

**TESTIMONY**

# Progress of the American Recovery and Reinvestment Act

*Congressional testimony before the U.S. Senate, Committee on Homeland Security and Governmental Affairs (April 2, 2009)*

**BY INSPECTOR GENERAL  
EARL E. DEVANEY**

Mr. Chairman and members of the Committee, I want to thank you for the opportunity to testify today. I have had the honor of testifying before this Committee in the past as the Inspector General of the Department of the Interior. As you all know, the President has recently appointed me to chair the Recovery Accountability and Transparency Board (the Board), and it is in that capacity that I appear before you today. My testimony will address the current status and mission of the Board, and after I make my opening remarks, I will be glad to answer any questions you have for me.

I am pleased to tell you that the Board has recently obtained office space and continues to acquire a staff of highly skilled oversight and IT professionals. Our first Board meeting was held last week, and we have set in motion a number of initiatives to ensure that the Board fulfills all of its responsibilities under the *American Recovery and Reinvestment Act of 2009* (the Recovery Act or Act).

The Members of the Board and I view the Board as having a dual mission. First, the Board is responsible for establishing and maintaining a website, the purpose of which is not only to foster historic levels of transparency of Recovery funds but to do so in a user-friendly manner. Second, the Board will coordinate and conduct oversight of Recovery



funds to prevent fraud, waste or abuse.

Even before the Recovery Act was signed into law by the President, the Office of Management and Budget and the General Services Administration had begun designing the architecture and creating the implementation plan for the website. A great deal of credit must be extended to OMB and GSA for their efforts to launch this website. Because of their efforts, all Americans can visit the website today at Recovery.gov. However, I think it is important to point out that the creation of this website is an evolving process with multiple phases. It is not a single event.

As you know, the Recovery Act vests the Board with the authority to maintain this website. Now that the first

phase of getting Recovery.gov up and running has ended, I am eager for the Board to start the second phase of development: The Board will begin to manage the Web site's design and content, OMB will retain responsibility for the reporting guidance and the collection and verification of data, and GSA will continue to host the website. I am confident that this division of labor will provide the best opportunity to maximize Recovery.gov's use as a transparency and accountability tool, and I am equally confident that we will also have the opportunity to achieve an unprecedented level of citizen participation.

The Board is in the process of obtaining an outside source to conduct an Independent Verification and Valid-

tion – referred to as an IV&V – to assess the current state of Recovery.gov. We have also tentatively decided to hold an electronic town hall where the Board and OMB will be able to solicit advice and ideas from the public on new technologies that can help us collect and array data regarding Recovery funds in an innovative way. Soon after this public event, we will conduct a competitive process to select a vendor or vendors to help us build the type of historic website envisioned under the Recovery Act.

Mr. Chairman, I believe James Madison was correct when he said, “A popular government without proper information, or the means of acquiring it, is but a prologue to a farce or a tragedy; or, perhaps, both.” The words of Madison lead me to conclude that the information on Recovery.gov must be easily retrievable and understood by taxpayers, lawmakers and watchdog groups alike and that citizens must be given the opportunity to provide feedback to their government. Indeed, I am excited about the prospect of heightened citizen participation being a force multiplier for Inspectors General along with the likely benefit of it helping to drive self-correcting behavior.

Regarding the other half of the Board’s dual mission – accountability – there is also recent news. IGs across the federal government have developed multiple strategies to help prevent fraud, waste or abuse of Recovery funds. In fact, the Committee recently heard testimony about some of these preventive strategies from the Chair of the Council of the Inspectors General on Integrity and Efficiency, Phyllis Fong. While it is not my intention to repeat them all again today, I can tell you that the IGs are quickly transforming those strategies into real action. For example, at least six IGs have already conducted reviews of previously unimplemented IG or Government Accountability Office recom-



mendations. These reviews will allow their departments to take corrective actions to ensure that effective controls are in place for handling Recovery funds.

The Department of the Interior Office of Inspector General has developed a risk-based model to use in conjunction with Recovery funds going into grants and is now assisting that Department to develop its own risk model for grants, with the hope of extending the model to contracts and cooperative agreements. The Department of Energy Office of Inspector General has completed 30 fraud awareness briefings nationwide involving more than 2,000 attendees. Several other IGs have audits and evaluations that are about to be released which will include recommendations that will be particularly helpful to their departments for Recovery Act activities.

At our first Board meeting last week, both Phyllis Fong and I supported the Board’s decision to form a new Recovery Funds Working Group which will be co-chaired by Board Member Calvin Scovel, the IG at the Department of Transportation, and a member of the Board’s staff, former IG John Higgins.

The purpose of this Working Group will be to ensure the maximum level of coordination and cooperation among IGs necessary to prevent fraud, waste and abuse.

Mr. Chairman, you and the Members of the Committee may have noticed that I have been using the word “prevent” to help describe the Board’s mission of accountability. That is very deliberate on my part.

Most IGs, including myself, generally spend considerable time detecting fraud or waste and then examining such fraudulent or wasteful activities through either a traditional audit or criminal investigation. It strikes me that, although those traditional tools will undoubtedly serve an essential purpose once Recovery funds have been awarded and as they are being spent, IGs may be better able to maximize their value to the accountability goal of the Recovery Act by first concentrating their efforts on prevention. The language of the Recovery Act strongly suggests that IGs and other oversight entities are being asked to minimize the risks inherent in distributing such an extraordinary amount of



money and to maximize the opportunities to prevent waste or fraud in the first instance, before it happens.

I foresee the Board actively detecting fraud trends, identifying best practices for conducting reviews, and designing risk-based strategies to help focus the oversight community's limited resources. The new Recovery Funds Working Group will also serve as a catalyst for an unprecedented leveraging of resources. We will also work closely with the Department of Justice to ensure that when fraud is detected - a swift, coordinated process will follow.

In addition, I can assure each of you that the Board will strive to be as helpful as possible to state and local governments. To that end, the Board's staff will include audit, investigative, procurement and intergovernmental professionals who, as a key part of their job descriptions, will be responsible for fostering a close working relationship with all of our oversight partners. Clearly, for the Board to accomplish its mission of accountability, we will need to ensure open communications and frequent interactions with state and local auditors, as well as with the GAO.

Finally, I would like to present some of the impending challenges that I see as having the most impact upon the

Board and its missions of transparency and accountability. First and foremost is the matter of data quality. Simply stated, the federal government's systems have never been fully successful at producing timely and reliable data. Add to that problem the difficulty of transmitting and reporting data up through multiple layers of government, as the Recovery Act contemplates, and you begin to understand the basis for my concern.

Second to data quality is the lack of an adequate number of procurement professionals at all levels of government. Federal agencies, in particular, will have great difficulty attracting and hiring enough procurement professionals to minimize the risks associated with moving this amount of money quickly to accomplish the Act's goals. As you may know, the Act calls for the Board to review whether or not there are sufficient qualified acquisition and grant personnel overseeing Recovery funds and whether they have received adequate training. My staff has already begun the process of doing this review, and I was particularly encouraged by the news that the Office of Personnel Management has tentative plans to hold a multi-agency job fair to help agencies with their human resource needs in this arena.

Finally, I am concerned there may be a naïve impression that, given the amount of transparency and accountability called for by this Act, little to no fraud or waste will occur. I am afraid that my 38 years of federal enforcement experience informs me that some level of waste or fraud is, regrettably, inevitable. Obviously, the challenge for those of us charged with oversight will be to significantly minimize any such loss. My promise to this Committee today is that my staff, the members of the Board, and I will work tirelessly to reduce those losses to the lowest level possible.

Mr. Chairman and members of the Committee, that concludes my prepared testimony. Thank you for this opportunity. I will be glad to answer any questions you might have. 24



Earl E. Devaney

**Earl E. Devaney** is the Chairman of the Recovery Board, which is charged with overseeing spending under the \$787 billion program. In announcing Devaney's appointment, the President said: "Earl has doggedly pursued waste, fraud and mismanagement. He has the reputation of being one of the best [Inspectors General] that we have in this town.... I can't think of a more tenacious and efficient guardian of the hard-earned tax dollars the American people have entrusted us to wisely invest."

President Bill Clinton appointed Mr. Devaney as the Inspector General of the Department of the Interior in 1999.

Before becoming the Inspector General of the Department of the Interior, Mr. Devaney spent eight years as the Director of the Office of Criminal Enforcement, Forensics and Training for the Environmental Protection Agency. In 1998, he received the Meritorious Presidential Rank Award for outstanding government service.

Mr. Devaney began his federal law enforcement career with the Secret Service in 1970, following his graduation from Franklin and Marshall College. At the time of his retirement from the Secret Service in 1991, Mr. Devaney was Special Agent in Charge of the fraud division and was recognized as an international expert in white collar crime.

A poster for the Recovery Act Fraud Hotline. It features a background image of a hand holding a magnifying glass over a document. The text is as follows:

**RECOVERY ACT FRAUD HOTLINE**

IF YOU HAVE KNOWLEDGE OR ALLEGATIONS OF FRAUD, WASTE, ABUSE OR MISMANAGEMENT INVOLVING STIMULUS SPENDING, YOU CAN:

- CALL THE RECOVERY BOARD FRAUD HOTLINE AT 1-877-392-3375
- FAX THE RECOVERY BOARD FRAUD HOTLINE AT 1-877-329-3922
- SUBMIT A SECURE COMPLAINT FORM ONLINE AT RECOVERY.GOV/FWA
- OR WRITE: RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD, P.O. BOX 27545, WASHINGTON, DC 20038-7958

At the bottom left, it says "Calls Can Be Made Anonymously and Confidentially". At the bottom right is a circular logo with stars and the words "RECOVERY ACT".