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ACTIVITIES OF THE DEPARTMENT OF STATE'S OFFICE OF THE INSPECTOR GENERAL

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS, HUMAN RIGHTS, AND OVERSIGHT

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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ACTIVITIES OF THE DEPARTMENT OF STATE'S OFFICE OF THE INSPECTOR GENERAL

WEDNESDAY, OCTOBER 31, 2007

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS,
HUMAN RIGHTS, AND OVERSIGHT,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:15 p.m. in room 2172, Rayburn House Office Building, Hon. Bill Delahunt (chairman of the subcommittee) presiding.

Mr. DELAHUNT. The hearing of the Foreign Affairs' Subcommittee on Oversight will come to order.

Today's hearing is on the Office of the Inspector General for the Department of State. As our sole witness today, it is our pleasure to have the distinguished Comptroller General of the United States, Mr. David Walker.

Woodrow Wilson wrote in 1885 that "quite as important as legislation is vigilant oversight of administration." Those are Woodrow Wilson's words. We can all agree that effective oversight is critical to improve the efficiency, economy and effectiveness of governmental operations, evaluate programs and performance.

Secondly, to detect and prevent poor administration, waste, abuse, arbitrary and capricious behavior or illegal and unconstitutional conduct, and, probably as important, to inform the general public and ensure that executive policies reflect the public interest.

The Office of the Inspector General at State is responsible for providing both the Secretary of State and the Congress with unbiased, reliable, accurate and comprehensive information, but in March of this year the GAO, the Government Accountability Office, reported numerous concerns about the independence of the Office of the State Inspector General and with its inspection and investigative practices.

What I found most disturbing was that these problems are not new. In fact, the GAO was reporting on them back in 1979, yet apparently little has changed over three decades.

I am sure everyone here is aware of allegations made by current and former State IG employees against the current Inspector General at the Department of the State, Mr. Howard Krongard. These whistleblowers accuse Mr. Krongard of politicizing his office by allegedly blocking investigations or glossing over problems, especially with respect to Iraq and Afghanistan, that could potentially embar-

rass the administration. We take these accusations very seriously. If they are true, they represent a serious abuse of office and a particularly significant breakdown in the Inspector General system.

But those allegations are not the specific focus of our hearing today. This hearing will instead look at the existing infrastructure, practices and policies of the Inspector General's Office. It will examine the inherent weaknesses of the office as it currently functions.

Through our witness we will explore how they significantly weaken the integrity and credibility of the State Inspector General's Office, and we will call upon the Comptroller General to identify opportunities for improving the independence and the quality of the work performed by the State Inspector General.

What happened with the oversight of the construction of the United States Embassy in Iraq is a particularly instructive example of some of the problems facing the Office of the State Inspector General. In a recent hearing before another committee, Mr. Krongard testified regarding the work he had personally done on the United States Embassy in Iraq.

There have been numerous allegations regarding the Kuwaiti company contracted to build the Embassy, charges of forced labor, physical abuse, trafficking in persons, withholding of workers' passports, intolerable living conditions and malnourished workers.

Despite the gravity of these allegations, Mr. Krongard did not conduct an audit, which is a specific kind of review with particular criteria enumerated in statute. The standards are established by law. Instead, he carried out what is known as an inspection, a much more loosely defined procedure that is only as thorough as the lead inspector decides it will be. There is enormous discretion when it comes to an inspection.

Mr. Krongard's inspection concluded that he did not find evidence to support the allegations. However, he explained in that particular hearing that he only interviewed about six workers of the hundreds who worked there, took notes on the back of things, scraps of paper, because he didn't want the people that he interviewed to be uncomfortable.

What I find particularly mind boggling is that he allowed First Kuwaiti, the contractor under review, to select the employees for him to interview. As a former district attorney, I can only compare that to allowing a criminal defendant to select the witnesses for the prosecution.

With the seriousness of such allegations, one would easily argue that a much more substantial and robust approach for conducting oversight of this specific issue was needed—in other words, a full-fledged exhaustive audit—but unfortunately Mr. Krongard's inspection seems to capture two of the most significant deficiencies in the functioning or within the infrastructure of the Department of State Inspector General Division.

First, he relies too much on inspections as opposed to audits, and that is an important distinction to make. Second, these inspections are often led by career or retired Foreign Service officers or by political appointees like Mr. Krongard, which obviously raises concerns about objectivity and the appearance of conflict of interest. Now, I am sure many of these individuals are people of great integ-

rity and substantial experience, but they ought not to be the lead inspector because the American people demand more.

Despite the concerns expressed about Mr. Krongard, the responsibility for these structural issues falls to Congress to address. It is our responsibility. If he were to leave his post tomorrow, these issues would still be there. As I mentioned previously, they have been identified as a concern for over 30 years, yet successive administrations and Congresses of both parties, Republican and Democrat, have been unable or unwilling to fix them.

To clearly understand these issues and to identify solutions, as I indicated earlier, we have before us the Comptroller General of the United States, David Walker, to testify on his findings, but before formally introducing Mr. Walker let me turn to my good friend and ranking member, Dana Rohrabacher, for his opening remarks.

Mr. Rohrabacher?

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. I welcome this hearing today.

Hopefully I will learn a great deal about the issues that you just described, certainly issues that have perplexed government officials for, as you say, the last 30 years there have been things going on that have caught the attention of people as not being right, but people have had a tough time finding the procedures of how to get rid of these anomalies in the system without undercutting the effectiveness of the system to accomplish its goals.

So as we go through the maladies that we will look at today and the Inspector General's reaction to them let us not forget that in every case in these last 30 years that you have suggested that we have had evidence of these problems that there have been foreign policy goals, most of which were laudatory, and I believe that what we are doing in Iraq or what we are attempting to do anyway in Iraq is something that is laudatory, something that we are doing out of the highest of motivations.

We have American troops who are giving their lives so that the Iraqi people will someday have a chance to live in democracy. Now, they may not. They may not succeed, but if there was ever a noble endeavor it is to give those people the chance to succeed against a very vicious enemy and against the chaos that always comes with these types of large conflicts on the other side of the world. Problems come with those.

I think today is Halloween. It is Halloween, is it not? I would hope that we are not just trying to put a scary mask on the face of someone who, yes, has a much nicer face underneath the mask, and has a benevolent and very laudatory goal of having our people in Iraq giving their lives, risking their lives in a way that in the end the United States hopefully will be more secure if we succeed because we will have a democratic Iraq.

And certainly the people of Iraq will be given an opportunity to live in freedom and justice whereas if we had never gotten involved this horrible, monstrous dictator who really does deserve a Halloween mask of his very own, Saddam Hussein, would still be in power. If we leave precipitously, of course, the greater the chance that other monsters will emerge in Iraq.

I am looking forward to the testimony today and if we do have problems that we can correct. I think that this is the way our sys-

tem works and that we have Democratic and Republican parties here. The Democratic Party now is in charge. They are pushing harder on these issues—and I applaud them for it—to try to find out mistakes that are made because you don't correct mistakes unless they are recognized.

However, mistakes again do not invalidate an entire effort. They certainly don't. The mistakes of World War II were so numerous, and they were kept totally secret from the American people until after the Second World War was complete. World War II obviously and the battle against Nazism and Japanese militarism was truly one of the great historic endeavors of the United States of America out to save the world.

We are trying to save the world again, this time from radical Islam, which would dominate huge portions of the planet, suppress their people and, yes, conduct attacks on the people of the United States of America. Let us not forget that noble endeavor.

If we have some problems here as outlined by the chairman, let us correct them and work to try to make our efforts much more efficient, effective and honest.

Thank you very much, Mr. Chairman. I am looking forward to the testimony today.

Mr. DELAHUNT. Thank you, Mr. Rohrabacher.

Let me ask the vice chair of the subcommittee, Mr. Carnahan, if he wishes to make an opening?

Mr. CARNAHAN. Thank you, Mr. Chairman and Ranking Member Rohrabacher. To Mr. Walker, thank you for being here today.

Given the great depth of this problem, the increased media coverage over the last several months and the issues that came to light during Secretary Rice's appearance before the full committee last week, this hearing is really very timely.

It is no secret. There have been many faults to be found in the way the administration has handled foreign policy. It pains me that we continue to send our brave men and women into harm's way and throw our resources at a problem with no great exit strategy.

Now we are starting to receive reports detailing mishandling of billions of our dollars by American contractors. Over $1 billion was spent on a single contract to train a police force that went practically unmonitored. Of that $1.2 billion, we know that almost $44 million was spent to construct a temporary camp that was never used. Was the rest spent as foolishly?

Recently we learned about a $38 million computerized accounting system that was developed for the Iraqi Government. That is not being used, even though we spent $8 million training Iraqi Government employees to use it. To add insult to injury, the Iraqi organizations that could use the system have developed their own incompatible system.

We knew as far back as 2004 that funds were being badly mishandled in Iraq. Who can forget the $8.8 billion of cash that disappeared into Iraq under the Coalition Provisional Authority?

So I hope that today we will shed some light onto how things have gotten so out of hand. The Office of Inspector General at the State Department is charged with making sure that financial transactions and accounts are properly conducted and maintained.

These mistakes seem to fall well within that mission. I look forward to finding a way forward and putting an end to the lack of oversight, the waste or even worse.

I am often reminded of the analogy of my former home state senator, Harry Truman, that formed the Truman Commission in his name during the 1940s. It was an equally divided committee, Democrats and Republicans. It was one of the most bipartisan things that happened in the Congress in those days, when there was a Democratic Congress, and a Democratic administration.

It was considered one of the most patriotic duties, I think, of Members of Congress at the time to ensure that U.S. interests and U.S. troops were supported and that dollars weren't wasted, and it was also I think a highest obligation to U.S. taxpayers to be sure that their funds were being properly spent.

So I think we can learn a lot from that model, and I hope we can go forward in that spirit. Thank you, Mr. Chairman.

Mr. DELAHUNT. Thank you, Mr. Carnahan.

David Walker was appointed as the seventh Comptroller General of the United States and began his 15-year term in October 1998. As Comptroller General, Mr. Walker serves as head of the U.S. Government Accountability Office, a legislative branch agency whose mission is to improve the performance and assure the accountability of the Federal Government to the benefit of the American people.

He has over 30 years of private sector experience and over 13 years of public service experience. He has received Presidential appointments from former Presidents Ronald Reagan, George Herbert Walker Bush and Bill Clinton, each time being unanimously confirmed by the United States Senate. No easy task. I think that bespeaks of his expertise, his professionalism, and his integrity.

Let me conclude by noting that I have had an opportunity to observe his work and that of his staff, which is exceptional, over a period of time, and we are indeed fortunate to have him heading that agency, which has done so much for the American people.

Mr. Walker?

STATEMENT OF THE HONORABLE DAVID M. WALKER, COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. WALKER. Thank you, Chairman Delahunt, Ranking Member Rohrabacher and Mr. Carnahan. Thank you very much for being here. It is my pleasure to appear on behalf of the GAO to discuss the activities of the Office of the Inspector General of the Department of State.

I think it is important at the outset to note that my testimony will be based upon GAO's work over many years. It is based on a number of systemic concerns that we have had for many years. They transcend many Inspectors General, and they are by no means focused on Iraq. They deal with the broader based systemic concerns dealing with the State Department in many parts of the world, not just Iraq.

Today I will highlight the major points in our March 2007, the latest report on these systemic concerns, relating to the State De-

partment's Inspector General's Operation. There are four key points that were noted in that report.

I assume, Mr. Chairman, that my entire testimony will be included in the record. I am just moving to——

Mr. DELAHUNT. Without objection.

Mr. WALKER. Thank you very much.

Mr. DELAHUNT. Mr. Walker, since you are the only witness we are not running the clock today.

Mr. WALKER. Thank you. I will be judicious with your time. Thank you.

First, there are inadequate resources relative to the expanding responsibilities of the State Department. Secondly, there are certain structural independence issues dealing with the Inspector's General Office. Thirdly, we are concerned about gaps in audit coverage, especially in certain high risk areas, due to that office's reliance on inspections rather than audits. And last, but not least, our concern about a lack of assurance regarding the independence of certain IG investigations.

If I can, let me show a few boards here, and I believe you have copies of these. First with regard to the resources of the State Department Inspector General, the period fiscal 2001 to fiscal 2006 adjusted for inflation, so it is net of inflation. In other words, real dollars and purchasing power. The State Department's budget has gone up 55 percent in real dollars, and the State Department IG's budget has gone down 6 percent in real dollars.

The one on the right shows you some more detail to show that the State Department Inspector General's staff during the same period of time has declined from 227 in 2001 to 182 in 2006 versus an authorized level of 318, so I think these numbers speak loudly as to the disconnect between the expanding roles and responsibilities of the State Department, the resources that Congress has been giving to the State Department and the amount of resources that have been allocated for oversight.

We made a number of recommendations in our March 2007 report, and the State Department Inspector General emphasized the following four points in his response: First, that there was a critical need for resources to provide adequate oversight. Secondly, that the Department has seen significant growth in its mission and budgets over recent years.

Thirdly, that the Inspector General believes that additional resources are necessary as evidenced in his budget request and annual performance and accountability reports. And, fourth, he agreed to pursue our recommendation that his office create a memorandum of understanding with the Diplomatic Security Service, which was one of our recommendations.

On the second issue of structural independence we found that the State Department Inspector General's Office relies heavily on inspection reports to provide the bulk of oversight of the Department, which can result in audit gaps in several critical areas.

We also noted certain concerns about the independence of certain parties that are performing responsibilities within the State Department's Office of Inspector General. For example, at the very top during the period January 2003 to May 2005 four separate management officials served as Acting Inspector General, and all

four had served in Foreign Service positions previously and many—three of the four—returned to Foreign Service positions subsequent to that. That creates at a minimum an appearance of a conflict of interest at the very top.

Secondly, we also expressed concern about the State Department Inspector General's Office use of Foreign Service officers at the ambassador level to lead inspections. Now, it is understandable why you might want to be able to tap the expertise and experience and contacts of those individuals to provide advice and to consult in connection with these inspections, but in our view for them to lead these inspections at a minimum presents an appearance of a conflict of interest and therefore an independence problem.

With regard to gaps in audit coverage, which is the right-hand portion, the right-hand board here, you can see that as a result of the State Department's reliance on nonaudit types of reviews that there has been a significant gap in audit coverage in certain areas that we need to be of high risk, on our high risk list, and that the Congress and others deem to be of importance.

For example, information security, human resources, counterterrorism and border security and public diplomacy, I think we would all agree are very important, high value, high risk.

It is important for the members to know that there are three types of activities going on. There are audits, there are inspections, and there are investigations. There is a heavy reliance on inspections. That is unique to the State Department. As you undoubtedly recall, in 1906 under Theodore Roosevelt's presidency the Inspection Service was created.

As you undoubtedly recall, the United States had been a fairly isolationist nation until Theodore Roosevelt became President, and he was concerned to make sure that he had a way to find out whether or not our Embassies and Consulates around the world were operating efficiently and effectively in carrying out his policy, so it was created at a very different time with very different communication systems, very different transportation systems, and I think it has continued through the passage of time.

And since that time we have seen the passage of the Inspector General Act in 1978, a number of other things that have happened, and so these inspections were provided for in law, and under law they are supposed to happen every 5 years. You are supposed to go to every Embassy installation every 5 years. However, that is routinely waived. That requirement is routinely waived, recognizing it doesn't necessarily meet the cost/benefit test, and it is not necessarily possible to do.

So there is a lot of work that is done under these inspection standards rather than generally accepted government auditing standards which apply to audits and which we promulgate at GAO and which apply to not only all Inspector Generals, but they apply to the GAO and many state and local auditors, as well as private sector auditors dealing with Federal funds.

There are fundamental differences between audits and inspections. With audits you have much higher requirements for levels of evidence, much tougher documentation standards, much tougher independence standards, much more rigorous quality assurance requirements and increased transparency as compared to inspections

and so not only do we believe that there needs to be more audits because you are likely to get a higher degree of reliance that the right type of work is being done.

But, secondly, there is a major difference qualitatively in what you will end up achieving through an audit versus what you will achieve through an inspection, which frequently relies upon interviewing officials, management officials filling out the questionnaires, doesn't require the same degree of independent testing in order to test the veracity of what is being said, et cetera.

Let me summarize here the rest because I think you may have a Floor vote here within the next few minutes.

Mr. DELAHUNT. Take your time, Mr. Walker.

Mr. WALKER. No. I am fine.

Mr. DELAHUNT. If I may interrupt, my intention is when you conclude your testimony we will vote if you could indulge us. We will return.

Mr. WALKER. I will be happy to indulge you. You are my client. I will indulge you, all three of you.

Mr. DELAHUNT. Thank you.

Mr. WALKER. I will finish in a minute, in 1 minute, and you can go vote.

Unlike other Inspector General Offices, the State Department IG does not share a formal agreement with the Bureau of Diplomatic Security on investigations that would be performed by one or the other. As I mentioned, the State IG has said that he will pursue that. The question is whether or not the Bureau of Diplomatic Security will also want to do the same.

Also as I mentioned, some of the issues that we have talked about—in fact, the vast majority of the issues we have talked about—have been in existence for many years and so they go beyond the current incumbent. I know there have been some controversies about the current incumbent. That is not the purpose of our work, and frankly it was beyond the scope of our work.

So in summary we have had certain longstanding, systemic concerns relating to the State Department's IG. We believe some of them can be handled administratively and some of them may require action by the Congress.

I would be happy to answer any questions you might have after you have a chance to vote.

[The prepared statement of Mr. Walker follows:]

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on International Organizations, Human Rights, and Oversight, Committee on Foreign Affairs, House of Representatives

For Release on Delivery
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Wednesday, October 31, 2007

INSPECTORS GENERAL

Limitations of IG Oversight at the Department of State

Statement of David M. Walker
Comptroller General of the United States

GAO-08-135T

October 31, 2007

INSPECTORS GENERAL

Limitations of IG Oversight at the Department of State

What GAO Found

The effectiveness of the oversight provided by the State IG is limited by (1) a lack of resources, (2) structural independence issues, (3) gaps in audit coverage, and (4) the lack of assurance that the department obtains independent IG investigations. These limitations serve to reduce the credibility and oversight provided by the State IG.

From fiscal years 2001 through 2006, the State Department's budgets have increased from $13.7 billion to about $24 billion, an increase of almost 75 percent (or 55 percent in constant dollars adjusted for inflation) in order to manage an expanding role in the global war on terrorism. During this same period, the State IG's budget increased from $29 million to $31 million, which when adjusted for inflation is a decrease of about 6 percent in constant dollars. In addition, of the 318 authorized staff in the State IG's fiscal year 2006 budget, the actual onboard staff averaged 182, or about 57 percent of the authorized level and about 20 percent less than in fiscal year 2001.

We continue to identify concerns regarding the independence of the State IG that are similar to concerns we reported almost three decades ago. Independence is critical to the quality and credibility of all the work of the State IG and is one of the most important elements of the overall effectiveness of the IG function. Our concerns include (1) the appointment of line management officials to head the State IG in an acting capacity for extended periods, and (2) the use of ambassador-level Foreign Service staff to lead inspections of the department's bureaus and posts even though they may have conflicts of interest resulting from their roles in the Foreign Service.

In addition, because the State IG provides oversight coverage of high-risk areas and management challenges primarily through inspections rather than audits, the department has significant gaps in audit oversight. Compared to audits, oversight provided by inspections is fundamentally limited. To illustrate, the Inspector General Act requires the State IG to follow *Government Auditing Standards*, while use of inspection standards are voluntary. In addition, unlike auditing standards, inspection standards do not require an external peer review of quality. The State IG's ratio of inspections to audits in fiscal year 2005 was 2 to 1 while the ratio for the statutory federal IG community was about 1 to 10. We reviewed 10 of the State IG's inspections performed over fiscal years 2004 and 2005 and found that they relied heavily on questionnaires completed by management at each bureau or post being inspected without verification or testing for accuracy.

We also found that investigations of the State Department lack a formal written agreement between the State IG and DS. Such an agreement is critical to help ensure that investigations of internal department operations are performed by the IG and not by bureau investigators who report to department management.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the activities of the Department of State Office of Inspector General (State IG), which is responsible for providing oversight of the department, the Broadcasting Board of Governors, the foreign affairs community, and more than 260 embassies, consulates, and other posts worldwide. The State IG has a critical responsibility to provide effective and objective oversight to assist both the department and the Congress.

In our March 2007[1] report on the activities of the State IG, we raised a number of concerns about the lack of adequate resources, the independence of the office, the lack of audit oversight in high-risk areas, and the lack of assurance that the department is receiving independent investigations.

My statement today is based primarily on our March report and recent testimonies[2] we have provided on the need for effective inspector general (IG) offices. I will discuss in more detail (1) the importance of auditor and IG independence, (2) independence concerns regarding the State IG that are similar to those we reported almost three decades ago, (3) gaps in State IG audit coverage in some high-risk areas due to the IG's reliance on inspections, and (4) a lack of assurance that investigations within the State Department are independent of management. We performed this work in accordance with generally accepted government auditing standards.

Background

The current State IG was created by a 1986 amendment to the Inspector General Act of 1978 (IG Act) to prevent and detect fraud, waste, abuse, and mismanagement in the department's programs and operations; conduct and supervise independent audits and investigations; and recommend policies to promote economy, efficiency, and effectiveness. Unique to the State IG is a requirement to provide inspections of the department's Foreign Service posts, bureaus, and operating units. The

[1]GAO, *Inspectors General: Activities of the Department of State Office of Inspector General*, GAO-07-138 (Washington, D.C.: Mar. 23, 2007).

[2]GAO, *Inspectors General: Proposals to Strengthen Independence and Accountability*, GAO-07-1021T (Washington, D.C.: June 20, 2007), and *Inspectors General: Opportunities to Enhance Independence and Accountability*, GAO-07-1089T (Washington, D.C.: July 11, 2007).

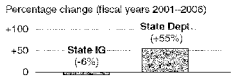
State Department has had inspection functions in various forms since 1906. The function has changed and evolved over the years in response to numerous statutory changes.

Since the terrorist attacks of September 11, 2001, the State Department has become involved in expanded reconstruction and stabilization roles and manages a global presence that includes mobilizing some 180 countries and territories in the war on terrorism. To manage this expanded role, the State Department's budget has increased over fiscal years 2001 through 2006 from $13.7 billion to about $24 billion, an increase of about 75 percent (55 percent in constant dollars adjusted for inflation). At the same time, the State IG's budget has been inadequate and its workforce has declined by approximately 20 percent. For example, from 2001 to 2006, the State IG's budget for oversight has increased from $29 million to $31 million, which when considered relative to inflation, is a budget decrease of approximately 6 percent over 6 years in constant dollars. During that same period, the State IG's staffing level has declined from 227 to 182. Of the 318 authorized staff in the State IG's fiscal year 2006 budget, the actual onboard staff averaged 182, or about 57 percent of the authorized level. (See fig. #1.)

In the State Department's *Performance and Accountability Report*[3] for fiscal year 2006, the State IG reported the need for expanded oversight to encompass new department initiatives in transformational diplomacy, global repositioning, and public diplomacy, as well as substantial increases in programs for Iraq and Afghanistan, counternarcotics, counterterrorism, embassy construction, and information technology. In addition, the IG has noted significant growth in the number of programs and grants with mandated IG oversight, congressional and management requests for special reviews and investigations, and opportunities for joint activities with other departments.

[3]*United States Department of State, Performance and Accountability Report, Fiscal Year 2006.*

Figure 1: State Department and IG Resources for Fiscal Years 2001 through 2006



From fiscal year 2001 through 2006 the State IG's overall budgetary resources went from $33 million to $31 million, which, expressed in constant dollars, is a decrease of approximately 6 percent. Over the same period of time the State Department's overall budgetary resources increased from $15.5 billion to $24.0 billion for an increase of approximately 55 percent in constant dollars.

State Department and State IG total budgetary resources for fiscal years 2001–2006 (in millions)

Fiscal year	Department budgetary resources	Department budgetary resources (in constant dollars)	IG office budgetary resources	IG budgetary resources (in constant dollars)	IG staff full-time equivalent (FTE) and actual staff
2001	$13,679	$15,499	$29	$33	Authorized FTEs 269; Actual staff 227
2002	$16,266	$18,084	$29	$32	Authorized FTEs 314; Actual staff 229
2003	$16,311	$17,775	$29	$32	Authorized FTEs 314; Actual staff 219
2004	$18,235	$19,371	$32	$34	Authorized FTEs 314; Actual staff 214
2005	$22,371	$23,061	$32	$33	Authorized FTEs 314; Actual staff 191
2006	$23,985	$23,985	$31	$31	Authorized FTEs 318; Actual staff 182

Sources: OMB, State IG.

The 1986 amendment that created the current IG office was a reaction to concerns expressed in prior GAO reports in 1978 and 1982. In those reports, we raised concerns about the independence of the previous IG offices established administratively by the department and through

statutes prior to 1986.[4] At the same time, our concerns about the State IG's independence were based in part on the IG's use of temporarily assigned Foreign Service officers to staff the IG office for performing inspections.

Importance of Auditor and IG Independence

We continue to be concerned about the independence of the State IG, an issue that we first reported on almost three decades ago. Independence is the cornerstone of professional auditing. Without independence, an audit organization cannot conduct independent audits in compliance with generally accepted government auditing standards (*Government Auditing Standards*). Likewise, an IG who lacks independence cannot effectively fulfill the full range of requirements for the office. Lacking this critical attribute, an audit organization's work might be classified as studies, research reports, consulting reports, or reviews, rather than independent audits.

Independence is one of the most important elements of an effective IG function. In fact, much of the IG Act provides specific protections to IG independence that are unprecedented for an audit and investigative function located within the organization being reviewed. These protections are necessary in large part because of the unusual reporting requirements of the IGs, who are both subject to the general supervision and budget processes of the agencies they audit, while at the same time being expected to provide independent reports of their work externally to the Congress.

Government Auditing Standards[5] states, "in all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free from **personal, external, and organizational** impairments to independence, and must avoid the appearance of such impairments to independence. Auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and

[4]GAO, *State Department's Office of Inspector General, Foreign Service, Needs to improve Its Internal Evaluation Process*, ID-78-19 (Washington, D.C.: Dec. 6, 1978), and *State Department's Office of Inspector General Should Be More Independent and Effective*, GAO/AFMD-83-56 (Washington, D.C.: June 2, 1982).

[5]GAO, *Government Auditing Standards, January 2007 Revision*, GAO-07-162G, Secs. 3.02 and 3.03 (Washington, D.C.: January 2007).

viewed as impartial by objective third parties with knowledge of the relevant information." [Emphasis added.]

- **Personal independence** applies to individual auditors at all levels of the audit organization, including the head of the organization. Personal independence refers to the auditor's ability to remain objective and maintain an independent attitude in all matters relating to the audit, as well as the auditor's ability to be recognized by others as independent. The auditor needs an independent and objective state of mind that does not allow personal bias or the undue influence of others to override the auditor's professional judgments. This attitude is also referred to as intellectual honesty. The auditor must also be free from direct financial or managerial involvement with the audited entity or other potential conflicts of interest that might create the perception that the auditor is not independent.

- **External independence** refers to both the auditor's and the audit organization's freedom to make independent and objective judgments free from external influences or pressures. Examples of impairments to external independence include restrictions on access to records, government officials, or other individuals needed to conduct the audit; external interference over the assignment, appointment, compensation, or promotion of audit personnel; restrictions on funds or other resources provided to the audit organization that adversely affect the audit organization's ability to carry out its responsibilities; or external authority to overrule or to inappropriately influence the auditors' judgment as to appropriate reporting content.

- **Organizational independence** refers to the audit organization's placement in relation to the activities being audited. Professional auditing standards have different criteria for organizational independence for external and internal audit organizations. The IGs, in their statutory role of providing oversight of their agencies' operations, represent a unique hybrid of external and internal reporting responsibilities.

The IG Act requires IGs to perform audits in compliance with *Government Auditing Standards*. In addition, much of the act provides specific protections to IG independence for all the work of the IGs. Protections to IG independence include the requirement that IGs report only to their agency heads and not to lower-level management,[6] and a prohibition on

[6]The head of the agency may delegate supervision of the IG only to the officer next in rank below the agency head.

the ability of the agency head to prevent or prohibit the IG from initiating, carrying out, or completing any audit or investigation. This prohibition is meant to protect the IG office from external forces that could compromise an IG's independence. The IG's personal independence and the need to appear independent to knowledgeable third parties is also critical when the IG makes decisions related to the nature and scope of audit and investigative work performed by the IG office. The IG must determine how to utilize the IG Act's protection of independence in conducting and pursuing the audit and investigative work. The IG's personal independence is necessary to make the proper decisions in such cases.

The IG Act also provides the IG with protections to external independence by providing access to all agency documents and records, prompt access to the agency head, the ability to select and appoint IG staff, the authority to obtain services of experts, and the authority to enter into contracts. The IG may choose whether to exercise the act's specific authority to obtain access to information that is denied by agency officials. Again, each IG must make decisions regarding the use of the IG Act's provisions for access to information, and the IG's personal independence becomes key in making these decisions.

The IGs' external reporting requirements in the IG Act include reporting the results of their work in semiannual reports to the Congress. Under the IG Act, the IGs are to report their findings without alteration by their respective agencies, and these reports are to be made available to the general public. The IG Act also directs the IGs to keep their agency heads and the Congress fully and currently informed, which they do through these semiannual reports and otherwise, of any problems, deficiencies, abuses, fraud, or other serious problems relating to the administration of programs and operations of their agencies. Also, the IGs are required to report particularly serious or flagrant problems, abuses, or deficiencies immediately to their agency heads, who are required to transmit the IG's report to the Congress within 7 calendar days.

With the growing complexity of the federal government, the severity of the problems it faces, and the fiscal constraints under which it operates, it is important that an independent, objective, and reliable IG structure be in place at federal agencies to ensure adequate audit and investigative coverage of federal programs and operations. The IG Act provides each IG with the ability to exercise judgment in the use of protections to independence specified in the act. While the IG Act provides for IG independence, the ultimate success or failure of an IG office is largely determined by the individual IG placed in that office and that person's

ability to maintain personal, external, and organizational independence both in fact and appearance while reporting the results of the office's work to both the agency head and to the Congress. An IG who lacks independence cannot effectively fulfill the full range of requirements for the office.

Continuing Concerns regarding the State IG's Independence

Two continuing areas of concern that we have with the independence of the office of the State IG involve (1) the appointment of management officials to head the State IG in an acting capacity for extended periods of time and (2) the use of Foreign Service staff to lead State IG inspections. These concerns are similar to those independence issues we reported in our 1978 and 1982 reports.

In 1978, GAO reviewed the operations of the office of the IG of Foreign Service and questioned the independence of Foreign Service officers who were temporarily detailed from program offices to the IG's office. In 1982, we reviewed the operations of the IG and again expressed our concerns about the independence of inspection staff reassigned to and from management offices within the department. In these reports we stated that the desire of State IG staff to receive favorable assignments after their State IG tours could influence their objectivity. Reacting to concerns similar to those in our 1982 report, the Congress established an IG for the Department of State through amendments to the IG Act in both 1985 and 1986. The 1986 amendment requires the State IG continue to perform inspections of the department's bureaus and posts, but also prohibits a career member of the Foreign Service from being appointed as the State IG.

After almost three decades, we continue to have similar concerns regarding the independence of the State IG's operations. In our March 2007 report we stated that during a period of approximately 27 months—from January 24, 2003, until May 2, 2005—four management officials from the State Department were acting in an IG capacity. All four of these officials served in the Foreign Service in prior line management positions, including political appointments as U.S. ambassadors to foreign countries. In addition, three of these officials returned to significant management positions within the State Department after heading the IG office. Therefore, over more than a 2-year period, oversight of the State Department was being provided by the department's own management officials. The 1986 amendment to the IG Act that created the current IG office prohibits a career Foreign Service official from becoming an IG of the State Department due to concerns about personal impairments to

independence that could result. That same concern exists when Foreign Service officials head the State IG in an acting capacity, resulting in limitations to the independence and effectiveness of the office.

The second continuing concern discussed in our March 2007 report regarding State IG independence deals with the use of Foreign Service officers to lead inspections of the department's bureaus and posts. This practice creates the mistaken impression that because these inspections are products of an IG office, they are performed with the appropriate IG independence. However, State IG policy is for inspections to be led by Foreign Service officers at the ambassador level who are expected to help formulate, implement, and defend government policy. The resulting conflict of interest for career Foreign Service staff and others at the ambassador level who lead inspections that may criticize the department's policies provides an appearance of impaired independence to the State IG's inspection results.

To address these concerns about the independence of the State IG Office, we recommended in our March 2007 report that the IG work with the Secretary of State to develop a succession planning policy that would prohibit career Foreign Service officers and other department managers from heading the State IG office in an acting capacity and to develop options to ensure that State IG inspections are not led by career Foreign Service officials or other staff who rotate to assignments within State Department management.

In formal comments to a draft of our March 2007 report, the State IG agreed with our concerns about having career Foreign Service officers serving in an acting IG capacity and acknowledged that the temporary nature of such arrangements can have a debilitating effect on the office particularly over a lengthy period of time. However, the State IG disagreed with our recommendation that personnel with State Department management careers also not be considered for acting IG positions due to the need to obtain prompt and capable personnel to fill these positions. Also, the State IG agreed that use of Foreign Service personnel at the ambassador level to lead inspections does create an appearance of impaired independence; however, the IG plans to continue this practice in order to utilize the diplomatic expertise of these Foreign Service officers, which the IG believes is necessary for inspections.

We disagree with the State IG's comments. Independence is a critical element for IG effectiveness and success and is at the heart of auditing standards and the IG Act. The State IG's reluctance to take steps that

would preclude career management officials from leading the office in an acting IG capacity and to stop the practice of having Foreign Service officers at the ambassador level lead inspections weakens the credibility of the entire office. For example, appointing career department managers as acting State IGs could have the practical effect of subjecting the State IG to supervision by management officials other than the Secretary or Deputy Secretary. As noted above, the IG Act limits supervision of the IG to the head of the department or the principal deputy rather than lower-level managers as an important protection to the IG's independence.

In addition, the State IG's decision to accept impairments to the appearance of independence for all inspections performed at the department limits the usefulness of these results for both the department and the Congress in taking appropriate actions. We agree that Foreign Service expertise could be a part of the inspection team, but we disagree with placing independence second to experience and expertise. The State IG can achieve both objectives with the proper staffing and structuring of its inspections. To illustrate, our position remains that the State IG's inspection teams should not be led by career Foreign Service officers and ambassadors, but could include experienced ambassadors and staff at the ambassador level as team members, consultants, or advisors to help mitigate concerns about the appearance of independence caused by the State IG's current practice.

State IG's Reliance on Inspections Results in Gaps in Audit Oversight for High Risk Areas

In addition to the specific requirements for independent audits and investigations, the State IG has a unique statutory requirement to inspect each post at least every 5 years. However, since 1996, the Congress, through the department's appropriations acts, annually waives the 5-year requirement. Nevertheless, the State IG completed inspections at 223 of the department's 260 bureaus and posts over the 5-year period of fiscal years 2001 through 2005. Consequently, the State IG relies on inspections rather than audits to provide the primary oversight of the State Department. As a comparison, in fiscal year 2005, the statutory IGs[7] issued a total of 443 inspection reports compared to 4,354 audit reports, a ratio of inspections to audits of about 1 to 10. During the same year, the State IG issued 99 inspection reports and 44 audit reports during fiscal year 2005, or a ratio of inspections to audits of over 2 to 1.

[7]There are currently 61 statutory IG offices in the federal government created by the IG Act, as amended, and other legislation.

A troubling outcome of the State IG's heavy emphasis on inspections is the resulting gaps in audit coverage for high-risk areas we have identified and the management challenges reported annually by the State IG in the department's performance and accountability reports. In our reports of the government's high-risk areas issued in January 2003[8] and January 2005,[9] we identified seven such areas at the State Department, which were also included in management challenges identified by the State IG.[10] These critical areas are (1) the physical security and protection of people and facilities, (2) information security, (3) financial management, (4) human resources, (5) counterterrorism and border security, (6) public diplomacy, and (7) postconflict stabilization and reconstruction.

To illustrate the State IG's reliance on inspections for oversight of these areas during fiscal years 2004 and 2005 combined, the State IG covered human resource issues with 1 audit and 103 inspections, counterterrorism and border security with 2 audits and 190 inspections, public diplomacy with 2 audits and 103 inspections, and information security with 1 audit and 13 inspections. (See table 1.) The high-risk areas of physical security and protection of people and facilities had limited audit coverage that addressed specific contracts and procurements, whereas financial management was covered by the State IG's financial audits. Postconflict stabilization and reconstruction was covered by both audits and inspections.

[8]GAO, *High-Risk Series: An Update*, GAO-03-119 (Washington, D.C.: January 2003).

[9]GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

[10]The Reports Consolidation Act of 2000, Pub. L. No. 106-531, 114 Stat. 2537, 2538 (Nov. 22, 2000), requires executive agencies, including the State Department, to include their IGs' lists of significant management challenges in their annual performance and accountability reports to the President, the Office of Management and Budget, and the Congress.

Table 1: State IG Audit and Inspection Coverage of High-Risk Areas and Management Challenges for Fiscal Years 2004 through 2005

		Fiscal year 2004 State IG reports[c]		Fiscal year 2005 State IG reports[d]	
GAO high-risk areas[a]	**Management challenges identified by the State IG[b]**	**Audits**	**Inspections**	**Audits**	**Inspections**
Physical security and management of U.S. facilities overseas	Protection of people and facilities	27	98	21	92
Enhance information technology and security, strengthen financial management, improve performance planning[e]	Information security	1	6	0	7
	Financial management	10	0[f]	16	0[f]
Continue to rightsize embassy staffing levels	Human resources	1	50	0	53
Better manage human capital strategies					
Strengthen the visa process through issuance of policies and procedures as an antiterrorism tool	Counterterrorism and border security	0	98	2	92
Improve the management of public diplomacy programs	Public diplomacy	1	50	1	53
Manage the large-scale reconstruction and nation-building programs	Postconflict stabilization and reconstruction	4	0	4	6
Total high-risk areas and management challenges addressed by audit and inspection reports		**44**	**302**	**44**	**303**
Total audit and inspection reports issued		**44**	**104**	**44**	**99**

Source: GAO.

[a]GAO-05-207 and GAO-03-119.

[b]*Department of State, Fiscal Year 2005 Performance and Accountability Report.*

[c]State IG semiannual reports to the Congress for the periods ending March 31 and September 30, 2004.

[d]State IG semiannual reports to the Congress for the periods ending March 31 and September 30, 2005.

[e]Strategic and performance planning were removed in recognition of the State Department's considerable progress in addressing that challenge.

[f]Post inspections include a selected financial management component.

Because of State IG's heavy reliance on inspections, it is important to note that there are fundamental differences between inspections and audits. Audits performed under *Government Auditing Standards*[11] are subject to more in-depth requirements in the areas of sufficient, appropriate, relevant, and complete evidence and documentation supporting the findings than are inspections performed under the *Quality Standards for Inspections*.[12] Also, auditing standards require independent external quality reviews of audits, or peer reviews, on a 3-year cycle, while inspection standards do not call for any such external quality reviews.

We reviewed the documentation for 10 State IG inspections to gain an understanding of the extent of documented evidence to support each report's findings and recommendations.[13] We found that the inspectors relied heavily on questionnaires completed by management at each bureau or post that was inspected, official department documents, correspondence and electronic mail, internal department memorandums, interviews, and the inspection review summaries. We did not find any examples of additional testing of evidence or sampling of agency responses to questionnaires and interviews to test for the accuracy, relevance, validity, and reliability of the information as would be required by auditing standards. In other words, for the inspections we reviewed, the State IG's results relied on the responses of department management through questionnaires, interviews, and agency documents without further verification.

We also found that for 43 of the 183 recommendations contained in the 10 inspections we reviewed, the inspection files did not contain documented support of any kind beyond the written summaries of the findings and

[11]IGs are required by the IG Act to follow *Government Auditing Standards* when performing audits. 5 U.S.C. App. § 4(b)(1)(A).

[12]Use of inspection standards by the IGs is not mandated by statute. Rather, IGs are encouraged by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) to follow the councils' jointly created standards, *Quality Standards for Inspections*, when conducting inspections. PCIE is composed principally of the presidentially appointed and Senate-confirmed IGs, and ECIE is composed principally of IGs appointed by the heads of designated federal entities defined by the IG Act. Both were established by Executive Order to coordinate and enhance the work of the IGs.

[13]The 10 inspections were taken from a total of 112 inspections completed over fiscal years 2004 and 2005 that were not classified for national security purposes, and did not include inspections of the Board of Broadcasting Governors.

recommendations contained in the final inspection reports. While the State IG's inspection policies require that supporting documentation be attached to the written summaries, the summaries indicated that there was no additional supporting documentation. Due to the significance of the high-risk areas covered largely by inspections, the limited nature of inspections, and the appearance of impaired independence, the State IG would benefit by reassessing the mix of audit and inspection coverage for those areas.

In our March 2007 report, we recommended that in order to provide the appropriate breadth and depth of oversight coverage at the department, especially in high-risk areas and management challenges, the State IG reassess the proper mix of audit and inspection coverage. This assessment should include an analysis of an appropriate level of resources needed to address the increasing growth of the department's risks and responsibilities.

In formal comments on our report, the State IG disagreed with our recommendation to reassess the mix of audit and inspection coverage while agreeing that inspections are much more subjective than audits and have a different level of requirements for evidence. The State IG explained that the use of inspections is due to the congressional mandate for IG inspections, which has been waived annually late in the IG's planning cycle, and the limited resources to hire more auditors. Therefore, things that could be done in an audit have to be done through inspections.

We remain concerned that the State IG's current mix of audits and inspections does not provide adequate independent oversight. In addition, the State IG's use of inspections can create an "expectation gap" that inspections will have the same credibility and independence as the IG's audits. By ultimately placing the results of inspections in the IG's semiannual reports without clarifying that they are a substitute for audit coverage and are fundamentally limited in their results, the IG may be creating a misleading image of oversight coverage of the department and its high-risk areas.

Department Lacks Assurance of Obtaining Independent IG Investigations

The IG Act, as amended, established the State IG to conduct and supervise independent investigations, in addition to audits, in order to prevent and detect fraud, waste, abuse, and mismanagement in the State Department.[14] In addition, the department's Bureau of Diplomatic Security (DS), as part of its worldwide responsibilities for law enforcement and security operations, also performs investigations that include passport and visa fraud both externally and within the department.

While both the State IG and DS pursue allegations of passport and visa fraud by State Department employees, DS reports organizationally to the State Department Undersecretary for Management and is performing investigations as a function of management. Therefore, DS investigations of department employees, especially when management officials are the subjects of allegations, can result in management investigating itself. In contrast, the State IG is required by the IG Act to be independent of the offices and functions it investigates. However, State IG officials stated that they were aware of DS investigations in these areas that were not coordinated with the State IG.

Our March 2007 report noted that DS and the State IG had no functional written agreement or other formal mechanism in place to coordinate their investigative activities. Without a formal agreement to outline the responsibilities of both DS and the State IG regarding these investigations, there is inadequate assurance that this work will be coordinated to avoid duplication or that independent investigations of department personnel will be performed. Moreover, we also reported that in fiscal year 2005, DS entailed a global force of approximately 32,000 special agents, security specialists, and other professionals who make up the security and law enforcement arm of the State Department. In contrast, the State IG, which also has global responsibilities for independent investigations of the State Department, had a total of 21 positions in its investigative office with 10 investigators onboard at the time of our review.

In other federal agencies where significant law enforcement functions like those of DS exist alongside their IGs, the division of investigative functions between the agency and the IG is established through written agreement. Our March report provides examples of formal written agreements between (1) the U.S. Postal Service IG and the Chief Postal Inspector who heads the U.S. Postal Inspection Service and (2) the Treasury Inspector

[14] 5 U.S.C. App. § 2.

General for Tax Administration and the Internal Revenue Service's Criminal Investigation. These signed memorandums can serve as models for a formal agreement between DS and the State IG for delineating jurisdiction in investigative matters to help ensure that the independence requirements of the IG Act are implemented.

In order to provide for independent investigations of State Department management and to prevent duplicative investigations, we recommended in our March 2007 report that the State IG work with DS and the Secretary of State to develop a formal, written agreement that delineates the areas of responsibility for State Department investigations. In comments on our report, the State IG agreed with this recommendation.

Concluding Observations

The mission of the State IG is critical to providing independent and objective oversight of the State Department and identifying any mismanagement of scarce taxpayer dollars. However, the effectiveness of the IG's oversight is limited by the lack of resources, the lack of an appearance of independence, gaps in audit coverage of high-risk areas, and the lack of assurance that investigations of internal department operations are performed by independent IG investigators. We made recommendations to address each of these areas in our related report (GAO-07-138). Overall, our recommendations are intended to assist in strengthening the IG office and the independence and effectiveness of oversight of the State Department.

We remain concerned about the weaknesses identified especially in light of the State IG's response to our March 2007 report. The State IG's comments to our report defend the status quo, and indicate an inadequate concern and regard for the independence necessary to provide effective and credible oversight of the department. Consequently, we reiterated the importance of our recommendations because of our continuing concerns about the adequacy of independent oversight provided by the State IG.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions you or other members of the subcommittee might have at this time.

Contacts and Acknowledgments

If you have any additional questions on matters discussed in this testimony, please contact Jeanette Franzel at (202) 512-9471 or by e-mail at franzelj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony. Other key contributors to this testimony include Jackson Hufnagle (Assistant Director) and Clarence Whitt.

Appendix I: A Comparison of Agency and IG Fiscal Year 2006 Budgetary Resources

Dollars in millions

No.	Federal departments and agencies	IG total budgetary resources	Agency total budgetary resources	IG budgetary resources as a percentage of agency budgetary resources
1	Nuclear Regulatory Commission	$10	$811	1.23
2	Corporation for National and Community Service	8	1,267	0.63
3	Small Business Administration	21	3,950	0.53
4	Environmental Protection Agency	54	13,383	0.40
5	Agency for International Development	47	12,984[a]	0.36
6	Department of Justice	83	33,031	0.25
7	Department of Commerce	22	10,764	0.20
8	Treasury Inspector General for Tax Administration[b]	134	66,964	0.20
9	General Services Administration	48	25,356	0.19
10	Tennessee Valley Authority (TVA)	15[c]	9,265	0.16
11	National Aeronautics and Space Administration	32	19,881	0.16
12	Department of the Interior	42	27,604	0.15
13	Department of State	31	23,985[d]	0.13
14	Department of Energy	42	34,392	0.12
15	Department of Housing and Urban Development	114	98,189	0.12
16	Department of Homeland Security	120	104,577	0.11
17	Department of Labor	71	75,744	0.09
18	Department of Veterans Affairs	75	88,018	0.09
19	Railroad Retirement Board	7	11,305	0.06
20	Department of Agriculture	88	143,228	0.06
21	Department of Transportation	69	116,769	0.06
22	Department of Health and Human Services	512[e]	947,318	0.05
23	Department of Education	49	108,823	0.05
24	Federal Deposit Insurance Corporation	23	51,848	0.04
25	Department of Defense – Military	214	756,136	0.03
26	Social Security Administration	92	630,549	0.01
27	Office of Personnel Management	18	173,168	0.01
28	Department of the Treasury	19	389,581[f]	0.005
29	Central Intelligence Agency	na[g]	na[g]	na[g]

Source: GAO analysis of OMB data

Note: The agencies presented are those with IGs established by the IG Act and appointed by the President.

[a]Total budgetary resources appearing in the Agency for International Development's FY 2006 Performance and Accountability Report.

[b]The Treasury Inspector General for Tax Administration is the IG for the Internal Revenue Service (IRS).

[c]Amount for TVA IG is from PCIE.

[d]State Department budget does not include amounts for the Broadcasting Board of Governors.

[e]Includes budget authority to combat Medicare and Medicaid fraud.

[f]Department of the Treasury's budgetary resources exclude IRS.

[g]Information is not available.

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Mr. DELAHUNT. Thank you. We will go and vote.

I am going to ask you to reflect in our absence and provide us with some suggestions in terms of how you would prioritize a legislative response that this committee may consider in terms of coming up with a proposal.

Mr. WALKER. Yes, sir.

Mr. DELAHUNT. Thank you.

[Recess.]

Mr. DELAHUNT. Mr. Walker, thank you for your patience. I am going to proceed. I am sure that we will be joined by Mr. Rohrabacher and possibly Mr. Carnahan.

Let me pose a question. I noted in today's *National Journal* a statement by the spokesperson for the State IG that the Inspector General, Mr. Krongard, said yesterday that budget restrictions, not politics, caused him to block a series of investigations into Department activities in Iraq and Afghanistan.

Could you just respond to that statement?

Mr. WALKER. Well, obviously I can't attest to whether or not that is accurate or not. As you know, the State Department submits a budget to OMB. The Inspector General is a portion of the State Department. They do not have the authority at the present point in time to submit their budget directly to the Congress as we do.

In fact, there is legislation that is proposed for the ability of Inspectors General to be able to submit their own budget rather than being subject to reprioritization or reallocation of resources within the administration submission.

I think these facts speak for themselves, you know, Mr. Chairman, that resources are a real issue, but that is not the only issue.

Mr. DELAHUNT. Let me just stay focused for a while on the resources issue.

You are correct when you state that there is a process within the various departments of the Executive Branch with OMB being the last stop, if you will, prior to budget submission. I don't think most Americans understand that process, and I find it very frustrating because we read today that the Inspector General laments the fact that he doesn't have adequate resources.

How do we as Members of Congress become informed of that if there is not the kind of legislation that you alluded to just now where we are directly involved, and yet—and correct me—it is my understanding that the Office of Management and Budget, OMB being the acronym, precludes or prohibits any statement on budgetary issues, and I am referring not just to the Inspector General of the Department of State, but any Department, responding to a question by a Member of Congress?

This seems to me to be a practice in an executive policy that inhibits transparency and denies us the information that we need when we cannot elicit from a witness what the realities are in terms of budgetary issues.

Mr. WALKER. If I can, Mr. Chairman, let me briefly describe for purposes of those who might be viewing how the process works and then respond to your question.

Mr. DELAHUNT. Exactly.

Mr. WALKER. Having run two Executive Branch agencies prior to being Comptroller General of the United States, typically what

happens is each subcomponent of an Executive Branch agency will make a bid to that department or agency on what they believe their budget should be.

There then will be a scrub within the department or agency to determine what the consolidated department or agency budget submission would be to OMB. OMB then looks at that submission in the context of overall resource requirements for the Federal Government and gives a passback back to the department or agency, which then has to make those numbers work.

Once the administration submits its budget to the Congress then the administration officials are not allowed to second guess, rightly or wrongly, the decisions that have been made by OMB as to what to submit on the President's behalf.

At the same point in time, the Congress does have a certain level of detail that is provided to it. For example, when the State Department budget comes up the Congress does get a certain level of detail as to how much money is going to each major function within the State Department.

In my opinion, one of the things that the Congress needs to do is to have some of type of benchmarking information that I provided today to try to help make a more informed judgment about whether or not the resources that are being requested are reasonable in light of the responsibilities.

Furthermore, I also think that Congress needs to move more toward results-based budgeting, not just focusing on responsibilities and resources, but what types of results are being achieved by the various entities with the resources and authorities they have been given. We would be happy to work with you on that issue.

Mr. DELAHUNT. Let me get into that issue because it is somewhat esoteric and arcane, but I believe it is of critical importance.

That chart where it is so obvious that the entire State Department budget over a period of time increases by 55 percent. At the same time the funding for the Inspector General portion of the Department of State budget is reduced by 6 percent. That should send a warning shot across the bow, so to speak.

Here we are discovering your report, and we are grateful to have that report, but I think it was Mr. Carnahan that spoke to the issue of fraud, waste, abuse of resources that have occurred in Iraq, in Afghanistan over the course of the last 4 or 5 years.

One would think that with the invasion of Iraq and for that matter the invasion of Afghanistan that a decision would have been made in the Executive Branch knowing that there would be substantial expenditures of American taxpayer dollars that it was necessary to ratchet up the Inspector General's function to ensure that that money was being spent wisely.

Who is at fault? Is it we? Is it the administration? Is it a shared culpability? How do we go about remedying that? To me that is just so obvious.

Mr. WALKER. First, I think it is a shared responsibility, Mr. Chairman. Ultimately under the Constitution, as you know, the Congress appropriates the funds.

Mr. DELAHUNT. Right.

Mr. WALKER. The President makes a bid, and the Congress needs to use its professional and independent judgment on what the ap-

propriate amount should be, given the roles, responsibilities and the results that have been achieved, and ultimately hopefully the President will sign that bill. If not then you will be bouncing it back and forth.

My view is that clearly a better job needs to be done in looking at whether or not the resources are adequate given the responsibilities and in light of the results that are being achieved. I think the results are just as important as resources versus responsibilities.

Mr. DELAHUNT. Right.

Mr. WALKER. Keep in mind one thing with regard to Iraq. Iraq is a little bit different situation for the following reasons. We have many players on the field doing oversight work in Iraq.

We have a Special Inspector General for Iraq which has a number of personnel and its own budget authority. We have the Department of Defense Inspector General doing work. We have the Department of State Inspector General doing work. We have the USAID Inspector General doing work, and then we have GAO doing work, so I think when you look at Iraq one would have to look at an aggregate of who all is doing work.

As you know, Mr. Chairman, primary responsibility for certain types of activities changed within the last couple of years where certain responsibilities were transferred from the Defense Department to the State Department, and at that point in time one would have expected there would have been an increase in——

Mr. DELAHUNT. That is exactly the point that I attempted to raise.

Mr. WALKER. Right.

Mr. DELAHUNT. You are confirming my own concern that we missed it.

You know, again I like to think of it as an investment. We have those who advocate for smaller government. Well, smaller government on occasion does not provide for the results or for the return on the investment, and we end up losing money.

Last night I was watching C–SPAN, and Stuart Bowen and Joe Christoff from your office were addressing the House Committee on Foreign Appropriations. A question was posed by several members about the order of magnitude of waste and "corruption" was the word that they used.

Both gentlemen responded that it was systemic. It was paralyzing in terms of the functioning of the Iraqi Government. It was pervasive. They went on and on in terms of its description.

Again, I hold Mr. Bowen and Mr. Christoff in high regard, but the reality is in my judgment they have met their responsibilities, but the Department of State and specifically the Inspector General as far as I can determine are a nonfactor in dealing with the issues that are obvious and apparent when we hear those kind of descriptions and we are losing billions of dollars.

I agree. I think it is the shared responsibility, but with all due respect to the administration they ought to have been here beating the drum over the last 3 or 4 years when it became more and more obvious that there was tremendous corruption that continues unfortunately in Iraq and in Afghanistan.

Mr. WALKER. Well, Mr. Chairman, I would also note that next year is the thirtieth anniversary since the passage of the Inspector

General Act of 1978, and I have said before and I will say again, I think the time has come to take a look at what is working, what is not, on a more comprehensive basis with regard to oversight and accountability in the Federal Government. That 30th anniversary year may be an opportune time to do it.

Mr. DELAHUNT. You know, we all try to find excuses, okay, whether it is a Member of Congress, and I accept whatever share of the responsibility I might have, but we have to stop looking for excuses.

If we are going to mandate and task agencies to perform certain jobs we have to provide them the adequate resources and then set, as you indicate, performance, result-oriented measurements so we know that we are getting a good return on the investment of taxpayer dollars.

I note in the report today in the *National Journal* that the spokesperson for Mr. Krongard indicates well, we had to spend money on inspections of Embassies and Consulate posts. Tell me if I am wrong, but that has been waived I think since 1995, those inspections.

Mr. WALKER. It is my understanding it is still in the law, but for about 5 years in a row it has been waived on an annual basis.

Mr. DELAHUNT. So they are using that, if you will, as a rationale for the problems that have been put at their doorstep when in fact it is not accurate.

What is accurate is that they have been under funded when compared to the overall budget by better than 60 percent and they don't have adequate personnel in terms of carrying out their responsibilities, and it is incumbent on the Department of State, the administration and the Inspector General to stand up and say, "I don't have the tools. I don't have the tools to do the job."

Now, I know there are many other issues, and I want to ask a whole series of questions, but feel free to comment on that.

I want to give Mr. Rohrabacher an opportunity to inquire. Since there are two of us here, we can continue for as long as you have patience.

Mr. WALKER. I believe that there are a number of systemic issues dealing with the State Department Inspector General's Office, and I will be happy to make some specific recommendations when you ask of legislative proposals that might really make sense.

I also believe there are a number of systemic issues that deal with Inspector Generals throughout government, including whether or not they ought to have term appointments, including how their budgets might have more transparency in the submission process, and so I think both are important issues and both need to be focused on by this Congress.

Mr. DELAHUNT. Before I go to Mr. Rohrabacher, walk me through an inspection. To me an inspection means according to your report a former Foreign Service officer presumably of ambassadorial rank gets on a plane and goes to visit an Embassy.

What happens then? What is he tasked with? Is he there to make sure that the paper clips are being counted, that the air conditioning is working, or is he there to ensure that in his conversations with Embassy or Consulate personnel that American foreign

policy objectives are being met? At the conclusion of that visit does he report back?

Mr. WALKER. It is my understanding that there are four primary objectives for an inspection. First, whether resources are being used and managed with the maximum degree of efficiency, effectiveness and economy. Secondly, whether the administration of activities and operations meets the requirements of applicable laws and regulations.

Thirdly, whether there appears to be any existence of fraud or other serious problems or abuses or deficiency. And, fourth, whether the policy, goals and objectives of the administration and the United States are being effectively achieved and whether the interests of the United States are being accurately and effectively represented.

That is what is supposed to be done. Now, the question is how do you do it and who does it?

Mr. DELAHUNT. Is there a team that goes over?

Mr. WALKER. My understanding is there is typically more than one, yes. It is a team.

First let us deal with who does it and then secondly how it is done.

Mr. DELAHUNT. Okay.

Mr. WALKER. Frequently it is done involving Foreign Service officers, some of whom have ambassadorial rank, which do not have a current assignment, and they are detailed to the Office of Inspector General and are involved in these inspection activities.

Now, one can say well, obviously they themselves having been line officials, possibly having served as ambassadors overseas before, they would have some unique experience and perspective that one may be able to draw upon and one might want to draw upon, but there is a difference between the unique experience and perspective and having them in charge of doing these inspections because obviously they ultimately are going to be assigned someplace else, and there at a minimum is an appearance of a conflict of interest.

Then the other issue that you have is how they are done. They are not done with near the degree of rigor that an audit would be done. Typically what happens is you will have questionnaires and you will ask management to fill out the questionnaires.

You will end up interviewing a few people, maybe pulling a few documents, but the standards of evidence, the amount of work that is done in order to determine the veracity and reliability of the information that would be required under an audit, you know, is not the same.

And so our concern is not just what is being done. We think there is too much time and effort being spent on inspections, and I will have a specific recommendation on that.

Number two, we think that some of these inspections are being done by personnel that they shouldn't be done by, at least led by personnel that they shouldn't be led by.

Number three, we think that some of these things that are being done as inspections should be done as audits and therefore subject to a lot tougher standards than otherwise would be the case.

Mr. DELAHUNT. I mean, I find it unusual that the Inspector General himself would go to do an inspection and, as I related in my opening remarks, and I am presuming that those statements that I made are accurate, would conduct an inspection with that particular issue being of such consequence—I mean the largest Embassy in American history—but one can only conclude that it was done in a very cursory fashion.

Mr. WALKER. If I can, Mr. Chairman?

Mr. DELAHUNT. Sure.

Mr. WALKER. One of the things that I think is important to reinforce is that when your resources are constrained it makes it that much more important that you have a plan that will allocate whatever resources you have in a manner that you believe will generate the most value and mitigate the most risk.

Mr. DELAHUNT. Again going back to my former career as a prosecutor, I mean, there is such a thing as we call career criminal programs where we would do a review of the criminal records of those individuals who were before the court and obviously make different recommendations based upon the frequency of their violations so that those that were responsible for 90 percent of the house breaks in a particular community received special interest, if you will, from the prosecutor's office. If they were incarcerated there was a dramatic decline in the incidence of house breaks in that particular community.

I can't imagine trying to meet all of the responsibilities that are tasked to the Inspector General, particularly if they involve let us say Bermuda, for example. You know, Bermuda is not I would think a particular place of interest, but Iraq or Afghanistan, some other locale where it is clear just from media reports and from reports coming back from the SIGIR and the GAO indicate that these are a real serious problem.

Why there wouldn't be a reallocation of assets and resources into that particular locus, that particular venue, and do it, as I think you are suggesting, on a return on the investment or cost/benefit analysis. It doesn't appear to be happening.

Mr. WALKER. Well, I can't comment on whether it is happening of late. I can tell you that, you know, we have had concerns about whether or not it has been happening in the past.

The example that you gave is a good one. You have vast responsibilities. You have finite resources. You allocate those resources based upon value and risk, and you measure what impact the outcome has been.

Mr. DELAHUNT. Right.

Mr. WALKER. Quite frankly, government needs to do that in every area. This is just a needle in the haystack.

Mr. DELAHUNT. Right.

Mr. WALKER. We need to be following that approach.

Mr. DELAHUNT. I mean, one could speculate that if the Inspector General had received comparable growth as the overall budget of the State Department that the return on that particular investment would have been well worth it.

There could have been, and again I know this is just speculation, but there could have been millions or hundreds of millions or bil-

lions of dollars that were saved through deterrents, through ferreting out where the abuses were early on. It didn't happen.

Mr. WALKER. Well, Mr. Chairman, I don't know what the return on investment is for the State Department IG.

I do know that GAO's return is $94 to $1 last year, and yet that has not been reflected in our resource allocations either, so there is a systemic problem with regard to the appropriations process which is beyond the scope of this hearing, but it is real.

Mr. DELAHUNT. Well, I don't know who sponsored the legislation to have DOS IG submit their budget directly to bypass OMB at this point in time.

Mr. WALKER. It doesn't bypass OMB.

Mr. DELAHUNT. It doesn't bypass. I mean to bypass that process. Right.

Mr. WALKER. But it provides more transparency over it.

It is their number, right? Pardon me 1 second.

Mr. DELAHUNT. Sure.

[Pause.]

Mr. WALKER. All right.

Mr. DELAHUNT. Okay.

Mr. WALKER. My understanding is the IG gets to submit their number and then you also see OMB's number, so to the extent that there is a difference it is transparent.

Mr. DELAHUNT. It sounds like an interesting proposal.

Mr. Rohrabacher?

Mr. ROHRABACHER. Thank you very much for trying to bring some order of thought to what obviously is a chaotic situation both here and there.

By the way, just for the record before we go, I have just recently submitted a request for an investigation by the General Accountability Office on the forest fires in California. I hope you will pay attention to that request.

Basically I want to know if the U.S. Forest Service made some decisions which caused a lack of air resources—planes, fire fighting airplanes—to help fight those fires. It might be on your desk when you get back.

Mr. WALKER. I haven't seen it yet, but I will look for it, Mr. Rohrabacher.

Mr. ROHRABACHER. Okay. Thank you very much.

Now to the issue at hand. Is it Mr. Krongard? Is that how you pronounce this fellow's name that we are looking into today?

Mr. WALKER. That is the current Inspector General.

Mr. ROHRABACHER. Right.

Mr. WALKER. Howard Krongard is the current Inspector General of the Department of State.

Mr. ROHRABACHER. Right. I am getting your message loud and clear. There are some systemic issues that haven't been dealt with. We need to reform the system. This is what naturally occurs in any government agency. You have to change the way it does business to make it more efficient.

That, however, does not necessarily in any way cast aspersions on Mr. Krongard. There are charges against him by people who have leaked information from him.

Do you find that given the constraints that he had—as you mentioned today, lack of resources. You have to base your decision making on the resources you have and the magnitude of the problems that you are looking into.

Did you find that he had made wrong decisions in the allocation of his scarce investigative resources?

Mr. WALKER. Mr. Rohrabacher, we did not go in for the purpose of doing an investigation of Mr. Krongard, and we did not look at the veracity of any of the allegations that have been made by specific whistleblowers.

Rather, the purpose of our work was to look at the office, rather than the incumbent in the office, and determine whether and to what extent we felt there were certain systemic issues that needed to be addressed irrespective of who the incumbent might be.

Mr. ROHRABACHER. Right. Systemic problems, for example, could have had a deleterious effect during the last administration when we didn't really get into the Oil-for-Food scandal until later or things like that. Is that right?

Mr. WALKER. Yes. We have been reporting, Mr. Rohrabacher, some of these concerns since the late 1970s.

Mr. ROHRABACHER. All right. So in terms of the actual what brought this about, which is the leaking of charges against Mr. Krongard——

Mr. DELAHUNT. Would my friend yield for a moment? I want to be very clear that this subcommittee is not making any accusations or allegations regarding Mr. Krongard.

Mr. ROHRABACHER. Right. Although there have been a lot of things in the press, et cetera.

Mr. DELAHUNT. Correct. Right.

Mr. ROHRABACHER. Mr. Krongard, I understand, and you have backed up today by the fact that there are not unlimited resources for investigation of different charges or possibilities of fraud going on.

Mr. Krongard has suggested that there was a duplication; that if he would have assigned these resources that he had, scarce resources, that it would be duplicating the efforts of other investigations.

Now, did you find that there are other investigative agencies or units that are involved that may if not properly handled be duplicative of what the IG's office is supposed to do?

Mr. WALKER. There exists within the Department of State the Bureau of Diplomatic Security. The Bureau of Diplomatic Security has many, many, many more times the resources available to it than the Inspector General's Office has at the State Department.

One of our recommendations is that there needs to be a memorandum of understanding entered into between the State Department IG and the Bureau of Diplomatic Service in order to understand who is going to do what, in order to minimize the possibility of duplication of effort.

Mr. ROHRABACHER. And might there already have been investigations by that other part of the agency into these very specific charges, meaning these very specific issues could have already been looked at by someone else?

Mr. WALKER. I don't believe so, no. What I am talking about, Mr. Rohrabacher, is the Bureau of Diplomatic Security. We are not aware that they are looking at some of these allegations with regard to——

Mr. ROHRABACHER. You are not aware of that?

Mr. WALKER. No, I am not.

Mr. ROHRABACHER. Well, that is very possible because Mr. Krongard, in his defense, has suggested that although you have people under his authority who are leaking negative stories about him refraining from certain investigations, his defense is that well, I have very limited resources, which you are confirming today, and that we should not use it to duplicate the investigations that are taking place.

So the big issue in terms of whether or not something wrong has been done is whether or not there was any other type of investigation going on into these very same issues.

Making the system more efficient is always justified. Like you say, it has been 30 years since we put in place these IGs. That is 30 years, and there hasn't been any restructuring in that 30 years to make the system more efficient. Isn't that what you are telling us today?

Mr. WALKER. There has not been a systemic review——

Mr. ROHRABACHER. Right.

Mr. WALKER [continuing]. And reconsideration, and that time has come.

Two things very quickly, Mr. Rohrabacher. Number one, we do believe there needs to be a memorandum of understanding between the Inspector General's Office and the Bureau of Diplomatic Security to minimize the possibility of duplication of effort.

Whether and to what extent an investigation may be underway with regard to the specific matters that you mentioned with regard to the current incumbent Inspector General, that typically would be done by the President's Council on Integrity and Efficiency, which is headed by Clay Johnson, Deputy Director of OMB.

They normally look at those types of allegations outside of the Department rather than having somebody in the Department look at it.

Mr. ROHRABACHER. Well, Mr. Krongard has a background, and I might add some of the criticism of this administration that they hire people without credentials that are buddies of the President or in certain social cliques, I think there is some justification to those criticisms, and I don't mind any effort to try to disclose that.

I understand Mr. Krongard has a background in business and auditing, and there has been innuendoes in the press, and because of these people who perhaps had disagreement with him inside his own agency or inside his own work group there, that there has been innuendoes that he was covering up wrongdoing or that there was laziness involved or incompetence.

His suggestion is that he was just using his limited resources. We have testimony today that the resources are limited and we have seen where we don't have as many investigators as we should, so it will be interesting to follow this end of the story.

What you were doing, and let me note what Mr. Krongard is responsible for, is vitally important, and this is why I agree with our

chairman that hearings like this are of great significance and importance; that if we waste resources we will not accomplish our goals.

If through laziness, incompetence or wrongdoing, corruption, decisions are being made to cover up corruption or whatever this will undermine our effort to be successful with the limited resources that we have to fight the enemies of our country.

Thirty years ago the IG's Office was created. Forty years ago I was in Plaku, Vietnam, and I also spent time between Saigon and Bongtau. I remember I was a young man. I was 19 years old at that time. I was not in the military. I was doing other things, which we will talk about some day.

But, what was important about this is the level of corruption that I saw as a young 19-year-old and how disillusioning it was to me and how I left Vietnam convinced that we were not going to win that war because of the corruption level that we had that undermined the spirit of everything we were trying to accomplish.

I remember in Bongtau where I went into hospitals that had been looted not by Americans, but by our allies, the Vietnamese, who we were working with so that they wouldn't be overcome by the Communists, and their people were looting these hospitals. We were sending over hundreds of thousands and millions of dollars which were just taken away and sold on the black market.

I do remember in Plaku where a certain sergeant—I guess I shouldn't say his name; we will call him Sergeant Scrounger—was my buddy, and we went out and we got a big pig because I just happened to be there for their luau. The Air Force had brought over coral from Hawaii for their luau in exchange for the 50-caliber machine guns at the fort where I was staying.

Now, this is how screwball a war gets at times. I don't know what Sergeant Scrounger gave for that pig. He might have given them some government property for that pig. All I know is that by that time, and the war lasted a lot longer than 1967. By that time, things had broken down. The order of things had broken down. It was easy for me to see even as a 19-year-old.

That breakdown may well have been one of the reasons why in the long run we left that country in disgrace and we did not achieve our objectives in Southeast Asia. We paid for that over the years with that failure.

So your job is vitally important, making sure there is not corruption going on, draining the resources away, but also changing the spirit of the operation in Iraq is vitally important.

If we have some changes that are fundamental changes in the IG system that you want to make and if they could help us I think that would be very useful and I would be very happy to work with the chairman to help propose those changes and make sure they get implemented.

Thank you very much, Mr. Chairman.

Mr. DELAHUNT. Thank you. I guess the moral of that story is, Don't buy a pig in a poke, or something along those lines.

Mr. ROHRABACHER. Don't buy a pig from Sergeant Scrounger.

Mr. DELAHUNT. Yes, from Sergeant Scrounger.

Let me just respond to the observation by Mr. Rohrabacher. It is interesting that it was post-Vietnam when the Inspector General concept emerged in terms of legislation.

Now, I don't know whether that was in response—most likely not—but what impresses me is to hear the Comptroller General talk about for every dollar that we invest in GAO we get $94 back in the reduction of waste and fraud.

While we can't avoid talking about Iraq and Afghanistan, it goes beyond just Iraq and Afghanistan. I mean, this is the Department of State with worldwide, global responsibilities, and I think it is really important to have a system that is coherent and thoughtful and where the work is done to give a coherence to our foreign policy objectives by saving those limited resources that we have and using them most effectively.

My problem is, and I think we all share in that responsibility. I am not bashing Mr. Krongard or beating up on the Bush administration. Our Congress, whether it be with a Democratic or Republican Majority, we have got to stop making excuses.

Mr. WALKER. Mr. Chairman, if it would help?

Mr. DELAHUNT. Sure.

Mr. WALKER. One of the things you asked me before the break, which I want to make sure I get on the record because I think it is responsive to both your questions and Mr. Rohrabacher's, are what are some of the things you might want to think about legislatively——

Mr. DELAHUNT. Please.

Mr. WALKER [continuing]. As it relates to the State Department IG issue rather than the bigger issue.

Mr. DELAHUNT. Right.

Mr. WALKER. I think the bigger issue we probably ought to cover in a different forum.

First, we recommended that the State Department IG enter into a memorandum of understanding with the Bureau of Diplomatic Security. Hopefully they will do that, but I would say you should give them a reasonable period of time to do that, and if they don't do it you may want to mandate it.

Frankly, I don't know how much leverage the Inspector General has with the Bureau of Diplomatic Security because the Bureau of Diplomatic Security is much, much bigger than the Inspector General's Office.

Mr. DELAHUNT. Let me interrupt, Mr. Walker.

Mr. WALKER. Sure.

Mr. DELAHUNT. I think that that is an excellent recommendation. I noted in your report that there had been dialogue between DOS and the IG and that they were working toward a memorandum of understanding.

If my ranking member would concur, I would ask that he and I instruct staff to communicate to the Department of State that in the not too distant future we would like to review that memorandum of understanding because again, and we can't get away from Iraq, but the Department of Diplomatic Security now is in the headlines over conferring allegedly immunity on Blackwater personnel.

Why wasn't the Inspector General involved in that particular review? There could be a very good reason. I want to let my friend know I am not making an accusation or an allegation, but we ought to have an answer and there ought to be some clarity so that if there is validity to these allegations that we know about them and that those that are on the ground in Iraq, if they have clarity and definition as to their roles and responsibilities we act accordingly.

I am making public what I will discuss later with Mr. Rohrabacher about having a follow-up. I would like to work with the appropriate personnel in your office to let them know that we are serious about that MOU.

Mr. WALKER. I have four more for you. The second one.

Mr. DELAHUNT. Keep going.

Mr. WALKER. Consider legislation that would preclude a member of line management, Foreign Service or otherwise, from serving as Acting Inspector General.

Mr. DELAHUNT. Right.

Mr. WALKER. In other words, typically what happens is you have a Senior Executive within the Inspector General's Office who is assigned to that office on a long-term basis serve as Acting rather than moving somebody in from management who may be subject to a review by the Inspector General's Office at some point in time in the future.

Mr. DELAHUNT. So what that does is that creates at least the perception of a lack of independence.

Mr. WALKER. It deals with the very real perception of potential lack of independence or conflict of interest.

Thirdly, rather than waiving the requirement I would suggest that Congress repeal the requirement to do inspections of every Embassy and Consulate every 5 years. Congress has waived it for about 5 years in a row, and that is totally contrary to allocating resources based upon value and risk.

The mere fact that Congress has waived it every year, if you are the Inspector General you can't necessarily count on Congress waiving it every year, and it complicates planning and allocation of resources.

Mr. DELAHUNT. Could you repeat that? I think that is important, and I would ask my friend to pay close attention because while we do waive it customarily in terms of the planning phase of the Inspector General's Office they can't be reassured that it is going to be waived so that their ability to present a coherent plan based on some sort of risk assessment.

I mean, that jumped out at me, that recommendation, because I really want the Inspector General to focus in on those concerns that deserve priority. It would be great if there was enough resources to go around to do all of the mandates and tasks that we have assigned.

Mr. ROHRABACHER. Would the gentleman yield for a question?

Mr. DELAHUNT. Sure.

Mr. ROHRABACHER. Would it be just as good to say that they don't have to do it every 5 years, but maybe have to do it every 10 years or something?

There has to be some post out someplace where some guy has never been visited who is going to have margaritas every day and enjoy himself. He is never going to get an inspection.

Mr. DELAHUNT. Could you please identify that particular post?

Mr. WALKER. No post should operate with impunity. The question is do you want to legislate it or not?

In other words, this is an example of where you could say you are not going to dictate you have to do it every five. You want them to do it based on value and risk. You would like to see a plan for them as to what their plan is, and their plan might say that they will do every post at least every 10 years so nobody is operating with impunity.

The other option is just to do random samples of selected posts, all right, which doesn't automatically mean that you have to do every post every 10 years, but it means nobody is off the radar screen because you could come up in the random sample, so that is another way that you could accomplish the objective.

Mr. DELAHUNT. Mr. Walker, I don't want to continue to interrupt, but——

Mr. WALKER. No. That is all right.

Mr. DELAHUNT. How would you consider a repeal, but a requirement to submit on an annual basis to this particular subcommittee, the Subcommittee on Oversight, the oversight plan by the Inspector General to respond to the concerns that were expressed by Mr. Rohrabacher?

Mr. WALKER. I think that is a very reasonable approach. As I said, there are ways you can get there without mandating any particular period of time by doing random samples, you know, such that nobody is operating with impunity, which I understand your concern, Mr. Rohrabacher.

The fourth issue would be to reconsider whether and to what extent the Inspectors General's Office should be doing inspections. You know, inspections have been done since 1906, well before we had Inspectors General. Certain functions dealing with inspections are really management oversight functions, and they deal with the basic responsibility of management to have effective internal controls; not really audit functions per se.

We would be happy to work with your staff to talk about some of the options here, but I think this is a big issue. Once a decision is made here then I think it would be appropriate to review the adequacy of the resources that the Inspectors General's Office has, given the appropriate role and responsibility that may make sense, you know, post that review.

So those would be several concrete suggestions that I think would go a long way toward addressing concerns that I have heard expressed by both of you and others.

Mr. DELAHUNT. Mr. Walker, I think those are excellent suggestions.

I intend to have a discussion with Mr. Rohrabacher. Our staffs could work on formalizing them and some written document—possibly legislation—possibly, as I said, some sort of request to the appropriate Undersecretary, Assistant Secretary, indicating that we expect copies in an ongoing way because this is the primary responsibility of this subcommittee.

Mr. WALKER. Mr. Chairman, could I mention one other thing?

Mr. DELAHUNT. Sure.

Mr. WALKER. To reinforce the importance of considering the repeal of the 5 year requirement for inspections, even if Congress waives it every year as they have for the last several years typically they do it through the appropriations process. That is my understanding.

Well, that is not always a timely process, as we have seen in recent years.

Mr. DELAHUNT. Right. Well, again it really falls within the jurisdiction of the authorizing committee not to make it a turf issue.

Mr. ROHRABACHER. And that is us.

Mr. DELAHUNT. And that is this particular committee.

Mr. WALKER. I agree, but, rightly or wrongly, it has been done through the appropriations process.

Mr. DELAHUNT. Well, the appropriators always tend to stray from——

Mr. WALKER. That has not been a timely process.

Mr. ROHRABACHER. We have our own reconstruction around here, the reconfiguring of the power structure we have to do.

Mr. WALKER. I know it is Halloween, so we probably don't have enough time to cover all of that.

Mr. DELAHUNT. I also want to note too that there were I think for a period of 2½ years Acting Inspectors General.

In your conversations with Joe Christoff, and I am sure you have some relationship with the Special Inspector General for Iraq Reconstruction, did it hurt our interests to have an Inspectors General division, if that is the appropriate term, or branch or office that was headed by someone who was part of management whose career was predicated on having a positive relationship with those at the higher level in the Department of State, whether it be the Secretary of State or the Deputy Secretary of State or whomever?

Mr. WALKER. I can't say, Mr. Chairman, that it had any impact in the case of Iraq.

Mr. DELAHUNT. Okay.

Mr. WALKER. Let us just say that, you know, it doesn't make sense. Why do you even want to raise the issue? I mean, it is something that frankly is not—I don't mean you. I mean, why have the issue there for anybody to raise?

It is something that is one of the provisions I am suggesting you consider legislatively to make it clear that the Acting Inspector General, if there has to be one, should come from within that office, somebody who is assigned to that office on a long-term basis, not somebody who could be temporarily assigned who could even raise this potential conflict of interest, that may or may not have an impact, but it sure raises a lot of questions and the risk is higher.

Mr. DELAHUNT. Does the gentleman have any additional questions?

Mr. ROHRABACHER. Historically we have these challenges that we provide lots of money for. I know that during the Spanish American War there were great problems with money that was spent unwisely, and we were totally unprepared for that as well.

I know during the Second World War, and I remember reading *Catch-22* and some of the other accounts, that it was not as well

run as people would think, as we have heard today about the mentioning of the Truman Commission and the important role that it played.

This is an important issue. Let me put it this way. I would hope that we can make sure that we correct the flaws of any type of endeavor that we are engaged in without undermining that endeavor.

Whether or not we should be in Iraq, whether or not we should have committed our troops there, whether or not we should have pulled them out precipitously or immediately or long term, these are policy decisions that will not rise or fall based on whether or not there is corruption going on in the system in terms of whether or not we should do that, the validity of that concept.

However, the success of the decision that is made through the democratic process in terms of the specific engagement can be determined by whether or not we manage the corruption level and the competency level of just the type of things we are talking about today.

I look forward. Thank you very much for your testimony. I appreciate your service.

Thank you very much, Mr. Chairman, for having a very, I would say, intellectual and, I would say, valuable discussion on this today.

Mr. DELAHUNT. Let me just echo the sentiments of Mr. Rohrabacher.

You know, I just want to make one final observation about your suggestion regarding inspections. After reading the report and listening to you today, I concur with your conclusion that I want the Inspector General of the State Department to do things that are of consequence and that are serious.

It is time to, in my judgment, not go back and redefine what inspections mean, but to take that function and return it to the Department of State and have the Inspector General do what I think was envisioned most likely 30 years ago was to make it really an audit function with specific standards and criteria and provide the necessary resources.

I want you to know that I am coming down where I think that you are, and that I think requires a discussion with the senior people at Department of State because they can assume that burden. They just had a 55 percent increase.

Maybe they need more resources. I certainly would prefer to expend more resources in terms of diplomacy than expend them in terms of military invasions and conducting a war.

But having said that, you also alluded earlier to a third task, which was investigations, which presumably is at a different level and more than an audit. Can you just briefly give us your understanding of inspections?

Mr. WALKER. Most Inspectors General, as you know, focus on audits, whether they be financial audits, performance audits or other types of activities, and investigations.

Investigations are not performed in accordance with generally accepted governmental auditing standards. They are performed in conjunction with standards that are promulgated by the President's Council for Integrity and Efficiency, the so-called IG Council headed by Clay Johnson, Deputy Director of OMB for Management.

They typically focus on allegations of criminal wrongdoing or serious impropriety, you know, whistleblower complaints, potential fraud, abuse of office, things of this nature.

My general view, Mr. Chairman, is that Inspectors General should focus on audits and investigations. The State Department has had this longstanding responsibility to do inspections. It is unique to the State Department.

Mr. DELAHUNT. Right.

Mr. WALKER. It is understandable that those should be done, but they are really more of a traditional management function. They are traditionally more of an internal control function.

That would not preclude the Inspector General from doing related work based on value and risk—for example, in Iraq or elsewhere—if it is deemed that that type of work should be done at the Embassy because of the value and risk associated.

It wouldn't preclude that, but the idea of encumbering the Inspector General's Office with the ongoing responsibilities of what basis to do inspections of Embassies and Consulates of any size all around the world I think needs to be reconsidered.

Mr. DELAHUNT. If you know, Mr. Walker, the investigations piece. Is that conducted by the Deputy Director, by the Council, as you indicated, or would investigations be conducted by the Inspector General within the Department of State?

Mr. WALKER. Well, there are two kinds of investigations that are taking place in the State Department. The Inspector General's Office, it is my understanding, has about 10 special agents, investigators.

Mr. DELAHUNT. Okay.

Mr. WALKER. The Bureau of Diplomatic Security, it is my understanding, has about 1,500 special agents.

Mr. DELAHUNT. Okay.

Mr. WALKER. Part of the key that I talked about before is the need to work out a memorandum of understanding to make sure there is an appropriate division of responsibility because serious allegations of impropriety or fraud or abuse should be coming to the Inspector General's Office, and I can't say that they are with any reasonable degree of assurance right now.

Mr. DELAHUNT. Again, let me thank you so much for your testimony. It was very informative and helpful.

I know I speak for Mr. Rohrabacher. We look forward to working with you to see if we can move forward. Thank you so much.

Mr. WALKER. Thanks, and I just want to thank my staff on the record. Take care.

Mr. DELAHUNT. They do a great job.

We are now adjourned.

[Whereupon, at 4:27 p.m. the subcommittee was adjourned.]

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