wine were purchased separately and upon returning to D.C., I wrote a check for that cost. Only within the past few weeks did I learn from the GSA Inspector General that the food for this reception was apparently invoiced at $1,960.

It is not unusual for an IG to issue a report, and Federal managers count on that as part of our internal oversight. In the normal course of events, the IG will first issue a draft report, then the agency will respond, and then ultimately the IG will issue a final report with its recommendations. The IG's recommendations, including those calling for any disciplinary action, are ordinarily implemented following the release of a final report. In this case, the IG issued a very preliminary report last May and at that time I understood that – as has since been reported in the press – the IG cautioned the GSA not to take personnel actions until the final report was complete. That final report, which contained the IG's recommendations, was just published two weeks ago.

Until the IG's draft report last year, I was not aware that there had been numerous planning trips incurred in connection with this conference. Nor was I aware, until I was recently informed by the IG, that there were questions about the competitive contracting procedures used to find the conference hotel. As I've indicated, it is now clear that much of the expense at the hotel was excessive and unacceptable. Therefore, even before having the benefit of the final IG report, I took measures to try to ensure that something like this would not happen again. In fiscal 2011, in response to this conference and as part of my focus on overhead expenses, I cancelled a number of nationally-controlled PBS conferences and instituted a review of PBS outside conference attendance. At my direction, PBS took steps to reduce spending on travel. Further, when I was first interviewed about the

conference by the IG last month, I invited the IG to audit other travel and conferences that PBS had conducted under my tenure.

I deeply regret the behavior of the GSA employees involved in this incident and the damage it has caused.

I look forward to answering any questions you may have.

U.S. General Services Administration

Daniel Tangherlini
Acting Administrator

Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and Emergency Management
"GSA Inspector General Report"
April 17, 2012

Good morning Chairman Denham, Ranking Member Norton, and Members of the Subcommittee. My name is Daniel Tangherlini, and I am the Acting Administrator of the U.S. General Services Administration (GSA).

I appreciate the opportunity to come before the subcommittee today. First and foremost, I want to state my agreement with the President that the waste and abuse outlined in the Inspector General's (IG) report is an outrage and completely antithetical to the goals and directives of this Administration. We have taken strong action against those officials who are responsible and will continue to do so where appropriate. We are taking steps to improve internal controls and oversight to ensure this never happens again. I look forward to working in partnership with this Committee to ensure there is full accountability for these activities so that we can begin to restore the trust of the American people.

At the same time I am committed to renewing GSA's focus on its core mission: saving taxpayers' money by efficiently procuring supplies, services, and real estate, and effectively disposing of unneeded government property. There is a powerful value proposition to a single agency dedicated to this work, especially in these fiscal times, and we need to ensure we get back to basics and conduct this work better than ever.

Promoting Efficiency and Reducing Costs –

The shocking activities and violations outlined in the IG report run counter to every goal of this Administration. The Administration makes cutting costs and improving the efficiency of the Federal government a top priority. On June 13, 2011, the President issued Executive Order (E.O.) 13576, "Delivering an Efficient, Effective, and Accountable Government." This EO emphasized the importance of eliminating waste and improving efficiency, establishing the Government Accountability and Transparency Board to enhance transparency of Federal spending and advance efforts to detect and remediate fraud, waste, and abuse.

The President further established the goals of this Administration in E.O. 13589, "Promoting Efficient Spending," which set clear reduction targets for travel, employee information technology devices, printing, executive fleets, promotional items, and other areas. The President's FY 2013 budget request for GSA would achieve $49 million in savings under this EO, including $9.7 million in travel.

Holding Officials Responsible –

It is important that those responsible for the abuses outlined in the IG's report be held accountable. We are taking aggressive action to address this issue and to ensure that such egregious actions will never occur again. We have taken a series of personnel actions, including the removal of two senior political appointees. We have also placed ten career employees on administrative leave, including five senior officials.

I intend to uphold the highest ethical standards at this agency and take any action that is necessary and appropriate. If we find any irregularities, I will immediately engage the Inspector General. As I indicated in my joint letter with GSA's Inspector General, I intend to set a standard that complacency will not be tolerated, and waste, fraud, or abuse must be reported.

I believe this commitment is critical, not only because we owe it to the American taxpayers, but also because we owe it to the many GSA employees who conform to the highest ethical standards and deserve to be proud of the agency for which they work.

Taking Action –

I have taken a number of steps since I began my tenure on April 3, 2012 to ensure this never happens again. GSA has consolidated conference oversight in the new Office of Administrative Services, which is now responsible for:

- Oversight of contracting for conference space, related activities, and amenities;
- Review and approval of proposed conferences for relation to GSA mission;
- Review and approval of any awards ceremonies where food is provided by the Federal government;
- Review and approval of conference budgets as well as changes to those budgets;
- Oversight and coordination with GSA conference/event planners and contracting officers on conference planning;
- Review of travel and accommodations related to conference planning and execution;
- Handling of procurement for all internal GSA conferences; and
- Development of mandatory annual training for all employees regarding conference planning and attendance

Additionally, we have cancelled the 2012 Western Regions Conference as well as a number of other conferences that only or primarily involved internal staff. To date, I have cancelled 35 conferences[1], saving taxpayers $995,686. As we put in place greater controls and oversight, we are reviewing each event to make sure that any travel is justified by a mission requirement.

We have also begun review of employee relocations at government expense, and will require all future relocations to be approved centrally by both the Chief People Officer and the Chief Financial Officer.

To strengthen internal controls, we are bringing in all Public Buildings Service regional budgets under the direct authority of GSA's Chief Financial Officer. The autonomy of regional budget allocations is, in part, what led to this gross misuse of taxpayer funds or both the regional conference and the employee rewards program known as "Hats Off." The additional approvals and centralized oversight are intended to mitigate the risk of these problems.

In response to concerns over spending on employee rewards programs, I have eliminated the "Hats Off" store that was operating in the Pacific Rim Region, as well as all similar GSA programs.

I am moving aggressively to recapture wasted taxpayer funds. As a first step, on April 13th, I directed that letters be sent to Bob Peck, Jeff Neely, and Robert Shepard demanding reimbursement for private, in-room receptions at the Western Regions Conference. I will pursue other fund recovery opportunities.

I am engaged in a top to bottom review of this agency. I will continue to pursue every initiative necessary to ensure this never happens again and to restore the trust of American taxpayers.

Conclusion –

The unacceptable and inappropriate activities at the Western Regions Conference stand in direct contradiction to the express goals of this agency and the Administration, and I am committed to ensuring that we take whatever steps are necessary to hold

[1] A conference is "a symposium, seminar, workshop, or other organized or formal meeting lasting portions of 1 or more days where people assemble to exchange information and views or explore or clarify a defined subject, problem or area of knowledge."

those responsible accountable and to make sure that this never happens again. At the same time, I believe that the need for a high quality GSA is more acute today than in any time in its history. We need to refocus this agency and get back to the basics: streamlining the administrative work of the Federal government to save taxpayers money.

I look forward to working with this Committee moving forward and I welcome the opportunity to answer any questions. Thank you.

U.S. House of Representatives
Committee on Transportation and Infrastructure

John L. Mica
Chairman

Washington, DC 20515

Nick J. Rahall, II
Ranking Member

James W. Coon II, Chief of Staff

June 21, 2012

James H. Zoia, Democrat Chief of Staff

The Honorable Daniel Tangherlini
Acting Administrator
U.S. General Services Administration
1800 F Street, NW
Washington, D.C. 20405

Dear Acting Administrator Tangherlini:

Thank you for testifying before the Subcommittee on Economic Development, Public Buildings and Emergency Management during the hearing held on April 17, 2012 entitled, "GSA's Squandering of Taxpayer Dollars: A Pattern of Mismanagement, Excess, and Waste."

As a follow-up to that hearing, please find attached a list of questions for the record. Your timely and expeditious responses to these questions and requests are much appreciated. Please respond to these requests at your earliest convenience, but **no later** than 30 days from the date of this letter.

Should you have any questions, please contact the Subcommittee Staff Director, Dan Mathews at (202) 225-3014.

Sincerely,

Jeff Denham
Chairman
Subcommittee on Economic Development,
Public Buildings and
Emergency Management

"GSA's Squandering of Taxpayer Dollars: A Pattern of Mismanagement, Excess, and Waste"

Subcommittee on Economic Development, Public Buildings, and Emergency Management
Tuesday, April 17, 2012, 8:30 a.m.
2167 Rayburn House Office Building
Washington, D.C.

Questions for the Record (QFR)

Submitted on behalf of Mr. Meehan:

1. The U.S. Green Building Council is proposing a new credit for LEED - a green building rating system that GSA has embraced - this credit for 'chemical avoidance' has nothing to do with energy efficiency or proven, science based health benefits and, if implemented, will result in thousands of jobs being lost. In addition, if GSA and the rest of the government adopt this revised standard, it will likely result in increased building costs. Has GSA looked at this proposed change? If not, would you be willing to coordinate with the Subcommittee to discuss and figure out an appropriate response?

2. Although GSA may not have to use the chemical avoidance credit, it will certainly create pressure to avoid these chemicals in government buildings. Has GSA conducted any analysis of the impacts of this credit, particularly on the additional cost to the Federal Government to build to LEED 2012 using this credit?

3. The chemical avoidance credit would encourage builders including GSA to avoid over 900 hundred of chemicals (including every chemical on California's Prop 65) even though these chemicals meet federal requirements and building codes. Is it possible to build a federal building while avoiding all these chemicals? For example, a Federal building attempting to get these credits would have to avoid foam insulation that is often used to increase the energy efficiency of federal buildings. Has GSA determined if seeking this credit would reduce the energy efficiency of federal buildings? What would the cost be to the Federal Government of the increased energy utilization?

4. If these chemicals are in fact avoided, does GSA know what metrics will be used to measure environmental impact – for better or worse? In other words, has there been any thinking around environmental impact of the alternatives?

House Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings, and Emergency Management
April 17, 2012
Questions for the Record

1. **The U.S. Green Building Council is proposing a new credit for LEED – a green building rating system that GSA has embraced – this credit for "chemical avoidance" has nothing to do with energy efficiency or proven, science based health benefits and, if implemented, will result in thousands of jobs being lost. In addition, if GSA and the rest of the government adopt this revised standard, it will likely result in increased building costs. Has GSA looked at this proposed change? If not, would you be willing to coordinate with the Subcommittee to discuss and figure out an appropriate response?**

   GSA is aware of the substantial changes that the U.S. Green Building Council (USGBC) has proposed for the next version of the Leadership in Energy and Environmental Design (LEED) green building certification system. USGBC recently announced that it is rescheduling the final vote on LEED 2012 (now titled LEED Version 4) until June 2013 to allow more time for discussion and pilot testing of proposed new credits.

   GSA only evaluates green building certification systems that have been approved by the system owners. Since LEED Version 4 has not been issued and has not completed its public comment process, GSA has not evaluated the proposed system. GSA will continue to monitor the proposed updates to LEED, but will wait until the completion of LEED Version 4 before assessing the implications of any changes.

   GSA would be happy to meet with the Subcommittee to discuss further.

2. **Although GSA may not have to use the chemical avoidance credit, it will certainly create pressure to avoid these chemicals in government buildings. Has GSA conducted any analysis of the impacts of this credit, particularly on the additional cost to the Federal Government to build to LEED 2012 using this credit?**

   GSA only evaluates green building rating systems that have been approved by the system owners. Since LEED Version 4 has not been issued and has not completed its public comment process, GSA has not evaluated the proposed system. GSA will continue to monitor the proposed updates to LEED, but will wait until the completion of LEED Version 4 before assessing the implications of any changes. Once the system is completed, GSA will evaluate the final system, in whole, as part of our regular processes.

3. **The chemical avoidance credit would encourage buildings including GSA to avoid over 900 chemicals (including every chemical on California's Prop 65) even though these chemicals meet federal requirements and building codes. Is it possible to build a federal building while avoiding all these chemicals? For example, a Federal building attempting to get these credits would have to avoid foam insulation that is often used to increase the energy efficiency of federal buildings. Has GSA determined if seeking this credit would reduce the energy**

efficiency of federal buildings? What would the cost be to the Federal Government of the increased energy utilization?

As previously mentioned, GSA has not assessed the implications of the proposed credit since USGBC has not finalized this version of the green building certification system. It is GSA's understanding that this proposed requirement has been removed from the current draft version.

4. **If these chemicals are in fact avoided, does GSA know what metrics will be used to measure environmental impact – for better or worse? In other words, has there been any thinking around environmental impact of the alternatives?**

As previously mentioned, GSA has not assessed the implications of the proposed "Avoidance of Chemicals of Concern" credit since USGBC has not finalized this version of the green building certification system.

Statement of Martha N. Johnson, Annapolis, Maryland
Committee on Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management
April 17, 2012

Chairman Denham, Ranking Member Holmes Norton and Members of the Subcommittee, thank you for providing me the opportunity to present this testimony to you today.

On April 2, 2012, I resigned my position as Administrator of the General Services Administration ("GSA"), and left my cherished career as a public servant. I did so in order to step aside and allow a new team to lead GSA as it rebuilds itself from major missteps regarding the handling of the Western Regions' Conference in October 2010.

I previously served at GSA for five years in the Clinton Administration, leaving in January 2001. At that time the leadership team was strong, the innovative work of the Multiple Awards Schedule, the Design Excellence program, the first government web portals, and other programs were producing much value to our customers in the United States Government.

When I returned to GSA in February 2010, the agency was not the same. A quarter of the executive positions were empty, strategy was non-existent, major customers viewed our partnership askance, labor relations were acrimonious, the information technology infrastructure was inadequate, the Schedules and other contract vehicles were burdensome, the Federal Acquisition Institute had atrophied, government-wide policy lacked focus, and the more expensive leasing portfolio had ballooned. Of deep concern was that nearly two years had elapsed without a confirmed Administrator. Although I received a unanimous vote by the Senate, my own confirmation was delayed by nine months. By the time I was sworn in, a sequence of four acting administrators had overseen the agency.

What I did not know until much later was that there was yet another problem. The Western Regions' Conference, which had been an economical, straightforward set of training sessions in the late 1990's, had evolved into a raucous, extravagant, arrogant, self-congratulatory event that ultimately belittled federal workers and would stain the very work that other committed staff and I were preparing to do. Leaders apparently competed to show their people how much entertainment they could provide, rather than how much performance capability they could build. The expensive planning for that conference was well underway when I entered GSA, and I was unaware of the scope.

Thus, I began my tenure as Administrator facing the massive challenges of renewal, reinvigoration and transformation. I must take this opportunity to thank and praise the overwhelming majority of GSA employees – the nearly 13,000 people – who

eagerly rose to the task. Their record is extraordinary: a building portfolio 22% more efficient than equivalent private sector buildings, arguably the best small business support program in the federal government through our Schedules program, efficient management of 220,000 vehicles, 10 million trip reservations, billions in purchase card transactions, the innovative USA.gov, GobiernoUSA.gov, Results.gov, and many many other innovative and efficient programs.

As for my part, I set about reconstituting GSA's executive team. Over three quarters of the senior executives are now in different roles than they were when I arrived. GSA's strategic path of More for the Customers' Mission is clear and drives enormous cost savings and efficiency. Our customers repeatedly praise us publicly for our support. Labor relations are rapidly mending and our partnership is fruitful. GSA's information technology infrastructure now supports the cloud for GSA's email, collaborative platforms such as Salesforce and Chatter, and mobile workers so that GSA can dramatically cut its own real estate footprint. GSA's partially renovated 1800 F Street Headquarters building which held 2500 people will be home to 4500 people at this time next year, allowing GSA to relinquish leases and save millions. Additionally, the Federal Acquisition Institute has been overhauled, the Schedules are on track for major upgrades, the Networx transition is rounding the final bend, and much more has been accomplished.

However, GSA's phenomenal record of performance tragically does not compensate for the issues raised by the Inspector General ("IG") and this Committee. I greeted the IG report on the Western Regions' Conference without hesitation, agreeing completely with the recommendations. I am extremely aggrieved by the gall of a handful of people to misuse federal tax dollars, twist contracting rules and defile the great name of the General Services Administration. Further, I am affronted by the insensitivity of the leaders to the culture they were condoning and am appalled that a handful of people can undercut public confidence in GSA and, indeed, all of government.

This is how that chapter unfolded:

Some time around late October 2010, Deputy Administrator Susan Brita requested an investigation into the Western Regions' Conference.

I believe the Inspector General subsequently briefed her with a Powerpoint deck on their initial findings. Ms. Brita shared these findings with four of us in a May 2011 meeting that included: Steven Leeds, Senior Counselor; Michael Robertson, Chief of Staff; Robert Peck, Commissioner of the Public Building Service; and myself. The full team was seriously concerned and unanimously agreed that the IG should conclude his investigation so that we could understand the full extent of the situation. I believe Ms. Brita communicated that message to the Inspector General. We did not envision launching our own investigation at that time as such action would have entailed a terrific duplication of government resources. We realized this was a very

serious matter and we needed all the facts however painful and disruptive they might prove to be.

In the interim nine months before receiving the final IG report, we continued various important efforts already underway to strengthen the leadership, secure organizational controls, and address conference management, all of which were troubling in the interim findings:

> Leadership: In line with our efforts to fill positions and to give executives a broader set of experiences, we secured Ruth Cox as a permanent Regional Administrator for Region 9, relieving Jeff Neely of that additional responsibility which he had shouldered for over two years. We also moved promptly to backfill the Region 9 Regional Counsel with an internal reassignment.
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> Organizational controls: We established the central, consolidated Chief Administrative Services Office and hired a distinguished executive to lead it. This office has been designated with responsibility for GSA's acquisition, oversight of travel and conferences and the like.
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> Conference Management: GSA was already focused on overhauling conferences. The 50 year old Interagency Resource Management Conference ("IRMCO") was evolving from an offsite at a hotel to a shorter event held at Gallaudet University. My last speech as Administrator in March was to the further revamped IRMCO, now a one-day Acquisition Excellence conference with even broader participation and a concentrated agenda. As another example, The Networx Conference for the telecommunications industry was folded alongside the annual EXPO training conference to reduce travel and expenses. For GSA internal conferences and in response to the President's order regarding government efficiency, we catalogued all our internal conferences and Deputy Administrator Brita reviewed expenditures until she was satisfied that controls were in place.

I was led to believe the IG would conclude the Western Regions' Conference investigation expeditiously. Ms. Brita periodically gave me an update on their expected release date, however, the deadline slipped repeatedly from October to November to December. We finally received the report in March, 2012, a full 15 months after it was requested.

Once GSA received the IG report we reviewed it carefully and began the complex process of disciplinary action, revised internal controls, renewed efforts to train and inculcate among employees the current rules, and actions to adjust budgets to penalize the regions for the wasted monies. We also communicated to the IG that we accepted the recommendations in the draft report.

The process of disciplinary action for career employees is a careful one, requiring due process, the naming of a recommending official, specific documentation, a waiting period of 30 days, and a final disposition by a deciding official. They are also guided by confidentiality rules. Those processes were launched and I believe continue. Once that work was set in motion, it was clear that the egregious and coarse nature of some of the evidence from the Western Regions' Conference and the disregard for the waste of resources assured a loss of confidence in the leadership of GSA. Therefore, I terminated two appointees in the line of authority and submitted my own resignation.

I personally apologize to the American people for the entire situation. As the head of the Agency, I am responsible. I deeply regret that the exceedingly good work of GSA has been besmirched. I will mourn for the rest of my life the loss of my appointment and its role in leading a vital and important part of the government of the United States of America.

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