
Statement of the Honorable Brian D. Miller
Inspector General
General Services Administration



Financial Services and General Government Subcommittee
Committee on Appropriations
United States Senate

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Chairman Durbin, Ranking Member Moran, members of the Subcommittee, I thank you for inviting me to testify here today. As you know, on April 2, 2012, the General Services Administration Office of Inspector General (GSA OIG) published a report regarding GSA mismanagement of its Western Regions Conference in the fall of 2010.

It may be very difficult to find among all the bad news and repugnant conduct, but there is at least a glimmer of good news. The oversight system worked. My office aggressively investigated, audited, interviewed witnesses, and issued a report. No one stopped us from writing the report and making it public. Based on the final report, swift action has been taken, hearings have been scheduled, and the whole ugly event now lay bare for all to see. Justice Brandeis said that sunlight is said to be the best of disinfectants.

Almost every federal agency has an inspector general, someone watching and reporting fraud, waste, and abuse of taxpayer dollars. Congress recently strengthened Offices of Inspectors General so that we can better perform our oversight work. We are often the last resort for protecting taxpayer dollars -- unfortunately catching the fraud, waste, and abuse after the money is spent. More needs to be done to establish early warning systems. This is why Acting Administrator Tangherlini and I recently reminded GSA employees to alert us as soon as they see anything wrong. The Western Regions Conference could only occur in an environment where the best lack all conviction while the worst skirt the rules.

Benjamin Franklin warned us at our Nation's founding: "There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government." Those tempted to engage in fraud, waste, and abuse need to know they will be caught. The ultimate deterrence against fraud, waste, and abuse is criminal prosecution. We frequently partner with the Department of Justice in civil and criminal cases.

The GSA Office of Inspector General has about 300 employees to oversee an agency of over 12,000 employees, who are responsible for almost \$50 billion in civilian contracts, most federal buildings, and the federal automotive fleet. Despite the ratio of IG personnel to GSA personnel, our office has achieved over \$6.5 billion in savings to the taxpayer since 2005. In 2008, GAO found that the GSA OIG had an average return of \$19 dollars per dollar budgeted (GAO Report 09-88, 2008).

Our special agents, forensic auditors, and lawyers deserve the recognition for this report. But our office and other Offices of Inspectors General produce great work like this day after day. My own office has issued numerous audit reports relating to GSA's construction and renovation contracts under the Recovery Act. We discovered and investigated eleven federal property managers and contractors taking bribes and kickbacks. All eleven are now convicted. Criminals selling counterfeit IT products were caught and convicted, and are now serving time in federal prison, because of the work of our office and other law enforcement agencies. Federal contractors have paid back hundreds of millions of dollars, because of our audits. Most recently, Oracle paid \$199.5 million to settle False Claims Act allegations.

The core mission of GSA is to provide low cost goods and services. When GSA wastes its own money, how can other agencies trust it to handle the taxpayer dollars given to them? GSA also has the sole responsibility for the Federal Travel Regulation, which governs travel and conference planning by agencies across the executive branch. 5 U.S.C. § 5707(a)(1). As detailed in my office's report, in putting on the Western Regions Conference, GSA committed numerous violations of contracting regulations and policies, and of the Federal Travel Regulation. This is of special concern because other federal agencies need to be able to look to

GSA as a model of how to conduct their contracting and procurement efforts, and manage their travel and conference planning.

In attempting to model the entrepreneurial spirit of a private business, some in the Public Buildings Service seemed to have forgotten that they have a special responsibility to the taxpayers to spend their money wisely and economically. While a private business may use its profits to reward employees in a lavish fashion, a government agency may not. Even so, this report should not obscure the fact that thousands of GSA employees work hard and do a great job for the American taxpayers. It is only a minority of employees that are responsible for this debacle.

In preparing the Western Regions Conference report, numerous dedicated professionals from throughout the OIG worked long hours to ensure that the report was accurate and that it drew no conclusions beyond those fully supported by the evidence. My office continued to receive documents relating to this report as late as this January. We are still receiving documents relating to ongoing investigations. It is my hope that these efforts will enable GSA to improve its contracting and conference planning practices in the future, so that GSA may not only be a better steward of taxpayer dollars, but act as a leader within the federal government in efficient procurement and conference planning.

I thank you for an opportunity to discuss this important work of the OIG with the Subcommittee. I request that the attached report and this statement be made part of the record, and I welcome your questions.

Testimony of IG Brian Miller
Addendum on Agency Improvements

To build on a familiar GSA theme as emphasized by previous Administrators, the agency needs to become "One GSA." One GSA, with top to bottom control and accountability should replace a system of diffused "matrix" management that has led to fiefdoms and feudal kingdoms. No Administrator should have to plead ignorance or weakness when the public trust is being abused. If the agency's senior leaders are going to be held accountable for the work of the agency -- and they will be as recent events show -- leadership must have the authority and tools for carrying out their responsibility. As it is, with senior regional leadership having two supervisors, accountability becomes divided and diffused. The supervisory matrix really becomes a sieve through which oversight is lost.

This is the problem with a weak CFO structure. One GSA accountable to the Administrator, as the WRC failures attest, also requires One CFO. When financial responsibilities are so dispersed they fall beyond the control of the CFO, there is no CFO -- and the Administrator is deprived of one of an agency head's lead reins to control spending and provide leadership over agency programs.

A theme of a unified GSA leads to a unified CFO and a unified CIO. Diffused information systems lead to redundancies, cost, and barriers that are inimical to the concept of accountability and transparency.

(1) Centralize program and budget management.

- The GSA's Chief Financial Officer's testimony before the Subcommittee on Economic Development, Public Buildings and Emergency Management of the House Committee on Transportation and Infrastructure indicated that the CFO is essentially a figurehead.
- The CFO should have direct authority over all regional and service budget offices (and should be the only employee with the title "CFO"). The OCFO should have visibility into all agency budgeting, down to the dollar level.

(2) Centralize agency information management.

- Likewise, the agency Chief Information Officer should have control over all agency information systems. Currently, it is not clear that the OCIO is even aware of the full list of the agency information systems that exist. The OCIO should have final authority to access and manage all systems.
- Despite the Inspector General Act's requirement that the IG is authorized "to have access to all records" of the agency that relate to the OIG's responsibilities, currently requests by the OIG for read-only access to agency information systems are often met with extraordinary delays (sometimes over a year) or are never fulfilled. Agency systems "owners" who fail to provide access to the OIG within fourteen days should be required to make an explanation of that failure to the Administrator, with a copy to the Inspector General, by the end of the fourteen-day period.

(3) Get back to basics.

- As the Acting Administrator has stated, GSA needs to re-focus on its core missions – procurement and building operations. We found that many agency contracting personnel did not understand fiscal law or the Federal Travel Regulation, or were unaware of the existence of agency policies that directly governed their daily work. This is unacceptable.
- The agency must separate its contracting function from its program functions. That is, the CO should not report to the program officer.

(4) Get out of the “matrix.”

- As the former GSA Administrator testified, GSA employee supervision is not presently linear; it is a "matrix." Because many high-level personnel report to two supervisors, each supervisor can deflect supervisory responsibility onto the other, or claim to. The matrix is really a sieve.

(5) Require procurement accountability.

- Currently, agencies that violate the Anti-Deficiency Act must "report immediately to the President and Congress," as well as the Comptroller General, the facts surrounding each violation and the actions taken to remedy the problem. 31 U.S.C. § 1517(b). This same accountability requirement should be added to the Competition in Contracting Act, which requires that agencies "obtain full and open competition through the use of competitive procedures in accordance with the requirements of [CICA] and the Federal Acquisition Regulation." 41 U.S.C. § 3301(a)(1). This accountability would indicate that the agency takes seriously the concerns of businesses, particularly small businesses, that have not received a full and fair opportunity to compete for federal contracts.