

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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### MEMORANDUM

May 3, 2017

**To: Democratic Members of the Committee on Oversight and Government Reform**

**Fr: Democratic Staff**

**Re: Inspectors General Warn That Trump Administration Cuts Could Threaten Their Mission and Result in More Waste, Fraud, and Abuse**

On January 23, 2017, President Trump imposed “a freeze on the hiring of Federal civilian employees to be applied across the board in the executive branch.”<sup>1</sup> In March, he issued his budget proposal, threatening severe cuts for most federal agencies.<sup>2</sup> In April, the Office of Management and Budget replaced the President’s hiring freeze with a directive to all federal agencies: “Begin taking immediate actions to achieve near-term workforce reductions and cost savings.”<sup>3</sup>

Democratic Committee staff surveyed Inspectors General (IGs) at two dozen federal agencies to determine the potential effect of these actions on their ability to conduct oversight of federal programs and operations. The survey found that nearly every IG reported that the hiring freeze negatively affected their operations, and many IGs expressed concern that inadequate staffing—from the combination of the hiring freeze and proposed budget cuts—could put their critical oversight mission at risk. Some IGs warned explicitly that their ability to detect and prevent waste, fraud, and abuse within federal programs could be impaired.

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<sup>1</sup> The White House, *Presidential Memorandum Regarding the Hiring Freeze* (Jan. 23, 2017) (online at [www.whitehouse.gov/the-press-office/2017/01/23/presidential-memorandum-regarding-hiring-freeze](http://www.whitehouse.gov/the-press-office/2017/01/23/presidential-memorandum-regarding-hiring-freeze)).

<sup>2</sup> Office of Management and Budget, *America First: A Budget Blueprint to Make America Great Again* (Mar. 16, 2017) (online at [www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018\\_blueprint.pdf](http://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/2018_blueprint.pdf)).

<sup>3</sup> Memorandum from Mick Mulvaney, Director, Office of Management and Budget to Heads of Executive Departments and Agencies (Apr. 12, 2017) (M-17-22) (online at [www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2017/M-17-22.pdf](http://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2017/M-17-22.pdf)).

Congress created IGs in response to “serious and widespread internal control breakdowns resulting in dollar losses and reduced effectiveness or efficiency in federal activities.” Congress tasked IGs with “(1) conducting and supervising audits and investigations; (2) promoting economy, efficiency, and effectiveness; and (3) preventing and detecting fraud and abuse in their agencies’ programs and operations.”<sup>4</sup>

According to the Council of the Inspectors General on Integrity and Efficiency, in fiscal year 2015 alone, the work of IGs “resulted in significant improvements to the economy and efficiency of programs governmentwide, with potential savings totaling approximately \$36.6 billion.” During the same period, IGs secured more than 5,000 successful prosecutions.<sup>5</sup>

The Government Accountability Office has also reported that past hiring freezes have “caused decreased oversight of Federal programs by making it more difficult for the Inspector General offices to do their jobs.”<sup>6</sup>

In response to the Democratic staff survey, IGs raised serious concerns about the strain on their capabilities imposed by President Trump’s hiring freeze and his proposed staffing reductions going forward. For example:

- The Department of the Treasury IG reported that staffing freezes “will put Treasury at risk of increased fraud and other criminal activity.”<sup>7</sup>
- The Department of State IG reported that it faces “staffing challenges in our oversight of [O]peration [I]nherent [R]esolve and [O]peration [F]reedom [S]entinel, the US efforts to defeat ISIL and the Taliban, respectively.”<sup>8</sup>
- The Department of Education IG reported: “we will have to significantly increase our financial loss threshold for commencing an investigation; prosecutions and recoveries may be reduced due to the reduction in

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<sup>4</sup> General Accounting Office, *Inspectors General: Office Consolidation and Related Issues* (Aug. 2002) (GAO-02-575) (online at [www.gao.gov/assets/240/235369.pdf](http://www.gao.gov/assets/240/235369.pdf)).

<sup>5</sup> Council of the Inspectors General on Integrity and Efficiency, *Progress Report to the President: Fiscal Year 2015* (online at [www.ignet.gov/sites/default/files/files/FY15\\_Progress\\_Report\\_to\\_the\\_President.pdf](http://www.ignet.gov/sites/default/files/files/FY15_Progress_Report_to_the_President.pdf)).

<sup>6</sup> General Accounting Office, *Recent Government-Wide Hiring Freezes Prove Ineffective in Managing Federal Employment* (Mar. 1982) (FPCD-82-21) (online at [www.gao.gov/products/FPCD-82-21](http://www.gao.gov/products/FPCD-82-21)).

<sup>7</sup> Email from Office of the Inspector General, Department of the Treasury, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 13, 2017).

<sup>8</sup> Email from Office of Inspector General, Department of State, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 20, 2017).

investigative staff and the number of cases that they can handle; and planned proactive work may have to be put on hold.”<sup>9</sup>

- The Department of the Interior IG reported: “The opportunity to have greater impact with oversight in Indian Country, cyber security, and fraud in the Oil and Gas royalty are simply not possible at our current levels.”<sup>10</sup>
- The Department of Transportation IG reported that, in light of potential new spending on infrastructure, “the likely result would be DOT OIG pulling staff from other high priority areas in order to meet the challenges inherent with that new investment. Such a redirection of existing DOT OIG resources could delay our efforts to meet other congressional mandates.”<sup>11</sup>
- The Environmental Protection Agency IG reported that budget cuts “will degrade our ability to safeguard scarce taxpayer resources and compromise our effectiveness in addressing complaints and inquiries from our customers, including Congress and the American people.” The IG also warned that budget cuts could “[h]inder significantly our ability to exchange protective intelligence information with the Federal Bureau of Investigation, Secret Service and Marshal’s Service, which would delay the apprehension of criminals.”<sup>12</sup>
- The Department of Defense IG reported that investigations of sexual assaults could be compromised: “Timely resolution of these complaints will suffer, sexual assault victims’ confidence in the system could be eroded, and military readiness may ultimately be undermined.” The IG also reported that the Pentagon “annually spends approximately \$300 billion to fund acquisition contract[s] which, if we cannot obtain the requested audit personnel, may face limited or no audit oversight due to other priority missions.”<sup>13</sup>

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<sup>9</sup> Email from Office of Inspector General, Department of Education, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 17, 2017).

<sup>10</sup> Email from Office of the Inspector General, Department of the Interior, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 10, 2017).

<sup>11</sup> Email from Office of Inspector General, Department of Transportation, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 22, 2017).

<sup>12</sup> Email from Office of Inspector General, Environmental Protection Agency, to Democratic Staff, House Committee on Oversight and Government Reform (Apr. 21, 2017).

<sup>13</sup> Email from Office of the Inspector General, Department of Defense, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 29, 2017).

In addition, multiple IGs reported that their work yields a very high return on investment on behalf of the American taxpayers. For example:

- The Department of Transportation IG estimated its return on investment for fiscal year 2016 was \$54 for every appropriated dollar.<sup>14</sup>
- The Department of Labor IG reported: “Over the past five years, every dollar invested in the OIG resulted in a return on investment of nearly \$10 to the federal government and American taxpayers.”<sup>15</sup>
- The Department of the Treasury IG reported that since 2010, it has “made 342 arrests,” “obtained 231 criminal convictions,” and secured “restitution, fines and seizures of over \$165 million.”<sup>16</sup>

For Members of Congress seeking to ensure that federal agencies operate effectively and efficiently—including Republicans—reducing funding and staffing at IG offices will be counterproductive. According to the Brookings Institution, “the best way to reduce fraud in a program like disability insurance or at an agency like the EPA is not a blanket reduction in the agency’s budget but to fund OIGs and enforcement offices that rein in that abuse.”<sup>17</sup>

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<sup>14</sup> Email from Office of Inspector General, Department of Transportation, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 22, 2017).

<sup>15</sup> Email from Office of Inspector General, Department of Labor, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 9, 2017).

<sup>16</sup> Email from Office of the Inspector General, Department of the Treasury, to Democratic Staff, House Committee on Oversight and Government Reform (Mar. 13, 2017).

<sup>17</sup> Center for Effective Public Management at Brookings, *Sometimes Cutting Budgets Raise Deficits: The Curious Case of Inspectors’ General Return on Investment* (Apr. 2015) (online at [www.brookings.edu/wp-content/uploads/2016/06/CEPMHudakWallackOIG.pdf](http://www.brookings.edu/wp-content/uploads/2016/06/CEPMHudakWallackOIG.pdf)).