

United States Senate Committee on Finance

For Immediate Release

Friday, Sept. 23, 2005

Grassley, Baucus Seek Major Inspector General Role in Policing Katrina Spending

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, today urged federal government inspectors general to weigh in comprehensively on the best way to prevent fraud, waste and abuse in Hurricane Katrina spending. Grassley and Baucus are requesting both the President’s Council on Integrity and Efficiency (PCIE) and Executive Council on Integrity and Efficiency (ECIE) to provide recommendations on the best way to prevent fraud, waste and abuse of spending for relief and reconstruction following Hurricane Katrina.

Grassley and Baucus noted that there are a number of proposals drafted in Congress, yet no one has asked the inspectors general what is the best model to get the job done. The PCIE and ECIE are government councils created by executive order to provide discussion amongst the various inspectors general, representing every government agency. Grassley and Baucus sent a letter to the inspectors general who lead those councils. The text follows.

September 23, 2005

The Honorable Greg Friedman
Vice Chair President’s Council on Integrity and Efficiency
Inspector General
Department of Energy
1000 Independence Ave. S.W.,
Washington, DC 20585

The Honorable Barry Snyder
Vice Chair, Executive Council on Integrity and Efficiency
Inspector General
Federal Reserve Board
20th and Constitution Ave. N.W., Room 1054
Washington, DC 20573

Dear Inspector General Friedman and Inspector General Snyder:

As senior members of the United States Senate and as Chairman and Ranking Member of the Senate Finance Committee, it is our duty under the Constitution to conduct oversight into the activities and

expenditures of Executive branch agencies. During our time in the Senate, we have both been outspoken critics of fraud, waste and abuse of taxpayer dollars and have fought long and hard to ensure that taxpayer dollars are spent wisely. Taxpayers deserve to know that monies appropriated by the Federal government are spent in a manner consistent with the mission of the project.

The recent catastrophic events surrounding Hurricane Katrina and the massive Federal response to the destruction and devastation represent a relief and reconstruction project of an unprecedented level. While no official cost estimates are available yet, it is likely that the final cost will total hundreds of billions of dollars. These dollars will be spread across multiple government programs and will be administered by a multitude of Federal agencies. This formula—multiple programs, many agencies and billions of dollars—could easily turn into a recipe for fraud, waste and abuse of taxpayer dollars if proper safeguards are overlooked.

Recent media accounts have discussed the various agencies which will be involved in the reconstruction and have questioned whether there will be sufficient oversight of the monies which have been and will be appropriated. More specifically, The Boston Globe reported earlier this week that a host of competing proposals exists and range from “creating an independent inspector general...to creating a stand-alone government agency modeled after New Deal programs.” The report by the Boston Globe hits the point correctly, there are currently no less than ten different oversight models being promoted on Capitol Hill. Senator Grassley has backed one of these proposals to create a chief financial officer (CFO) to oversee the distribution of the funds, which he believes will help control wasteful spending. However, this proposal, while providing some safeguards, does not answer the billion-dollar question we have been asking – which model provides the best option for preventing fraud, waste and abuse of relief and reconstruction funding?

Hurricane relief appropriations present an opportunity for fraud, waste and abuse at unprecedented levels. In your capacity as Vice Chairmen of both the President’s Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) we ask that you seek the positions of the impacted Inspectors General as to what oversight models they believe would be most effective. Further, we ask that you provide us with a copy of an oversight model that would be backed by the affected Inspectors General as well as any resources that may be required.

Congress ultimately holds the power to legislate in this arena, however, it is important to hear the recommendations of those who are in the field fighting fraud, waste and abuse on a daily basis. Both the PCIE and ECIE played an integral role following the tragic events of 9/11 by forming a working group among affected Inspectors General. The recommendations of the PCIE and the ECIE are paramount to creating a coordinated and effective system to prevent fraud, waste and abuse of Hurricane Relief dollars.

Thank you in advance for your immediate attention to this matter. We would appreciate your written response no later than September 30, 2005. As we are all aware, any dollar that is lost to fraud, waste or abuse is one dollar that does not reach those who most desperately need the assistance to rebuild their communities and lives in the wake of Hurricane Katrina.

Sincerely,

Charles E. Grassley
Chairman

Max Baucus
Ranking Member

Cc: The Honorable Clay Johnson III
Deputy Director for Management
Executive Office of the President
Office of Management and Budget
725 17th Street NW
Washington, DC 20503