



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

Tuesday, Oct. 4, 2005

## Grassley releases recommendation on accounting for Katrina dollars

WASHINGTON – Sen. Chuck Grassley today released a recommendation that says the best model to prevent waste, fraud and abuse in Hurricane Katrina spending is the current federal inspectors general structure augmented by additional resources.

In a letter, the vice-chairmen of the President's Council on Integrity (PCIE) and Efficiency and Executive Council on Integrity and Efficiency (ECIE) said the inspector general community had established a Homeland Security working group to handle to audit and inspection matters, and named Richard Skinner, the inspector general for the Department of Homeland Security, as chairman several months before Hurricane Katrina . The working group model was based on the experiences of the PCIE and ECIE in coordinating oversight of multiple agencies following 9/11.

The vice-chairmen write that the Homeland Security working group has put 300 auditors, investigators and inspectors to work on Katrina operations and that a Hurricane Katrina fraud hotline is yielding results.

The PCIE and ECIE vice-chairmen also say that an additional \$30 million would be needed for oversight efforts in addition to the \$15 million already appropriated to the inspector general for the Department of Homeland Security. An additional \$5 million for inspectors general who are reviewing federal spending on hurricane assistance is included in a bipartisan health and welfare relief bill for hurricane victims (S.1716) sponsored by Grassley and Sen. Max Baucus. That legislation is pending in the Senate.

“This letter documents the work that has begun by the inspectors general to safeguard federal dollars directed to hurricane relief,” Grassley said. “Congress should continue watching the watchdogs to make sure the system that’s set up works as well as intended. Any dollar lost to waste, fraud and abuse is a dollar that doesn’t go to assist a hurricane victim or rebuild destroyed areas.”

A copy of the letter from the PCIE and ECIE vice-chairmen is attached to this message in a pdf file. The letter is a response to an inquiry made on Sept. 23 by Grassley and Baucus.

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  
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Washington, DC 20503