



STATEMENT FOR THE RECORD OF

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INTEGRITY AND EFFICIENCY

BEFORE THE

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

“EMPOWERING AGENCY OVERSIGHT:
VIEWS FROM THE INSPECTORS GENERAL COMMUNITY”

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Good morning, Chairman Issa, Ranking Member Cummings, and Members of the Committee. On behalf of the Chair of the Council of the Inspectors General on Integrity and Efficiency’s (CIGIE), I am honored to represent the Federal Inspector General (IG) community this morning and to discuss opportunities to strengthen agency oversight through the community of Inspectors General. I currently serve as the Chair of CIGIE’s Legislation Committee.

Let me begin by thanking this Committee, on behalf of the IG community, for your continuing support of our mission and your interest in our work. This support is longstanding and bipartisan, and we are truly grateful.

I am pleased to report to this Committee that the Inspector General Reform Act of 2008 (or IG Reform Act) is working as intended. CIGIE serves a leadership role and is the core of the IG community. Together, the work of the IG community resulted in significant improvements to the economy and efficiency of programs Government-wide, with potential savings totaling approximately \$46.3 billion. With the IG community’s aggregate FY 2012 budget of approximately \$2.7 billion, these potential savings represent about a \$17 return on every dollar invested in the OIGs.

Notwithstanding these results, OIGs do face certain challenges as they work to improve the efficiency and effectiveness of government programs. Our principal challenges pertain to independence concerns and to timely access to information. In recent years, CIGIE has been

advocating for additional tools to alleviate these challenges and enhance our ability to do our jobs for the taxpayers:

Computer Matching and Privacy Protection Act

CIGIE feels strongly that OIGs should be exempted from the Computer Matching and Privacy Protection Act relative to using electronic means to identify those who improperly receive Federal assistance and/or payments and subsequently, seek removal from the program and/or recoveries after verification and applicable due process. This would improve program efficiency and enables the Government to focus resources on eligible applicants.

The Computer Matching and Privacy Protection Act requires a protracted review and approval process before computer matching can be performed to identify improper or fraudulent disaster or other assistance payments. This approval process involves concurrence by program officials within the agency subject of the review, presenting significant independence concerns for the Office of Inspector General. The timely use of computer matching to identify those who improperly received Federal assistance, and subsequently removing them from the program after verification, improves program efficiency and enables the government to focus resources on eligible applicants. Moreover, timely computer matching can under optimum conditions prevent improper payments from occurring in the first instance and, even following payments, usually leads to enhanced recovery of improper payments.

Paperwork Reduction Act

Similarly, CIGIE has recommended that the Paperwork Reduction Act (PRA) be amended to exempt Federal IG offices from its requirements. The PRA requires that information collections, such as OIG surveys, be subject to approval from a “senior official” of the agency and then from OMB. While the 1995 PRA Amendments specifically exempted independent regulatory agencies from these requirements, and continues to exempt the Government Accountability Office [44 USC 3502(1)(A)], they were silent on the question of application to IGs. These exemptions would enhance the independence of IGs and remove lengthy processes that are better aligned with the role of Government interactions with the public, than oversight of the Government entity by the OIG.

The PRA requires a lengthy and burdensome approval process for the collection of information by a Federal agency. The IG Community has advocated for a change to the Paperwork Reduction Act in order to facilitate the independent reviews of IGs at least since 2000. In July 2000, the Honorable Gaston L. Gianni, Jr., who was then-Vice Chair, President's Council on Integrity and Efficiency, testified before the then-U.S. Senate's Committee on Government Affairs. IG Gianni testified that many IGs believe that being subject to the review process requirements of the PRA conflicts with their statutory mission to be independent and nonpartisan. He asserted that these requirements affect IG's ability to carry out audits and evaluations required by members of Congress, through law or by requests, in a timely and effective manner. CIGIE continues to share the perspective of its predecessor organization-the PCIE.

While agency heads may generally supervise IGs, they are not to "prevent or prohibit the IG from initiating, carrying out, or completing any audit or investigation." Yet the PRA requires that information collections, such as OIG surveys, be subject to approval from a "senior official" of the agency and then from OMB. We recognize OMB's wealth of knowledge in the formulation and conduct of surveys. Indeed, our community may wish to informally seek its advice in the areas of survey formats, techniques, and methodologies. However, application of the PRA to OIGs has both process and substance implications.

Congress increasingly requires IGs, through law or by formal request, to conduct specific audits of agency programs in a very short time. Part of the audit process may involve gathering information or other data from surveys of agency contractors, grantees, those entities subject to agency regulation, or the public. Subjecting such surveys to the review and approval process could impact our ability to provide an accurate and professional product under the tight deadlines required by Congress. The substantive issue is whether Congress intended that either departmental officials or OMB have authority over OIG information collection efforts that are key to the performance of a successful audit. We believe the statutory independence, mission, and dual reporting responsibility of IGs warrants similar relief for our Community as afforded to the GAO.

5 USC § 552(b)(3) Exemption to Protect Sensitive Information Security Data

Since the Supreme Court's 2011 decision in *Milner v. Department of the Navy*, 131 S. Ct. 1259 (2011), OIGs across the federal government have raised serious concerns that information related to federal agencies' information security may be unprotected from disclosure under the Freedom of Information Act (FOIA). Prior to *Milner*, a number of federal agencies, including OIGs, used the "high 2" form of FOIA's Exemption 2 to protect this sensitive information, including audit workpapers and agency records related to agency information security vulnerabilities. After *Milner*, this exemption is no longer available. Although other FOIA exemptions apply to classified information and documents compiled for law enforcement purposes, no single exemption currently covers the extremely large area of documents that analyze, audit, and discuss in detail the information security vulnerabilities of the federal government.

CIGIE is proposing a narrow exemption covering information that "could reasonably be expected to lead to or result in unauthorized access, use, disclosure, disruption, modification, or destruction of an agency's information system or the information that system controls, processes, stores, or transmits." This language tracks with existing Federal Information Security Management Act language found in 44 USC § 354(a)(2)(A), and it is suggested that this intention be included in any legislative history that may be developed.

Technical Amendments to the Inspector General Reform Act of 2008

The CIGIE has proposed certain amendments to the IG Reform Act. The proposed amendments were included in H.R. 2146, Digital Accountability and Transparency Act of 2011, in the 112th Congress and sought to accomplish the following:

- Codify the following provisions from the Reform Act in the Inspector General Act of 1978: (a) the designated Federal entity inspector general pay provisions set forth in section 4(b) of the Reform Act; (b) pay provisions for career Senior Executive Service personnel that become inspectors general set forth in section 4(c) of the Reform Act; and (c) the authority of the Integrity Committee to investigate allegations of wrongdoing against the Special Counselor Deputy Special Counsel provided in section 7(b) of the Reform Act.
- Authorize all executive OIGs to fund or participate in CIGIE activities (the current language "department, agency, or entity of the executive branch" does not include certain designated Federal entities).
- Replace "agency" with "Federal agency, establishment or designated Federal entity" so that non-agency OIGs may promise to keep anonymous the identity of parties filing complaints.
- Clarify that reports that OIGs must post on their web-sites includes audit reports, inspection reports and evaluation reports, consistent with semi-annual reporting requirements.
- Repeal parts of the 2009 Omnibus Appropriations Act that conflict with codified Reform Act language regarding OIG websites.
- Amend Section 11(d) of the IG Act to designate the Special Counsel and the Director of the Office of Government Ethics, or their designees, as members of the Integrity Committee.
- Correct various typographical errors.

As an IG, I am grateful that IGs across the Government have a voice through CIGIE and have access to training and other resources that did not exist prior to the IG Reform Act. The IG Reform Act established CIGIE to serve as a unified council of statutory Federal IGs, to carry out two key missions:

- address integrity, economy, and effectiveness issues that transcend individual Government agencies; and
- increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General.

CIGIE's members currently include 72 IGs from the executive and legislative branches of Government, as well as 6 senior administration officials with related portfolios and responsibilities. Our community has been hit especially hard by the uncertainty in the budget process and cuts to operating budgets. OIGs by nature are comprised principally of personnel, and their budgets are dedicated to funding the same. A recent survey of the IG community by the Association of Government Accountants found that more than two-thirds of the IGs

interviewed identified budget resources as a top challenge. Many offices reported undertaking hiring restrictions and limiting new investments to operate under current budget levels. To highlight this finding, in my office, we have an approximate 17 percent vacancy rate due to an ongoing hiring freeze.

Nonetheless, in accordance with CIGIE's primary mission, over the past several years the IG community has identified and addressed a number of issues that transcend individual agencies. CIGIE has issued reports on such topics as cybersecurity, suspension and debarment, the use of new media, the effectiveness of the Chief Financial Officers Act of 1990, disaster preparedness programs, international trade and competitiveness, IG hotline operations and whistleblower protections, the Federal Audit Clearinghouse, and IG oversight of the American Recovery and Reinvestment Act of 2009. These reports and others are available on CIGIE's website at www.ignet.gov.

CIGIE's training and professional development mission is addressed through our Training Institute, which offers training to OIG audit, investigative, inspection and evaluation, leadership, and mission support personnel. Though the institute is still in a developmental phase, in FY 2012, the institute delivered 55 specialized training courses to 1,677 students, representing a 17 percent increase of students from the previous year.

CIGIE's standing committees are active bodies that are responsible for, among other things, developing professional standards that apply to overall OIG operations, as well as OIG audits, investigations, inspections, and evaluations. CIGIE, through its committees, also manages a peer review program of IG audit and investigation operations that evaluates OIG adherence to the professional standards. In FY 2012, CIGIE initiated a pilot program to peer review OIG inspection and evaluation activities on a voluntary basis. These programs play a critical role in advancing the professionalism of OIG operations and enhancing confidence in the quality of OIG products.

This concludes my testimony. Thank you again for inviting me to testify today before the Committee about the role of CIGIE and opportunities to strengthen agency oversight through the community of Inspectors General. I would be pleased to address any questions you may have.



Peggy E. Gustafson
Inspector General
U.S. Small Business Administration

Peggy E. (Peg) Gustafson was sworn in as SBA Inspector General on October 2, 2009. Ms. Gustafson previously served as General Counsel to Senator Claire McCaskill (D-MO), where she advised the Senator on government oversight issues and helped write two bills that have significantly strengthened the federal offices of Inspectors General: the Inspector General Reform Act of 2008 and the legislation that strengthened the office of the Special Inspector General for the Troubled Asset Relief Program.

From 1999-2007, Ms. Gustafson served as General Counsel in the Missouri State Auditor's Office. In that capacity she worked closely with the auditors on issues of the scope of their duties, the auditors' need to access records, and all other legal issues arising in the course of the audits. Ms. Gustafson also served as an assistant prosecuting attorney for Jackson County, Missouri, serving as Chair of the Insurance Fraud Task Force, and as an assistant county counselor for Jackson County.

A native of Chicago, Illinois, she received her B.A from Grinnell College in Grinnell, Iowa in 1989, and her Juris Doctor from Northwestern University in Chicago in 1992.