



Testimony before the
Subcommittee on Government Efficiency
and Financial Management
Committee on Government Reform
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Improving IG Functionality and Independence – A Review of Legislative Ideas

Oral Statement of

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INTRODUCTION

Mr. Chairman, Ranking Member Towns, Members of the Subcommittee, and Congressman Cooper: I appreciate opportunity to meet with you today to discuss opportunities to improve IG functionality and independence. I join my colleagues—Gaston and Russell—in welcoming your support for IGs over the years and your continued leadership and commitment to enhance IG efficiency and effectiveness.

As Gaston has mentioned, I am the Inspector General of the Board of Governors of the Federal Reserve System and have served in this position since 1998. I have also served as the Vice Chair of the Executive Council on Integrity and Efficiency (ECIE) for the past four years. My comments today reflect the consensus of a majority of the IGs on that Council, but not an official position of the ECIE which also includes non-IGs who have not necessarily endorsed my views.

The ECIE membership currently includes 28 statutory IGs who are appointed by their agency heads in certain designated federal entities (or DFEs). These agencies

- are typically regulatory entities, federal commissions, independent corporations or boards, and foundations;
- often have different types of funding, administrative, and personnel authorities and practices; different congressional oversight processes; and separate governance and oversight structures; and
- perform regulatory and other missions that have significant impact on the private sector and the public.

In general, the DFE IGs support Congressman Cooper’s bill (H.R. 3457). In my brief remarks, I would like to amplify, from the perspective of DFE IGs, some of the points which my colleagues have already introduced.

With respect to Removal for Cause and Term Limits

As you may recall from last October's hearing, we discussed in some detail GAO's report on potentially consolidating many of the DFE IGs with those of larger, Presidentially-appointed IGs. I stated then, and the DFE's continue to believe today, that oversight of their respective agencies would be greatly diminished under that concept. However, we understand that there continues to be a perception that the DFE IG's independence could be hampered because of the current appointment process. As I indicated last October, the DFE IG's strongly support adding a removal for cause provision to the IG Act to overcome this perception. Thus, the majority of DFE IGs support the provisions in H.R. 3457 to strengthen IG independence by specifying grounds for removal and establishing a term of office.

Regarding PCIE and ECIE Codification

The majority of the DFE IGs believe that H.R.3457's provisions to statutorily establish a single "Inspectors General Council" would strengthen the efficiency and effectiveness of current Councils' operations. There may be a need, however, to ensure that the issues that may be unique to DFE IGs have a way of being represented in Council deliberations. To ensure that both the Presidentially-appointed IGs and DFE IGs have a voice in Council deliberations, we support adding a provision that, if the Chair of the Council is elected from among the Presidentially-appointed IGs, then a Vice Chair should be appointed by the Chair from among the DFE IGs, and vice versa.

As for the Proposal Regarding Personnel Flexibilities

Given that the IG Act currently requires the DFE IGs to follow the personnel practices of their agencies, many DFE IGs already possess and operate under many or all of the personnel flexibilities; such as pay banding, pay-for-performance, market-based compensation, and recruiting and retention incentives. As a result, the DFE IGs support an alternative proposal that authorizes individual OIGs **to apply** to the Office of Personnel Management for certain personnel authorities should their agency not already possess them.

Congress may also want to consider adding a personnel-related change to the IG Act that would increase the stature of some DFE IGs by bringing their positions in line with other officials who report to the agency head, such as the General Counsel or senior program or administrative officials. With such a provision, the DFE IG's believe that their ability to command the requisite agency attention on findings and recommendations would be enhanced.

Lastly, with Respect to Extension of the Program Fraud Civil Remedies Act (PFCRA) Authority to DFE IGs

It is our understanding that Congress intended to provide all IGs with this authority when PFCRA was enacted in 1986. However, since the DFE IGs were created two years later by the 1988 amendments to the IG Act, they were not covered by PFCRA. Many DFE IGs would clearly benefit from utilizing PFCRA to recoup taxpayer dollars because they are often confronted with recovery amounts less than \$150,000. This proposal has virtual unanimous support among the entire IG community and could be achieved by a very simple adjustment to PFCRA.

Closing

Mr. Chairman, this concludes our statement. On behalf of my colleagues here today and the IG community as a whole, I would like to thank you and the Members of your Subcommittee for holding this hearing and allowing us to share our thoughts on H.R. 3457. Once again, we appreciate your support of the IG community and our mission and look forward to continuing this dialogue. We would also like to again acknowledge Congressman Cooper for his leadership in introducing legislative changes to the IG Act that would enhance our effectiveness as IGs. At this time, we would be happy to respond to any questions that you, Mr. Towns, or the other Members of the Subcommittee may have.