FOLLOW THE MONEY: OVERSIGHT OF PRESIDENT BIDEN'S MASSIVE SPENDING SPREE

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON ENERGY AND COMMERCE

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

MARCH 29, 2023

Serial No. 118–19

Published for the use of the Committee on Energy and Commerce

govinfo.gov/committee/house-energy
energycommerce.house.gov

U.S. GOVERNMENT PUBLISHING OFFICE

54–641 PDF WASHINGTON : 2024

COMMITTEE ON ENERGY AND COMMERCE

CATHY McMORRIS RODGERS, Washington
Chair

MICHAEL C. BURGESS, Texas
ROBERT E. LATTA, Ohio
BRETT GUTHRIE, Kentucky
H. MORGAN GRIFFITH, Virginia
GUS M. BILIRAKIS, Florida
BILL JOHNSON, Ohio
LARRY BUCSHON, Indiana
RICHARD HUDSON, North Carolina
TIM WALBERG, Michigan
EARL L. "BUDDY" CARTER, Georgia
JEFF DUNCAN, South Carolina
GARY J. PALMER, Alabama
NEAL P. DUNN, Florida
JOHN R. CURTIS, Utah
DEBBBIE LESKO, Arizona
GREG PENCE, Indiana
DAN CRENSHAW, Texas
JOHN JOYCE, Pennsylvania
KELLY ARMSTRONG, North Dakota, *Vice Chair*
RANDY K. WEBER, SR., TEXAS
RICK W. ALLEN, Georgia
TROY BALDERSON, Ohio
RUSS FULCHER, Idaho
AUGUST PFLUGER, Texas
DIANA HARSHBARGER, Tennessee
MARIANNETTE MILLER–MEEKS, Iowa
KAT CAMMACK, Florida
JAY OBERNOLTE, California

FRANK PALLONE, JR., New Jersey
Ranking Member
ANNA G. ESHOO, California
DIANA DEGETTE, Colorado
JAN SCHAKOWSKY, Illinois
DORIS O. MATSUI, California
KATHY CASTOR, Florida
JOHN P. SARBANES, Maryland
PAUL TONKO, New York
YVETTE D. CLARKE, New York
TONY CÁRDENAS, California
RAUL RUIZ, California
SCOTT H. PETERS, California
DEBBIE DINGELL, Michigan
MARC A. VEASEY, Texas
ANN M. KUSTER, New Hampshire
ROBIN L. KELLY, Illinois
NANETTE DIAZ BARRAGÁN, California
LISA BLUNT ROCHESTER, Delaware
DARREN SOTO, Florida
ANGIE CRAIG, Minnesota
KIM SCHRIER, Washington
LORI TRAHAN, Massachusetts
LIZZIE FLETCHER, Texas

PROFESSIONAL STAFF

NATE HODSON, *Staff Director*
SARAH BURKE, *Deputy Staff Director*
TIFFANY GUARASCIO, *Minority Staff Director*

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

H. MORGAN GRIFFITH, Virginia
Chairman

MICHAEL C. BURGESS, Texas
BRETT GUTHRIE, Kentucky
JEFF DUNCAN, South Carolina
GARY J. PALMER, Alabama
DEBBIE LESKO, Arizona, *Vice Chair*
DAN CRENSHAW, Texas
KELLY ARMSTRONG, North Dakota
KAT CAMMACK, Florida
CATHY MCMORRIS RODGERS, Washington *(ex officio)*

KATHY CASTOR, Florida
Ranking Member
DIANA DEGETTE, Colorado
JAN SCHAKOWSKY, Illinois
PAUL TONKO, New York
RAUL RUIZ, California
SCOTT H. PETERS, California
FRANK PALLONE, JR., New Jersey *(ex officio)*

C O N T E N T S

WITNESSES

FOLLOW THE MONEY: OVERSIGHT OF PRESIDENT BIDEN'S MASSIVE SPENDING SPREE

WEDNESDAY, MARCH 29, 2023

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 2:00 p.m., in the John D. Dingell Room 2123, Rayburn House Office Building, Hon. H. Morgan Griffith (chairman of the subcommittee) presiding.

Members present: Representatives Griffith, Burgess, Guthrie, Duncan, Lesko, Cammack, Rodgers (ex officio), Castor (subcommittee ranking member), DeGette, Schakowsky, Tonko, Ruiz, and Peters.

Staff present: Kate Arey, Digital Director; Sean Brebbia, Chief Counsel, Oversight and Investigations; Deep Buddharaju, Senior Counsel, Oversight and Investigations; Lauren Eriksen, Clerk, Oversight and Investigations; Christen Harsha, Senior Counsel, Oversight and Investigations; Nate Hodson, Staff Director; Peter Kielty, General Counsel; Emily King, Member Services Director; Chris Krepich, Press Secretary; Kaitlyn Peterson, Clerk, Energy and Environment; Gavin Proffitt, Professional Staff Member, Oversight and Investigations; Alan Slobodin, Chief Investigative Counsel, Oversight and Investigations; John Strom, Counsel, Oversight and Investigations; Michael Taggart, Policy Director; Hannah Anton, Minority Staff Assistant; Austin Flack, Minority Junior Professional Staff Member; Liz Johns, Minority GAO Detailee; Will McAuliffe, Minority Chief Counsel, Oversight and Investigations; Christina Parisi, Minority Professional Staff Member; Harry Samuels, Minority Oversight Counsel; and Caroline Wood, Minority Research Analyst.

Mr. GRIFFITH. Welcome to the Subcommittee on Oversight and Investigations. We will now come to order.

The Chair recognizes himself for 5 minutes for an opening statement.

OPENING STATEMENT OF HON. H. MORGAN GRIFFITH, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

Good afternoon, everyone, and welcome to today's hearing of the Subcommittee on Oversight and Investigations. We are here today to discuss a very serious problem, one that the Biden administration and the previously Democratic-controlled Congress have avoided talking about for the last 2 years.

Earlier this year, the Congressional Budget Office, CBO, predicted a Federal budget deficit of 1.4 trillion for 2023. Unfortunately, now—CBO now projects a cumulative deficit of 3.1 trillion over the next 10 years. That is right, folks, that is 3.1 trillion, with a T, of real American taxpayer dollars.

Of course, numerous factors impact the Federal budget outlook, but one thing is certain. Over the past 2 years, your Federal Government has been spending taxpayers' dollars like it was Monopoly money. Last Congress the Democratic majority ran through several massive spending bills, such as the Infrastructure Investment and Jobs Act, the Creating Helpful Incentives to Produce Semiconductors and Science Act, and the so-called Inflation Reduction Act. While couched as a measure—as measures to upgrade American infrastructure or boost international competitiveness, in reality these packages threw money at Democratic priorities and handed Federal agencies unprecedented amounts of funding to disperse to pet projects.

While this is all extremely disturbing, this unrestrained spending must end. My majority colleagues on this committee and I sent letters to several Federal agencies requesting a full accounting of their use of these taxpayer funds, only one of the first steps in our oversight efforts for this Congress.

The laws I previously mentioned authorized dozens of new programs and entrusted Federal agencies to spend unprecedented sums of real American taxpayer money. For example, according to the Department of Energy's Office of the Inspector General, after managing a fiscal year 2020 budget of 45.3 billion, the Department of Energy would now administer over 100 billion of appropriated real taxpayers' money and $336 billion in loan authorities over the coming years from the Infrastructure Investment and Jobs Act and the IRA alone.

Exponential funding increases, expansion of previously troubled programs, and an explosion——

Automated VOICE. Say that again.

Mr. GRIFFITH. Oh, my phone wants to talk to me.

Automated VOICE. Sorry, I'm having trouble hearing you.

[Laughter.]

Mr. GRIFFITH. Is that your phone? They are listening. Stay tuned for another hearing.

[Laughter.]

Mr. GRIFFITH. For example—and 336 billion in loan authorities over the coming years from the Inflation Investment and Jobs Act and the IRA alone.

Exponential funding increases, expansion of previously troubled programs, and an explosion of new ones certainly sound like a recipe for disaster. However, my Republican colleagues and I understand our constituents back home have sent us to Washington to protect their hard-earned American taxpayer dollars, and we intend to do just that.

Today we will hear from the heads of the agencies responsible for fighting fraud, waste, and abuse in Federal programs. Our witnesses will help guide committee oversight efforts by highlighting important risk factors for mismanagement of Federal funds and sharing lessons learned from their previous work.

They will also share with us their upcoming plans for monitoring this massive spending tsunami.

First we welcome Inspector General Sean O'Donnell from the Environmental Protection Agency's Office of the Inspector General.

Your office has noted that the EPA received "the largest infrastructure appropriation in its history." So we are eager to hear more about challenges that accompany this rapid funding infusion.

We are also joined by Inspector General Peggy Gustafson from the Department of Commerce's Office of the Inspector General. Last year the CHIPS Act appropriated 50 billion for the Department of Commerce to spend on semiconductor programs. Additionally, the Infrastructure Investment and Jobs Act charged the National Telecommunications and Information Administration with distributing $48 billion in broadband funding.

We look forward to your insights on these programs and your plans for conducting oversight during the 118th Congress.

We also appreciate the opportunity to hear from the Department of Energy's inspector general, Teri Donaldson. Over the past 2 years the Department of Energy received billions of dollars across numerous offices to advance the Biden administration's clean-energy agenda. The Department of Energy has boasted that it will stand up 60—60—new programs under the Infrastructure Investment and Jobs Act alone.

We understand this presents an enormous challenge for your offices, and we are eager to hear your plans for protecting the real American taxpayer money from fraud, waste, and abuse in the various Federal programs.

Finally, we welcome Mr. Mark Gaffigan from the Government Accountability Office. GAO has provided countless recommendations to Congress and Federal agencies to improve the efficacy of Federal programs. This experience will be extremely helpful in guiding our discussions today.

Again, this hearing is only one step of many to hold this administration accountable for its spending practices. I also hope this hearing will inform us in our efforts to collaborate with other inspectors general, and these productive conversations with our witnesses and their offices will continue.

We all have a daunting task ahead protecting real American taxpayer dollars, not Monopoly money.

[The prepared statement of Mr. Griffith follows:]

House Committee on Energy and Commerce
Oversight and Investigations Subcommittee Hearing, "Follow the Money: Oversight of President Biden's Massive Spending Spree"
March 29, 2023
Opening Statement of Chair Griffith

Good afternoon, everyone, and welcome to today's hearing of the Subcommittee on Oversight and Investigations.

We are here today to discuss a very serious problem, one that the Biden Administration and the previously Democratic-controlled Congress has avoided talking about for the last two years.

Earlier this year, the Congressional Budget Office (CBO) predicted a federal budget deficit of $1.4 trillion for 2023.[1] And unfortunately, CBO now projects a cumulative deficit of $3.1 trillion over the next ten years.[2] Yes, folks, that's trillion with a "T." Of course, numerous factors impact the federal budget outlook, but one thing is certain: over the past two years, your federal government has been spending taxpayer dollars like board game money.

Last Congress, the Democratic Majority rammed through several massive spending bills such as the Infrastructure Investment and Jobs Act (IIJA), the Creating Helpful Incentives to Produce Semiconductors

---

[1] CONG. BUDGET OFFICE, THE BUDGET AND ECONOMIC OUTLOOK: 2023 TO 2033 1 (2023), *available at* https://www.cbo.gov/system/files/2023-02/58848-Outlook.pdf.
[2] *Id.*

or "CHIPS" and Science Act, and the so-called Inflation Reduction Act (IRA). While couched as measures to upgrade American infrastructure or boost international competitiveness, in reality these packages threw money at Democratic priorities and handed federal agencies unprecedented amounts of funding to disperse to political allies.

While this is all extremely disturbing, I am proud to say that this era of unrestrained spending ends *now*. Earlier this month, my Majority colleagues and I sent letters to several federal agencies requesting a full accounting of their use of these taxpayer funds, only one of the first steps in our oversight efforts for the 118th Congress.

These laws I previously mentioned authorized dozens of new programs and entrusted federal agencies to spend unprecedented sums of money. For example, according to the Department of Energy's Office of the Inspector General, after managing a Fiscal Year 2022 budget of $45.3 billion, the Department of Energy will now administer over $100

billion of appropriated funds and $336 billion in loan authorities over the coming years, from the IIJA and IRA alone.[3]

Exponential funding increases, expansion of previously troubled programs, and an explosion of new ones certainly sound like a recipe for disaster to me. However, my Republican colleagues and I understand our constituents back home have sent us to Washington to protect their hard-earned taxpayer dollars, and we intend to do just that.

Today, we will hear from the heads of the agencies responsible for fighting waste, fraud, and abuse in federal programs. Our witnesses will help guide committee oversight efforts by highlighting important risk factors for mismanagement of federal funds and sharing lessons learned from their previous work. They will also share with us their upcoming plans for monitoring this massive spending wave.

First, we welcome Inspector General Sean O'Donnell from the Environmental Protection Agency's Office of the Inspector General. Your office has noted that the EPA received "the largest infrastructure

[3] OFFICE OF THE INSPECTOR GEN., DEP'T OF ENERGY, DOE-OIG-23-08, MANAGEMENT CHALLENGES AT THE DEPARTMENT OF ENERGY – FISCAL YEAR 2023 i (2022), *available at* https://www.energy.gov/sites/default/files/2022-11/DOE-OIG-23-08.pdf.

appropriation in [its] history,"[4] so we are eager to hear more about challenges that accompany this rapid funding infusion.

We are also joined by Inspector General Peggy Gustafson from the Department of Commerce's Office of the Inspector General. Last year, the CHIPS and Science Act appropriated $50 billion for the Department of Commerce to spend on semiconductor programs. Additionally, the IIJA charged the National Telecommunications and Information Administration with distributing $48 billion in broadband funding. We look forward to your insights on these programs and your plans for conducting oversight during the 118th Congress.

We also appreciate the opportunity to hear from the Department of Energy's Inspector General, Teri Donaldson. Over the past two years, the Department of Energy received billions of dollars across numerous offices to advance the Biden Administration's clean energy agenda. The Department of Energy has boasted that it will stand up 60 new programs

[4] OFFICE OF THE INSPECTOR GEN., ENVTL. PROT. AGENCY, FISCAL YEAR 2023 TOP MANAGEMENT CHALLENGES i (2022), *available at* https://www.epa.gov/system/files/documents/2022-11/_epaoig_20221128_EPA_FY_2023_Top_Management_Challenges_Final.pdf.

under the IIJA alone.[5] We understand this presents an enormous challenge for your office and we are eager to hear your plans for protecting the American taxpayer against waste, fraud, and abuse in federal programs.

Finally, we welcome Mr. Mark Gaffigan from the Government Accountability Office or "GAO." GAO has provided countless recommendations to Congress and federal agencies to improve the efficiency of federal programs. That experience will be extremely helpful in guiding our discussion today.

Again, this hearing is only one step of many to hold this Administration accountable for its spending practices. I also hope this hearing will inform our efforts to collaborate with other Inspectors General and that these productive conversations with our witnesses and their offices will continue. We all have a daunting task ahead, so I appreciate our witnesses for taking the time to share their expertise today.

[5] DEP'T OF ENERGY, *Clean Energy Infrastructure*, https://www.energy.gov/clean-energy-infrastructure/clean-energy-infrastructure-homepage (last visited Mar. 27, 2023).

Mr. GRIFFITH. I yield back. I now recognize the gentlewoman from Florida, Ms. Castor, for her 5-minute opening statement.

OPENING STATEMENT OF HON. KATHY CASTOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Ms. CASTOR. Well, thank you, Mr. Chairman, and thank you to our witnesses for being here.

I want to start by expressing my appreciation for the inspectors general, the GAO, all that you do to ensure that our agencies are implementing Federal laws effectively and that they are allocating Federal funds responsibly. The IG and GAO responsibilities are essential, and they help inform our oversight work here in the Congress.

We are here today to review the implementation of three historic laws championed by congressional Democrats and President Biden: the Inflation Reduction Act; the Bipartisan Infrastructure Law, otherwise known as the Infrastructure Investment and Jobs Act; and the CHIPS and Science Act. These laws make vital investments in improving the lives of our neighbors, bringing good-paying jobs to our communities, putting money back into people's pockets, and ensuring that we live up to our moral obligation to provide clean air and clean water and a healthy planet for our children to inherit.

Back home in Tampa and Saint Pete, my neighbors and small businesses are already benefiting from the critical new investments to provide safer streets, clean up polluted Superfund sites, reconnect communities, spur needed housing, and train workers to take advantage of all of the new opportunities. And this is just the start.

As a longtime member of this committee and the former Chair of the House Select Committee on the Climate Crisis, I am particularly proud of our work to address the escalating risks and costs driven by the climate crisis. We did a lot of great work to unleash American clean energy that is cheaper to reduce pollution and to ensure that it is American companies and American workers that are leading the way. These landmark achievements will make tangible progress on some of our greatest challenges. We should all be rooting for their success and the agency experts administering them.

I regret that is not the tone from the majority. They have described these important programs as a frivolous spending spree, to which I remind everyone that the Inflation Reduction Act was paid for and actually will decrease the deficit by approximately $300 billion. Rather than helping our neighbors and all Americans benefit, some on the other side of the aisle seem to be hoping for the first minor misstep in order to declare these initiatives a failure.

I understand that most of our Republican House colleagues voted against these landmark laws. By and large, they voted against capping the cost of insulin for Medicare beneficiaries; they voted against repairing crumbling roads and bridges and expanding broadband access to rural communities; they voted against initiatives that will make the U.S. more competitive and less dependent on Chinese and other foreign manufacturers; and Republicans voted against the oversight mechanisms that are built into these

new laws, including additional funding for relevant offices of inspectors general.

In fact, House Republicans are dedicating Congress' time this week to pass a bill that outright repeals major provisions of the Inflation Reduction Act, provisions that save our neighbors back home money at a time that they really need it. The "Polluters Over People Act" would roll back key clean energy investments and pave the way for polluters to rake in profits at the expense of the health of the American people.

Nevertheless, I hope we can have a productive discussion today. Oversight is very important to the success of these vital initiatives, and attention to the planning stages will ensure that these landmark laws deliver as we intended. So I look forward to hearing from today's witnesses and the work ahead.

[The prepared statement of Ms. Castor follows:]

Committee on Energy and Commerce

Opening Statement as Prepared for Delivery
of
Subcommittee on Oversight and Investigations Ranking Member Kathy Castor

Hearing on Oversight of Landmark Laws to Bolster Our Economy and Lower Prices

March 29, 2023

Thank you, Mr. Chairman, and thank you to our witnesses for being here.

I want to start by expressing my appreciation the Inspectors General, the GAO, all that you do to ensure agencies are implementing federal laws effectively and that they are allocating federal funds responsibly.

The IG and GAO responsibilities are essential, and they help inform our oversight work here in the Congress.

We are here today to review the implementation of three historic laws championed by Congressional Democrats and President Biden – the Inflation Reduction Act, the Bipartisan Infrastructure Law otherwise known as IIJA, and the CHIPS and Science Act.

These laws make vital investments in improving the lives of our neighbors; bringing good-paying jobs to our communities; putting money back in people's pockets; and ensuring that we live up to our moral obligation to provide clean air, clean water, and a healthy planet for our children to inherit.

Back home in Tampa and St. Pete, my neighbors and small businesses already are benefiting from critical new investments to provide safer streets, clean up polluted superfund sites, reconnect communities, spur new needed housing, and train workers to take advantage of all of the new opportunities. And this is just the start.

As a longtime member of this Committee and former Chair of the Select Committee on the Climate Crisis, I am particularly proud of our work to address the escalating risks and costs driven by the climate crisis. We did a lot of great work to unleash American clean energy that is cheaper, to reduce pollution, and to ensure that it is American companies and American workers that are leading the way.

These landmark achievements will make tangible progress on some of our greatest challenges. We all should be rooting for their success and the agency experts administering them.

I regret that is not the tone from the majority. They have described these important programs as a frivolous "spending spree" to which I remind everyone that the Inflation Reduction Act was paid for and will actually decrease the deficit by approximately $300 billion.

Rather than helping our neighbors and all Americans benefit, some on the other side of the aisle seem to be hoping for the first minor misstep in order to declare these initiatives a failure.

I understand that most of our Republican House colleagues voted against these landmark laws. By and large, they voted against capping the cost of insulin for Medicare beneficiaries. They voted against repairing crumbling roads and bridges and expanding broadband access to rural communities. They voted against initiatives that will make the U.S. more competitive and less dependent on Chinese and other foreign manufacturers.

And they voted against the oversight mechanisms that are built into these new laws, including additional funding for relevant Offices of Inspectors General.

In fact, House Republicans are dedicating Congress' time this week to pass a bill that outright repeals major provisions of the Inflation Reduction Act that save our neighbors back home money at a time they really need it. The Polluters over People Act would roll back key clean energy investments and pave the way for polluters to rake in profits at the expense of the health of the American people.

Nevertheless, I hope that we can have a productive discussion today – oversight is very important to the success of these vital initiatives. And attention to the planning stages will ensure that these landmark laws deliver as we intended. I look forward to hearing from today's witnesses and our work ahead.

Ms. CASTOR. Thank you, Mr. Chairman, and I yield back.

Mr. GRIFFITH. I thank Ranking Member Castor for her opening statement and now recognize the Chair of the full committee, Mrs. McMorris Rodgers, for 5 minutes for an opening statement.

OPENING STATEMENT OF HON. CATHY McMORRIS RODGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mrs. RODGERS. Thank you, Chair Griffith. With every passing day, daily life gets more and more expensive for my constituents in eastern Washington. They join people and families across the country who are paying skyrocketing prices to put gas in the tank, stock their shelves with food, house their families, and pay their energy bills.

Inflation is spiraling out of control, thanks to the President Biden's massive spending spree. It began with the American Rescue Plan and continued to escalate with the Infrastructure Investment and Jobs Act, Creating Helpful Incentives for Semiconductors, or CHIPS, and Science Act, and then the so-called Inflation Reduction Act. Most recently, the administration has doubled down on its reckless spending with its latest 6.8 trillion—yes, record-breaking 6.8 trillion—budget proposed for fiscal year 2024.

We have heard a lot about the so-called historic investments and the rush-to-green agenda that the administration plans to advance with hard-earned taxpayer dollars. We have had many questions surrounding this massive spending spree that is making life unaffordable in America.

For example, how will agencies stand up dozens of new programs in a short period of time?

Do program offices, especially brand-new ones, possess the necessary expertise and oversight mechanisms to make responsible investments in new projects?

How can American tax dollars—taxpayers learn more about how Federal agencies are really spending their hard-earned tax money?

How are conflicts of interest and political favoritism influencing agency funding decisions?

How will agencies address longstanding problems with programs that will now have more funding to hand out?

And how much of this money is being given to companies to build their products in China?

My colleagues and I on the committee are pushing for answers to these questions. My constituents sent me to Congress to ask hard questions and to protect their hard-earned tax dollars. They are frustrated when looking at the Federal Government printing more and more money, doling out huge awards and incentives to preferred industries and favored political causes. All the while, they struggle to make ends meet every day.

However, I want to remind everyone at home and our Federal agencies that my Republican colleagues and I are watching. We are ready to hold these agencies accountable, and their leadership, for their spending decisions. As Chair Griffith noted, our subcommittee Chairs and I have already requested a full amount of—account of the spending from our Federal agencies and are going to continue to push for transparency.

Inspector General and the Government Accountability Office are integral parts of the Federal oversight community, and we appreciate all who are here today as witnesses to join us. We look forward to your testimony regarding the most serious challenges facing Federal agencies, programs most vulnerable to waste, fraud, and abuse, and lessons learned from previous failures that Congress and agencies can apply to future mismanagement of taxpayer dollars.

We also appreciate this opportunity to learn more about your upcoming work, and difficulties you must confront in conducting oversight of these ballooning agency budgets. We plan to use the information we gather today to prioritize our oversight efforts, pinpoint Federal programs that demand more scrutiny, and identify how to stop wasteful spending.

We have a lot of hard work ahead of us, given this unprecedented spending boost to many of the agencies under this committee's jurisdiction. However, we are not going to shy away from the challenge, and I do hope that we will do this together with my colleagues across the aisle, Republicans and Democrats joining together for responsible stewardship of Federal funds.

As a—we are all duly elected Members, representatives of the people serving in the People's House. It is our Article I responsibility to conduct oversight so that the agencies within the Federal Government are responsive to those we serve. We cannot let the American people become irrelevant to a growing bureaucracy that recklessly prints and spends records amounts of money. Federal agencies must implement the law as it is written by Congress, the elected representatives of the people.

Again, Members on both sides of the aisle share a responsibility to monitor these activities, and I look forward to our discussion today.

[The prepared statement of Mrs. Rodgers follows:]

House Committee on Energy and Commerce
Oversight and Investigations Subcommittee Hearing, "Follow the Money: Oversight of President Biden's Massive Spending Spree"
March 29, 2023
Opening Statement of Chair Cathy McMorris Rodgers

Opening Statement for Chair Cathy McMorris Rodgers
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
"Follow the Money: Oversight of President Biden's Massive Spending Spree"
March 29, 2023

INFLATION and MASSIVE SPENDING

Thank you, Chair Griffith.

With every passing day, daily life gets more and more expensive for my constituents in Eastern Washington.

They join people and families across the country who are paying skyrocketing prices to put gas in their tank, stock their shelves with food, house their families, and pay their energy bills.

Inflation is spiraling out of control, thanks to President Biden's massive spending spree.

It began with the American Rescue Plan Act and continued to escalate with the Infrastructure Investment and Jobs Act (IIJA), Creating Helpful Incentives for Semiconductors or "CHIPS" and Science Act, and the so-called Inflation Recovery Act (IRA).

Most recently, the Administration has doubled down on its reckless spending with its latest $6.8 trillion budget proposal for Fiscal Year 2024.

We've heard a lot about these so-called "historic" investments and "rush-to-green" agenda that the Administration plans to advance with hard earned taxpayer dollars.

QUESTIONS

We have many questions surrounding this massive spending spree that is making life unaffordable in America.

For example, how will agencies stand up dozens of new programs in a short period of time?

Do program offices, especially brand new ones, possess the necessary expertise and oversight mechanisms to make responsible investments in new projects?

How can American taxpayers learn more about how federal agencies are really spending their money?

How are conflicts of interest and political favoritism influencing agency funding decisions?

How will agencies address longstanding problems with programs that will now have even more funding to hand out?

How much of this money is being given to companies to build their products in China?

My colleagues and I on the committee are pushing for answers to these questions.

OVERSIGHT

Our constituents sent us to Congress to ask the hard questions and protect their hard-earned tax dollars.

They are frustrated with looking on as their federal government prints more money, doles out huge awards and incentives to preferred industries and favored political causes, all while they struggle to make ends meet every day.

However, I want to remind everyone at home—and our federal agencies—that my Republican colleagues and I are watching.

We stand ready to hold agencies—and their leadership—accountable for their spending decisions.

As Chair Griffith noted, our subcommittee chairs and I have already requested a full account of spending from our federal agencies, and will continue pushing for transparency in agencies' use of federal funds.

Inspectors General and the Government Accountability Office are integral parts of the federal oversight community, and we appreciate our witnesses joining us today.

We look forward to your testimony regarding the most serious challenges facing federal agencies; programs most vulnerable to waste, fraud, and abuse; and lessons learned from previous failures that Congress and agencies can apply to prevent future mismanagement of taxpayer dollars.

We also appreciate this opportunity to learn more about your upcoming work and difficulties you must confront in conducting oversight of ballooning agency budgets.

We plan to use the information we gather today to prioritize our oversight efforts, pinpoint federal programs that demand more scrutiny, and identify how to stop wasteful spending,

ARTICLE 1

We have a lot of hard work ahead of us given this unprecedented funding boost to many of the agencies under the committee's jurisdiction.

However, my colleagues and I will not shy away from this challenge, and we hope we can count on our colleagues across the aisle to partner with us.

Responsible stewardship of federal funds should not be a partisan issue.

As duly-elected members of the People's House, it is our Article 1 responsibility to conduct oversight so the government is responsive to those we serve.

We cannot let the American people become irrelevant to a growing bureaucracy that recklessly prints and spends records amounts of money.

Federal agencies must implement the law as it was written by Congress, the elected representatives of the American people.

Again, members on both sides of the aisle share a responsibility to monitor these activities.

I look forward to our discussion today, and I thank our witnesses for being here.

Mrs. RODGERS. And again, thank you to the witnesses for being here.

I yield back.

Mr. GRIFFITH. Thank you, Madam Chair, for yielding back. I now recognize Ms. DeGette, the congresswoman from Colorado, for 5 minutes for her opening statement.

OPENING STATEMENT OF HON. DIANA DEGETTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Ms. DEGETTE. Thank you so much, Mr. Chairman. I am subbing in today for the full committee ranking member, who is on the floor on H.R. 1, and I am glad that we have the opportunity to talk about these landmark bills that passed last Congress and the important work that the agencies are doing to implement them.

In some of your testimony, Mr. Chairman, and some of the comments leading up to today's hearing, the word "unprecedented" was used to describe the scale of the programs and funding created through all these three programs. And I agree, these are unprecedented investments. And like Ms. Castor, I am glad for that. These huge investments are necessary to take on the unprecedented challenges that our country faces, from climate change to healthcare costs to competition in global markets.

Now, I know that the Democratic Members and the Biden administration want to see these programs succeed because they are for the American people. And I also know that the agencies that are in charge of administering these programs take their obligations very seriously here. So far from a spending spree, these programs are generational investments: the opportunity to address deep inequities and the threats of unchecked climate change. The agencies know that they are not only the first line of attack against these issues, but also the first line of defense against waste, fraud, and abuse.

So I don't want us to forget or to minimize the fact that there are people working hard at our Federal agencies to ensure that every—every—dollar from the legislation that we will discuss today is well spent.

And the written testimony from all of the inspectors general here today focused very, very heavily on the risks of the program, and with good reason. These witnesses are appropriately focused on understanding the uphill climb that our Federal agencies face in implementing these important programs.

But I also want to make sure that what doesn't get lost in today's discussion is the risk of inaction. We cannot allow the risk of imperfection in these programs to paralyze them as bridges crumble, as manufacturing lines stall for want of microchips, as the climate becomes increasingly hostile for our children and our grandchildren. We have to face those risks, and we have to do what can be done to mitigate them so that the programs developed and funded by the IRA, the IIJA, and the CHIPS and Science Act become true American success stories. We need to continue to work on this. And so I would argue the cost of obstructing the implementation of these laws is truly one that we cannot afford.

Now, I know that the IGs and GAO have important roles in ensuring it is done correctly, and I look forward to hearing how we can work together to minimize risks while maximimzing the rewards that these programs will bring to all Americans. And I will say, Mr. Chairman, I have been on this subcommittee my entire tenure in Congress, which is over 26 years, and this subcommittee has a storied history of having bipartisan oversight and investigation.

And I will assure you, Mr. Chairman, the minority intends to make sure that there is no waste, fraud, or abuse in these programs because every dollar that we spend that is—that was appropriated in these three bills needs to go for the purpose for which it was designed. And that is where all of our wonderful witnesses and their agencies come in. It is why I am very pleased that we had additional funding in these bills for oversight and for regulatory reform, because we need to make sure this money is well spent in the purpose that it is intended. And I think we can all get behind that in this committee.

[The prepared statement of Ms. DeGette follows:]

Committee on Energy and Commerce

Opening Statement as Prepared for Delivery
of
Representative Diana DeGette

Subcommittee on Oversight and Investigations Hearing on Oversight of Landmark Laws to Bolster Our Economy and Lower Prices

March 29, 2023

Thank you, Mr. Chairman.

I'm glad that we have the opportunity to talk about these landmark bills that passed last Congress and the important work that the agencies are doing to implement them.

In some of your testimony and in some comments leading up to today's hearing, the word "unprecedented" was used to describe the scale of the programs and funding created through IIJA, CHIPS and Science, and the IRA. And I agree—these are unprecedented investments. And I'm glad for that—these huge investments are necessary to take on the unprecedented challenges that our country faces, from climate change to health care costs to competition on global markets.

I know that the Democratic members and the Biden administration want to see these programs succeed. And I also know that the agencies in charge of administering these programs take their obligations very seriously here. Far from a "spending spree," these programs are generational investments—the opportunity to truly address deep inequities and the threats of unchecked climate change.

The agencies know that they are not only the first line of attack against these issues but also the first line of defense against waste, fraud, and abuse. So I don't want us to forget that there are people working hard at our federal agencies to ensure that every dollar from the legislation we will discuss today is well spent.

The written testimony of the Inspectors General that we have today focuses very heavily on the risks of these programs. And that makes sense—these witnesses are appropriately focused on understanding the uphill climb that our federal agencies face in implementing these important programs.

But I want to make sure that what doesn't get lost in today's discussion is the risk of inaction. We cannot allow the risk of imperfection in these programs to paralyze them as bridges crumble, as manufacturing lines stall for want of microchips, as the climate becomes increasingly hostile for our children and grandchildren. We have to face those risks and do what can be done to mitigate them so that the programs developed and funded by the IRA, the IIJA, and the CHIPS and Science Act become true American success stories.

I would argue that the cost of obstructing the implementation of these laws is truly one we cannot afford.

I know that the IGs and GAO have important roles in ensuring that is done correctly, and I look forward to hearing how we can work together to minimize risk while maximizing the rewards that these programs will bring to all Americans.

Ms. DEGETTE. And with that, I yield back.

Mr. GRIFFITH. I thank the gentlelady. We now conclude with Member opening statements.

The Chair would like to remind Members that, pursuant to committee rules, all Members' opening statements will be made part of the record.

We want to thank all of our witnesses for being here today and taking the time to testify before this subcommittee. Each witness will have the opportunity to give an opening statement—most of you have done this before, and we appreciate you doing it again—followed by a round of questions from the various Members.

Our witnesses today are the Honorable Sean O'Donnell, inspector general for the Environmental Protection Agency; Honorable Peggy Gustafson, inspector general for the Department of Commerce; the Honorable Teri Donaldson, inspector for the Department of Energy; and Mark Gaffigan, managing director of the Government Accountability Office.

We appreciate you being here today, and I look forward to hearing from you on this important—on these important issues, and we will now swear you in.

As you know, the testimony that you are about to give is subject to title 18, section 1001, of the United States Code. When holding an investigative hearing, this committee has the practice of taking testimony under oath. Do any of you have an objection to taking testimony under oath?

And let the record reflect that no one objected.

Hearing no objections, we will proceed.

The Chair advises you that, under the rules of the House and the rules of the committee, you are entitled to be advised by legal counsel. Do you desire to be advised by counsel today during your testimony?

And let the record reflect that all members responded that they did not desire to have legal counsel present with them at this time.

Seeing none, if you will please rise and raise your right hand, and I will swear you in.

[Witnesses sworn.]

Mr. GRIFFITH. With that, I will now recognize Sean O'Donnell for 5 minutes to give an opening statement.

STATEMENTS OF SEAN W. O'DONNELL, INSPECTOR GENERAL, ENVIRONMENTAL PROTECTION AGENCY; PEGGY E. GUSTAFSON, INSPECTOR GENERAL, DEPARTMENT OF COMMERCE; TERI L. DONALDSON, INSPECTOR GENERAL, DEPARTMENT OF ENERGY; AND MARK GAFFIGAN, MANAGING DIRECTOR, NATURAL RESOURCES AND ENVIRONMENT, GOVERNMENT ACCOUNTABILITY OFFICE

STATEMENT OF SEAN W. O'DONNELL

Mr. O'DONNELL. Good afternoon, Chairman Griffith, Ranking Member Castor, and members of the subcommittee. And good afternoon, Chairwoman Rodgers. I was supposed to be in Washington State visiting family this week, but I would not miss the opportunity to testify at this committee. But I should and I will be in Seattle in time to see the Mariners' opening day.

[Laughter.]

Mr. O'DONNELL. I am Sean O'Donnell, the inspector general for the U.S. Environmental Protection Agency. Thank you for inviting me to testify about the importance of oversight of the Infrastructure Investment and Jobs Act and the Inflation Reduction Act.

The IIJA'S $60 billion represents the largest investment in the EPA's history, funding water infrastructure projects, electric school busses, and cleanup projects as well as expanding the EPA workforce. This money is generally distributed through familiar mechanisms like the State revolving funds or existing grant programs. However, we have serious capacity and capability concerns.

One State recently shared with us its apprehension of receiving more SRF money now than in every previous year combined. This is because the SRFs are getting $40 billion from the IIJA and at least $6.5 billion from the American Rescue Plan Act. We have seen this before: the equation of an unprepared agency dispensing an unprecedented amount of money times a large number of struggling recipients equals a high risk of fraud, waste, and abuse.

I'm grateful that Congress recognized the need for independent IIJA oversight and provided the OIG with funds for that purpose. Since enactment, we have leveraged every aspect of my office to identify high-risk programs and potential fraud vulnerabilities. We are using complex data analytics to identify where these funds are being spent and where potential fraud might happen.

Because transparency is important to us, we've actually made a version of our data analytics available on our website for the public to view. Our oversight efforts have already produced results.

Early on we released a series of lesson-learned reports which draw on our previous work, such as our American Recovery and Reinvestment Act work to identify historical pitfalls that could endanger IIJA projects.

Just last week we released a report on outstanding recommendations related to internal controls necessary to effectively administer these IIJA programs, and this morning we issued our inaugural oversight progress report.

We are now starting or are preparing to start at least a dozen audits and evaluations, covering everything from institutional controls at IIJA-funded cleanup projects to SRF capacity and management issues.

We are also meeting with the EPA regularly to discuss its plans for creating and implementing new or expanded programs.

More recently we have focused on having grant provisions and policies related to fraud reporting, whistleblower protection, and OIG access put into place before the disbursement of funds. I expect we'll issue a report on this shortly.

Finally, we are conducting targeted outreach to our stakeholders. Our investigators and auditors have held 168 joint IIJA fraud briefings, reaching more than 3,700 EPA staff, potential recipients, and other governmental officials. And we are working with other law enforcement and OIGs, including those here today, to share best practices for fraud prevention and investigation.

The Inflation Reduction Act provides the EPA with another $41.5 billion for climate change, air quality, and environmental justice. In our estimation, this act carries even greater risks than the IIJA.

As an example, the EPA formed the Office of Environmental Justice and External Civil Rights from a variety of programs already existing in the Agency, and those programs had a combined budget of $12 million. The new office will now manage a grant portfolio of $3 billion, all of which must be distributed by 2026. We are concerned that the pace of IRA spending, when conducted by new programs and received by new recipients, significantly increases fraud vulnerabilities.

These issues make clear that there is a significant need for strong, independent oversight. Unfortunately, the IRA did not provide funds for EPA oversight. When combined with a dozen years of stagnant or declining appropriations and increasing demands for our work, we simply lack the capacity to conduct proper oversight of this $41.5 billion of EPA spending.

But I can tell you this: We are prepared today to start working. Just like with the IIJA, we have a plan, and we are ready to execute. We have already shown that, with a modicum of funds, less than half a penny for every EPA dollar spent, we will show a return on your investment. The EPA supports the need for this kind of independent oversight, as does Congress, as is shown with the IIJA.

I want to thank you for this—I want to thank you for the support that you have provided to the EPA OIG, and I look forward to answering your questions.

[The prepared statement of Mr. O'Donnell follows:]

OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

Follow the Money: Oversight of President Biden's Massive Spending Spree

Statement of Sean W. O'Donnell
Inspector General
U.S. Environmental Protection Agency

Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives

March 29, 2023

Introduction

Good afternoon, Chairman Griffith, Ranking Member Castor, and members of the subcommittee. I am Sean O'Donnell, the inspector general for the U.S. Environmental Protection Agency and the U.S. Chemical Safety and Hazard Investigation Board.

I would like to thank the subcommittee for inviting me to testify about the importance of oversight relating to the Infrastructure Investment and Jobs Act and the Inflation Reduction Act. Today I will provide an overview of how the Office of Inspector General has approached, from day one, oversight of the unprecedented funding and responsibilities assigned to the EPA under the IIJA. I will also summarize our progress to date, which includes a compilation of best practices, lessons learned, and overall good governance practices to guide the EPA's disbursement of this infrastructure-related funding. I will discuss risks inherent to the EPA's work, the OIG's groundwork and early oversight results, best practices for contract and grant awards, the relevance of recent infrastructure emergencies, the role of state revolving funds, and the OIG's outreach to stakeholders.

Regarding the IRA, I will focus on the risk of not providing dedicated funding to an OIG for oversight, which is the predicament my office is facing. After more than a decade of flat and declining budgets, responsibility for oversight of a second enormous supplemental appropriation to the EPA will literally decimate our resources. Unlike other offices of inspector general, the EPA OIG did not receive supplemental funding under the IRA to carry out its oversight mandate.

Infrastructure Investment and Jobs Act Oversight

Background

As the largest single investment in the EPA, the IIJA appropriates more than $60 billion to the Agency over five years, with most of this money available until expended. The IIJA provides for significant investments in the nation's drinking water and wastewater infrastructure projects, environmental cleanups, clean school buses and other clean air projects, and an expanded EPA workforce. To put the enormity of this undertaking into perspective, the EPA's annual appropriation in 2021 was just over $9 billion, or less than a sixth of its share of the IIJA.

The EPA will award the vast majority of its IIJA funds as loans and grants to nonfederal entities. While the funding mechanisms might be familiar, such as the state revolving funds or the school bus programs, we are concerned about the capacity of these recipients, and their subrecipients, to handle this money efficiently and effectively. For example, one state shared with us its apprehension that its SRFs will receive more money through the IIJA than they have in previous years combined. As another example, the Clean School Bus Program, which effectively evolved from the Diesel Emissions Reduction Act Program, will create demand for electric school buses that, based on current supply chain limitations, will far exceed supply, placing the associated funds at risk of not being properly expended. The equation of an agency that is dispensing an unprecedented infusion of dollars, times the large number of recipient organizations struggling

with capacity issues, equals an extraordinarily high risk for fraud, waste, and abuse. Risk areas include potential mismanagement of funds, noncompliance with funding requirements, and failure to meet programmatic goals.

Oversight is critical to ensure that the EPA, as well as its grantees and contractors, are faithful stewards of precious American tax dollars. Congress, recognizing the need for IIJA-focused oversight, provided the OIG with funding under the IIJA, to be allocated across five years. We are grateful for this provision, and I want to assure you that we are putting the money to good use. I have bolstered our program offices with IIJA-specific directorates and dedicated personnel. As I will explain in detail, we are undertaking both strategic preparatory work and engaged oversight. Attention to internal controls will be paramount to the success of the IIJA.

At the OIG, we anticipate that the life cycle of our oversight work is likely to extend for years beyond the EPA's distribution of awards. As an example, at the start of March 2023, the EPA had obligated only $7.6 billion of IIJA funds, with more than 80 percent of those funds being distributed in the form of state and tribal assistance grants. And the recipients may not actually spend all this money until years from now. To put it differently, it is now about a year and half since the IIJA was enacted, and the EPA still has more than 87 percent of the IIJA funds to distribute. Accordingly, the need for IIJA oversight will not conclude in 2027. To that end, we appreciate that most of our IIJA funds, like the Agency's, are available until expended—a risk averted.

The OIG's Groundwork and Early Oversight Results

Following enactment of the IIJA in November 2021, the OIG immediately began laying the groundwork for oversight by, among other things, releasing our inaugural *Infrastructure Investment and Jobs Act Oversight Plan* in April 2022.[1] Since then, our IIJA oversight efforts have already produced quantifiable results for our Agency. While the EPA was ramping up to conduct its IIJA programmatic work, we combed through an extensive body of previous oversight work, from OIG and GAO reports to single audits, to identify good governance practices, compiling a list for the Agency to incorporate into its IIJA efforts. In our series of "lessons learned" reports,[2] we endeavored to steer the EPA away from historical pitfalls that could endanger the EPA's massive IIJA investments. As one example, in a report encompassing lessons learned for infrastructure programs from single-audit reports, where we reviewed external auditor findings over three years, we identified more than 350 instances of noncompliance with applicable federal laws, regulations, and program requirements. As another example, we drew on our oversight of American Recovery and Reinvestment Act projects to

[1] *Infrastructure Investment and Jobs Act Oversight Plan*, Apr. 29, 2022.

[2] *Considerations from Single Audit Reports for the EPA's Administration of Infrastructure Investment and Jobs Act Funds*, Report No. 22-N-0057, Sept. 14, 2022; *American Recovery and Reinvestment Act Findings for Consideration in the Implementation of the Infrastructure Investment and Jobs Act*, Report No. 23-N-0004, Dec. 7, 2022; *Considerations for the EPA's Implementation of Grants Awarded Pursuant to the Infrastructure Investment and Jobs Act*, Report No. 22-N-0055, Aug. 11, 2022; *Lessons Identified from Prior Oversight of the EPA's Geographic and National Estuary Programs*, Report No. 22-E-0054, Aug. 8, 2022.

identify three areas where the EPA can mitigate risks and reduce the likelihood of fraud, waste, and abuse of IIJA funds.

Over the past week, the OIG has released two IIJA-related oversight documents—one of which directly contributes to our efforts to identify best practices for the Agency, as well as to keep the Agency accountable for implementing OIG recommendations. On March 23, we issued the *Compendium of Open and Unresolved Recommendations Related to Infrastructure Investment and Jobs Act-Funded Programs*.[3] Open or unresolved OIG recommendations within an EPA program indicate that the EPA does not have the internal controls necessary to effectively administer that program. Furthermore, the OIG issued most of these recommendations when EPA programs were operating at historic funding levels. A windfall to the EPA in IIJA appropriations, together with responsibility for fulfilling numerous new requirements, vastly increases the likelihood of fraud, waste, and abuse if the OIG's recommendations are not timely implemented. And just this morning, we released the *Infrastructure Investment and Jobs Act Progress Report—Year One*, which summarizes the OIG's efforts thus far to provide oversight of the Agency's execution to date of IIJA funding.

The EPA has now entered the implementation phase of its IIJA work, and OIG oversight is keeping pace with six projects in progress. These projects cover institutional controls at Superfund sites slated for IIJA cleanup funds,[4] supply chain issues for funded projects,[5] and capacity and management issues related to the state revolving funds.[6] We also have five additional IIJA-funded oversight projects at the planning stage. A complete list of the OIG's IIJA completed, ongoing, and planned audit and evaluation projects is available on our dedicated IIJA Oversight webpage.

Role of State Revolving Funds

Our focus on the SRFs is commensurate with the historic funding that these funds are receiving. One way to think of the SRFs is as banks that use federal seed money to provide water systems with loans at low interest rates. Funds from repaid loans are then returned to the SRFs for further lending. According to the EPA, the SRFs have funded over $200 billion in water infrastructure projects. With the IIJA, the EPA will increase the size of these funds by approximately $40 billion for water infrastructure projects related to, among other things, lead service line replacement, emerging contaminants like PFAS, and other purposes. This is on top of the nearly $6.5 billion of American Rescue Plan Act funds that have been obligated for water infrastructure

[3] *Compendium of Open and Unresolved Recommendations Related to Infrastructure Investment and Jobs Act-Funded Programs*, March 23, 2023.
[4] For example, *Effectiveness of IIJA Funding at American Creosote Works, Inc. Superfund Site in Pensacola, Florida*, Project No. OSRE-FY23-0054, March 15, 2023.
[5] For example, *The EPA's Clean School Bus Program*, Project No. OA-FY23-0051, Feb. 27, 2023.
[6] For example, *The EPA's Oversight of the Clean Water State Revolving Fund*, Project No. OA-FY23-0047, Feb. 23, 2023, and *The EPA's Identification and Replacement of Lead Service Lines in Disadvantaged Communities*, Project No. OA-FY23-0037, Nov. 17, 2022.

projects through the SRFs. And these ARPA funds must be distributed in a much shorter time than the IIJA funds.

The need for vigorous oversight of the SRFs and their recipients cannot be overstated. Since the enactment of the IIJA, the OIG has initiated four projects related to three water infrastructure emergencies. In response to the Jackson, Mississippi crisis, we initiated two projects, one with a federal-level aperture that examines the EPA's oversight of drinking water issues and its response to the crisis, and one that focuses on the state and local decisions made regarding the community water system.[7] And in response to the Red Hill fuel leak, which contaminated drinking water at Joint Base Pearl Harbor-Hickam in Hawaii, we are analyzing the sequence of events to determine whether the EPA's oversight of the state effectively addressed potential contamination issues.[8] Our final report on Red Hill may be issued as early as next month. Finally, we are completing our initial inquiry into water contamination in St. Charles, Missouri,[9] and will decide soon whether to undertake formal oversight work.

These water emergencies speak to the need for us to follow every dollar from the federal EPA to the state agencies to the local organizations that ultimately receive and spend it. Our ability to do so will rely on the EPA's collection of accurate, useful data down to the implementation level, as well as the EPA's sharing of that data with us. We are working with our state, local, and tribal partners to ensure that expenditure of IIJA funds complies with federal laws and regulations, including the IIJA's many provisions, along with grant and program requirements. Our Office of Audit has already begun the project of ensuring that audits of Clean Water SRF and Drinking Water SRF financial statements and state programs, including single audits, comply with applicable laws, regulations, and rules. Our Office of Special Review and Evaluation is reviewing whether state revolving fund recipients have the capacity to manage and use IIJA funds effectively and efficiently. Our Office of Investigations is working with law enforcement authorities to fight fraud and recover any purloined funds. And our Data Analytics Directorate is leveraging technological and methodological tools to inform the public of where IIJA funds are being spent and identify potential fraud for OIG oversight.

Best Practices for Contract and Grant Awards

Another part of our proactive oversight includes encouraging the EPA to institute best practices for managing contract and grant awards. From our daily oversight work to our experience with the American Recovery and Reinvestment Act of 2009, where we realized a return of over 300 percent on Congress's investment in our oversight, we have seen the need to institute three best practices: anti-fraud provisions, fraud reporting and whistleblower protection provisions,

[7] *Jackson, Mississippi Drinking Water Funding and Spending Decisions*, Project No. OA-FY23-0035, Nov. 14, 2022, and *Review of EPA Response and Oversight Related to Drinking Water Contamination in Jackson, Mississippi*, Project No. OSRE-FY23-0033, Nov 14, 2022.
[8] *EPA Oversight of Drinking Water Contamination at Red Hill, Hawaii*, Project No. OSRE-FY22-0075, Mar. 21, 2022.
[9] *Inquiry into Source Water Contamination in St. Charles, Missouri*, Project No. OSRE-FY23-0042, Jan. 30, 2023.

and OIG access provisions. We are working with the EPA to have these best practices put into place in time for the disbursement of IIJA and IRA funds.

With respect to anti-fraud provisions, we are working with the EPA to strengthen contract and grant attestations to ensure that contractors, subcontractors, grantees, and subgrantees understand that they are attesting to the truthfulness, completeness, and accuracy of their submissions to the government. We are also working with the EPA to ensure that contract and grant language clearly disclose possible criminal, civil, and administrative actions for violations. These strengthened provisions must be matched by training to ensure that EPA contract and grant recipients are well informed about all program rules, procedures, and reporting requirements; that they implement fraud identification and deterrence training; and that they implement internal controls that identify potential program risks. Finally, we want to ensure that all recipients conduct their own routine program and financial audits.

One of the most important tools in our fight against fraud is a properly functioning fraud-reporting mechanism. The Inspector General Act, the Federal Acquisition Regulation, and the Uniform Grant Guidance require that contractors and grantees report suspected instances of fraud to the OIG. EPA training for staff, contractors, and grantees should emphasize this reporting mechanism. This training should also emphasize that federal law protects whistleblowers from retaliation or reprisal for reporting suspected fraud, and should be reinforced with mandatory training and disclosure requirements in contracts, subcontracts, grants, and subgrants.

With so much of the EPA's IIJA funds going to contractors, subcontractors, grantees, and subgrantees, it is important that the OIG has the ability to conduct audits and examinations of any contract, subcontract, grant, or subgrant. To facilitate this activity, the Inspector General Act, the Federal Acquisition Regulation, and the Uniform Grant Guidance require that EPA contractors, subcontractors, grantees, and subgrantees provide the OIG with access to information and personnel. The EPA's contracts and grants should employ language that emphasizes the right of the OIG to access any information pertinent to the award and to interview personnel related to that information. Furthermore, the EPA's training of EPA staff, contractors, and grantees should cover the role of the OIG in conducting audits of federal awards and its right to access pertinent information and personnel.

The OIG's Outreach to Stakeholders

We also have a responsibility to meet with EPA staff and funding recipients because, in our view, outreach is a key prong—along with traditional oversight in the form of audits, investigations, and evaluations—in our efforts to prevent and address waste, fraud, and abuse. As an organization, we are making a concerted effort to meet with relevant entities most affected by our oversight. Over the last several months, I have met with state environmental officials and state auditors to discuss the OIG's oversight work and to offer our assistance in our shared fight against fraud, waste, and abuse. Similarly, our investigators and auditors have conducted 168 joint IIJA fraud briefings, reaching more than 3,700 attendees, including EPA staff members, potential grant recipients, and state environmental agencies, among other stakeholders.

We are also meeting with the EPA on a regular basis to discuss the Agency's plans for creating and implementing IIJA and IRA programs. These meetings, encouraged by Office of Management and Budget M-22-12, are intended to create a "more cooperative and early prevention model for fraud prevention and program integrity, while still respecting the independence of the oversight community." OIG audit, evaluation, and investigation teams have attended several presentations, including on state revolving funds and Clean School Bus programs, at which the EPA described how it will administer and monitor IIJA funds, along with its top risks, issues, and vulnerabilities. In turn, our auditors, evaluators, and investigators provided insights based on their extensive oversight experience, offering additional considerations on fraud risks and other areas.

Our oversight professionals are also collaborating with other law enforcement agencies and OIGs to protect taxpayer-funded projects receiving funds from the IIJA and the IRA. For example, our investigators participate in the Procurement Collusion Strike Force, an interagency partnership that strives to deter antitrust violations and related crimes at the federal, state, and local levels. More than 50 agencies have reached out seeking training, assistance, and other opportunities to work with the Strike Force. As another example, within the Council of the Inspectors General on Integrity and Efficiency, we are part of a Grant Fraud Working Group and an IIJA Working Group, which share best practices for investigative approaches.

In all our engagements, we drive home the IIJA oversight themes I have discussed so far today. Such an enormous investment in American infrastructure requires a robust oversight mechanism to protect American dollars, especially as most of the EPA's IIJA funds will flow to nonfederal entities with potential capacity and capability issues. It is also critical to monitor program progress and to determine whether the Agency accomplished its promised program outcomes. We are thankful that Congress had the foresight to provide oversight dollars as part of the IIJA, and we are striving to empower the EPA and its grantees and contractors, as they implement the IIJA, to minimize the financial and programmatic risks inherent in such an overwhelming influx of funding.

Inflation Reduction Act Oversight

No EPA OIG Oversight Funding

The Inflation Reduction Act appropriated a total of approximately $41.5 billion to the EPA in fiscal year 2022, with approximately 85 percent of these funds available only through fiscal year 2026. This funding is expected to support 24 new and existing programs, representing a significant investment in climate change, air quality, and environmental justice. We anticipate that the IRA will result in awarding contracts and grants to new recipients, many of whom are unfamiliar with federal contract and grant requirements. These risks alone make clear that there is a significant need for strong oversight.

Unfortunately, unlike the IIJA, the IRA fails to provide any funds for EPA OIG oversight. Zero IRA funding combined with a dozen years of stagnant or declining appropriations and increasing

demands for independent oversight, leaves the OIG without sufficient capacity to properly oversee the $41.5 billion of IRA spending. To put the OIG's budgetary constraints in context, in fiscal year 2011, when the EPA's budget was $8.68 billion, the OIG was funded at $54.7 million for 365 full-time equivalents (FTEs). In fiscal year 2023, when the EPA's budget has increased by 14 percent to $10.1 billion, the OIG budget increased by less than two percent, to $55.8 million for 270 FTEs.

Without adequate resources, not only have we been unable to do any meaningful IRA oversight, but we have also had to cancel or postpone work in important EPA areas, such as chemical safety and pollution cleanup. I have been forced to pause hiring and begin planning for more significant actions heading into the next fiscal year. As it stands, we are facing increased congressionally mandated or requested work, increased workloads related to our oversight of environmental disaster responses, such as the East Palestine train derailment, and increased allegations of employee misconduct and whistleblower reprisal.

Congress can, however, ensure that the EPA has effective and independent oversight by increasing the OIG's core funding in a manner that is commensurate with the EPA's budget increase over the last 12 years, and by providing the OIG with a modicum of supplemental funding, ideally just 0.35 percent of the IRA funds appropriated to the EPA, to allow it to perform effective oversight of the EPA's IRA work. I know EPA leadership supports our plea for appropriate oversight funding, and I am committed to working with this Congress to fully address years of anemic budgets.

Oversight Challenges

In the OIG's estimation, the IRA carries more risk of fraud, waste, and abuse than the IIJA for two main reasons. First, it creates more new programs than the IIJA, and new programs are inherently more prone to inefficiencies and errors than existing programs. Second, whereas most of the EPA's IIJA appropriations are no-year funds, the IRA appropriations have expiration dates ranging from the end of fiscal year 2024 to the end of fiscal year 2031. Specifically, $27 billion of the EPA's $41 billion in IRA funding, or 65 percent, must be spent by the end of fiscal year 2024, and another $7.93 billion, or 19 percent, must be spent by the end of fiscal year 2026. The pace of this spending, when conducted by newly created programs and received by new recipients, significantly increases the vulnerability of all parties to fraud and creates the potential for errors or inefficiencies in execution.

The $27 billion expiring at the end of 2024 is for the Greenhouse Gas Reduction Fund, a new program intended to create new green banks as vehicles for distributing grant funds to state and local governments for investment in distributed energy and other clean technologies. So new is this funding vehicle that the EPA, in late October, began seeking public input on the fund's design and implementation. Last month, the EPA announced plans to issue between two and 15 competitive grants under the Greenhouse Gas Reduction Fund. Under the present circumstances, all of this would happen with no additional guidance from Congress and little oversight from the

OIG.[10] The rapid implementation of the program, combined with the relatively narrow window of availability for such a significant amount of funding, may lead the EPA to expend the funds without fully establishing the internal controls that mitigate the risk of fraud, waste, and abuse.

Another example of a new entity established under the auspices of the IRA is the new Office of Environmental Justice and External Civil Rights. The programs and offices that were brought together to form the OEJECR previously had a combined budget of approximately $12 million. It will now manage approximately $3 billion for environmental and climate justice block grants to fund community-based nonprofit organizations. We are concerned that, in seeking to reach new recipients, the OEJECR will eschew or elide important internal controls and anti-fraud protections.

As we identified in our series of "lessons learned" reports directed to preparing our Agency for expending its IIJA appropriations, the EPA will face significant issues distributing an unprecedented amount of IRA funds. And while the EPA can apply these lessons learned and our proposed best practices to both special appropriations, the oversight commonalities largely end there. The IIJA and the IRA encompass different goals, offices, and programs. The OIG is strategically and effectively implementing the IIJA oversight funds provided to us, allowing us to balance the risk-reward continuum. Unfortunately, the benefit of dedicated oversight dollars for the EPA was not built into the IRA.

Conclusions

An investment in oversight, and in the EPA Office of Inspector General, costs relatively little but provides positive returns. As a point of perspective, between fiscal years 2013 and 2022, the funding for oversight represented approximately one-half of a penny for every dollar the EPA spent. In return, over that same period, the OIG yielded a return of over 300 percent to American taxpayers. And we expect this to continue. For the first half of fiscal year 2023, we have already identified $135 million in wasted spending, fraud avoidance, or other monetary benefit.

Between the IIJA and the IRA, the EPA received over $100 billion in supplemental appropriations—a staggering figure. The only oversight funds dedicated to the statutory oversight body for the EPA were pursuant to the IIJA, which means that just 0.0027 percent of this unprecedented funding was set aside for EPA OIG oversight. Now we are talking about just a quarter of a penny for every dollar. Given the massive and often quick-turnaround spending efforts ahead, combined with the pass-through of funds to nontraditional recipients unfamiliar with government contracting rules and regulations, risks of financial waste, fraud, and abuse, as well as of programmatic shortfalls, are very real.

As I explained earlier, without a budget keeping pace with the demands of this office and dedicated IRA oversight funding, we will continue to have to make hard choices about our work

[10] We currently have one IRA-related project underway, an evaluation to determine what steps, if any, the EPA is taking to address the increase in air pollution from oceangoing vessels at U.S. maritime ports. *Air Quality at U.S. Maritime Ports*, Project No. OSRE-FY22-0140, June 29, 2022.

and our workforce. I appreciate the support Congress has provided to the EPA OIG. Thank you. But, as I said earlier, it is not enough to guarantee proper oversight of this massive taxpayer investment. We need more and I will work with you and your colleagues in Congress to ensure that the EPA and its recipients are responsible stewards of American taxpayers' money while keeping our water drinkable, our air clean, and our lands usable. Thank you and I look forward to addressing your questions.

Mr. GRIFFITH. I thank the gentleman. I now recognize Ms. Gustafson for her 5-minute opening statement.

STATEMENT OF PEGGY E. GUSTAFSON

Ms. GUSTAFSON. Thank you, Chairman Griffith, Ranking Member Castor, Chairwoman Rodgers, and members of the subcommittee, thank you very much for the invitation to appear today. I appreciate the opportunity to discuss the Office of Inspector General's strong oversight of Department of Commerce programs and initiatives.

Today I'll share lessons we've learned about the oversight of emerging programs. I'll also provide an overview of Commerce OIG's independent oversight of several high-profile areas, including the CHIPS and Science Act, the Infrastructure Investment and Jobs Act, or IIJA, pandemic relief funds, and cybersecurity.

The diverse mission and reach of the Department of Commerce often put Commerce OIG at the forefront of developing plans and tactics for effective oversight of emerging programs. I'd like to take a few minutes to highlight some of what we've learned over the past few years.

OIG's audit work continues to identify vulnerabilities in how the Department manages contracts and grants. We've identified challenges related to maintaining the acquisitions and grants workforce, improving processes to award and monitor contracts and grants, and mitigating the increased risk of fraud, waste, and abuse that additional funding brings. Our prior work in this area provides a foundation for understanding the challenges the Department will face in administering the CHIPS Act and IIJA.

Likewise, my office's work in auditing and evaluating the First Responders Network Authority, or FirstNet, is instructive for understanding the risks associated with reliance on a contractor, and the need for the Government to recruit staff with the technical skills related to these programs. We have issued numerous reports that demonstrate the Department's need to maintain continuous, stringent oversight and independence to ensure the objectives of the program are—programs are achieved. Our findings and recommendations serve as lessons for the administration of future programs of a complex and technical nature, such as the CHIPS Act programs.

The CHIPS and Science Act affirms the need for increased domestic production of semiconductors, and is a top oversight priority for my office. The Act provided Commerce OIG with $25 million over 5 years to conduct oversight. We're grateful for the funding, and we are hiring additional audit and investigative staff to provide rigorous oversight of CHIPS Act's programs and expenditures.

Similarly, IIJA introduced new funding and challenges for the Department. Again, our office received $18 million for oversight of IIJA broadband programs, and we've issued the first in a series of semiannual reports summarizing broadband program status. The first of our IIJA-related audits is also underway. This is an audit of the Tribal broadband connectivity program to determine whether NTIA properly dispersed program funds and whether the funds are being used as intended.

We also continue to provide oversight of the Department's—Department of Commerce's pandemic relief funds, which have increased the Department's exposure to potential fraud. One of our top investigative priorities is to pursue fraud associated with the pandemic relief programs. And right now, about 15 percent of our open investigations are pandemic-related.

Another area the office remains focused on is the Department's continuing efforts to improve its cybersecurity posture. The risks associated with cybersecurity weaknesses can have wide-ranging impacts. A May 2021 Executive order directed the Government to move toward zero-trust cybersecurity principles. This presents a challenge, because the Department must make this move while simultaneously addressing longstanding cybersecurity weaknesses.

Before closing, I'd like to say just a few words about the—our staff at the Department of Commerce OIG. We are confident in our ability to succeed in these critical oversight missions you have entrusted to us. In recent years we've brought about a massive transformation, improving our audit processes, our HR functions, our information systems, and we've rebuilt our Office of Investigations. With these improvements, our recruiting is the best it's ever been. We attract highly skilled and experienced candidates, we hire them quickly, and we retain them. I'm proud of the work that this office does and the progress we've made.

I'm extremely grateful for Congress' continued support of offices of inspector general, and I look forward to the work ahead of us as we provide independent oversight to help the Department meet its mission and support Congress in its legislative oversight roles.

Again, thank you very much for the invitation. I'm looking forward to taking your questions.

[The prepared statement of Ms. Gustafson follows:]

Testimony of

Peggy E. Gustafson
Inspector General

U.S. Department of Commerce
Office of Inspector General

before a hearing of the

Energy and Commerce Committee
Oversight and Investigations Subcommittee
U.S. House of Representatives

March 29, 2023

Introduction

Chairman Griffith, Ranking Member Castor, and members of the subcommittee:

Thank you for your invitation to speak before the subcommittee today. I appreciate the opportunity to testify about the Office of Inspector General's strong oversight of Department of Commerce programs and initiatives. I am grateful for your continued interest in and support of our work. I look forward to our dialogue today and to continued conversation about the important work OIG accomplishes.

Today, I will provide an overview of Commerce OIG's independent oversight of several high-profile areas—the CHIPS and Science Act (CHIPS Act), the Infrastructure Investment and Jobs Act (IIJA), cybersecurity, and oversight of pandemic relief funds. I will also share with you lessons learned and best practices for the oversight of new and emerging programs. Commerce OIG has a positive story to tell about focusing efforts and deploying resources to yield meaningful, high-impact results.

Oversight of Semiconductor Production Reshoring Through the CHIPS Act

The first area I would like to discuss with you today is Commerce OIG's oversight of programs and activities associated with the CHIPS Act. The COVID-19 pandemic and its impacts helped crystalize awareness that our nation's security and economy rely heavily on access to semiconductors. Over the last three decades, the United States' production of semiconductors has decreased; by enacting the CHIPS Act, policymakers have affirmed the need for increased domestic production. The Department will play a key role in executing this law, and OIG is committed to performing oversight.

Implementation of the CHIPS Act

The Department has identified four strategic goals for implementation of the Act:

1. Invest in U.S. production of strategically important semiconductor chips, especially leading-edge technologies.
2. Assure a sufficient, sustainable, and secure supply of older and current-generation semiconductors for national security and critical manufacturing industries.
3. Strengthen semiconductor research and development leadership.
4. Grow a diverse semiconductor workforce and build strong communities that participate in the prosperity of the semiconductor industry.

The Act directs the Department to create a program to spur the recreation of a domestic semiconductor industry and entrusts the Secretary with significant discretion on how the program can be established and implemented.

The Act provides the Department with up to $39 billion in direct funding, up to $11 billion for research and development, and up to $75 billion in direct loans and loan guarantees. The funding may be used for:

- construction, expansion, or modernization of facilities and equipment;
- site development and modernization;
- workforce development; and
- reasonable operating costs (as determined by the Department).

The Act also provides OIG with $25 million over 5 years for CHIPS oversight. We are grateful for the funding, and we are hiring staff for two audit teams to conduct CHIPS program oversight, as well as a team of investigators to focus on the detection and resolution of any fraud committed by recipients of CHIPS funding. We expect the audit staff will include at least one subject matter expert in semiconductor materials and technology. These new teams will be a vital part of OIG's independent, continuous oversight of the program, to include determining whether:

- eligible entities use the funding received under the program in accordance with established requirements;
- entities receiving financial assistance carry out their commitments to worker and community investments;
- the required agreement has been carried out to give covered entities sufficient guidance about violations of the agreement;
- Congress receives timely notification about violations of the required agreement and how that determination was reached; and
- the Department has sufficiently reviewed any covered entity engaging in a listed exception.

Potential Challenges

OIG has already identified preliminary challenges for the Department. One challenge is managing its workforce, to include hiring and training staff quickly to meet new demands. The Department must identify qualified candidates, conduct background checks, and onboard new hires in a timely manner. Additionally, hiring while the program is being implemented may impair the proper assessment of current and future skills gaps, the development of training plans, and the effective allocation of resources.

Additionally, the Department must implement adequate internal controls and oversight. The increased funding may also increase the volume and complexity of financial transactions, thus making it more difficult to detect and prevent payment errors, fraud, waste, and abuse. The increase in funding may require additional monitoring and reporting to ensure project recipients comply with statutes, achieve intended outcomes, and use funds efficiently. Finally, the increased funding may introduce new or emerging risks that must be identified and addressed in a timely fashion.

Improving Broadband Internet Access Through IIJA

OIG is also committed to oversight of the Department's broadband infrastructure funding. By enacting IIJA, Congress highlighted the critical importance of affordable, high-speed broadband for individuals, families, and communities to be able to work, learn, and connect remotely. Increasing access to broadband is an ongoing national challenge.

Implementation of IIJA

In 2021, IIJA provided roughly $65 billion with the stated intention of ensuring that every American has access to reliable high-speed internet. IIJA included investment in broadband infrastructure deployment that builds on investments from previous laws, including the American Rescue Plan Act of 2021 (ARPA) and the Consolidated Appropriations Act, 2021 (CAA). The National Telecommunications and Information Administration (NTIA) will use $48 billion of this funding to implement the following programs:

- The Broadband Equity, Access, and Deployment Program, which provides $42.45 billion—to be distributed among all 50 states, the District of Columbia, and certain U.S. territories—for projects that support broadband infrastructure deployment and adoption.
- The Enabling Middle Mile Broadband Infrastructure Program. NTIA received $1 billion to implement this grant program for the purpose of expanding and extending middle mile infrastructure to reduce the cost of connecting unserved and underserved areas to the internet backbone.
- The Tribal Broadband Connectivity Program, an NTIA program previously implemented under CAA, received an additional $2 billion from IIJA. This program directs funding to tribal governments for broadband deployment on tribal lands, as well as for telehealth, distance learning, broadband affordability, and digital inclusion.
- The Digital Equity Act Programs will distribute $2.75 billion to promote digital inclusion and equity, ensuring that all individuals and communities can acquire the necessary skills, technology, and capacity to engage in the nation's digital economy.

Oversight of IIJA Implementation

OIG is building three audit teams and a team of investigators to focus on broadband issues. We have planned a holistic oversight program to monitor the grant process throughout its lifecycle. We have planned our audit and evaluation work to take part in the following phases:

- Implementation: includes application review, award process, and funds disbursement
- Award Oversight: review compliance with award policies and procedures
- Funds Oversight: monitor appropriate use of funds
- Closeout: measure compliance with closeout procedures

In January 2022, we provided our prior Broadband Technology Opportunities Program (BTOP) work to help the Department plan and prepare for the significant increase in IIJA funding. Additionally, in FY 2018, we issued a report on challenges facing EDA when it received a significant increase in funding for disaster recovery. The report highlighted key oversight challenges and best practices—based on prior OIG reports and other agencies' relevant work—and identified actions EDA should take. These lessons learned can also be applied to grant programs, like IIJA and the CHIPS Act and will help the Department avoid historical pitfalls while implementing its responsibilities under these Acts.

Our IIJA oversight plan is based on an evaluation of NTIA's preparedness to administer and manage increased grant awards. We review and analyze the Department's plans for spending IIJA funds and assess the risk for fraud, waste, or abuse. Based on our initial assessment, we initiated an audit of NTIA's process for awarding grants for the Tribal Broadband Connectivity Program, which is currently the most mature of IIJA programs and has already distributed $1.7 billion. As the Department refines its plans to execute the IIJA, we will refine our IIJA oversight plan.

As part of its oversight, OIG will also issue a series of semiannual reports summarizing the status of IIJA programs. These reports will provide program milestone dates, status of funds awarded to date, status of remaining funding, and oversight findings OIG has reported on. The first report was issued this past January.[1] Finally, within OIG, our audit and investigation teams collaborate to identify areas most susceptible to fraud and abuse.

Improving Cybersecurity While Addressing Longstanding IT Challenges

In addition to oversight for the CHIPS Act and IIJA, Commerce OIG continues to provide oversight for ongoing Department challenges. In May 2021, Executive Order 14028 was issued with the stated purpose of combatting ever-increasing cyberthreats.[2] The executive order moved the government toward zero-trust cybersecurity principles. Implementing the new security requirements presents a challenge for the Department, which must continue to mature its IT security program to address longstanding cybersecurity weaknesses while transitioning to a zero-trust architecture.

In our most recent *Top Management and Performance Challenges* report,[3] OIG again includes the maturation of Commerce's IT security program among the challenges for the Department in FY 2023. OIG has identified several key areas that will require prioritization from the Department, including using multifactor authentication (MFA) Department-wide, modernizing

[1] DOC OIG, January 24, 2023. *Semiannual Status Report on NTIA's Broadband Programs,* OIG-23-009. Washington, DC: DOC OIG.
[2] White House, May 12, 2021. *Executive Order on Improving the Nation's Cybersecurity.* Washington, DC: White House. Available online at https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/12/executive-order-on-improving-the-nations-cybersecurity/ (accessed July 19, 2022).
[3] DOC OIG, October 13, 2022. *Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2023*, OIG-23-001. Washington, DC: DOC OIG.

legacy systems, and securely managing user accounts and permissions. OIG's recent audit work has highlighted barriers and challenges in these areas.[4,5]

Transitioning to zero-trust architecture also poses a challenge to the Department. Zero trust moves away from a perimeter-defense mindset, allowing for additional protection checkpoints each time a user wants to access data, instead of giving full trust to inside users. Implementing zero trust will require comprehensive changes to the Department's IT security program. Many of the new requirements touch on longstanding challenges that also impact the maturity of the Department's information security program. In fact, the Department has already failed to meet the deadlines for implementing some requirements, such as the requirement to adopt MFA and data encryption Department-wide by November 8, 2021.

OIG has observed improvement in the incident response capabilities of the Enterprise Security Operations Center and the Census Bureau, with the Department taking sufficient action to result in the closure of a number of previously open audit recommendations.[6,7] From FY 2020 to FY 2021, the Department also increased the maturity of two functional areas related to the Federal Information Security Management Act of 2002 (FISMA), and it maintained this improvement in FY 2022.[8] Despite this progress, longstanding weaknesses will remain until the IT security program is consistently implemented across all the Department's bureaus.

Managing and Safeguarding Pandemic-Related Funding

It has been just over 3 years since the COVID-19 pandemic was declared a nationwide emergency. Although restrictions have eased and case numbers have gone down, OIG remains focused on the Department's pandemic-related funding. As with the broadband infrastructure initiative, OIG continues to prioritize the funding the Department received for grants to ease the pandemic's burden on people and businesses.

The total dollar amount of the Department's obligated grant awards increased substantially after Congress passed multiple spending bills allocating funding for pandemic relief. In FYs 2020 and 2021, the Department received more than $6.9 billion under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), CAA, and ARPA to support the Department's response to the pandemic. For example, the Economic Development Agency's (EDA's) obligated grant award amounts doubled—from $760 million to $1.5 billion— between FY 2019 and FY 2021 and rose again to almost $3.9 billion in FY 2022.

This infusion of funding also increases departmental programs' exposure to potential fraud. One of OIG's top investigative priorities is to pursue fraud associated with the pandemic;

---

[4] DOC OIG, June 15, 2022. *The Department Mismanaged, Neglected, and Wasted Money on the Implementation of IT Security Requirements for Its National Security Systems*, OIG-22-023-I. Washington, DC: DOC OIG.
[5] DOC OIG, July 20, 2022. *USPTO Needs to Improve Its Cost Estimating, Scheduling, and Agile Practices to Timely Retire Patent Legacy Systems*, OIG-22-026-A. Washington, DC: DOC OIG.
[6] DOC OIG, August 16, 2021. *The U.S. Census Bureau's Mishandling of a January 2020 Cybersecurity Incident Demonstrated Opportunities for Improvement*, OIG-21-034-A. Washington, DC: DOC OIG.
[7] DOC OIG, November 22, 2022. *Simulated Internal Cyber Attack Gained Control of Critical Census Bureau Systems*, OIG-23-004-I. Washington, DC: DOC OIG.
[8] FISMA has five function areas: *Identify*, *Protect*, *Detect*, *Respond*, and *Recover*. The Department increased its maturity for *Identify* and *Respond* from FY 2020 to FY 2021.

approximately 15 percent of our open investigations are pandemic related. The fraud schemes associated with our open investigations include false certifications by labs contracted to perform COVID-19 testing for the Department, false certifications and misuse of EDA-administered CARES Act and ARPA resources by revolving loan fund recipients, and misrepresentation of project eligibility for funds administered by NTIA under CAA 2021.

OIG is also pursuing four proactive initiatives around the country to identify potential fraud by recipients of pandemic funds administered by the Department. In 2022, OIG became a member of the Pandemic Response Accountability Committee Task Force, joining 14 other OIGs in providing investigative resources to pursue fraud related to various pandemic programs, including the Paycheck Protection Program and the Economic Injury Disaster Loan program.

Lessons Learned and Best Practices for Oversight

The diverse mission and broad reach of the Department of Commerce, as well as recent funding initiatives, often put Commerce OIG at the forefront of developing plans and tactics for effective oversight in a challenging environment. I would like to take a few minutes to highlight some of what we have learned over the past few years.

<u>Oversight of Contract and Grant Programs</u>

Since the vast majority of the Department's budget goes toward contracts and grants—especially considering the funding infusions from CHIPS, IIJA, and pandemic relief programs—OIG has long identified improving contract and grant management as a top challenge.

OIG's audit work continues to identify vulnerabilities in how the Department manages contracts and grants. In June 2020, we issued a management alert outlining the top challenges the Department would face in ensuring pandemic funds were spent timely and appropriately. The challenges we identified included:

1. Addressing ongoing disaster relief fund oversight challenges facing EDA and the National Oceanic and Atmospheric Administration (NOAA) National Marine Fisheries Service.
2. Developing and maintaining a competent acquisition and grants workforce to support the implementation and oversight of CARES Act funds.
3. Improving processes to award and monitor contracts and grants.
4. Improving control of contract and grant file management.
5. Mitigating the risk of fraud, waste, and abuse created by the significant influx of funds that need to be distributed quickly.

The use of pandemic-related funds provides a strong foundation for understanding the challenges the Department may face in administering other contract and grant programs, such as those related to the CHIPS Act and IIJA. It is important for the Department to plan for mitigation of these challenges as part of the implementation of new programs that involve an influx of funds.

Additionally, we know that fraud by contractors and grantees poses a significant risk. This focus area has become OIG's highest investigative priority. Before FY 2021, contract and grant fraud investigations accounted for 35 to 40 percent of OIG's open cases; they now account for approximately 65 percent. Recognizing the increased risks associated with significant new funding, OIG is also proactively providing guidance to the Department on how it can better prevent and detect contract and grant fraud prior to the actual distribution of funds.

<u>Maintaining Internal Controls for Contractor-Led Programs</u>

In addition to the challenges of administering contracts and grants, many new legislative requirements result in the Department relying on contractors' expertise to implement and operate complex programs. For example, the Department of Commerce's First Responders Network Authority (FirstNet Authority) provides insights and lessons learned on the risks associated with deferring too much to an outside entity. I will summarize three recent OIG reports that delve into these risks in further detail.

In the first report,[9] we found that FirstNet Authority did not follow GAO's Cost Estimating and Assessment Guide when preparing and documenting independent government cost estimates (IGCEs) used to evaluate its first two reinvestment proposals. Further, we found that FirstNet Authority accepted, without providing sufficient justification, AT&T's price proposals for both investments that exceeded the IGCEs by 60 percent or more.

We issued a second report[10] that found that FirstNet Authority has not established a sound process for selecting reinvestment opportunities. Specifically, we found that FirstNet Authority did not conduct a needs analysis or an analysis of alternatives, nor did it sufficiently justify the need in the business case analysis. We found FirstNet Authority relied on contractor information that appeared to influence the process of identifying and selecting reinvestment opportunities. A more effective evaluation process would help FirstNet Authority:

1. determine which investment opportunities are most beneficial;
2. determine which should be prioritized for maximum benefits to public safety; and
3. ensure funds are spent efficiently.

We made recommendations to improve the reinvestment process that could put more than $296 million in funds to better use and ensure future multibillion-dollar reinvestments are supported and justified and reflect public safety priorities.

Ensuring appropriate task order oversight is one of FirstNet Authority's FY 2023 top management challenges. Our recent audit of the oversight of the first two initial task orders addressed this challenge.[11] On March 1, 2023, OIG reported findings that:

[9] DOC OIG, August 25, 2022. *FirstNet Authority Did Not Have Reliable Cost Estimates to Ensure It Awarded Two Reinvestment Task Orders at Fair and Reasonable Prices*, OIG-22-029-A. Washington DC: DOC OIG.
[10] DOC OIG, November 28, 2022, *FirstNet Authority Could Not Demonstrate Investment Decisions Were the Best Use of Reinvestment Funds or Maximized the Benefits to Public Safety*, OIG-23-005-A. Washington DC: DOC OIG.
[11] DOC OIG, March 1, 2023, *FirstNet Authority Failed to Provide Adequate Contract Oversight for Its Initial Two Reinvestment Task Orders*, OIG-23-012-A. Washington DC: DOC OIG.

1. FirstNet Authority did not have sufficient performance measurements in the Quality Assurance Surveillance Plan to adequately assess contractor performance for its first two reinvestment task orders;
2. FirstNet Authority did not perform independent verification of contractor performance regarding deployables;
3. FirstNet Authority contracting officer's representatives relied on Nationwide Public Safety Broadband Network (NPSBN) Program Management Office personnel that were not certified or formally appointed to conduct contract monitoring; and
4. FirstNet Authority's Senior Management Council reviews were not conducted in a transparent manner for the NPSBN reinvestment TOs.

These examples demonstrate the risks the Department faces when it is necessary to rely heavily on a contractor to implement new programs. Commerce OIG used the lessons learned from these examples and our other work to inform the challenges we identified for CHIPS Act and IIJA implementation. Our work has shown that when implementing programs of a complex and technical nature (such as CHIPS Act programs), the Department must maintain continuous, stringent oversight and independence to ensure the objectives of the program are achieved and that contracts bring maximum value for the Department and taxpayers.

OIG Culture and Improvements

The Department of Commerce remains on the forefront of innovation and advances that are important for the country, particularly with the leadership and implementation of the CHIPS Act and IIJA. While providing oversight to the Department's activities in these areas will be a complex task, I am confident that Commerce OIG is ready to meet the challenge. In addition to the lessons learned I have just cited, which give us insight into the risks associated with these programs, I have implemented numerous cultural and operational improvements that position OIG to succeed. I am proud of the work OIG does and the people that make it all happen.

<u>Improvements to OIG's Operations and Employee Satisfaction</u>

When I assumed the duties of IG at Commerce, I walked into a difficult situation. Morale was extremely low. Turnover was extremely high. The office had a high degree of dysfunction, particularly within its leadership ranks. Today, the environment is much different, thanks to a massive transformation we have brought about. The following are among our many accomplishments over the past few years:

- We have improved our audit processes and our report review process. The quality of our audit products has risen and stayed high.
- Our HR office has consistently ranked among the top servicing HR offices in the Department of Commerce. We are proud to hire a greater percentage of veterans than any other entity in the Department.
- Our Office of the Chief Information Officer has completely turned around what was a poorly performing network and now leads the Department in many ways.

- Our CFO adeptly manages our budget every year, and we efficiently use all funding.
- Federal Employee Viewpoint Survey scores tell us that morale has risen and stayed high.
- In the two most recent Best Places to Work rankings, OIG's scores in the overall engagement index rose 29.6 points to the highest scores ever for this OIG. The scores rose more than for any other OIG in the rankings.
- The Best Places to Work index that deals with effective leadership has likewise reached its highest scores ever, increasing by 28.9 points in 2 years.
- We were ranked number one of all OIGs in the new Employee Well-Being Index, scoring 97.6.
- Our recruiting is the best it has ever been. We attract highly skilled and experienced candidates. We hire them quickly, and we retain them. We are in our fourth year of very low employee turnover.

One of the main drivers of success has been our emphasis on communication, with 93 percent of OIG employees rating internal communication from leaders as effective. We are very open to input from employees, we tell our employees what we are doing and why, we work to make sure they know what is going on throughout the organization, and we recognize and celebrate excellent performance.

Improvements to the Office of Investigations

I would also like to highlight specific improvements to how OIG's Office of Investigations operates. First, since FY 2020 we have doubled its staff, from 19 employees to 40. We have reshaped the office to include a division that provides training and support for all of our investigators. We also created a headquarters investigative team that focuses on whistleblower retaliation investigations, senior level employee misconduct, and hotline triage, while allowing the Investigative Operations Division to focus on high-impact contract and grant fraud investigations.

We have made a concerted effort to refocus investigative capabilities and priorities on the most vulnerable programs with the greatest impact for the Department and taxpayers.

We have also shifted the culture from relying on hotline complaints to being a proactive investigative team, including:

- conducting outreach and providing fraud awareness training to government personnel, contractors, grantees, and subrecipients so they know what and how to report fraud;
- conducting outreach with the Department of Justice, other OIGs, partner law enforcement agencies, and state and local oversight agencies around the country to make them aware of our mission and investigative interests;
- applying algorithms for fraud indicators to use in analysis and data mining;
- leveraging audits and auditors, who are often in position to identify fraud indicators; and

- partnering with the Department to implement antifraud measures into contract and grant requirements before funds are distributed.

We have already seen results from this shift to proactivity:

- Cases opened based solely on analysis and investigator efforts increased from just 2 percent of total cases in FY 2019 to 37 percent in FY 2022.
- Cases opened based on analysis, investigator efforts, liaison, and audit referrals jumped from 6 percent in FY 2019 to nearly 60 percent thus far in FY 2023.

Conclusion

The overall effect of the improvements made to OIG culture is that we stand ready to tackle the toughest challenges. We are grateful for Congressional support and funding that allows us to deploy our resources to the highest priority areas. I am committed to maintaining a workforce that can drive improvements to the programs and operations of the Department of Commerce through independent and objective oversight. I am grateful for the opportunity to testify here today, and I welcome any questions you may have.

Mr. GRIFFITH. Thank you. I now recognize Ms. Donaldson for her 5-minute opening statement.

STATEMENT OF TERI L. DONALDSON

Ms. DONALDSON. Thank you, good afternoon. Chairman Griffith, Ranking Member Castor, and members of the subcommittee, thank you for inviting me to testify today on the oversight risks associated with the Department of Energy's implementation of recent legislation.

There are actually four pieces of recent legislation that have recently expanded the Department's mission and budget exponentially. So I'll speak briefly about all four of those. The first is, of course, the Infrastructure Investment and Jobs Act, which appropriated $62 billion to the Department of Energy; the Inflation Reduction Act, another $35 billion; the CHIPS Act, another $30.5 billion in authorizations; and the Consolidated Appropriations Act of 2023, moving $1 billion to the Puerto Rico Energy Resilience Fund.

To put these numbers in perspective, the Department of Energy's fiscal year 2022 budget was $44.3 billion. So from approximately 44 billion, with the passage of these four acts there is now $478 billion within the purview of the Department of Energy.

And the Department is moving swiftly to make these funds available. The Department has already made nearly $45 billion available through funding opportunity announcements and has awarded or selected to negotiate another $13 billion. For fiscal year 2024, the Department is currently estimating a consolidated obligation under the new legislation to be approximately $30.4 billion.

In the interest of time, I will discuss, since I have 5 minutes, five causes of risks, more general causes of risks, and many of the same causes that—if you look back over the last 10 years and multiple Federal programs, you'll see these same characteristics. They repeat themselves, unfortunately, over time.

Number one, implementing new programs. The Chair mentioned the programs under IIJA. The grand total of new programs, when you roll in the IRA for the Department of Energy, is 71 brand-new programs.

Number two, fast-moving money. We've talked about that one already.

Number three, a large amount of money going to States, local governments, and Tribes.

Number four, a lack of adequate funding for the Department's oversight efforts.

And number five, a lack of adequate funding for my office.

Back to number one. We discussed the new programs, there are 71 of them. New programs raise immediate concerns, such as acquiring and training expert staff and developing and, most importantly, testing your internal controls.

I'm going to skip fast money, since we've covered that.

Item three, when money moves in large quantities to States, local governments, and Tribes. It is not yet clear whether these entities are equipped with sufficient staffing, are adequately trained, or have adequate control systems in place to protect these funds. Many of these entities suffered substantial fraud losses of the pandemic-related funds due to inadequate local oversight budgets.

Next, the Department of Energy's oversight funding. Only a small amount of funding was included for administrative costs in the IIJA, arguably more flexibility in IRA. And the concern here is that administrative cost is a very large category that typically includes the bulk of the funds being used to move the money out. Oversight is a small amount of administrative costs. So if you start with a low number for administrative costs, what the number is for oversight will be substantially less than that.

I turn now to item five, which is the lack of funding for my office, the Office of the Inspector General. Prior to the passing of the four pieces of legislation, my office was already significantly underfunded. To further exacerbate the historic underfunding issue, my office received only $62 million under IIJA and only $20 million under IRA to oversee those programs for up to 10 years to come. We received nothing in the other two pieces of legislation.

As a result, my office faces an immediate funding shortfall of over $300 million as even a first installment for my office to conduct appropriate oversight. So without additional funding, we will be stretched so thin that critical preexisting areas will not receive appropriate OIG oversight. These areas include research security, grant fraud, environmental cleanup, and nuclear stockpile stewardship, to name just a few.

I have been working with both Congress and OMB to correct my office's funding shortfall. The President's fiscal year 2024 budget includes $165.2 million for my office, which, if enacted, would leave a shortfall of $16.8 million in my base budget, but over $300 million in the budget that I would need to begin robust oversight efforts in connection with the new bills.

The President has also issued a statement proposing an additional $150 in funding to assist underresourced inspectors general but has not yet announced the amount of this funding that might be allocated to my office if the funds are authorized by Congress.

I greatly appreciate these efforts to begin to address this problem, but more needs to be done.

I turn now to the topic of the oversight efforts my office has already undertaken with respect to the recent legislation. We started by providing pertinent historic reports to the Department summarizing our own previous work in a series of four capstone reports. We have also initiated hundreds and hundreds of fraud awareness briefings. We meet regularly with the Department, two to three times a month, and the implementation team in order to resolve as many issues as we can in advance.

Thank you very much. I look forward to taking your questions.

[The prepared statement of Ms. Donaldson follows:]

U.S. Department of Energy
Office of Inspector General

Statement
of
The Honorable Teri L. Donaldson, Inspector General
US Department of Energy

before the

U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations

March 29, 2023

Introduction

Chairman Griffith, Ranking Member Castor, and Members of the Sub-Committee: Thank you for inviting me to testify today on the oversight risks associated with the Department of Energy's implementation of four recent pieces of legislation – the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), the CHIPS and Science Act (CHIPS Act), and the 2023 Consolidated Appropriations Act's Puerto Rico Energy Resilience Fund.

Today I will provide an overview of the over $128 billion in authorizations and appropriations provided to the Department of Energy, and the increase in loan authority by an estimated $385 billion, resulting from these four pieces of legislation. I will discuss some general risks the Department faces as they implement 71 new programs, and significantly expand 19 others, including the risk that the Department and DOE OIG did not receive adequate funding for oversight. Specifically, I will address the historical funding shortfall of the DOE OIG, and the current budget shortfall of over $300 million as it pertains to the recent legislation and the OIG's efforts.

I will then speak to the efforts my office has taken to date. These efforts include the issuance of four reports summarizing prior work that targeted programmatic areas that will receive substantial funding under the new legislation. You will see that there are recurring themes in these reports. Additionally, we have had frequent communications with the Department while keeping in mind our independence. The OIG has also conducted 180 fraud awareness briefings since the passage of IIJA, reaching more than 5,700 federal employees, contractors, grantees, external auditors, law enforcement, and state, local government, and tribal representatives. We have also worked closely with other OIGs who have received money under

these pieces of legislation. I am currently serving as the co-chair of the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) IIJA Working Group.

My office also has also launched a data collection and monitoring project to begin to collect detailed information from the Department for the five programs receiving the most money under these pieces of legislation. This data collection and monitoring project will help produce impactful audits, inspections, evaluations, and investigations. We have already initiated one audit and are in the planning stages to conduct additional work, which will include the use of data analytics.

Overview of Recent Legislation

- IIJA – appropriated more than $62 billion over five years to the Department of Energy and made most of those funds available through FY 2031. The Department created 56 new programs, including 16 demonstration and 32 deployment programs, and expanded funding for existing research, development, demonstration, and deployment programs. To lead these projects, the Secretary of the Department of Energy created a new Under Secretary for Infrastructure in February 2022.
- IRA – appropriated $35 billion for various Department of Energy programs, with funding available for various lengths of time – some funding expires between FY 2026 and FY 2031, while other funds are available until expended. IRA resulted in the creation of 15 new programs, and significantly expanded the Department of Energy's loan authorities, such that the total of all existing Department loan authorities, including those contained in IIJA and IRA, is now estimated at $370 billion.

- The CHIPS Act – authorized $67 billion in spending for the Department's Office of Science, and many other research and development projects at the Department's national laboratories. Of this $67 billion, $30.5 billion represents an expansion of their existing authorization.
- The Consolidated Appropriations Act, 2023 (Omnibus) – Congress added $1 billion to the Department's appropriations to provide grants to the Puerto Rico Energy Resilience Fund to build energy system resilience to major natural disasters. A new program was established under the Grid Deployment Office for this effort. Also, the Congress added $15 billion in loan authority.
- To put these numbers into context, the Department of Energy's FY 2022 budget was $44.3 billion. The four statutes referenced above authorized or appropriated over $128 billion to the Department and increased the Department's loan authority by approximately $385 billion. Combined with the Department's current balance of loan exposure of $17.4 billion, the Department's potential loan portfolio may rise to $402.4 billion.

Risks

Before addressing some of the risks associated with this unprecedented expansion in the Department's funding and mission, I note that the Department was already charged with a high-risk portfolio prior to the passage of these pieces of legislation. As you know, approximately 90 percent of the Department's budget goes to contractors, and 30 percent of that is further disseminated to subcontractors. Additionally, the Department of Energy is the only federal agency utilizing Management and Operating Contractors, which creates another level of complexity for oversight. Additionally, the Government Accountability Office (GAO) High

Risk List includes several areas for the Department of Energy including Contract and Project Management for the National Nuclear Security Administration and Office of Environmental Management, and Environmental Liability.

Numerous reports issued over the years by my office and the GAO have noted the Department's lack of oversight resources in particular areas. These reports typically include the Department's concurrence that it lacked the resources to accomplish the internal controls referenced in the particular report. I'll discuss a few of these historic reports in a moment.

It is against this backdrop that the new funds, over $128 billion in authorizations and appropriations, and an estimated $385 billion in additional loan authority, will move through the Department. As these funds move through the Department, many program-specific risks will emerge and create enormous challenges for the Department. This will happen over time. For now, since we are still in early days, I will limit my comments to the following more general risks:

- New programs. Between IIJA and IRA, there are $83.6 billion dollars going into 71 new programs for the Department of Energy. New programs raise immediate concerns such as acquiring and training expert staff and developing effective internal controls. New programs push funding through untested processes and newly designed and untested internal controls. While the tremendous expansion of existing programs may raise similar issues, at least the existing programs have some well of institutional knowledge to draw upon.
- Fast moving money. History has taught us that the Federal government has often balanced the "need for speed" against the need for thoughtful internal controls in a manner that has resulted in the loss of billions of dollars to fraud, waste and abuse. The

most recent examples come from federal pandemic relief efforts. On March 23, 2023, the PRAC released its latest findings, which included over $3.6 billion paid from the Paycheck Protection Program to individuals listed with the Department of Treasury's "Do Not Pay" system. In addition, the PRAC noted over $3.5 billion in Economic Impact Payments were paid to individuals using the identities of deceased people. These staggering losses should give all of us pause. While the Department of Energy has stated that its new funding will not be released at the same speed that the pandemic funding was released, the Department has also publicly stated its sense of urgency to move these funds along to their intended purposes. The Department is therefore at risk that it may fall into a "pay and chase" model of oversight that may result in substantial losses. To date, the Department has:

- Made $37.8B available through Funding Opportunity Announcements (FOAs) from IIJA (availability of funds is subject to the funds received annually);
- Awarded or selected to negotiate $11B in funding from IIJA, this includes formula funding and negotiations in process;
- Made $7.1B available through FOAs from IRA; and
- Awarded or selected to negotiate $1.6B in funding from IRA, this includes formula funding and negotiations in process.

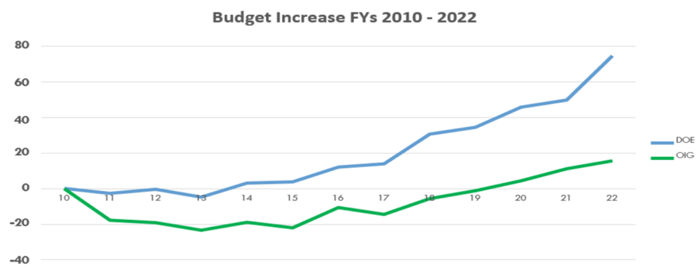
The Department is still in the early stages of formation of its FY 2024 budget; however, at this time, the Department estimates its consolidated obligation under the new legislation to be approximately $30 billion in FY 2024.

- Awards to states, local government, and tribes. Much of the funding that goes to states, local governments, and tribes is being implemented by the Office of State and

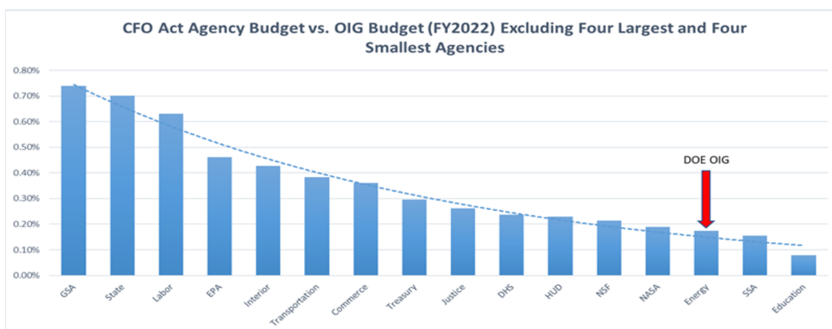
Community Energy Programs. This office was funded under IIJA and IRA at nearly $16 billion. As this money is awarded to these entities, it is then further dispersed to subrecipients. It is not yet clear whether the states, local governments, or tribes are equipped with sufficient staffing, are adequately trained, or have adequate internal control systems in place to protect these funds. It is also not apparent whether these entities may utilize an adequate amount of the awarded funds for local oversight efforts. In any case, the passing of these funds to others does not remove the federal nature of the expenditure or excuse federal oversight. It does increase risk.

- Compounded risks. Some of the Department's programs face all of these risks at the same time – new programs, fast money, and awards to entities that may be unprepared to oversee the funds.
- Lack of adequate funding for Department's oversight efforts. IIJA included a small reservation of 3% of funding for administrative costs for many of the Department's programs. IRA appears to have given the Department some additional flexibility on administrative expenses, but these matters have not yet been resolved by the Department. I note that "administrative" expense is a broad category that includes the funds needed to move the program specific dollars out the door, but may leave little budget for the oversight needed to ensure that the funds actually arrived as intended by Congress. For this reason, I support any efforts by the Department to acquire or direct appropriate levels of funding to its oversight mission.
- Lack of adequate funding for the DOE OIG. Prior to the passing of the four pieces of legislation discussed above, the DOE OIG was already significantly underfunded. The following chart demonstrates the decline of OIG funding with respect to the growth

of the Department's budget prior to the passing of the recent legislation.



The next chart provides a glance of Inspector General funding for all the Chief Financial Officers (CFO) Act agencies as of fiscal year 2022.



*The agency budget numbers were derived from the FY2022 Conference Report, which references only the discretionary funds appropriated by Congress on an annual basis.

To further exacerbate the historic underfunding issue, DOE OIG received only $62 million over a 5-year period under IIJA to provide oversight for these new infrastructure projects. Also, the IRA appropriated only $20 million to the OIG to oversee those programs. Notably, there was no provision for DOE OIG in the CHIPS Act, and no provision for the OIG in the Puerto Rico Energy Resilience Fund. The chart

below shows the OIG-estimated oversight funding shortfall related to, IIJA, IRA and the Puerto Rico Energy Resilience Fund.

Bills	DOE	OIG	Percent OIG to DOE	OIG Estimated Requirements 0.35%	OIG Funding Shortfall
IIJA[1]	$64B	$62.5M	0.10%	$224.8M	$162.3M
IRA[2]	$44B	$20.0M	0.05%	$155.6M	$135.6M
PR-ERF	$ 1B	$ 0.0M	0.00%	$ 3.5M	$ 3.5M
Total	**$109B**	**$82.5M**	**0.08%**	**$384.0M**	**$301.4M**

[1] The DOE amount of $64 billion includes $62.5 billion plus 3.2% of $46.6 billion in loan and loan guarantee authorized in IIJA. This 3.2% must be re-visited in the second installment of funding needed for the OIG.

[2] The DOE amount of $44 billion includes $35 billion plus 3.2% of $290 billion in loan and loan guarantee authorized in IRA. This 3.2% must be re-visited in the second installment of funding needed for the OIG.

You will note that this estimated shortfall is a first installment. For example, it does not include the CHIPS Act. As the $30.5 billion in new CHIPS Act funding is appropriated to the Department, I will be seeking .35% of those funds to conduct appropriate oversight.

I arrived at .35% by examining FY 2022 funding levels for the OIGs of CFO Act Agencies, and by examining the more current funding of the OIGs impacted by IIJA, the CHIPS Act, and IRA. The .35% falls into the mid-range. Given the significant risks for the Department of Energy, this percentage may be too low. However, it is a starting point, and much needed.

As you know, I am currently working with both Congress and the Office of Management and Budget to correct this funding shortfall problem for the OIG. We have cautioned that the continued and compounded dilution of OIG funding will result in insufficient oversight of both existing programs and the many newly established

infrastructure and energy programs. Without additional funding, critical areas such as research security, clean energy, grid deployment, scientific computing, stockpile stewardship, environmental cleanup, and pit production, to name a few, will not receive appropriate OIG oversight. Moreover, the OIG will not be able to provide the near-term audit and inspection assistance that the President has specifically requested to minimize the longer-term impacts from the large-scale frauds that often plague Federal programs providing such funding on an expediated timeline.

We are making some progress. The President's FY 2024 Budget includes $165.2 million for DOE OIG to be used until expended. If the President's Budget is enacted as is, it would leave a remaining shortfall of $16.8 million in our base budget, and a remaining shortfall of $301.4 million dollars to oversee IIJA, IRA and the Puerto Rico Energy Resilience Fund.

The President has also issued a statement identifying $150 million in funding to assist under-resourced Inspectors General and named my office as one of those OIGs. The Administration, however, has not yet announced the amount of this funding that might be allocated to the DOE OIG, if the funds are authorized by Congress.

Given the longevity of the programs established and expanded under these four pieces of legislation, it is critical that the DOE OIG receive appropriations in the form of no-year funds. No-year funding would allow the DOE OIG to adequately plan our resources over the entire period that the funds will be expended by the Department, and then continue to investigate the fraud matters that will be discovered and prosecuted for many years to come.

OIG Efforts to Date

Although we are substantially underfunded, we have already started work. The first action we took was to identify pertinent historic reports and discuss those with the Department. These reports provided analyses of "lessons learned" and suggested approaches for reducing the risks associated with the extraordinary level of new funding. This work began early, with engagement of Department leadership in January 2022 when my office sent three reports to Departmental leadership to inform early risk identification. These reports are listed below:

- *The IG Community's Joint Efforts To Protect Federal Grants From Fraud, Waste, and Abuse*, CIGIE, January 2021. This report provided a broad overview of steps to prevent grant fraud.
- Special Report on *The American Recovery and Reinvestment Act at the Department of Energy* (OAS-RA-09-01, March 2009) https://www.energy.gov/ig/downloads/special-report-oas-ra-09-01. Drawing from similarities to the Recovery Act era, this report provides insights into early steps that leadership can take for a new or major expansion of Federal programs.
- *Special Report: Lessons Learned/Best Practices during the Department of Energy Implementation of the American Recovery and Reinvestment Act of 2009* (OAS-RA-12-03, January 2013) https://www.energy.gov/sites/prod/files/OAS-RA-12-03.pdf. This report served as a capstone for issues identified during the Recovery Act era that we concluded has broad applicability to today's context.

Additionally, my office summarized its previous work and issued four reports that targeted programmatic areas that will receive substantial funding under the new legislation. There are recurring themes in these reports. The main themes are insufficient federal staffing,

inadequate oversight of projects, and a lack of accountability and transparency. Below are summaries of the four reports:

- *Special Report: Prospective Considerations for the Infrastructure Law-Funded Weatherization Assistance Program* (DOE-OIG-22-30, April 29, 2022) https://www.energy.gov/ig/listings/calendar-year-2022

  The OIG identified 19 audits, 14 examinations, numerous investigations, and 1 inspection regarding the Department's Weatherization Assistance Program (WAP). We identified five major risk areas that warrant immediate attention from Department leadership to prevent similar problems from recurring:

  - Senior Leader Fraud: We examined 15 completed investigations resulting in investigative outcomes, including 7 criminal convictions, 20 persons excluded from Federal government contracting, and over $2.25 million recovered. In the majority of these cases, the subject was either an executive at a Community Action Agency (CAA) or the owner of a subcontractor. The facts and circumstances in these cases demonstrate the need for more rigorous oversight over the senior leadership of CAAs.
  - Controls Over Acceptance of Work: We issued audit and examination reports demonstrating problems with substandard work, billing errors, unapproved work order changes, unperformed or undocumented final inspections, and charges for unsupported costs. These reports demonstrate a need for more rigorous internal controls over acceptance of work and documentation of expenses.
  - Compliance with Terms and Conditions: We issued audit, examination, and inspection reports identifying problems with verifying applicant eligibility. Additionally, we reported problems associated with regulatory compliance including

the Davis-Bacon Act, competitive contracting, management of interest on advanced funds, and reporting. Also, we reported compliance issues regarding financial management, such as proper accounting for funds and items acquired with American Recovery and Reinvestment Act funds. These reports indicate a need for more rigorous policies and procedures for compliance with grant terms and conditions.

- Grantee-Level Oversight Issues: In prior reports, we observed insufficient oversight at both the state level and with CAAs. We identified insufficient staffing; inadequate training; and inadequate systems for identifying, tracking, and preventing problems from recurring. We concluded that there is an opportunity for the Department to better define, through program guidance documents, a more substantial level of oversight to ensure that WAP funds are spent effectively.
- Administrative Remedies: In reviewing prior audit and investigation work related to WAP, we noted that the Department did not act often or quickly to impose administrative remedies on bad actors. In particular, the Department needs to ensure a proactive review of policies, training, and resources dedicated to the imposition of administrative remedies. These remedies constitute a necessary part of ensuring program integrity. An effective remedial approach would consider all means to protect, punish, and restore taxpayer funds. We observed that very few administrative remedies such as suspensions and debarments were made for the multitude of problems that occurred and were identified throughout the WAP during the American Recovery and Reinvestment Act era.

- *Special Report: Prospective Considerations for the Loan Authority Supported Under the Loan Programs Office to Improve Internal Controls and Prevent Fraud, Waste, and Abuse (*June 10, 2022; DOE-OIG-22-34) https://www.energy.gov/ig/articles/special-report-doe-oig-22-34

  The OIG identified prior reports from six audits, two inspections, and numerous investigations regarding the Loan Programs Office (LPO). Additionally, we identified several Government Accountability Office reports related to the LPO. Based on our review of this body of work, we identified four major risk areas that warrant immediate attention:

  - Insufficient Federal Staffing: Prior audit reports identified that insufficient Federal staffing adversely affected LPO's ability to administer the loan approval process and perform key risk and portfolio management functions. Capable and proficient staff are essential to ensure financial and technical risks are thoroughly analyzed and mitigated and Program objectives are achieved.
  - Inadequate Policies, Procedures, and Internal Controls: Prior audit and investigative work highlighted issues related to the LPO's control structure. In particular, we identified a lack of comprehensive policies and procedures related to critical stages of the loan approval and monitoring processes including credit underwriting for applicants, assessment of financial and technical risks, and monitoring of credit and technical performance of disbursed loans. These reports also revealed inadequate controls related to the oversight of contractors and resolution of differences of professional opinion among technical experts. Additionally, investigative work demonstrated cases where companies engaged in improper conduct, however, the

Office of Inspector General did not make referrals for administrative remedies to the program, and the LPO's control structure at that time did not include consideration of such remedies. The establishment of a robust set of administrative safeguards is essential to ensure continuity and consistency in administration of the loan programs, prevent circumvention of control points, and protect the Government's and taxpayer's interests.

- Lack of Accountability and Transparency: In reviewing prior audit and investigation work related to the LPO, we noted that the Department had not maintained complete and accurate records summarizing the results of the due diligence and risk assessment processes or memorializing key decision points in accordance with records management requirements. Such information is vitally important to: (a) protect the legal and financial rights of the Government over the life of loans and loan guarantees; (b) assist current managers and their successors in making informed decisions; and (c) provide a reliable source for information needed to respond to inquiries from Congress and other oversight bodies. A lack of key decision documents also leaves the Department open to criticism that it may have exposed taxpayers to unacceptable risks. Finally, in the event that a loan or loan guarantee is subject to legal action, the availability of a complete record is an invaluable tool in supporting the Government's position.
- Potential Conflicts of Interest and Undue Influence: Issued audit, inspection, and investigation reports identified instances where LPO officials potentially violated standards of ethical conduct or engaged in irregular hiring practices and made

decisions that appeared to have been influenced by internal and external parties. Such activities could call into question the integrity of the LPO and erode the public trust.

- *Special Report on Prospective Considerations for Clean Energy Demonstration Projects* (August 17, 2022; DOE-OIG-22-39) https://www.energy.gov/ig/articles/special-report-doe-oig-22-39

  The IIJA established the new Office of Clean Energy Demonstrations (OCED) to oversee the $21.5 billion in IIJA funding for clean energy demonstration projects for innovative technologies like clean hydrogen, carbon capture, grid scale energy storage, and advanced nuclear reactors. Demonstration projects test the effectiveness of innovative technologies in real-world conditions at scale, often leveraging public-private partnerships to pave the way towards commercialization and widespread deployment. Under IIJA, funding for OCED projects will be distributed through financial assistance awards in the form of grants and cooperative agreements. Based on our review of prior audit work, we identified five major risk areas that warrant immediate attention and consideration from Department leadership to prevent similar problems from recurring. Specifically:

  - Insufficient Federal Staffing: Prior audit reports identify that insufficient Federal staffing adversely affected the Department's ability to administer financial assistance awards, the primary mechanism for funding demonstration projects. Issued reports show that key oversight functions such as invoice reviews were not performed due to limited staffing and heavy workloads of project oversight officials. These reports demonstrate the need for sufficient staffing to ensure key Federal oversight functions are performed and the Government is adequately protected.

- Circumvention of Project Controls: We identified prior Office of Inspector General and Government Accountability Office reports demonstrating instances when the Department bypassed project controls such as performance milestones, budget phases, and cost share requirements put in place to mitigate technical and financial risks. Issued reports identify projects where the Department decreased the recipient's cost share requirement below the percentage defined in the original cooperative agreement and increased the Government's cost share to compensate. The reports also show that the Department increased early-phase budget allocations multiple times by shifting allocations from subsequent phases to provide continued support when projects were unable to meet milestones. In addition, reports identify instances when the Department selected projects despite significant financial or technical issues identified during the merit review process, issues that ultimately impacted the success of the projects. These actions circumvented project controls designed to protect the Government and taxpayers and increased the Department's financial exposure. The reports emphasize the importance of adhering to project controls to mitigate risk.
- Insufficient Oversight of Projects: In prior reports, we observed insufficient financial monitoring of recipient costs and cost share contributions which increased the risk that questionable or unallowable costs could be charged to the Department, reducing the amount of funds available to complete projects. Additionally, we identified instances when the Department had not ensured that project deliverables such as annual independent audits or final project reports had been completed, as required, or coordinated with other programs to manage overlap and avoid duplication of research

efforts. These reports demonstrate a need for more stringent monitoring of clean energy projects awarded under financial assistance agreements.

- Inadequate Internal Controls: Prior audit reports reveal inadequate internal controls related to oversight of financial aspects of assistance awards. In particular, we identified a lack of comprehensive policies and procedures defining the level of invoice review or documentation needed prior to reimbursement. In addition, these reports reveal inadequate controls related to areas such as record-keeping practices, consideration of findings from prior audits of recipient accounting systems, and reviews of recipient-level procurement practices. These reports emphasize the importance of a comprehensive internal control system to ensure that the Government and taxpayers are protected from reimbursing questionable or unallowable recipient costs.
- Lack of Recipient-Level Controls: Prior audit reports show that the Department had not ensured that recipient procurement practices were adequate to fully protect the Government's interests and complied with applicable policies, procedures, and best practices. We identified instances when the Department had not ensured recipients had effective accounting controls and financial systems in place to adequately segregate and accumulate costs. Additionally, these reports identify examples where the Department had not ensured that recipient subcontractor or vendor selections for goods and services represented the best value to the Government or recipient subcontractor costs were adequately supported. These reports indicate a need for more rigorous monitoring and oversight of recipient-level activities.

- *Special Report on Prospective Considerations for Projects Awarded Through Financial Assistance Awards* (August 17, 2022; DOE-OIG-22-40)
  https://www.energy.gov/ig/articles/special-report-doe-oig-22-40
  Given the significant amount of IIJA funding that will be awarded through financial assistance awards, the OIG has identified six major risk areas based on prior audits, inspections, and investigations that warrant immediate attention and consideration from Department leadership to prevent similar problems from recurring:
  - Recipient Fraud: We examined 27 completed investigations resulting in investigative outcomes, including 20 criminal convictions, 65 persons suspended or debarred from receiving financial assistance awards, and over $38 million recovered. The majority of these cases involved the submission of false claims, false statements, and misrepresentations made by either a Principal Investigator or company executive of a financial assistance recipient. The facts and circumstances in these cases demonstrate the need for more rigorous oversight over financial assistance recipients.
  - Insufficient Federal Staffing: Prior audit and inspection reports identify that insufficient Federal staffing adversely affected the Department's ability to administer financial assistance awards. Issued reports show that key oversight functions such as invoice reviews were not performed due to limited staffing and heavy workloads of project oversight officials. These reports demonstrate the need for sufficient staffing to ensure key Federal oversight functions are performed and the Government is adequately protected.
  - Inadequate Oversight of Projects: In prior reports, we observed inadequate financial monitoring of recipient costs and cost share contributions which increased the risk that

questionable or unallowable costs could be charged to the Department, reducing the amount of funds available to complete projects. Additionally, we identified instances when the Department had not ensured that project deliverables such as annual independent audits or final project reports had been completed as required. Furthermore, reports reveal instances when the Department had not taken actions to address external audit findings related to financial weaknesses at the recipient level. Finally, audit and investigative work identified weaknesses in the Department's coordination with other programs and Federal agencies to manage overlap and avoid duplication of research efforts. These reports demonstrate a need for more stringent monitoring of projects awarded under financial assistance agreements.

- Circumvention of Project Controls: We identified prior reports demonstrating instances when the Department bypassed project controls such as performance milestones, budget phases, and cost share requirements put in place to mitigate technical and financial risks. Additionally, these reports identify instances when the Department had not effectively implemented ongoing invoice review controls it put in place to manage project risks. Further, these reports identify instances when the Department selected projects despite significant financial or technical issues identified during the merit review process, issues that ultimately impacted the success of the projects. These actions circumvented project controls implemented to protect the Government and taxpayers and increased the Department's financial exposure. These reports emphasize the importance of adhering to project controls to mitigate risk.
- Inadequate Internal Controls: Prior audit reports reveal inadequate internal controls related to administering and monitoring of financial assistance awards. In particular,

we identified a lack of comprehensive policies and procedures defining the level of invoice review or documentation needed prior to reimbursement. In addition, these reports reveal inadequate controls related to areas such as record-keeping practices, consideration of findings from prior audits of recipient accounting systems, and reviews of recipient-level procurement practices. These reports emphasize the importance of a comprehensive internal control system to ensure that the Government and taxpayers are protected from reimbursing questionable or unallowable recipient costs.

- Lack of Recipient-Level Controls: Prior audit reports show that the Department had not ensured that recipient procurement practices were adequate to fully protect the Government's interests and complied with applicable policies, procedures, and best practices. We identified instances when the Department had not ensured recipients had effective accounting controls and financial systems in place to adequately segregate and accumulate costs. Additionally, these reports identify examples where the Department had not ensured that recipient subcontractor or vendor selections for goods and services represented the best value to the Government or recipient subcontractor costs were adequately supported. Further, we identified instances when the Department had not ensured that recipients fully understood Federal financial assistance requirements, which resulted in questionable or unallowable costs being charged to projects. These reports indicate a need for more rigorous monitoring of recipient-level activities.

Data Collection, Monitoring, and Future Projects

My office has also launched a data collection and monitoring project to begin to collect and analyze oversight information from the Department for five of its programs as follows:

1. Office of Clean Energy Demonstrations (OCED) – The scope of oversight for OCED will cover the major projects including Advanced Reactors; Carbon Capture projects; Regional Clean Hydrogen Hubs; and other major projects.
2. Loan Program Office (LPO) – The scope of oversight for LPO will cover loan authorities, as authorized in IIJA and IRA, in areas to include Innovative Clean Energy loan guarantees for both fossil and nuclear energy; Advanced Technology Vehicle Manufacturing loans; Energy Infrastructure; Tribal Energy; and others.
3. Grid Deployment Office (GDO) – The scope of oversight for GDO will cover programs including Enhancing the Resilience of the Electric Grid; Innovative Grid Resilience Program; Transmission Facilitation Program; Smart Grid Grants; Modeling and Assessing Energy Infrastructure Risk; Civil Nuclear Credit Program; Hydroelectric Production Incentives; and other major projects.
4. Office of State and Community Energy Programs (SCEP) – The scope of oversight for SCEP will cover programs including the State Energy Program; Weatherization Assistance Program; Energy Efficiency and Conservation Block Grant Program; Training programs; and Energy Efficiency programs.
5. Office of Manufacturing and Energy Supply Chains (MESC) – The scope of oversight for MESC will cover programs to include: Advanced Energy Manufacturing and Recycling Grant; Battery and Battery Recycling programs; Rebate programs for Energy Efficient Transformers and Extended Product Systems; Industrial Research and Assessment

Centers; Rare Earth Elements Demonstration Facility; and State Manufacturing Leadership.

As additional funding becomes available to the OIG, the data collection and monitoring project will be expanded to include additional programs. The data collection and monitoring project is designed to produce leads for audits, inspections, evaluations, and investigations. The OIG's ability to conduct audits, inspections, evaluations, and investigations will be determined by the amount of funding it receives to do so. There is no amount of planning or coordinating that will replace having the resources – the people- to conduct these projects. To date, we have initiated one audit and have planning underway for additional work.

As we complete audits, inspections, evaluations, and investigations, we anticipate that we will uncover instances of procurement fraud given the large amount of money flowing out in a short period of time. Therefore, I have partnered with the Department of Justice Procurement Collusion Strikeforce in order to proactively engage with the individuals that will be a part of prosecuting procurement fraud.

I also hope to continue to expand and develop the data analytics capability of the OIG, by making investments in information technology and managed services. Now more than ever, the OIG needs efficient and economical tools to better identify, prioritize and develop issues that support risk-based prioritization for our audits, inspections, evaluations, and investigations. We are building innovative automated tools that identify and pursue anomalies and will serve to focus the resources of our human elements on those matters most likely to achieve the greatest results. We are analyzing high-risk areas such as labor, pay, grants, subcontracts, and contract charges towards validating risk models to identify specific high-risk anomalies. We are taking

steps to integrate financial, operational, and performance data to assess and identify risk to the Department's programs and operations. We are working closely with PRAC to borrow from its successful and data driven oversight activities. My data analytics team has already had much success, but more needs to be done. Strengthening our data analytics capabilities and gaining access to required authoritative Federal and contractor data, remains a key priority, especially as we perform oversight of the four pieces of legislation discussed today.

Coordination with the Department and OMB

In April 2022, OMB memorandum M-22-12 directed agencies to oversee infrastructure spending with the same collaborative approach used for pandemic spending. The DOE OIG has been collaborating by posing questions during Joint Review Meetings with OMB and the Department. The OIG cannot consult or advise without sacrificing its independence, but the OIG may inquire. To date, these meetings have included the following subjects:

- The IIJA funded Civil Nuclear Credit Programs – $6 billion to help commercial utilities keep low carbon power plants open.
- The IIJA funded investment in Electric Vehicle Charging Stations – $7.5 billion to build nation-wide recharging corridors.
- The IRA funded High Assay Low Enriched Uranium program – to create a domestic source of this fuel needed for the next generation of advanced nuclear reactors.

We are currently working with OMB to schedule Joint Review Meetings for IRA funded rebate programs, domestic manufacturing conversion grants, and loan program expansion, all in the coming months.

Along the same lines, since early 2022, my office has held close to 40 meetings with senior Department leadership to pose questions to them regarding the new programs, and to identify risks the OIG has reported during the performance of prior work. In this way, we have safeguarded our independence, while helping the Department to identify areas of potential risk. We have also used these meetings to reemphasize the importance of Departmental oversight to help prevent and detect fraud, waste and abuse. Additionally, we have conducted 180 fraud awareness briefings since the passage of IIJA, reaching more than 5,700 federal employees, contractors, grantees, external auditors, law enforcement, and state and local government and tribal counterparts. We have also had dozens of formal collaborations with federal, state and local law enforcement, prosecutors, auditors, and states that are receiving and administering IIJA awards.

Coordination Within the IG Community

The IG community is also pulling together to address common issues of concern in an efficient manner. Soon after passage of the IIJA, CIGIE created a working group of OIGs for those agencies that received IIJA funds. Together with The Hon. Eric Soskin, Inspector General for the US Department of Transportation, I serve as co-chair for the CIGIE Infrastructure Working Group. This group meets monthly to communicate, coordinate and to share best practices for the purposes of improving Federal oversight over IIJA funds government wide. One key activity that the working group has undertaken is to begin to create a network with our Inspector General counterparts in the states, local government and tribes. While there is much work to do, we have initiated discussions about program risks, oversight funding and oversight plans.

Additionally, the CIGIE Infrastructure Working Group has hosted GAO in our monthly meetings on two occasions and has established a schedule to include GAO in our meetings, quarterly, moving forward. GAO's attendance at the CIGIE Infrastructure Working Group meetings has allowed coordination across the entire oversight community on efforts pertaining to oversight of the new funds.

Finally, in November 2022, CIGIE Chair Mark Greenblatt convened an informal roundtable for OIGs whose Agencies received funding under IRA. This roundtable will meet quarterly and is intended to serve as a focal point for external stakeholders to easily contact or engage with all OIGs involved in IRA oversight, and to allow OIGs a forum to discuss IRA-specific challenges, issues or concerns, and to share best practices.

Closing Remarks

I would like to recognize the key role that bipartisan efforts of Congressional oversight Committees have played over the years in advancing government transparency and program integrity. Following passage of the American Recovery and Reinvestment Act of 2009, Congress supported IG efforts to stand up the Recovery Accountability and Transparency (RAT) Board, and creation of Recovery.gov. In 2016, Congress passed the bipartisan IG Empowerment Act, which reinforced key oversight concepts and gave OIGs important tools to achieve their missions. Finally, Congress created the CIGIE Pandemic Response Accountability Committee (PRAC) in the Coronavirus Aid, Relief, and Economic Security Act. We are all aware of the important work that committee has done with jurisdictional Inspectors General since 2020.

Thank you for your continued support for the independent oversight work performed by my office and by the Inspector General community. We look forward to continuing to work on

behalf of the taxpayers to ensure that federal infrastructure and energy programs are operating effectively and efficiently, and to prevent and detect fraud, waste, and abuse. I appreciate the opportunity to testify here today, and I look forward to answering your questions.

Mr. GRIFFITH. Thank you. I now turn to Mr. Gaffigan for his 5-minute opening statement.

STATEMENT OF MARK GAFFIGAN

Mr. GAFFIGAN. Thank you, Chairman Griffith, Ranking Member Castor, members of the subcommittee. I appreciate the opportunity to be here to discuss oversight of these three acts and GAO's views on that subject.

First off, these three acts combined provide over $1.7 trillion in taxes and tax incentives and spending, and that's a significant amount. It includes important issues for Commerce, DOE, and EPA to address: broadband, energy, water infrastructure. Collectively between those three agencies is $300 billion. To put some of that in perspective, collectively the annual budget for all three of those agencies is $150 billion. So this does present huge challenges for the agencies to effectively implement these programs, for Congress to conduct its oversight, and for the oversight community to assist in that.

I want to talk about three things that GAO will try to do in helping with this oversight: first, talk about our overall oversight and these—for these three acts; second, talk about lessons we've learned from the Recovery Act and grants management in the past; and thirdly, talk about particular—these three agencies that are relevant to the funding that they're receiving under those three acts.

First, in terms of GAO oversight, for IRA we have eight ongoing and 24 planned jobs looking at things like energy and Justice40. For IIJA we have 17 ongoing and 36 planned jobs looking at things including broadband, energy, and the environment. And under the CHIPS Act, we have a annual mandate to report every 2 years on the semiconductor work, and we'll continue to follow up on our recent work outlining the Federal role in that area.

Secondly, what broad lessons have we learned in the past looking at this type of funding? And I want to talk about three common themes that we'll try to bring to this oversight.

One is the sort of striking the balance between streamlined systems to provide the grant funding as well as at the same time having internal controls. And the danger here is either we're too involved or we're not involved enough, and finding that sweet spot is really important into getting these programs implemented in an effective way. And it requires looking at the characteristics of these programs in terms of how long the funding is. Is it a new program? Is it an existing program? So the answer is not always the same, but that's a challenge that we've found in past work and we expect to find going forward.

Secondly, a common theme is transparency and accessible data to assess where the money's going, to track the money and follow the money. That's been a problem in the past. We've had recommendations and matters to the Congress, for example, on USspending.gov. Still a lot of work to do in that area.

Third, the third theme here is the need for collaboration and consultation. There are so many entities involved in addressing these problems at the Federal, State, local, and Tribal level and outside of government from the recipients and stakeholders. And so that

consultation and that collaboration is really key to avoiding duplication, overlap, and fragmentation to make sure, again, that these funds are spent effectively.

Lastly, I'll talk about the three agencies and work that we have ongoing. In the past, that's led to 29 recommendations that are still open that we think are relevant to the funding for these programs going forward.

For example, at Commerce we recently did two reports on broadband. One identified over 100 programs in the Federal Government, 15 different agencies, all addressing broadband and the need for a national strategy to bring those agencies together to work effectively and collaborate on those programs.

Secondly, at Commerce itself, looking at the NTIA, which is charged with implementing the broadband program, we identified a lack of performance measures as well as an entity to take the lead on fraud risk assessment and to actually do that assessment. That's going to be key for that agency in carrying out its broadband program.

At DOE we've done some work on cost controls, so that'll be really important to the clean-energy programs to ensure that we have an off ramp when things aren't going well, and avoid spending money when it shouldn't be spent.

And lastly, at EPA we have a history of doing grants work there. Typically, almost half their budget is through grants. They have a lot of experience in doing that. But we've made recommendations in the past about increasing their expertise and the workforce capacity. And with this huge increase, we want to relook at those and make sure that the recommendations we made in the past are still going strong.

So that sums up our statement, and I look forward to working with you and our colleagues in the oversight community to exercise oversight over these important programs.

Thank you very much.

[The prepared statement of Mr. Gaffigan follows:]

United States Government Accountability Office

GAO

Testimony
Before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

For Release on Delivery
Expected at 2:00 p.m. ET
Wednesday, March 29, 2023

OVERSIGHT OF AGENCY SPENDING

Implementing GAO Recommendations Could Help Address Previously Identified Challenges at Commerce, DOE, and EPA

Statement of Mark Gaffigan, Managing Director,
Natural Resources and Environment

GAO-23-106726

GAO Highlights

Highlights of GAO-23-106726, a testimony before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

GAO has overseen federal agency spending over decades, including oversight of major federal investments such as the Recovery Act. In addition, GAO oversight has previously identified challenges related to programs managed by Commerce, DOE, and EPA.

This testimony discusses: (1) considerations for oversight of federal spending provided in the three acts; (2) examples of challenges associated with Commerce, DOE, and EPA programs as identified in prior GAO work; and (3) GAO's ongoing or planned work relevant to oversight of federal funding provided to Commerce, DOE, and EPA in the three acts.

This testimony is based on prior GAO work related to federal grants management challenges; lessons learned from the Recovery Act; and reviews of Commerce, DOE, and EPA programs between 2007 and 2023. Details on GAO's methodology can be found in each of the reports cited throughout this hearing statement.

What GAO Recommends

Sixteen GAO reports included a total of 67 recommendations that could help address previously identified challenges at Commerce, DOE, and EPA discussed in this testimony statement. The agencies have implemented 38 of these recommendations. GAO maintains that implementing the remaining recommendations will help address programmatic challenges.

View GAO-23-106726 For more information, contact Mark Gaffigan at (202) 512-3841 or Gaffiganm@gao.gov.

March 29, 2023

OVERSIGHT OF AGENCY SPENDING

Implementing GAO Recommendations Could Help Address Previously Identified Challenges at Commerce, DOE, and EPA

What GAO Found

Congress and the administration have provided billions in funding to the Department of Commerce, the Department of Energy (DOE), and the Environmental Protection Agency (EPA) through three recently enacted laws: the Infrastructure Investment and Jobs Act, the Inflation Reduction Act of 2022, and the Creating Helpful Incentives to Produce Semiconductors for America Act of 2022.

With regard to this new funding, GAO's prior work examining federal grants management and the implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) offers valuable lessons for overseeing agency spending and addressing long-standing challenges. For example, lessons learned include:

- **Streamlined grants management** is critical to effective use of federal funds. When grants management requirements are duplicative, unnecessarily burdensome, or conflicting, agencies must direct additional resources toward meeting them.
- **Strong internal controls** provide reasonable assurance to federal managers that grants are awarded properly, recipients are eligible, and grant funds are used as intended.
- **Adjustments and innovations in oversight** helped foster accountability for Recovery Act funding. For example, federal, state, and local officials used networks and agreements to work toward common goals.

In previous reviews of Commerce, DOE, and EPA programs, GAO has identified challenges in various aspects of some of the programs, for which Congress and the administration have provided significant funding through recent legislation. Programs examined by GAO include:

- Commerce's broadband programs,
- EPA's clean water and drinking water state revolving fund programs and EPA grants, and
- DOE's nuclear energy demonstration projects and DOE loan programs.

The challenges that GAO identified included management of fraud risk, adherence to cost controls, and ensuring that programs have the right policies and expertise in place. The agencies have implemented some GAO recommendations to help address these challenges.

GAO has ongoing or planned work more broadly examining aspects of how Commerce, DOE, and EPA spend the funds they received in the three acts. For example, GAO is currently reviewing a Commerce tribal broadband program, as well as DOE's carbon capture and storage projects and Office of Clean Energy Demonstrations activities.

Chairman Griffith, Ranking Member Castor, and Members of the Subcommittee:

Thank you for the opportunity to be here today to discuss issues related to the oversight of federal spending appropriated in three recently enacted pieces of legislation: the Infrastructure Investment and Jobs Act (IIJA),[1] the Inflation Reduction Act of 2022 (IRA),[2] and the Creating Helpful Incentives to Produce Semiconductors for America Act of 2022 (CHIPS).[3] Through these three acts, Congress and the administration have provided billions in funding to federal entities—including the Department of Commerce, the Department of Energy (DOE), and the Environmental Protection Agency (EPA). This funding is for grants and programs supporting clean energy research and development; water and infrastructure investments; climate resilience; broadband investments; and semiconductor manufacturing; among other purposes.

Examples of funding for these three agencies include over $50 billion for Commerce investments in broadband and resilience under the IIJA, and $50 billion for Commerce to incentivize semiconductor production in the United States under CHIPS. For DOE, funding includes over $60 billion for clean energy and other investments under the IIJA, and hundreds of billions in loan authority under the IRA and IIJA. For EPA, funding includes over $50 billion for water infrastructure and other investments under the IIJA, and $40 billion in funding for greenhouse gas reduction and other programs under the IRA.

My comments today will summarize observations on oversight of federal funding such as that provided to Commerce, DOE, and EPA in recent legislation, including IIJA, IRA, and CHIPS. Specifically, my remarks today will discuss (1) considerations for oversight of federal spending provided in the three acts; (2) examples of challenges associated with Commerce, DOE, and EPA programs as identified in our prior work; and (3) our ongoing or planned work relevant to oversight of federal funding provided to Commerce, DOE, and EPA in the three acts.

My testimony is based on our prior reports and testimonies related to federal grants management challenges, lessons learned from the

[1]Pub. L. No. 117-58, 135 Stat. 429 (2021).

[2]Pub. L. No. 117-169, 136 Stat. 1818.

[3]Pub. L. No. 117-167, div. A, 136 Stat. 1372.

American Recovery and Reinvestment Act of 2009 (Recovery Act), and selected prior work reviewing Commerce, DOE, and EPA programs between 2007 and 2023. A detailed discussion of the prior reports' objectives, scope, and methodologies, including our assessment of data reliability, is available in each of the reports cited throughout this statement.[4]

The work upon which this testimony is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Considerations for Spending Oversight, including Federal Grants Management Challenges and Lessons Learned from the Recovery Act

Federal Grants Management Challenges

Our prior work on federal grants spanning several decades has identified management challenges that offer valuable lessons for the oversight of the billions of dollars in grant funding provided to Commerce, DOE, and EPA in recent legislation. Specifically, we identified a number of commonly recurring themes that provide lessons learned on long-standing challenges. These lessons learned involve streamlining; transparency; collaboration and consultation; fragmentation, overlap, and duplication; and internal controls and oversight.[5]

[4]See list of Related GAO Products at the end of this statement for specific prior reports.

[5]GAO, *Grants Management: Observations on Challenges and Opportunities for Reform*, GAO-18-676T (Washington, D.C.: July 25, 2018).

- **Streamlined grants management is critical to effective use of federal funds.** Our prior work has shown that when grants management requirements are duplicative, unnecessarily burdensome, or conflicting, agencies must direct additional resources toward meeting them. This can make the agency's programs and services less cost effective and increase burdens on grant recipients.
- **Increased transparency over grant spending can inform decision-making.** To provide increased transparency to agencies, Congress, and the public, the Digital Accountability and Transparency Act of 2014 required the Office of Management and Budget, the Department of the Treasury, and other federal agencies to increase the types of information available on federal spending, including grants. We have reported on progress in standardizing and expanding reported data, but we have also found inconsistencies with the quality of the reported information.[6]
- **Collaboration and consultation can lead to more effective grants management.** The process of distributing federal assistance through grants is complicated and involves many different parties—both public and private—with different organizational structures, sizes, and missions.[7] A lack of collaboration among and between federal agencies, state and local governments, and nongovernmental grant participants creates challenges for effective grants implementation.
- **Identifying fragmentation, overlap, and duplication can result in greater efficiencies.** Our prior work has shown that creating numerous federal grant programs over time without coordinating the purposes and scope of those programs can lead to grants management challenges. Specifically, our work has underscored the importance of identifying fragmentation, overlap, or duplication in a number of federal programs, including grants management practices.[8]

[6]See GAO-18-676T, and for other recent work on the quality of reported information, see GAO, *Federal Spending Transparency: OIGs Identified a Variety of Issues with the Quality of Agencies' Data Submissions*, GAO-22-105427 (Washington, D.C.: July 12, 2022); and *Federal Spending Transparency: Opportunities Exist to Further Improve the Information Available on USAspending.gov*, GAO-22-104702 (Washington, D.C.: Nov. 8, 2021).

[7]GAO, *Grants to State and Local Governments: An Overview of Federal Funding Levels and Selected Challenges*, GAO-12-1016 (Washington, D.C.: Sept. 25, 2012).

[8]GAO, *2022 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions in Financial Benefits,* GAO-22-105301 (Washington, D.C.: May 11, 2022); and GAO's Action Tracker https://www.gao.gov/duplication/action_tracker/all_areas, an online tool for monitoring the progress federal agencies and Congress have made in addressing the actions identified in GAO's annual duplication and cost savings reports.

Addressing these issues may produce cost savings and result in greater efficiencies in grant programs.

- **Strong internal controls and oversight facilitate effective use of grant funds.** Our prior work has shown that when awarding and managing federal grants, internal controls and oversight are important. Strong internal controls and effective oversight provide reasonable assurance to federal managers and taxpayers that grants are awarded properly, recipients are eligible, and federal grant funds are used as intended and in accordance with applicable laws and regulations. Internal controls are comprised of the plans, methods, and procedures that agencies use to be reasonably assured that their missions, goals, and objectives can be met. In numerous reviews, we and agency inspectors general identified weaknesses in agencies' internal controls for managing and overseeing grants. We found that when such controls are weak, federal grant-making agencies face challenges achieving grant program goals and assuring the proper and effective use of federal funds to help avoid improper payments. Our work has identified weaknesses in grant oversight and accountability issues that span the government including undisbursed grant award balances, single audit submissions that are late, and significant levels of improper payments in grant programs.

In our prior work on federal grants management, we concluded that designing and implementing grants management policies that strike an appropriate balance between ensuring accountability for the proper use of federal funds without increasing the complexity and cost of grants administration for agencies and grantees is a longstanding challenge.[9]

Recovery Act Implementation Offers Lessons for Accountability

By increasing accountability and transparency requirements while simultaneously setting aggressive timelines for the distribution of funds, the Recovery Act created high expectations, as well as uncertainty and risks for federal, state, and local governments responsible for implementing the law. In 2014, we found that, when faced with these challenges, some organizations looked beyond their usual way of doing business and adjusted their typical practices to help ensure the accountability and transparency of Recovery Act funds. Our prior work on the Recovery Act identified examples of the challenges faced and useful

[9]GAO-18-676T.

practices employed that offer lessons for the oversight of funding for Commerce, DOE, and EPA in the three recent acts.[10]

Accelerated rollout presented oversight challenges. The accelerated rollout of Recovery Act programs presented oversight challenges. The President's goal for quickly spending Recovery Act funds created a large spike in spending for a number of programs in the 28 agencies receiving Recovery Act funds. The act also created a number of new programs—requiring agencies to move quickly to establish them. As a result, some federal agencies and states faced oversight challenges. For example, we found that DOE encountered some initial challenges with fully developing management and accountability infrastructure because of the large amount of Recovery Act funding it received in a short period of time. An official in DOE's Office of the Inspector General told us at the time that these initial challenges were present with the new Energy Efficiency Conservation Block Grant program.[11] The official told us that some states and localities also did not have the infrastructure in place or the necessary training to manage the large amount of additional federal funding.

Adjustments and innovations in oversight helped foster accountability. Federal, state, and local officials adopted a number of practices to foster accountability, including (1) strong support by top leaders; (2) centrally situated collaborative governance structures; (3) the use of networks and agreements to share information and work toward common goals; and (4) adjustments to and innovations in the usual approaches to conducting oversight, such as the increased use of up-front risk assessments, the gathering of real-time information, earlier communication of audit findings, and the use of advanced data analytics.

We found that the oversight community adopted a faster and more flexible approach to conducting and reporting the results of their audits and reviews so that their findings could inform programs in need of corrections before all Recovery Act funds were expended. They leveraged technology by using advanced data analytics to reduce fraud and to create easily accessible internet resources that greatly improved

[10]GAO, *Recovery Act: Grant Implementation Experiences Offer Lessons for Accountability and Transparency*, GAO-14-219 (Washington, D.C.: Jan. 24, 2014).

[11]Although the Energy Efficiency Conservation Block Grant was authorized by the Energy Independence and Security Act of 2007, it was not funded (and the monies could not be spent) until the Recovery Act was enacted in 2009 and, therefore, was considered a new program.

the public's access to, and ability to make use of, data about grants funded by the Recovery Act. These and other experiences, as well as the challenges identified in our prior work, provide potentially valuable lessons for the future.

Underlying many of these lessons is the importance of increased coordination and collaboration in sharing information and working toward common goals. This applies to agencies both vertically—transcending federal, state, and local levels of government—and horizontally—across organizational silos within the federal community. Because the Recovery Act relied on many programs being implemented quickly at the federal, state, and local levels, coordination and collaboration among these groups was essential. We found that collaboration played a key role in ensuring timely implementation of, and accountability for, Recovery Act grant programs.

Challenges Identified in Management of Various Commerce, DOE, and EPA Programs

We have issued 16 reports identifying challenges in various aspects of some Commerce, DOE, and EPA programs for which Congress and the administration have provided significant funding through recent legislation. These challenges included fraud risk-management, adherence to cost controls, and ensuring that programs have the right policies and expertise in place. Our 16 reports included a total of 67 recommendations to address these challenges. The agencies have implemented 38 of these recommendations.

Commerce Broadband Programs

The IIJA and the Consolidated Appropriations Act, 2021, appropriated nearly $50 billion for eight new broadband programs.[12] In May 2022, we reported that the Department of Commerce's National Telecommunications and Information Administration (NTIA) has multiple roles with regard to federal broadband programs, including administering programs, leading interagency coordination, and developing other resources.[13] NTIA's recently created Office of Internet Connectivity and

[12]Commerce's National Telecommunications and Information Administration (NTIA) was directed by the Consolidated Appropriations Act, 2021, to implement the Tribal Broadband Connectivity Program, the Broadband Infrastructure Program, and the Connecting Minority Communities Pilot Program. Pub. L. No. 116-260, div. N, tit. IX, §§ 902, 905, 134 Stat. 1182, 2121, 2136 (2020). The Infrastructure Investment and Jobs Act appropriated funds for five new NTIA broadband programs. Pub. L. No. 117-58, div. J, tit. II, 135 Stat. 429, 1353-55 (2021).

[13]GAO, *Broadband: National Strategy Needed to Guide Federal Efforts to Reduce Digital Divide*, GAO-22-104611 (Washington, D.C.: May 31, 2022).

Growth is implementing the new programs; managing various interagency coordination responsibilities;[14] and implementing other initiatives, such as the BroadbandUSA program.[15]

In January 2023, we found that stronger performance and fraud risk management is needed for tribal and public-private partnership broadband grants administered by NTIA.[16] We made 15 recommendations to NTIA to better measure program performance and to complete fraud risk management activities. NTIA agreed with the recommendations and outlined actions to address them. We will monitor implementation of these recommendations.

DOE Energy Demonstrations and Loan Programs

We have reported on challenges in DOE's management of carbon capture and storage and nuclear energy demonstration projects, as well as with DOE's loan programs.

Specifically:

Carbon capture and storage demonstrations. The IIJA appropriated almost $7 billion for carbon capture demonstration projects, reflecting the potential of carbon capture and storage as a strategy to reduce CO2 emissions. Since 2009, DOE has sought to establish the viability of carbon capture and storage technologies through various demonstration projects. In our December 2021 report, we identified significant risks to DOE's management of coal carbon capture and storage demonstration

[14]This office was established by the Consolidated Appropriations Act, 2021. The office was also charged with responsibilities related to community outreach; tracking broadband infrastructure built using federal funds; reporting on the number of residents of the United States that received broadband as a result of federal broadband support programs and the Universal Service Fund Program; and streamlining and standardizing the applications process for federal broadband support programs, including, to the extent possible, creating one application. The Advancing Critical Connectivity Expands Service, Small Business Resources, Opportunities, Access, and Data Based on Assessed Need and Demand Act, or the ACCESS BROADBAND Act, was enacted as section 903 of title IX of division FF of Pub. L. No. 116-260, 134 Stat. at 3210-13 (codified at 47 U.S.C. § 1307).

[15]BroadbandUSA provides technical assistance workshops and other resources for state, local, and tribal governments, as well as industry and nonprofits that need to enhance broadband connectivity and promote digital inclusion.

[16]GAO, *Broadband Funding: Stronger Management of Performance and Fraud Risk Needed for Tribal and Public-Private Partnership Grants*, GAO-23-105426 (Washington, D.C.: Jan. 24, 2023). The Consolidated Appropriations Act, 2021 established two new broadband grant programs—the Tribal Broadband Connectivity Program and the Broadband Infrastructure Program.

projects.[17] For example, we found that DOE supported projects even though they were not meeting required key milestones. Specifically, we found that at the direction of senior leadership, DOE did not adhere to cost controls designed to limit its financial exposure on funding agreements for coal projects that DOE ultimately terminated. As a result, the agency spent nearly $472 million on the definition and design of four unbuilt facilities.

In our December 2021 report, we recommended that DOE more consistently administer projects against established scopes, schedules, and budgets.[18] DOE neither agreed nor disagreed with this recommendation. As of December 2022, DOE stated that it was developing a project management approach and procedures to guide the oversight of demonstration projects against their planned scopes, schedules, and budgets. We will continue to monitor DOE's implementation of this recommendation.

Nuclear energy demonstrations. The IIJA appropriated over $2 billion for DOE's Advanced Reactor Demonstration Program, which funds demonstrations of advanced reactors that are not currently operational in the United States. In September 2022, we reported on DOE's management of its three nuclear energy demonstration awards totaling $4.6 billion.[19] Two of these awards were approved through the Advanced Reactor Demonstration Program. We found that DOE had taken some steps to manage the risks associated with its three awards, including using project management practices, such as budget controls and milestone tracking. DOE also planned to use additional project management practices, such as external independent reviews, to oversee the awards but had not institutionalized these plans.

[17]GAO, *Carbon Capture and Storage: Actions Needed to Improve DOE Management of Demonstration Projects*, GAO-22-105111 (Washington, D.C.: Dec. 20, 2021).

[18]In addition, we made one matter for congressional consideration: that Congress consider implementing a mechanism for greater oversight and accountability of DOE carbon capture and storage demonstration project funding. We also recommended that DOE improve its project selection and negotiation processes to address our finding that DOE had a process for selecting coal projects and negotiating funding agreements that increased the risks that DOE would fund projects unlikely to succeed.

[19]GAO, *Nuclear Energy Projects: DOE Should Institutionalize Oversight Plans for Demonstrations of New Reactor Types*, GAO-22-105394 (Washington, D.C.: Sept. 8, 2022).

We recommended that DOE document and institutionalize risk management processes for large nuclear energy demonstration projects. DOE agreed with our recommendation and outlined actions to address it. For example, DOE stated that it planned to document its processes for providing oversight of large DOE energy demonstration projects and establish a Demonstration and Deployment Advisory Board to ensure that oversight practices are consistently applied across all large DOE energy demonstration projects. We will continue to monitor DOE's implementation of this recommendation.

Loan programs. The IIJA and IRA included about $350 billion in additional loan and loan guarantee authority for new and existing programs under DOE's Loan Programs Office.[20] In our February 2007 report, we found that DOE's actions had focused on expediting program implementation—such as soliciting preapplications for loan guarantees—rather than ensuring that the department had in place the critical policies, procedures, and mechanisms needed to better ensure the program's success.[21] DOE implemented all five of our recommendations to address these concerns.

In 2011, 2012, and 2014, as Congress expanded the loan programs, we made nine additional recommendations to address concerns about DOE making loans and disbursing funds without having sufficient engineering expertise; sufficient and quantifiable performance measures for assessing program progress; or a fully developed loan monitoring function, among

[20]These programs offer direct loans or loan guarantees, by which DOE agrees to reimburse lenders for the guaranteed amount of loans, if the borrowers default. For example, the IRA established a new program with up to $250 billion in loan authority, which guarantees loans to projects that retool, repower, repurpose, or replace energy infrastructure that has ceased operations. Existing programs include the Advanced Technologies Vehicle Manufacturing Program, which was designed to encourage the automotive industry to invest in new technologies for more fuel-efficient passenger vehicles and their components.

[21]GAO, *The Department of Energy: Key Steps Needed to Help Ensure the Success of the New Loan Guarantee Program for Innovative Technologies by Better Managing Its Financial Risk*, GAO-07-339R (Washington, D.C.: Feb. 28, 2007).

other things.[22] DOE implemented eight of our nine recommendations.[23] From 2012 through 2021, Loan Programs Office activity slowed as the office issued few loans, and staffing levels declined. As the Loan Programs Office starts up new programs and expands existing ones with funds from the IIJA and the IRA, ongoing oversight may be needed to ensure that the office has the proper policies and procedures in place, as well as sufficient expertise and staffing levels.

EPA Clean Water and Drinking Water State Revolving Fund Programs and Grants Management

Through the federal Clean Water and Drinking Water State Revolving Fund (SRF) programs, EPA provides annual grants to states to capitalize state-level SRF programs used to make loans for wastewater and drinking water infrastructure projects. The IIJA provided over $43 billion to EPA for such grants.[24] In our prior work, we identified a number of factors that affect the spending of SRF funds, and we identified the need for better financial indicators that show the growth of the SRF programs relative to federal and state investments to monitor the sustainability of

[22]GAO, *DOE Loan Programs: DOE Should Fully Develop Its Loan Monitoring Function and Evaluate Its Effectiveness*, GAO-14-367 (Washington, D.C.: May 1, 2014); *DOE Loan Guarantees: Further Actions Are Needed to Improve Tracking and Review of Applications*, GAO-12-157 (Washington, D.C.: Mar. 12, 2012); *Department of Energy: Advanced Technology Vehicle Loan Program Implementation Is Under Way, but Enhanced Technical Oversight and Performance Measures Are Needed*, GAO-11-145 (Washington, D.C.: Feb. 28, 2011).

[23]In GAO's 2011 report, we recommended that the Secretary of Energy direct the Advanced Technologies Vehicle Manufacturing Program to develop sufficient and quantifiable performance measures. DOE disagreed with this recommendation and stated that it believed the program adhered to the requirements of the statute authorizing the program, and that performance measures suggested by GAO would greatly expand the scope of the program. GAO-11-145.

[24]In fiscal year 2022, EPA provided $1.6 billion to the state SRFs. Overall, according to EPA, the agency awards more than $4 billion annually through over 100 grant programs. Recipients of these awards include tribal, state, and local governments; educational institutions; nonprofits; and others. According to EPA, the agency manages about 6,000 active awards totaling approximately $21 billion, in any given year. EPA awards and manages its grants at multiple levels across the agency, including in headquarters and in 10 regional offices.

SRF funds.[25] In addition, we found opportunities for EPA to improve grants monitoring,[26] and we reported on workforce challenges affecting EPA grants management.[27] EPA has implemented a number of recommendations to better enable its oversight and monitoring of grants and SRF funds.

Ongoing and Planned Oversight

We have ongoing or planned work related to the programs discussed above and more broadly examining aspects of how Commerce, DOE, and EPA spend the funds they received in the three acts. For example, we are currently reviewing the NTIA tribal broadband program, DOE's carbon capture and storage and Office of Clean Energy Demonstrations activities, and have an ongoing mandate to examine Loan Program Office activities, which we will report on in 2024. More broadly, we have identified both ongoing and planned engagements, including 45

[25]GAO, *State Revolving Funds: Improved Financial Indicators Could Strengthen EPA Oversight*, GAO-15-567 (Washington, D.C.: Aug. 5, 2015). In 2015, we examined the financial indicators that EPA regions use in their reviews of states' SRF performance, and compared them to leading financial management practices. We found that the financial indicators that EPA regional offices used as part of their annual reviews of SRF programs' performance did not demonstrate the financial sustainability of states' programs or project their future lending capacity. We recommended that EPA update its financial indicators guidance to include better information on the overall growth of state SRF funds. EPA addressed this recommendation in 2018, directing its regional managers to use new indicators in their review of state SRF programs. With these new indicators, EPA will be better able to support oversight and management of SRF fund growth.

[26]For example, in 2015, we found that EPA faced challenges monitoring compliance with grant management directives agency-wide, including limited electronic records and analytical capabilities of its IT systems. See GAO, *Grants Management: EPA Has Opportunities to Improve Planning and Compliance Monitoring*, GAO-15-618 (Washington, D.C.: Aug. 17, 2015). In addition, in 2016, we found that EPA could improve certain monitoring practices to ensure that grants achieve environmental and other program results. See GAO, *Grants Management: EPA Could Improve Certain Monitoring Practices*, GAO-16-530 (Washington, D.C.: July 14, 2016). EPA has implemented most of our recommendations, including a new, comprehensive web-based IT system in December 2020.

[27]For example, in 2017, we found that staffing levels for grants management personnel had declined over time and that EPA only partially followed leading practices for strategic workforce planning related to grants management. See GAO, *Grants Management: EPA Partially Follows Leading Practices of Strategic Workforce Planning and Could Take Additional Steps*, GAO-17-144 (Washington, D.C.: Jan. 9, 2017). In addition, in 2020, we identified staffing challenges for EPA personnel working on tribal grants, including heavy workloads and high turnover. See GAO, *EPA Grants to Tribes: Additional Actions Needed to Effectively Address Tribal Environmental Concerns*, GAO-21-150 (Washington, D.C.: Oct. 20, 2020). As of March 2023, EPA had implemented nearly all of these recommendations, including developing a process for collecting and analyzing data on staffing for grant project officers.

mandates for GAO reviews in the IIJA and CHIPS, and more than 30 ongoing or planned audits on IRA spending through 2025. For example, we will be providing biennial reports on incentives provided by Commerce for semiconductor facilities and equipment.[28] Through this work, we will follow up on our July 2022 report identifying policy considerations to reduce and mitigate shortages in the semiconductor supply chain.[29] We anticipate starting additional work that will increase our number of engagements related to recent legislation.

In addition, we will continue our key bodies of work, including our High-Risk and fragmentation, overlap and duplication reporting.

- **High-risk.** Our High-Risk report focuses attention on government operations that are vulnerable to fraud, waste, abuse, and mismanagement or in need of transformation.[30] We issue this report at the beginning of each Congress, and our fiscal year 2023 report will be released next month. Several government-wide high-risk areas have direct implications for Commerce, DOE, EPA, and their operations. These areas include (1) improving strategic human capital management, (2) improving federal management of programs that serve tribes and their members, and (3) ensuring the cybersecurity of the nation.
- **Fragmentation, overlap, and duplication.** In 2022, we issued our 12th annual report in this area, which identified 94 new actions in 21 new areas (and nine existing areas) that could reduce fragmentation, overlap, and duplication or provide other cost savings and opportunities to enhance revenue across the federal government. From 2011 to 2022, we identified 1,299 such actions. As of March 2022, the Congress and executive branch agencies had fully addressed 724 of the actions we identified and partially addressed

[28]This reporting requirement was established by the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116-283, div. H, tit. XCIX, § 9902(c), 134 Stat. 3388, 4849, and was amended by CHIPS to include an evaluation of federal actions to address semiconductor shortages.

[29]GAO, *Semiconductor Supply Chain: Policy Considerations from Selected Experts for Reducing and Mitigating Shortages*, GAO-22-105923 (Washington, D.C.: July 26, 2022). In 2022, we highlighted five areas in which federal action was needed to reduce semiconductor supply chain risks, according to experts we interviewed. These areas included workforce development, manufacturing capacity, research and development, supply chain strengthening, and international coordination. In addition, the experts we interviewed discussed the need for identifying federal priorities and improving interagency collaboration in implementing policies to mitigate semiconductor supply chain risks.

[30]For additional information on our high-risk work, see https://www.gao.gov/high-risk-list.

240, yielding about $552 billion in financial benefits. We will issue our next annual report on fragmentation, overlap, and duplication this summer.

Chairman Griffith, Ranking Member Castor, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions you may have.

GAO Contact and Staff Acknowledgments

If you or your staff have questions about this statement, please contact me at (202) 512-3841 or gaffiganm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement.

GAO staff who made key contributions to this testimony were Frank Rusco (Director), Janice Ceperich and Quindi Franco (Assistant Directors), Celia Rosario Mendive (Analyst in Charge), and John Delicath. Other contributors included Adrian Apodaca, Jeff Arkin, Antoinette Capaccio, Lee Carroll, Maggie Childs, Keith Cunningham, Peter Del Toro, Marissa Dondoe, Peggie Garcia, William Gerard, Chad Gorman, Susan Iott, Rona Mendelsohn, Barbara Patterson, Marietta Revesz, Colson Ricciardi, Wes Sholtes, Ruth Solomon, Karla Springer, Matt Tabbert, Lisa Van Arsdale, Jarrod West, Cindy Gilbert, Chris Murray, Jeanette Soares, Andrew Von Ah, Daniel Will, and Jeremy Williams. Additional contributors are listed in the products on which this statement is based.

Related GAO Products

Broadband Funding: Stronger Management of Performance and Fraud Risk Needed for Tribal and Public-Private Partnership Grants. GAO-23-105426. Washington, D.C.: January 24, 2023.

Nuclear Energy Projects: DOE Should Institutionalize Oversight Plans for Demonstrations of New Reactor Types. GAO-22-105394. Washington, D.C.: September 8, 2022.

Semiconductor Supply Chain: Policy Considerations from Selected Experts for Reducing Risks and Mitigating Shortages. GAO-22-105923. Washington, D.C.: July 26, 2022.

Priority Open Recommendations: Department of Commerce. GAO-22-105684. Washington, D.C.: July 15, 2022.

Priority Open Recommendations: Environmental Protection Agency. GAO-22-105600. Washington, D.C.: July 1, 2022.

Priority Open Recommendations: Department of Energy. GAO-22-105599. Washington, D.C.: June 27, 2022.

Broadband: National Strategy Needed to Guide Federal Efforts to Reduce Digital Divide. GAO-22-104611. Washington, D.C.: May 31, 2022.

2022 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Billions of Dollars in Financial Benefits. GAO-22-105301. Washington, D.C.: May 11, 2022.

Carbon Capture and Storage: Actions Needed to Improve DOE Management of Demonstration Projects. GAO-22-105111. Washington, D.C.: December 20, 2021.

Federal Spending Transparency: Opportunities Exist to Further Improve the Information Available on USAspending.gov. GAO-22-104702. Washington, D.C.: November 8, 2021.

EPA Grants to Tribes: Additional Actions Needed to Effectively Address Tribal Environmental Concerns. GAO-21-150. Washington, D.C.: October 20, 2020.

Grants Management: Observations on Challenges and Opportunities for Reform. GAO-18-676T. Washington, D.C.: July 25, 2018.

Grants Management: EPA Partially Follows Leading Practices of Strategic Workforce Planning and Could Take Additional Steps. GAO-17-144. Washington, D.C.: January 9, 2017.

Grants Management: EPA Could Improve Certain Monitoring Practices. GAO-16-530. Washington, D.C.: July 14, 2016.

DOE Loan Programs: Information on Implementation of GAO Recommendations and Program Costs. GAO-16-150T. Washington, D.C.: March 3, 2016.

Grants Management: EPA Has Opportunities to Improve Planning and Compliance Monitoring. GAO-15-618. Washington, D.C.: August 17, 2015.

State Revolving Funds: Improved Financial Indicators Could Strengthen EPA Oversight. GAO-15-567. Washington, D.C.: August 5, 2015.

Recovery Act: Grant Implementation Experiences Offer Lessons for Accountability and Transparency. GAO-14-219. Washington, D.C.: January. 24, 2014.

Grants to State and Local Governments: An Overview of Federal Funding Levels and Selected Challenges. GAO-12-1016. Washington, D.C.: September 25, 2012.

The Department of Energy: Key Steps Needed to Help Ensure the Success of the New Loan Guarantee Program for Innovative Technologies by Better Managing Its Financial Risk. GAO-07-339R. Washington, D.C.: February 28, 2007.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. You can also subscribe to GAO's email updates to receive notification of newly posted products.

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, https://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on Facebook, Flickr, Twitter, and YouTube.
Subscribe to our RSS Feeds or Email Updates. Listen to our Podcasts.
Visit GAO on the web at https://www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: https://www.gao.gov/about/what-gao-does/fraudnet

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

A. Nicole Clowers, Managing Director, ClowersA@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548

Mr. GRIFFITH. Thank you, Mr. Gaffigan.

Thank you all for your testimony. We will now move into the question-and-answer portion of the hearing. I will begin the questioning by recognizing myself for 5 minutes.

So, Mr. Gaffigan, I didn't hear you say you needed more staff to handle all this money. Some of the others said that. Is that something that you also would need, as a result of these three and four large new spending items?

Mr. GAFFIGAN. That would be very helpful. We did receive $25 million under the IIJA, and 5 million under IRA—or one or the other. That will help some. But we need auditors.

So when I started here in 1987, we had 5,100 FTEs. It went all the way down to 3,000. Congress has been very supportive in getting us back. We hope to get to 3,500 FTEs this year. But we really need analysts to cover the things, because since 1987 the work has not gotten easier and the programs have not gotten smaller.

Mr. GRIFFITH. Thank you, I appreciate that.

Ms. Donaldson, you indicated that you had a $300 million shortfall. And the way I heard that—and you correct me if I am wrong—what I heard was that that is 300 million even if we adopted the President's budget with an extra 165 for your agency and 150 million spread across all the IG agencies. Did I understand that correctly?

Ms. DONALDSON. [Inaudible.]

Mr. GRIFFITH. Mic. Sorry, yes.

Ms. DONALDSON. Yes, we would back out of that number whatever amount of the 150 million might become available to my shop. That number, though, of 300 million does not include the loan portfolio, which is a huge portfolio, which is why I characterize it as the first installment——

Mr. GRIFFITH. Right.

Ms. DONALDSON [continuing]. Of what we will really need in the end.

Mr. GRIFFITH. And going forward, you are—what you are saying is you think that Congress should put ample amounts for the inspector general's offices into any significant spending increase. Is that correct?

Ms. DONALDSON. Yes, Mr. Chairman.

Mr. GRIFFITH. All right. Now, you brought up the loan program. And I have been keeping an eye on the DOE's loan program for years. With all this new money, has your office had any discussions with DOE leadership about—since this report and all has come out—regarding the major risk areas that your office has identified?

Ms. DONALDSON. We have. We meet two or three times a month, and the loan program office has actually made two presentations to the Office of General Counsel staff. We're not allowed to consult or advise. That would impinge upon our independence. But we do ask a lot of questions. So—and they've already been in the queue twice with us.

Mr. GRIFFITH. Well, I hope, as you are asking those questions, you will ask if they have safeguards to make sure that we don't end up with another Solyndra problem. Because in that case they didn't follow the off ramp that Mr. Gaffigan—there was one built

into the code, and DOE didn't follow the off ramp. And as a result, it cost the taxpayers additional money.

I understand there is always a risk when you do a new program, but in this case, as you will recall, they defaulted in December of 2010 and didn't bankrupt until after we had given them some—I want to say 110 million or more, it might have been 125, but somewhere in that neighborhood—million more money.

So are you not advising but asking them if they are prepared to make sure that, if they get something bad, that they cut their losses as quickly as possible?

Ms. DONALDSON. Yes, that issue has come up, Mr. Chairman.

Mr. GRIFFITH. I am glad it has. I am particularly concerned about your office's finding in the special report that actions by the loan program office officials potentially violated standards of ethical conduct and could call into question the office's integrity.

Do you know about what I am talking about? This is the—yes, this is a question I have got here that deals with—what we asked for was Secretary Granholm seeking more information about what DOE has done to address its loan program risk factors, as identified in the June 2022 DOE Office of Inspector General Special Report. That is the report I am referring to.

Ms. DONALDSON. That's correct, Mr. Chairman. That report was a capstone report. So we pulled from previous work, some of which was even accomplished during the Solyndra era. That report was not a comment on the current loan program office. They are staffing up, working very hard, hiring outside consultants. They are rebuilding that office.

Mr. GRIFFITH. So they are dealing with what you all identified previously as some potential ethical problems.

Ms. DONALDSON. Correct, Mr. Chairman.

Mr. GRIFFITH. All right. I appreciate this. And I assume you are going to continue to monitor all of this.

Ms. DONALDSON. Yes.

Mr. GRIFFITH. As you move forward.

Ms. DONALDSON. Yes, sir.

Mr. GRIFFITH. All right. I appreciate that, too.

Data collection monitoring, project to collect and analyze oversight information from five DOE programs. I am pleased to see that you all are doing that, including that loan program, because I have been very concerned about that.

Ms. DONALDSON. Yes, sir.

Mr. GRIFFITH. OK. I do appreciate your time here this morning, or this afternoon, and I will now yield back and recognize Ranking Member Castor for her 5 minutes of questions.

Ms. CASTOR. Well, thank you, Mr. Chairman, and thank you all again for being here. It is vitally important that we ensure that these very significant investments actually deliver for the American people, and you all are key to doing that. That is why we included in these new laws funding increases for the IGs, criteria to maintain program integrity, and GAO studies to inform policy.

I heard a couple of different scenarios from you. Ms. Gustafson said you are confident in your abilities now, your recruiting is the best it has been, but Ms. Donaldson kind of painted a different picture. I hear you loud and clear.

Mr. O'Donnell, how about your shop?

Mr. O'DONNELL. Thank you for asking. We were fortunate to receive support——

Ms. DEGETTE. You need to turn on the mic.

VOICE. Mic, please.

Mr. O'DONNELL. Thank you. We were fortunate enough to receive support under the IIJA. And as I said, we moved out immediately. We've hired auditors, evaluators—our evaluators tend to be technical—and investigators.

But we have been suffering for more than a decade under flat or declining budgets. And if I can put it into real terms, terms that I think are a little stark, is 12 years ago we were funded for 365 full-time equivalents, and now we're down to 270. This is our base budget.

What I've talked about today is getting funds for coverage of the IRA. And I think that the proposal that we've talked about is a modicum of support, taking part of what was given—less than half a penny—to the agency to help fund us to ramp up oversight. And I know the agency has supported us in this proposal as well.

Ms. CASTOR. So that is—we hear a similar song from the EPA Administrator, Michael Regan, about hiring at the Environmental Protection Agency.

So let the call go out to talented young people across this country right now. Your country needs you to help tackle these problems, tackle the climate crisis, unleash American clean energy, rebuild our roads and bridges, our water systems. So I hope—I say this because there are young people in the audience today, and I hope they will help spread the word. There are enormous opportunities to serve your country in this way.

Mr. O'Donnell, you highlighted right off the bat you were concerned about the Clean Water Revolving Loan Fund, very significant investments in cleaning up waterways and water systems across the country. Coming from the State of Florida, you know, we—the list is so long of projects that we need to protect, to protect water everywhere, to update wastewater systems and water systems. So it concerns me that you are highlighting that right off the bat as an area of concern.

I am concerned that the State of Florida doesn't have the cops on the beat at the State level. Meanwhile, our local communities are ready, willing, and able with their engineering partners to get to work on this.

What else do we need to know about the Clean Water Revolving Loan Fund, and the—your interactions with the Agency, and what else you are going to be doing there?

Mr. O'DONNELL. Thank you for asking, and we share your concern.

For the first time in 15 years, we're starting to review the financial statements of the State revolving funds to ensure that they are healthy.

We're also looking at how they're handling things like single audits of their recipients and their subrecipients. And I have actually made a concerted effort to go out to the different States to meet with the Administrators of the SRFs, to hear from them——

Ms. CASTOR. Have you been to Florida?

Mr. O'DONNELL. I have. I went to Florida in December. Unfortunately, we were not able to—we tried—we were not able to meet. But it is——

Ms. CASTOR. That is concerning.

Mr. O'DONNELL [continuing]. My plan to go to Florida, to go before it gets too hot, and to meet there and have that same conversation. And that conversation is exactly along the lines of what you said, which is we want the States to know that we are their partners in helping to make sure that these funds are executed appropriately, and with our partners in fighting fraud. We have trained investigators who are ready, willing, and able to look at water infrastructure and crimes that are committed in the construction or the operation of the water infrastructure.

Ms. CASTOR. Yes, our economy is based on clean water and clean beaches. So I will be very interested in following up with you on that.

So over at the Department of Energy, are there any—what is piquing your interest right off the bat what do you want to highlight as a concern?

I hear what you say on the oversight of the loan program, but what else?

Ms. DONALDSON. I would say it's the combination of so many new programs and the fast money. Some of the risks that I talked about actually all exist cumulatively. So that gives me great concern.

I would like to see the Department move forward with a more robust use of data analytics. I think that would be a tremendous tool for them. They are working on that now.

But there are so many new things happening over there, it would be hard to really rank them at this moment in terms of——

Ms. CASTOR. OK.

Ms. DONALDSON [continuing]. Program-specific risks.

Ms. CASTOR. Are you able to have—well, I see I am over my time.

Thank you very much, Mr. Chairman. I will yield back.

Mr. GRIFFITH. The gentlelady yields back. I now recognize the Chair of the full committee, Mrs. Cathy McMorris Rodgers, for her 5 minutes of questioning.

Mrs. RODGERS. Thank you, Mr. Chairman, and I appreciate you all being here.

I wanted to start with one program, one of many, but the EPA's Clean Bus Program. I recently visited some propane suppliers in Spokane who were quite concerned about the way that this program is being implemented. It is a program—at least as it was described to me, 50 percent was to go for electrification of school busses, 50 percent for propane—or alternative.

And the way it is being implemented, 100 percent is being reimbursed if it is an electric school bus, costing $370,000 each, versus the alternatives that—EPA has decided to reimburse a third of that cost if it is an alternative. So for propane, a bus would cost 107,000, EPA will reimburse a third of that. If it is an electric costing 370,000, it will pay the whole thing.

I just wanted to ask about this program in particular, if you would elaborate on just the implementation, if they plan to modify the program, given the supply limitations. And according to the

2022 rebate, winners have already been announced. What challenges does EPA and EPA OIG face in monitoring these funds after winners have been announced?

Mr. O'DONNELL. Thank you for the question, and we share your concern with respect to the Clean School Bus.

We announced a project recently—an audit of how the Agency is handling supply-chain issues and decision-making issues with respect to the clean school busses. Early indications are that the capacity of the United States to produce enough clean school busses or electric school busses along the lines of what the Agency envisions is not possible, that these funds would not be executed in time to actually meet the goals of the program.

We have concerns that go beyond this too. It is one thing to give a school district an electric bus. It is another thing then for them to recharge that electric bus. And at this point, we're concerned that there isn't the infrastructure for them to recharge these electric busses——

Mrs. RODGERS. OK. So what would happen to the—excuse me, what will happen to the money if they can't spend it?

Mr. O'DONNELL. This is—this touches on a continuing recommendation that we make with the Agency, which is monitoring funds that are obligated but not spent, and having the Agency appropriately de-obligate those funds.

Mrs. RODGERS. OK.

Mr. O'DONNELL. My—I cannot remember, and I will get back——

Mrs. RODGERS. I will follow up later. OK, thank you.

Ms. Donaldson, Department of Energy, we had sent—Chairs Griffith, Duncan, and I had sent a letter to DOE asking for some accounting of some funds and major spending laws, some of which we have discussed today. And I was disappointed with the response. I probably shouldn't be surprised, but it was incomplete. We got it last night.

But it is a pattern over the last 2 years. The Department has not been cooperating with us. For me, it is unacceptable. And one of the things they pointed to was USAspending.gov, that that is where I should go to get the spending, I guess, of the Department of Energy.

You mentioned data analytics that they are developing. Would you speak to the timeline of these data analytics, and——

Ms. DONALDSON. They have not described a timeline. I think they are—and I don't mean to speak for them, that would be another witness to answer this question—I don't know that they have sufficient funding or staff dedicated to this mission yet. I think they recognize the power of the tool, but they are in early days in terms of designing an effective data analytics program.

Mrs. RODGERS. OK, thank you. Well, and I was in Congress when the Recovery Act was passed, the ARRA, and I remember they set up this whole website, and they had congressional districts that didn't exist that were getting funded, you know, and we are talking I don't know how many times the money now, seven, eight times the money.

To Mr. Gaffigan, I wanted to ask about data analytics and just how we—how are we doing, as far as internal controls, to be able to have any kind of tracking of this—these dollars?

Mr. GAFFIGAN. Yes, and I mentioned, as one of the themes of that past work, because I also helped audit the ARRA funds, and there was great hope for the setting up of these data sources and a way to analyze it, but it's fallen short. And just the quality of the data, as you alluded to, has not been well done.

And we've had some recommendations to OMB and Treasury to try to work on that, and also matters to Congress to try and improve that situation.

Mrs. RODGERS. Well, would you speak to what you believe can be done, either at an agency level or a Federal Governmentwide, to increase some kind of accountability?

Mr. GAFFIGAN. Well, we talked about clarifying OMB and Treasury's responsibilities. We have also recently testified in 10 different matters for Congress to try and improve Federal spending information, and included having the IGs do some of the checking of these reports.

Mrs. RODGERS. OK. I have a lot more questions, but my time is expired.

I yield back.

Mr. GRIFFITH. I thank the gentlelady. I now recognize the former Chair of this subcommittee, Diana DeGette, for her 5 minutes of questions.

Ms. DEGETTE. Thank you very much, Mr. Chairman.

First of all, I was pleased to see that, as part of these bills, there was an increase in funding for inspector generals' offices, for the most part, and to do this work, because I think it is important work.

Ms. Donaldson, I was dismayed to hear that you did not receive the funding that you need to do your job. And I was pleased to hear that at least some of that funding is included in President Biden's budget this year.

So I am sure all of my Republican colleagues will be supporting these provisions of the President's budget because they are so concerned about oversight, and I will make sure that I remind them of that when we do the appropriations bills, because you do have to—you can't just wave a magic wand and do oversight. So I appreciate that.

So the—so I—right before I came over today I was speaking—I am a member of a group called the House Democracy Partnership. And we work a lot with legislators around the world. And I speak to them quite frequently about the importance of oversight over government spending. So I said I was coming over an oversight hearing.

And they said, "Oh, what is the topic of the hearing?" And I had to really think, because the topic of the hearing is "Follow the Money: Oversight of President Biden's Massive Spending Spree." And it is a little embarrassing for someone like me, who is trying to tell colleagues around the world that we need to have robust oversight, that the U.S. Congress is actually having an oversight hearing that is so vague that you can't possibly see what we are going to do, especially since it is—we are bringing in inspectors general from three important agencies, and especially since the programs are only now just being implemented.

So the first thing I want to say is kudos to the three of you for thinking ahead about the protocols we are going to put in place to make sure that these funds are spent wisely in the way they were intended.

Secondly, thank you for giving detailed written statement, even though this was a very vague topic of this hearing.

And thirdly, thank you for your very persuasive, albeit limited, verbal testimony today about your intentions.

I just want to ask each one of you one question. And in the John Dingell tradition, it can be answered with a yes or no. And the question is, does your agency intend to oversee the implementation of the provisions of this legislation that you oversee with full and robust efforts?

Yes or no, Mr. O'Donnell.

Mr. O'DONNELL. Do you mean my office or the EPA?

Ms. DEGETTE. EPA and your office.

Mr. O'DONNELL. My office, yes.

Ms. DEGETTE. Ms. Gustafson?

Ms. GUSTAFSON. Commerce OIG, yes.

Ms. DEGETTE. Ms. Donaldson?

Ms. DONALDSON. Yes, ma'am.

Ms. DEGETTE. So good news. They are all going to do their best to oversee it.

I would suggest, Madam Chair, that we actually have hearings directed at specific programs. I think that will be a much better use of this committee's time.

And with that, I yield back.

Mrs. LESKO [presiding]. And the Chair calls on Mr. Burgess for 5 minutes of questions.

Mr. BURGESS. I thank the Chair.

Look, I don't mean it to be like this, but I am—it is going to sound like I am overly critical, and you all are not the problem. But oh, my God. You have described an absolutely staggering, astonishing volume of dollars which the country didn't have, and had to borrow from China to pay for these things. And now you need more money to make sure that the people in the agencies don't rob the taxpayer of further dollars.

I mean, you can't make this stuff up. It is like a Franz Kafka novel.

So being a student of Willie Sutton—you remember the guy that robbed the banks, and they asked him why he robbed the banks, he said, "That's where the money is"—you guys have the money. I mean, I didn't really do a running tally of the amounts, but I—would you all agree that that is a staggering amount of money that is aggregated in what we are talking about today?

I mean, I can't remember ever having had a hearing about that number of dollars. And yet you are telling us, to a person, you can't manage to make sure that these funds are properly expended unless you get more money.

And, you know, I am sorry for people watching this, if anyone is—I hope they are, they probably aren't—but for anyone watching this, they are not going to understand. You could not run a business that way. You could not just go into debt indefinitely. Your

share value would be zero by the end of the day, and you would be as broke as cryptocurrency.

So again, this is going to sound critical. I don't mean for it to, but am I correct in the statement that this staggering amount of money that we are talking about today is likely money that had to be borrowed from somewhere?

Mr. O'Donnell, I will start with you.

Mr. O'DONNELL. I am not—that is my—not my expertise.

But I wanted to just make one point here. With respect to the funding for my agency and for the others is—independent audit, whether it's a corporation or the government, is an essential function that—sort of three lines of defense in making sure that money is spent well and in compliance. And what we're saying here today is not to give us new money, but to actually use the money that's already been given to pay for that independent audit, so we can make sure that third line of defense is there.

Mr. BURGESS. Sure. That was part of the CFO Act from the 1990s, the George Herbert Walker Bush administration, when they were trying to get control over this.

But unfortunately, every dollar that we are talking about is going to be borrowed. And what has happened to the interest rate in the 2½ years of the Biden administration? It has gone through the roof. So, you know, again, I apologize if I sound—and I am not frustrated with you, but having spent part of the morning in a budget hearing and seeing all the charts and graphs that literally go off the top, I don't see how it is sustainable, what the Democrats have put us into.

Mr. O'Donnell, let me just ask you too, because I think I saw your written statement, the comment that these funds will remain available until expended. Is that correct?

Mr. O'DONNELL. For the IIJA, that is. For most of those, that's true. Though I believe, if you look at them in terms of the State revolving funds, those funds will revolve back, and so they will in some sense perpetuate.

Mr. BURGESS. Yes, perpetuate. Thank you. That is the word I was looking for and I couldn't find.

So all of the dollars that you are talking about also are compounded by the fact that interest will have to be paid on those dollars. And again, as we heard this morning in another budget hearing, we are very quickly on the road where we are going to be spending more money, mandatory spending, on the interest payments that we spend on defense of the United States, which, again, is an untenable situation in a very dangerous world.

Mr. Gaffigan, let me just ask you this, because my office is on the west side of this building, and I look out over the expanse of the Hubert Humphrey building. And for the last 3 years, I swear, there has not been a soul in that building. Is it expensive to maintain a Federal building that is not occupied?

Mr. GAFFIGAN. There's a lot of work on sort of reappropriating and trying to minimize footprints. And I know, with the pandemic, that's created a whole new set of questions for agencies, in terms of whether they need to reduce their footprint.

Mr. BURGESS. I would say it has been pretty effectively reduced for the last 3 years. There is a little daycare center that I can see

from my window, and there hasn't been a child playing in the daycare center since March of 2020. It is an expensive proposition, and it is one that, really, at some point we are going to have to get our hands around.

Ms. Donaldson, this committee came to fame with the investigations over the Solyndra funding, which you—with which you are very familiar. What do you think about the DOE loan authority? Is that going to be—continue to be a risky program, where there is continued risk for dollars going where they weren't supposed to?

Ms. DONALDSON. I think they are staffing up and working very hard right now, and the future will tell.

I actually wasn't the inspector general during Solyndra, so——

Mr. BURGESS. Sure.

Ms. DONALDSON [continuing]. I've reviewed the reports, and you know a lot more about Solyndra than I do, I would hazard a guess.

Mr. BURGESS. Yes, Mr. Griffith rose to fame on those investigations.

Look, these are serious problems. And I don't mean to make light of them. I do appreciate your efforts, because I think they are extremely important. It is just extremely frustrating to me that we have—someone talked about the next generation of Americans. We have burdened them with an untenable amount of debt. And unfortunately, they are the ones who are going to have to pay it.

Thank you, I will yield back.

Mrs. LESKO. Thank you. The Chair calls on Ms. Schakowsky for 5 minutes of questioning.

Ms. SCHAKOWSKY. Thank you so much.

For decades, companies have outsourced the manufacturing of—oh, sorry. I will start over. I have got time.

So for decades, companies have outsourced the manufacturing of advanced semiconductors, and these chips are needed to produce what we need to manufacture here in the United States, which is, of course, our big goal right now, to make sure that we have this supply chain.

The CHIPS and Science Act will—what is this? Oh, OK. Anyway, the CHIPS and Science Act is exactly what I think that we need.

And in fact, in the—in my State of Illinois just yesterday, Illinois Governor J.B. Pritzker announced a new initiative of—called Innovate Illinois. And the—this public-private partnership will bring together stakeholders and the State legislature and in business, and maximize the impact of Federal funding that is coming.

And so I wanted to ask Ms. Gustafson—no, is that right? Did I say it right? Good. OK. I know that, as the CHIPS Act is being implemented, that you—your office is going to play a vital role in making sure that we oversee how it is—how it evolves. And so my question to you is, how are you preparing the Commerce Office of Inspector General and all the staff to be able to perform the oversight that we need, the efficiency that we need, and make sure that it really works?

Ms. GUSTAFSON. Thank you for that question. As I mentioned in my opening statement, my office is extraordinarily very grateful that we did receive dedicated funding for oversight of the CHIPS and Science Act. We received $25 million over 5 years.

So what we are able to do and what we are in the midst of doing is hiring new folks with technical expertise, because I think that one of the biggest challenges for something like the CHIPS Act is that it's an extremely technical activity, you know, building semiconductor chips, that maybe the Government—most parts of the Government don't have the technical expertise in.

So one of the things that we have undertaken that we have emphasized as well to the Department is that it's important that the Department understand as these—as the bids start coming in—or not the bids, apologies—as the requests for the funding start coming in, it's really important that the Department of Commerce and the Office of Inspector General have the technical expertise to oversee these programs. So we are staffing up in that arena.

We are also—CHIPS, of course, is very new. The notice of funding opportunity was just released at the end of last month. The applications are not yet in. It's expected to be an iterative process. But just like Ms. Donaldson had mentioned, we are in constant communication with the Department, hearing what they are doing, being kept abreast of their activities, and emphasizing to them their important role in overseeing this program and how—there's a lot of us out there looking for oversight staff right now, including the departments, and so——

Ms. SCHAKOWSKY. Well, I am sure. Let me just ask you this: What are some of the best practices that the Department of Commerce could do to make sure that they communicate with prospective grant recipients and do it in the best way?

Ms. GUSTAFSON. So I think the key on that one is—exactly to your point—is communication, is outreach, because it is a brand-new—CHIPS is brand new. So I think the best practices are practices that, you know, can be taken from things, frankly, like IRA or the pandemic relief, where there was communication being undertaken by the Department stakeholders about what the program is, what the requirements are.

I can't sit here and tell you how well they're doing, because we haven't done a review of it. But I think there are a lot of lessons to be learned in the Government. CHIPS is kind of the newest act of all the ones that we're talking about, so I think it's important that the Department be learning from what has already been undertaken in the last several years——

Ms. SCHAKOWSKY. OK, thank you so—let me just say that, unfortunately, most of my—our Republican colleagues voted against the CHIPS and Science Act. I hope that we are going to be able to work together to make sure that this program is done well, and that it actually does improve commerce and competitiveness in the United States.

And I yield back.

Mr. GRIFFITH [presiding]. I thank gentlelady for yielding back. I now recognize the gentleman from Kentucky, Mr.——

Mr. GUTHRIE. Thank you.

Mr. GRIFFITH [continuing]. Guthrie, for his——

Mr. GUTHRIE. Thank you Mr. Chair. I appreciate the recognition, and I want to—this first is for Ms. Gustafson.

Your written testimony notes that the CHIPS Act and—CHIPS and Science Act provides the Department of Commerce with up to

39 billion in direct funding for semiconductor activities, 11 billion for semiconductor research and development, and up to 75 billion in direct loans and loan guarantees.

Your testimony also states that the Department's strategic goals for implementation of this act include investment in U.S. production of strategically important semiconductor chips.

Like many of my colleagues, I am concerned that this taxpayer funding could wind up funding production of semiconductors in China or enriching our global adversaries, or also joint ventures with China here in the United States. Based on your experience, what challenges does the Department—my question—based on your experience, what challenges does the Department of Commerce face in administering this funding to retain its benefits domestically?

And what role, if any, will your office have in making sure these funds don't get to China, either production in China or joint ventures here with China?

Ms. GUSTAFSON. Thank you. Thank you for your question.

I think that the key—the biggest challenge and the biggest piece of advice I would give the Department of Commerce as it relates to this is that they—it's one thing to have a program that makes it very clear that there are restrictions on what the recipients of this program, the business that they can be involved in.

And to your point, the key is going to be enforcement and whether the Department is taking that role seriously. And to that end, I would note that the statute takes great pains—and I don't mean that in a painful way, I mean has made it very clear—that there are guardrails in place to protect against some of that.

What is going to be incumbent and I think that what is crucial but is too early to tell is whether that oversight at the Department level happens and whether the actions that are allowed to—that are provided to the Secretary of Commerce for taking action in those instances, whether those happen.

And I would note—I'm sure you're aware of this—that we would be looking at this anyway. But certainly, the statutory mandate for the Department, for the Department of Commerce inspector general, very specifically says that Congress wants to know about that and within a certain amount of time. So we are certainly absolutely going to do that. So——

Mr. GUTHRIE. OK, thank you. I appreciate that.

So, Ms. Donaldson, according to the Department of Energy's website, the new Grid Deployment Office will be responsible for implementing many of the Infrastructure Investment and Jobs Act and Inflation Reduction Act grid resilience and reliability programs. Do you have any concerns about how this new office will handle programs addressing such an important issue and involving so much money so soon after its creation?

And have you been part of any conversations with the Department of Energy leadership regarding how this office will coordinate with and avoid duplication with other offices with such—a mission such as Office of Electricity, Office of Cybersecurity, and so forth?

Ms. DONALDSON. Yes, and we have had a conversation covering aspects of the Grid Deployment Office. It's, again, been one of those subjects that we've teed up during our meetings every 2 to 3 weeks.

We don't have a lot of information in yet about the Grid Deployment Office. We have an outstanding monitoring project, data acquisition. So that information is now coming in. So it would be too early for me to have much of an opinion on how it is going over there.

Mr. GUTHRIE. Thank you.

And Mr. Gaffigan, has the Government Accountability Office reviewed or otherwise been involved in the Department of Energy's reorganizations?

And what general concerns or pitfalls should Congress be aware of accompanying agency reorganizations?

Mr. GAFFIGAN. We haven't had any recent work on DOE reorganizations. Probably the last questions we got were when NSA broke off from Defense programs. But that's been a while ago.

But we—there are some lessons learned in terms of reorganizations that we've developed some criteria around which would apply to any agency reorganization, if we're asked to do so.

Mr. GUTHRIE. OK, thank you. And back to Ms. Gustafson—I am sorry, I apologize.

Is there—you said guardrails on making sure the investment doesn't go to China, because the idea is that we are going to bring this technology here and not in China. But is there any guardrails in preventing joint ventures—from American companies to do joint ventures on domestic soil with China, so China has our technology?

Ms. GUSTAFSON. I would have to get back to you on whether the statute gets to that. Honestly, I don't know. But I'm happy to get that answer back to you, sorry.

Mr. GUTHRIE. OK, that would be helpful.

Ms. GUSTAFSON. Yes.

Mr. GUTHRIE. Thank you.

I will yield back.

Mr. GRIFFITH. The gentleman yields back. I now recognize Mr. Tonko for his 5 minutes of questioning.

Mr. TONKO. Thank you, Mr. Chair. It is clear our country is on the—is called upon to meet the challenges of an innovation economy, to win a global race in that innovation economy. And I hope we all respond by embracing a spirit of can-do. That is including adequate resources and staffing levels at key agencies to make this happen. Failure is not an option here.

So let me just go into the water infrastructure area. It is unacceptable that so many Americans lack access to safe drinking water. The water system is plagued by frequent main breaks, massive leaks of treated water, PFAS contaminations, and an estimated 10 million lead pipes in service, which are overwhelmingly found in low-income communities and communities of color.

As past Chair and now ranking member of the Environment Subcommittee, ensuring that all Americans have easy access to safe drinking water has been a long-time priority. As a result of decades of inaction to replace aging lead pipes, millions of American families and children have been exposed to lead-contaminated water. We have even reduced staffing at some of these agencies to a really dangerous level.

With passage of the Infrastructure Investment and Jobs Act, the Federal Government is finally investing in our water systems and

lead service line replacement, which will have an enormous impact on families' health and well-being. Specifically, the IIJA provides 43 billion in State revolving funds to improve the water infrastructure grants in communities across our country. These investments in clean water are essential, and we need to make certain they are implemented effectively.

So I know what the EPA agrees—that the EPA agrees with that, and they are working hard to ensure that every dollar counts and to get the staffing where it should be. IGs can play a significant role in protecting important government programs like the State revolving funds.

So, Mr. O'Donnell, in your testimony you mentioned that your office has reviewed EPA's prior responses to water emergencies, and that you are focused on oversight of the State revolving funds. Based on your office's ongoing work in this area, how should the EPA make certain that the State revolving funds are reaching the areas of highest need while hopefully preventing future water emergencies?

Mr. O'DONNELL. Thank you. One of the first projects that we announced, the first office we announced, is looking at how the Agency is identifying those communities in need for lead service line replacement, because it was our sense from previous water emergencies that the Agency does not have a great sense of where those lead service lines are and where those things—where those lines need to be replaced.

And I agree with you on the need for the robust oversight of the water system. We have ongoing right now three reviews that touch on the failures of the water system. We have two projects involving Jackson, Mississippi. In fact, I just met with Representative Thompson this morning to discuss our oversight of the Jackson water crisis. We have one in Red Hill, with the Honolulu water system, and one in Saint Charles, Missouri, for their water system.

We intend to fully become more robust partners in oversighting the State revolving funds so they do exactly sort of what you want them to do.

Mr. TONKO. Well, it has been a long overdue.

So Mr. Gaffigan, in your written testimony you highlighted some past recommendations that GAO has made to EPA to improve its monitoring of grants and ability to track the financial sustainability of the SRF. As you noted, EPA has implemented many of these GAO recommendations. How would those improvements help EPA better manage the clean water and drinking water State revolving funds?

Mr. GAFFIGAN. I think it'll help them very much. I think they've been pretty responsive to our recommendations in the past. They have, for example, I think, one sort of outstanding recommendation around financial indicators, but it allows them to have a better sense of the sustainability of these funds by implementing these recs.

And I'll also mention that we have some ongoing work looking at the formula for some of these funds, which hasn't been looked at in a long time.

Mr. TONKO. And what else does EPA need to do to ensure that this increased investment has the greatest impact on the communities that need it the most?

Mr. GAFFIGAN. I think their commitment to their workforce, in terms of having good workforce to handle this huge increase, will really lead to some benefits, and also being able to weigh—because now they have the option to address both lead and drinking water and the PFAS. They were specifically called out in the legislation. So I think that will help them with their criteria, in terms of determining where the biggest needs are.

Mr. TONKO. OK. Well, we will all be watching and doing what we can to ensure that our agencies have the support and guidance they need to effectively carry out their missions.

Americans deserve the benefits that these programs have to offer, and we in Congress will move to make certain they succeed. We cannot fail in this innovation race. I want to see a good, robust, can-do attitude and spirit. Make it happen. Let's work together, and let's get it done.

I yield back.

Mr. GRIFFITH. The gentleman yields back. I now recognizes the gentlelady from Arizona, Mrs. Lesko, for her 5 minutes of questioning, and recognize the vice chairman of this sub.

Mrs. LESKO. Thank you very much, Mr. Chairman, and I want to applaud all of you for your hard work and for your offices' hard work. Very vital.

Ms. Donaldson, your March 13th, 2023, report stated that the DOE Office of Science failed to adequately audit at least $56 million in grants. You wrote that the DOE Office of Grants and Cooperative Agreements within the Office of Science told your office that, because of contract specialists' high workloads, they focus on issuing awards and do not have adequate resources to verify where the grantee is compliant with audit requirements.

I understand that to mean that the DOE focuses on getting money out the door and not on whether recipients are complying with oversight requirements. Ms. Donaldson, is that a fair interpretation?

Ms. DONALDSON. Well, I'll say this about the volume of anything that gets audited, be it grants, cooperative agreements——

VOICE. Can you pull your mic closer?

Ms. DONALDSON. Oh, I sure can. Thank you. Yes, my comment about what volume of dollars get audited is there is no Federal agency that's ever at 100 percent. So what—and it wouldn't be efficient to be at 100 percent.

So what that report was about is looking at whether or not, in a particular area, the percentage was high enough, you know, to be protecting the resource. And in the opinion of my audit team, it was not.

Mrs. LESKO. Thank you. Ms. Donaldson, how can the DOE adequately audit billions of dollars of new money if they weren't able to adequately audit millions?

Ms. DONALDSON. I think there's the two big problems that I alluded to earlier. There has to be an adequate reservation of oversight dollars—because the Department of Energy also conducts au-

dits, I don't conduct 100 percent of the audits. So they are the front line of defense. So they need adequate resources.

And then, of course, the Office of the Inspector General needs adequate resources. And you will never achieve 100 percent, but you want to achieve in any particular program a high enough number to where you have some confidence that those funds are safe.

Mrs. LESKO. Ms. Donaldson, thank you. Do you have an estimate on how much taxpayer money may be lost to fraud, waste, and abuse because of the agency's lack of proper oversight?

Ms. DONALDSON. That's an interesting question. I think that might require a bit of a crystal ball.

I will comment on the general topic of oversight dollars and recovery money. So I always say that oversight dollars usually make money, don't lose money. So, for example, the work of the offices of inspectors general, much of what we do can't be monetized. We put people in jail. There's deterrence. We correct standards. A lot of what we do, you can't put a number on.

When we do put a number on things that we can put a number on, most offices of inspector general recover more money than we cost. So we are not a cost center, we're the opposite of that. So oversight dollars well spent can reduce that level of fraud, waste, and abuse. So I think it's very important to think of oversight dollars in that way: not money wasted, money recovered.

Mrs. LESKO. Understood. Last question: If a longstanding program office such as the Office of Science cannot manage the oversight of its financial assistance awards and absorb new funding, how can taxpayers trust new offices to administer their grants appropriately?

Ms. DONALDSON. That's another tough one. I think you have to look at those same issues. There has to be the resources, that level of audit, inspector general audits coming behind it. All of those things have to happen so that you have some assurance that those funds are going where Congress intended them to go.

Mrs. LESKO. Well, let's hope that we get proper oversight and that we give the oversight offices enough money to do their jobs, because I am very concerned that, if we can't do proper oversight on millions of dollars, how are we going to do it on billions of dollars of all these new programs?

And with that, I yield back.

Mr. GRIFFITH. I thank the gentlelady. I now recognize the gentleman from California, Dr. Ruiz, for his 5 minutes.

Mr. RUIZ. Thank you, Chair Griffith.

Our Nation faces numerous challenges, whether it be climate change, the ongoing drought in the West, or our Nation's crumbling infrastructure. In the last 2 years Congress faced these challenges head-on with bold investments like the Bipartisan Infrastructure Bill, the CHIPS and Science Act, and the Inflation Reduction Act. I supported these bills because my district has suffered from underinvestment for years and I am focused on bringing Federal resources to promote equity and help those in most need.

Today I want to focus on one particular way that we delivered for the American people last Congress, and that is through broadband. There are tremendous disparities across the country when it comes to broadband access. In my district alone, in Impe-

rial County, one of the most impoverished, underresourced counties in the State of California, 15 percent of households go without broadband internet subscription. According to the FCC, about 21 percent of people living on Tribal lands and 17 percent of people living in rural areas lack access to broadband.

The Bipartisan Infrastructure Bill provided $65 billion to ensure that every American has high-speed internet; $48 billion of this funding is dedicated to closing the digital divide by bringing affordable and reliable high-speed internet to underserved communities. This includes the Tribal Broadband Connectivity Program, which received $2 billion in additional funding. From the 23 projects funded in 2022 from this program, more than 40,000 Native American households will be connected to the internet and over 1,000 new jobs will be created in 15 States.

Ms. Gustafson, as you shared in your written testimony, your office is creating specialized broadband audit teams. You have also begun an audit of the Tribal Broadband Connectivity Program and have started issuing semiannual reports summarizing the status of Bipartisan Infrastructure Law programs. Will your office's oversight activities evaluate whether these funds under the Bipartisan Infrastructure Law are distributed equitably and are reaching historically underserved communities?

Ms. GUSTAFSON. Thank you for your question. Our oversight is going to be directed in several ways—in several areas, as you can imagine.

One of the first concerns since—there have been, and it's been mentioned previously, there have been broadband programs before, obviously, in the Federal Government, including at Commerce, when under the Recovery Act there was the BTOP program. So we are going to be focused, first off, on making sure that the program is doing what is intended, to your point.

So is it going to—because if the main point is to serve the underserved communities, which it is, we have concerns about duplication of effort where it's already been done. So that's one of the first things that, you know, we're looking at, making sure that this is truly not going to places where there is already broadband and whether it's achieving—and whether it's achieving its purpose, and——

Mr. RUIZ. In order so that you can get your focus on areas that don't have broadband.

Ms. GUSTAFSON. Right. To your point, many of these programs are very specifically designed for that, so that our oversight will be directed to——

Mr. RUIZ. Mr. Gaffigan, you mentioned in your testimony that the GAO issued a report in January with recommendations to improve program performance measurement and that the National Telecommunications and Information Administration concurred with those recommendations. How might adoption of these recommendations enhance the impact of NTIA's expansion of broadband access to Tribal lands and other communities that lack access to high-speed internet?

Mr. GAFFIGAN. I think it'll help in two ways. One, it'll sort of ensure that the fraud risk framework is established, and so that the monies go to where they need to go. And also, it'll talk about if they

implement our recommendations around performance measures so we can see we're getting value for money here.

And I'll also mention, in terms of disadvantaged communities, we also have ongoing work that will crosscut with this on Justice40 initiatives, where 40 percent of benefits should go to disadvantaged communities. And we're looking at that right now.

Mr. RUIZ. Thank you. You know, having access to high-speed broadband is now becoming a common good, because our society is tied into the ability to access high-speed broadband. We can't ask our children to do homework on the internet when our children don't have access to the internet, and we can't ask people to go online to receive essential information, to receive essential services, when they don't have access to the internet. It will only exacerbate the disparities that we see in healthcare, in education, in employment, in business development, and we need to end that once and for all.

And so I strongly believe that, with proper oversight, these programs can help bridge the digital divide and give everyone in our country a real chance to share in our country's prosperity. I believe it's a common good. We should start having conversations about it, as utility companies are a common good. And I'm glad that Congress passed these crucial measures and bills to—revisit them now to see the good work they are already doing for the American people.

And I yield back.

Mr. GRIFFITH. I thank the gentleman for yielding back and now recognize Mr. Duncan for his 5 minutes.

Mr. DUNCAN. Thank you, Mr. Chairman.

And, you know, this has been in the news, so it is no surprise to anyone, but Congress and the administration are in the process of negotiating raising the Nation's debt ceiling. And what that means is the Nation has maxed out its credit card, and we have got to go back to the banks and ask them to increase the credit limit.

Most banks would ask us to come up with some sort of business plan or model of reforms to show we are going to actually rein in our spending, get a hold of our spending addiction, and show them a plan of repaying the debt. That is what banks do for private businesses that ask for a credit line increase for their business, or us as individuals as we go and get home equity lines and other things. So the Nation is $31 trillion-plus in debt. That meter is running every day.

So, General Donaldson, according to the Department of Energy, the misnamed Inflation Reduction Act authorizes it to administer $8.8 billion in rebates for home energy efficiency and electrification projects. The Department's home efficiency rebate program will award grants to State energy offices to provide rebates for energy-saving retrofits and housing structures.

Additionally, the Department plans to issue grants to States and Tribal entities for home electrification and appliance rebates program.

In your experience, what concerns should Congress be aware of regarding the rebate programs, generally?

Ms. DONALDSON. In general——

Mr. DUNCAN. And you can aim that microphone a little closer, if that works.

Ms. DONALDSON. In general, rebate programs are, in fact, risky. There's a tremendous volume of recipients. It can be difficult to have them properly identified. They could be people who are already deceased. Yes, rebate programs are difficult. Grant programs raise some of those same issues.

So it's really important, I think, that you combine two things—well-thought-out internal controls and the use of data analytics—because the volume of rebates moving through some of these programs is going to be staggering.

So collect quality data on the front end, scrub it, look at it, check for red flags, you know, take a more modern approach on things such as rebates, and you'll be able to safeguard a higher volume of those funds.

Mr. DUNCAN. So these grants are given to the State energy offices. And what sort of oversight is there from the Federal level of those programs? Because it seems to me like we're just giving the money to States, allowing them to run the programs, and there's not a lot of Federal oversight.

Ms. DONALDSON. There is some concern. I cochair the group of inspectors general managing IIJA funds. One of our subgroups is State, local, Tribal inspectors general. My shop also staffs that group. So we've had a lot of conversations with them, and there is a lot of concern that it is not clear what amount of funds they can use for oversight. They are understaffed.

You know, many of the same things we've been talking about here today can be even worse at a State, local, or Tribal level. So when the Federal Government—before the Federal Government transfers large amounts of money in bulk, it has to ensure that the State, local government, or Tribe is ready to receive it and can administer it appropriately, or the losses will only continue to domino outward.

Mr. DUNCAN. Right. When I hear "understaffing," I think that the Federal Government created a problem of understaffing, because you gave them all this money and required them to do certain things. And States want to give out the money, I get that, but we created the problem by our funding, and now there is going to have to be increases at the State level or even the Federal level to increase the amount of personnel, which means government just continues to grow and the dominoes keep falling.

This would apply to the Weatherization Assistance Program. That program received $3.5 billion from the Infrastructure Investment and Jobs Act, according to the White House. Do the concerns you highlighted in this special report in your testimony still persist regarding this program?

Ms. DONALDSON. That's another program where they are staffing up. They have the benefit of our prior recommendations, because that was a preexisting program at the Department. So the future will tell——

Mr. DUNCAN. Yes.

Ms. DONALDSON [continuing]. You know, whether or not those funds land where Congress intended.

Mr. DUNCAN. Yes, so we are just—through the infrastructure bill, through the misnamed Inflation Reduction Act, we are just growing government and requiring more staffing as government grows, to administer programs where the money is given to the State with very little accountability, very little oversight of the State that the programs are—actually work to do the things that the misnamed bills hope to do. So thanks for your clarity on that.

Mr. Chairman, I yield back the balance.

Mr. GRIFFITH. I thank the gentleman for yielding back and now recognize the gentlelady from Florida, Mrs. Cammack, for her 5 minutes of questioning.

Mrs. CAMMACK. Well, thank you, Mr. Chairman. I guess we all got the memo on the blue blazers and black shirts today. Mr. Chairman, where did you go wrong?

Mr. GRIFFITH. I am a little off today.

[Laughter.]

Mr. GRIFFITH. And some would say today is not an exception.

Mrs. CAMMACK. Well, I appreciate the chairman for hosting this very, very important oversight hearing. And thank you to the witnesses for being here.

I am going to start with you, Inspector General Gustafson. The Infrastructure Investment and Jobs Act established the Broadband Equity Access and Deployment program under which the National Telecommunications and Information Administration, NTIA, will distribute 42.45 billion in broadband infrastructure funding to States and certain territories.

This program is structured as one big block grant to States, and then the States are responsible for awarding the funds to the entity that will be deploying the broadband in different parts of the State. Given that the NTIA does not have direct control over awarding funds to each grantee, what oversight challenges does that present for the agency and your office, particularly as we are trying to handle overbuilding in certain areas?

Wow, this is a big one.

Ms. GUSTAFSON. Right.

Mrs. CAMMACK. Take it away.

Ms. GUSTAFSON. So there is no question that the—you know, we believe that—Commerce and Commerce OIG, you know, that our responsibility does not, to your point, end at the block grant level.

I mean, we are keenly aware that, after the grants are going to be sent to the States based on the FCC maps, that is—the funds are still supposed to be used—you know, they don't lose their intended purpose. You know, they're still—they're supposed to be used for that.

And it is a—I will say it is a tremendous challenge in that all of a sudden you aren't talking about the conversations that we can have with NTIA, you're talking about innumerable State and local entities for a staff of, you know, two teams, you know—and even our total staff is under 200. So there are absolute challenges.

What we have communicated to the Department is that we want them, you know—we want to be part of the outreach that is happening as the program is being rolled out. I mean, we want the State auditors and the local entities to know that the OIG is here, that Commerce is here, that there are still—you know, that the—

that we are keenly interested in overseeing and being told—and hearing about issues that are coming up, because, to your point, the issues on the block grant don't happen at that level. They happen two, three, four steps down.

And so we will do our level best, you know, to get that word out, but it's going to be a challenge because we are all of a sudden talking about hundreds, you know, hundreds of projects, probably thousands of projects.

Mrs. CAMMACK. I understand this is a gargantuan one, but, I mean, $42 billion. We are going to have to do better than our level best, for sure. And I recognize that we are dealing with State—all the different States.

And this actually follows right into my second question, where NTIA was recently directed by Congress to establish six new broadband programs over the last 3 years. Some of these programs have similar goals, but they have different statutory requirements, different funding levels, different timelines, et cetera.

So have you guys had any discussions with NTIA before they established the programs to discuss how integrity was going to be accounted for, and also to reduce the likelihood of fraud in these programs?

Ms. GUSTAFSON. We have had conversations with NTIA. We have made it clear that, while we cannot give our stamp of approval on what they're doing, we stand ready to talk about lessons learned and things that we would like to see as the oversight entity, you know, things that we would like to see in the Notices of Funding Opportunities that will allow the transparency needed to follow the money. So I think that, you know, those conversations have occurred.

To your point, NTIA has not been in the business of broadband grants for a while. So they're having to kind of almost start over because BTOP was under—it was many, many years ago. So there are grantmaking entities within the Department of Commerce. NOAA makes a lot of grants, NIST makes a lot of grants. So we've also emphasized the importance of it not being just an NTIA job, that there be conversations and working together with the other grantmaking entities within Department of Commerce to make sure that those controls are being placed in. So the conversations are happening.

But our work, of course, will really begin in earnest when the money——

Mrs. CAMMACK. Can you proactively and are you proactively reaching out to States as we are dealing with these block grants to talk about what requirements are going to be happening or coming out? That way they can be compliant on the front end, rather than catching up on the back end.

Ms. GUSTAFSON. We are absolutely being proactive. I know other IGs are involved in IIJA as well, and often it's a joint effort. We're appearing together sometimes at State and local auditors' conferences, at those—at meetings.

So we are—and for my office—and it's often a representative not just from audit but from the investigative side, from the Office of Investigations, to talk about what the fraud indicators are, what

the people should be looking for that might indicate that there's a problem. So we—the—we are having those discussions right now.

And the nice thing about the IIJA Working Group is sometimes it's Department of Transportation who is out there. But, you know, I know that he—Mr. Soskin is actually talking about the programs in general so that, again, that level of awareness is happening. Because, to your point, a lot of people don't know what an OIG is, you know, unless you're here. So it really is important to get that word out. And I say that as somebody who worked in a State auditor's office for 8 years, and we knew that GAO existed but didn't really know about OIG. So it's important to have those proactive conversations.

Mrs. CAMMACK. Well, excellent. I know my time is expired. I'm way over. But I appreciate it. Thank you so much, Mr. Chairman. I yield back.

Mr. GRIFFITH. I thank the gentlelady. And seeing that there are no further Members wishing to ask questions today, I would like to thank all of our witnesses again for being here today. You have been very informative and energetic.

Anything?

Ms. CASTOR. Thank you all very much.

Mr. GRIFFITH. And in pursuit of the—in pursuance of the committee rules, I remind Members they have 10 business days to submit additional questions for the record, and I would ask the witnesses to submit their response within 10 business days upon receipt of the questions.

Without objection, the committee is adjourned.

[Whereupon, at 3:46 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

Additional Questions for the Record
The Honorable Sean O'Donnell, Inspector General,
Office of Inspector General, U.S. Environmental Protection Agency

The Honorable Michael Burgess

1. What did you identify as the biggest misuse or waste of federal funds?

The EPA OIG has previously outlined potential weaknesses and gaps in the EPA's implementation of the IIJA and IRA, particularly in regard to the sheer amount of money that the EPA will award in the form of grants and other assistance. For example, we anticipate that the EPA will award many IIJA and IRA grants and contracts to first-time recipients that are unfamiliar with federal contract and grant requirements. State Revolving Funds, or SRFs, which serve as banks for infrastructure projects, will receive an additional $50 billion on top of their normal funds via the IIJA and other appropriations, and we are reviewing whether the SRFs have the capacity to manage such an influx of funds effectively and efficiently.

Over the past year, we issued a series of "lessons learned" reports. One of these reports, *Considerations for the EPA's Implementation of Grants Awarded Pursuant to the Infrastructure Investment and Jobs Act* specifically addressed how the EPA administers and oversees grant awards. In this report, we identified three broad areas for improvement that repeatedly surfaced in oversight work conducted over a five-year period. First, the EPA should enhance its grants oversight workforce and strengthen its monitoring and reporting of grants. Second, the Agency needs to establish clear guidance to monitor grants appropriately, including developing detailed work plans that identify how and when the recipient will use program funds to produce specific outputs and to clearly communicate with grantees. And third, the EPA needs to implement additional or clarified controls to ensure that grant recipients submit adequate documentation to support costs incurred under their grants. Our recent oversight work identified systemic issues related to grants management that require technical solutions. We found that the EPA does not have an electronic storage system for grant files. Instead, program offices and regions are storing grant files in disparate ways—such as on local computer hard drives, in the Agency's email system, on shared drives, and as hard copies. These disparate storage locations for documentation related to contracts and grants are part of a larger challenge that the EPA has relating to data reporting. It is not surprising that in January 2023 an EPA working group found that the Agency uses 55 different databases to store data for approximately 100 grant programs. From a data analytics standpoint, the use of so many databases makes it nearly impossible to consistently and comprehensively manage and report on grants and contracts. And from our perspective, it hinders effective oversight, limiting our ability to analyze historical bid data and to identify suspicious transactions, among other things.

Our body of oversight work has also shown the need for the EPA to institute three types of best-practice provisions: antifraud, fraud reporting and whistleblower protection, and OIG access. If the EPA does not address these issues immediately, the risk of fraud, waste, and abuse will become dramatically greater as the Agency attempts not only to execute its IIJA and IRA work but also to continue its everyday work.

In a report we released in March 2023, we identified two areas in which the EPA could improve its fight against fraud, waste, and abuse. The first area relates to how the EPA can help grant applicants better understand the criminal, civil, and administrative consequences of fraudulent conduct. While all applicants and grantees must attest and certify to the accuracy of their applications, reports, and payment requests, these attestations and certifications are simply "boxes to be checked" in the multitude of forms and questions that they must submit during the life cycle of their grants. Best

practices we have seen at other cabinet-level agencies, such as the U.S. Department of Justice, state explicitly in the grant terms and conditions that making false, fictious, or fraudulent statements may result in criminal prosecution and the imposition of civil penalties and administrative remedies.

The second antifraud provision identified in our recent report was requiring the reporting of credible evidence of violations of criminal and civil law to the OIG. The EPA's terms and conditions only generally reference the regulatory requirements with which grantees must comply, including the mandatory disclosure of credible evidence of wrongdoing. As with admonitions regarding violations of criminal and civil law in the terms and conditions, best practices observed at other cabinet-level agencies explicitly mandate disclosure of this evidence to their OIGs.

On April 13, 2023 we issued another report related to the EPA's role in fighting fraud, waste, and abuse. This report shared our concerns regarding the risks that foreign gifts pose to EPA-funded grants and research. After the U.S. Department of Education identified six universities that did not report more than $1.3 billion from foreign sources, including China, Qatar, and Russia, the EPA OIG Office of Investigations collaborated with the National Science Foundation OIG and other federal law enforcement agencies to determine whether unreported foreign gifts could be linked to the EPA's and the National Science Foundation's federally funded awards. We found that the EPA only requires grant ***applicants*** to report foreign support. There is not a mechanism or requirement that ***grantees*** report any foreign support received after the EPA issues the award. In addition, while many federal agencies like the EPA have previously focused on avoiding financial conflicts, they have not given similar attention to guarding against scientific discoveries being passed to foreign adversaries.

Regarding access, four years ago, we issued a "Seven-Day Letter" to the EPA administrator, identifying a senior Agency official's refusal to participate in investigation and audit interviews as interference with OIG independence. The administrator at that time sent the Seven-Day Letter to Congress, along with a memorandum from the EPA general counsel, adopting an unacceptably narrow interpretation of the OIG's authority to access information and to interview Agency personnel. Three committee chairs in the House of Representatives subsequently urged the Agency to withdraw the general counsel's memorandum, observing that, "if accepted, [it] would eviscerate the authority of the Inspector General and undermine the ability of EPA to function in a transparent manner." If left in place, this memorandum would have signaled to EPA employees that they do not need to fully cooperate with the OIG in the pursuit of its mission to detect and prevent fraud, waste, and abuse. The Agency withdrew the general counsel's memorandum two years later in April 2021.

To avoid another situation like what occurred in 2019, Agency leadership must provide clear direction to EPA employees on their duty to ensure timely reporting of misconduct allegations to the OIG. Agency staff must also be clear on their responsibilities to cooperate with the OIG and to provide timely and complete responses to OIG requests for information. If the Agency does not innately hold the inspector general's statutory access authority in high esteem, it is not likely to hold its grantees and contractors accountable in that regard, either.

2. What oversight mechanisms can Congress put in place to ensure this waste does not happen again?

From fiscal years 2013 and 2022, the EPA OIG's work yielded gains of over 300 percent. During the first half of fiscal year 2023, our workforce identified $135 million in wasted spending, fraud avoidance, and

other monetary benefits. Given the historic levels of supplemental funding to the EPA through the IIJA and the IRA, the OIG has renewed its focus on grants management and fraud, and over the months and years ahead, we will only amplify the return on investment that Congress has entrusted to us. Adequately funding inspector general oversight is critical to protecting taxpayer dollars, increasing the likelihood that appropriated funds will achieve their intended purpose, and ensuring the integrity of government agencies.

Congress, recognizing the need for IIJA-focused oversight, provided us with dedicated funding under the IIJA that is to be allocated across five years. We are grateful for this provision, and we are putting the money to good use. However, unlike other OIGs, the EPA OIG did not receive supplemental funding under the IRA to carry out its oversight mandate. There is no question that oversight must be a critical arm in ensuring the integrity of EPA expenditures of an approximately $41.5 billion allocation. Yet, comprehensive oversight of the IRA under existing circumstances will decimate our resources. On a positive note, the Agency supports a reprogramming of funds appropriated to the EPA for the OIG to do its work properly by converting some existing IRA dollars to provide dedicated oversight funding. I am hopeful that Congress will recognize the value in doing so and take timely action.

3. **I have long supported oversight at the EPA for their abuse of the HHS's Title 42 special pay authority. Mr. O'Donnell, have you evaluated the Title 42 special pay authority used by the EPA?**

In March 2015, the EPA OIG issued a report on the EPA Office of Research and Development's justification for using its Title 42 hiring authority to fill positions which found that the practice is ambiguous and that ORD did not demonstrate the need to use Title 42 to fill positions that were at one time held by Title 5 employees. The report found that four Title 42 appointees converted from Title 5 positions received salary increases ranging from $6,149 to $17,700 after the conversion. Limited availability of Senior Executive Service positions contributed to ORD's use of Title 42 to acquire desired expertise for scientific leadership positions. The EPA agreed with the audit recommendation and provided corrective action plans with milestone dates for completion of the corrective actions. The recommendation is closed.

How many employees at the EPA are employed under this special pay authority?'

According to the EPA Project Management Office, the EPA has 42 Title 42 employees.

Department of Commerce Inspector General Peggy E. Gustafson Responses to Post-Hearing Questions for the Record from the Honorable Dr. Michael Burgess

1) What did you identify as the biggest misuse or waste of federal funds?

Inspector General Gustafson Response
In our semi-annual reports to Congress, we identify potential monetary benefits, such as questioned costs and funds to be put to better use. Since the beginning of Fiscal Year 2022, we have identified more than $342 million in questioned costs: $38 million from ineffective contract and grant oversight and $304 million from inefficient program management.

In addition, through our investigative work and collaboration with other federal, state, local and tribal partners, we recovered more than $5.5 million in fines, restitutions, settlements, judgments, and administrative remedies associated with Commerce activities over the past 2 years.

2) What oversight mechanisms can Congress put in place to ensure this waste does not happen again?

Inspector General Gustafson Response
I am grateful that Congress continually demonstrates consistent support for the Department of Commerce Office of Inspector General's budget through our annual appropriation. We take great pride in our strategic approach to defining our budget requests and look forward to continuing this effective relationship. This support allows us to focus resources on priority areas with a goal of improving the efficiency and effectiveness of Commerce's programs and operations while detecting and deterring waste, fraud, abuse, and violations of law.

Through our audit and evaluation findings and recommendations, we regularly identify the need for the Department and its bureaus to ensure programs develop and meet hiring plans to attain proper staffing levels with appropriate skillsets. Such steps are critical to effectively administer programs, develop comprehensive oversight strategies, and handle the resources provided by Congress, including ensuring that notices of funding opportunity (NOFOs) are properly prepared. Implementing these efforts can assist the Department and its bureaus to operate optimally.

Questions for the Record
The Honorable Teri L. Donaldson, Inspector General, Office of the Inspector General, U.S. Department of Energy

The Honorable Michael Burgess

1. What did you identify as the biggest misuse or waste of federal funds?

The OIG is currently assessing the risks associated with the new legislation. As audits, inspections and evaluations are completed, we will be in a better position to address the relative risks. For now, the lack of oversight funding is the most critical concern because this impacts all the programs.

2. What oversight mechanisms can Congress put in place to ensure this waste does not happen again?

The most impactful oversight mechanisms must include audits, inspections and evaluations focusing on testing internal controls and directly addressing whether the funds appropriated were actually utilized as intended by Congress. Appropriations for "administrative expenses," are used primarily for the daily operations of a program to move money or services "out the door." Congress often caps administrative expenses to encourage efficiency, but this approach may eliminate or reduce the revenues remaining for proper oversight.

3. After the disastrous collapse of Solyndra, funded by the Loan Programs Office at the Department of Energy, fear of further failure kept the DOE from issuing loans authorized by Congress for many years. Ms. Donaldson, how much money did DOE have in loan authority prior to the passage of the many inflationary laws we have seen over the last two years?

According to the Department's *Annual Portfolio Status Report Fiscal Year 2021*, as of the end of FY 2021, immediately preceding passage of the Infrastructure Investment and Jobs Act, the Department had $42 billion in available loan authority.[1]

4. How much money does DOE currently have in loan authority?

We have inquired of the Department to determine the cumulative and current amount of loan authority available. We will supplement this response at the earliest possible time.

5. Has the DOE used this funding for things other than its Congressionally mandated purpose?

The OIG is not aware of any instances in which the Department made awards for purposes other than congressionally mandated purposes.

[1] [LPO-APSR-2021-b (energy.gov) p. 4, 12]

Questions for the Record
The Honorable Teri L. Donaldson, Inspector General, Office of the Inspector General, U.S. Department of Energy

6. How can we ensure that the Loan Programs Office is conducting the proper due diligence to ensure that the American taxpayer isn't exposed to projects that could potentially default?

The Loan Program Office articulates its new role as serving as a "bridge to bankability." The Department's stated intent is to fund loans when private lenders cannot or will not fund a loan because the given technology has not yet reached full market acceptance. By design, the Department intends to accept a higher level of risk on this portfolio than is the norm for commercial banking. This approach raises the likelihood of default because it raises the likelihood of unsuccessful outcomes, which the Department hopes will be offset by successful loan outcomes that may drive innovation. The Department is designing a due diligence process modeled after the private sector's due diligence process. However, the short timelines that the Loan Program Office has been given to expend these funds may place considerable pressure on conducting appropriate due diligence.

Additional Questions for the Record
Mark Gaffigan, Managing Director, Natural Resources and Environment,
U.S. Government Accountability Office

The Honorable Michael Burgess

1) What did you identify as the biggest misuse or waste of federal funds?

We did not identify instances of misused or wasted federal funds in the specific programs discussed in my testimony. However, we have previously identified a number of longstanding challenges across the federal government, including challenges with some Commerce, DOE, and EPA programs for which Congress and the administration have provided significant funding through recent legislation. Left unaddressed, such challenges may increase the risk of misused or wasted federal funds.

For example, in numerous reviews, we and agency inspectors general identified weaknesses in agencies' internal controls for managing and overseeing grants. We found that when such controls are weak, federal grant-making agencies face challenges achieving grant program goals, and assuring the proper and effective use of federal funds to avoid improper payments. Our prior work also identified weaknesses in grant oversight and accountability issues that span the government, including undisbursed grant award balances, late single audit submissions, and significant levels of improper payments in grant programs.

We have issued 16 reports identifying challenges in various aspects of some Commerce, DOE, and EPA programs for which Congress and the administration have provided significant funding through recent legislation. These challenges included fraud risk management, adherence to cost controls, and ensuring that programs have the right policies and expertise in place. Our 16 reports included a total of 67 recommendations to address these challenges. The agencies have implemented 38 of these recommendations.

2) What oversight mechanisms can Congress put in place to ensure this waste does not happen again?

Congress can take a number of steps to enhance the overall transparency and accountability of federal spending. For example, in our March 2022 testimony before the Senate Committee on Homeland Security and Governmental Affairs, we identified 10

matters that Congress should consider to strengthen internal controls and financial and fraud risk management practices across the government.[1] These matters for congressional consideration remain open. We continue to believe that such actions would increase accountability and transparency in federal spending in both emergency and nonemergency periods. These matters include:

- **New program improper payment reporting.** (1) Designate all new federal programs distributing more than $100 million in any one fiscal year as "susceptible to improper payments," and, thus, subject to more timely improper payment reporting requirements; and (2) require agencies to report improper payment information in their annual financial reports.[2]
- **Fraud risk management reporting.** Reinstate the requirement that agencies report on their anti-fraud control and fraud risk management efforts in their annual financial reports. Such reporting would enhance congressional oversight to better ensure fraud prevention during normal operations and emergencies.
- **Fraud analytics.** Establish a permanent analytics center of excellence to assist the oversight community in identifying improper payments and fraud.

Related to the specific programs for which Congress and the administration have provided funding through recent legislation, in December 2021, we issued a matter for congressional consideration, suggesting that Congress consider implementing a mechanism for greater oversight and accountability of DOE carbon capture and storage demonstration project funding.[3] As of January 2023, this matter remains open.

---

[1]GAO, *Relief Funds: Significant Improvements Are Needed to Ensure Transparency and Accountability for COVID-19 and Beyond,* GAO-22-105715 (Washington, D.C.: Mar. 17, 2022).

[2]In a November 2020 report, we suggested that Congress consider designating executive agency programs and activities making more than $100 million in payments specifically from COVID-19 relief funds as "susceptible to significant improper payments" in any future legislation appropriating COVID-19 relief funds. We believe that Congress should amend provisions enacted by the Payment Integrity Information Act of 2019 to designate all newly established executive agency programs and activities, both emergency-specific and otherwise, making more than $100 million in payments in any one fiscal year as "susceptible to significant improper payments" for their initial years of operation. GAO, *COVID-19: Urgent Actions Needed to Better Ensure an Effective Federal Response,* GAO-21-191 (Washington, D.C.: Nov. 30, 2020).

[3]GAO, *Carbon Capture and Storage: Actions Needed to Improve DOE Management of Demonstration Projects*. GAO-22-105111 (Washington, D.C.: Dec. 20, 2021).

In addition to these specific matters for congressional consideration, we may work with Congress to urge agencies to take action on open recommendations we have made through the congressional oversight, authorization, appropriations, and budget processes. In this regard, we have issued 16 reports with a total of 67 recommendations to address challenges in various aspects of some Commerce, DOE, and EPA programs for which Congress and the administration have provided significant funding through recent legislation. The agencies have implemented 38 of these recommendations. Congress can hold hearings, withhold funds, or take other actions to provide incentives for the agencies to act. Congressional use of our work sends an unmistakable message to agencies that Congress considers these issues a priority.