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Opening Statement of Rep. Henry A. Waxman Chairman, Committee on Oversight and Government Reform Examining Grantmaking Practices at the Department of Justice June 19, 2008

At today's hearing, the Oversight Committee will examine the process used by the Justice Department to award millions of dollars in grants to organizations that address national juvenile justice initiatives. These grant awards were made by the Office of Juvenile Justice and Delinquency Prevention, which is headed by Administrator J. Robert Flores. Mr. Flores is here today, and I thank him for testifying and for his cooperation in our inquiry.

This Committee has held many hearings on waste, fraud, and abuse in federal contracting. We've also held hearings on waste, fraud, and abuse in other types of programs, such as crop insurance and workers' compensation insurance.

But we have held few hearings on abuses in federal grants. In 2006, the federal government spent \$419 billion on federal contracts. It spent even more — \$488 billion — on federal grants. So examination of waste, fraud, and abuse in grant programs is a high priority.

My staff has prepared a supplemental memorandum for members summarizing what we have learned from our investigation. I ask that the memo and the documents and transcripts it cites be made part of the hearing record.

Last year, the Justice Department held a competition to select worthy grants for funding juvenile justice programs. Over 100 applicants submitted proposals. Career staff at the Justice Department then conducted a peer review of these applications, grading them against criteria in the Department's public solicitation and ranking them according to their numerical scores.

Of the 104 proposals, the career staff ranked 18 as the best qualified for funding. Mr. Flores largely ignored these recommendations. He did not fund the top-ranked program; he did not fund the second highest-ranked program. In fact, he did not fund any of the top five programs. Of the 18 organizations recommended for funding by the career staff, only five were awarded funds.

Instead, Mr. Flores chose to give the majority of the grant funding to five programs that his staff had not recommended for funding. One was an abstinence-only program. Two were faith-based programs. Another was a golf program. What's more, they appeared to have special access to Mr. Flores that other applicants were denied.

Mr. Flores awarded a \$1.1 million grant to the Best Friends Foundation, an abstinence-only organization, that ranked 53 out of 104 applications. The career staff who reviewed this application said it was "poorly written," "had no focus," "was illogical," and "made no sense." Documents provided to the Committee show that while the grant was being developed and competed, Mr. Flores had multiple contacts with Elayne Bennett, the founder and chairman of Best Friends and the wife of Bill Bennett, who worked in the Reagan and Bush Administrations.

Mr. Flores also awarded a half-million dollar grant to the World Golf Foundation that ranked 47 out of 104. Mr. Flores says that despite the application's low ranking, the grant was awarded on the merits. But the record before the Committee raises questions that need to be addressed. We know that Mr. Flores traveled to Florida in 2006 to visit foundation officials and play golf. We know that Mr. Flores directed his staff to help the group with its proposal. And we know that before the peer review process even began, a senior career official wrote that he was "certain" the group would be funded because Mr. Flores's chief of staff "has said as much."

And Mr. Flores awarded a \$1.2 million grant to Urban Strategies LLC, a consulting firm, and Victory Outreach, a "church-oriented Christian ministry called to the task of evangelizing." This grant application also received a low ranking: 44 out of 104 applications. But the head of Urban Strategies was Lisa Cummins, who formerly worked in the White House Office of Faith Based Initiatives. Documents provided to the Committee show that Ms. Cummins had several high-level meetings with Mr. Flores and other Justice Department officials before and after receiving the grant.

On the other hand, the Justice Research and Statistics Association was the top scoring group out of the 104 applicants. It scored a 98 and was universally praised by career employees for its effectiveness and good work. It provides training and technical assistance to state juvenile corrections workers. But it was not selected or funded.

There is no question that Mr. Flores had discretion to award grants. He is entitled to use his experience and judgment in determining which grant applications to fund. But he has an obligation to make these decisions based on merit, facts, and fairness. And the reasoning for his decision must be transparent and available to the public.

Nearly every official the Committee spoke with, including the Justice Department peer reviewers, the civil service program managers, and the career official in charge of the solicitation, told us that Mr. Flores's approach was neither fair nor transparent. Mr. Flores's superior, the Assistant Attorney General, told the Committee: "I am for candor and clarity, especially when dealing with the people's money. And that did not happen. And I am upset that it did not happen."

The only exceptions to this view are Mr. Flores himself and Mr. Flores's chief of staff, who has now asserted her Fifth Amendment privilege against self-incrimination.

Yesterday I received a letter from the nation's oldest organization devoted to fighting juvenile delinquency: the National Council of Crime and Delinquency. The Council wrote:

We ... have grave concerns about recent decisions on grant proposals and how these have hurt the credibility of the Office of Juvenile Justice and Delinquency Prevention. ... [We] expended substantial time and resources in good faith to prepare ... proposals. Now it seems the review process was far from fair.

I hope today's hearing can answer the question being raised by the Council and other groups. Ultimately, the issue before the Committee is whether the grant solicitation was a rigged game and whether it has best served children across our country. Today's hearing will give members a chance to examine this important question.