110TH CONGRESS
2d Session

SENATE

REPORT
110–524

ACTIVITIES OF THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

AND ITS

SUBCOMMITTEES

FOR THE

ONE HUNDRED NINTH CONGRESS

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NOVEMBER 19, 2008.—Ordered to be printed

Mr. LIEBERMAN, from the Committee on Homeland Security and Governmental Affairs, submitted the following

REPORT

This report reviews the legislative and oversight activities of the Committee on Homeland Security and Governmental Affairs and its Subcommittees during the 109th Congress. These activities were conducted pursuant to the Legislative Reorganization Act of 1946, as amended; by Rule XXV(k) of the Standing Rules of the Senate; and by additional authorizing resolutions of the Senate. See Section II, "Committee Jurisdiction," for details.

Senator Collins was Chairman of the Committee throughout the 109th Congress; Senator Lieberman was the Ranking Member.

Major activities of the Committee during the 109th Congress included investigations, oversight, and legislation involving emergency preparedness and response, security improvements for ports and chemical facilities, Postal Service reform, the reconstruction effort in Iraq, and accessibility of legislative information. Discussion of these major activities appears in Section I, below; additional information on these and other measures appears in Section VII, "Legislative Actions."

Extensive information about the Committee's history, hearings, legislation, documents, Subcommittees, and other matters is available at the Web site, http://hsgac.senate.gov/.

I. HIGHLIGHTS OF ACTIVITIES

EMERGENCY-MANAGEMENT REFORM

Hurricane Katrina's assault on the Gulf Coast in late August 2005 revealed serious defects at all levels of government in plans and systems to prepare for and respond to major disasters. The Hurricane Katrina disaster led to one of the Committee's biggest investigations and to sweeping reform legislation.

Having emerged as a tropical depression southeast of the Bahamas on August 23, 2005, the storm developed sustained speeds of

74 miles per hour on August 25, establishing it as a Category 1 hurricane on the standard, five-step Saffir-Simpson Scale used to describe hurricane severity. It was assigned the name "Katrina."

The hurricane crossed Florida, rose to Category 2 strength in the Gulf of Mexico on August 26, and was forecast to strike the coast as an extremely powerful Category 4 storm. On Saturday, August 27, the National Hurricane Center refined its forecast, saying Hurricane Katrina would strike New Orleans as a Category 3 storm on Monday, 29, 2005. That Saturday saw the start of 24-hour operations at Federal Emergency Management Agency (FEMA) headquarters in Washington, the triggering of Louisiana's evacuation plan, and a presidential declaration of a Federal state of emergency in Louisiana.

On Sunday, August 28, states of emergency were declared in Mississippi and Alabama. The National Hurricane Center revised its analysis again, warning that Hurricane Katrina could reach top-of-the-scale Category 5 status, with sustained winds of about 160 miles per hour and a storm surge of wind-driven seawater 18 to 22 feet above normal high tides. New Orleans—a city that stood, on average, six feet below sea level and was ringed by levees and flood walls said to be adequate for a Category 3 storm—remained the projected primary target.

Hurricane Katrina made landfall as Category 3 storm on the Louisiana coast Monday morning, August 29, then moved into Mississippi before drifting north and dissipating over the next few days. It caused more than 1,500 deaths, displaced hundreds of thousands of people in a 90,000-square-mile area, and inflicted as much as $150 billion in economic damages. Katrina left the Mississippi coast in ruins, and overtopped or broke through the engineering defenses of New Orleans, flooding much of the city. The breach left thousands of people sweltering in an ill-prepared refuge, the New Orleans Superdome. Others died as filthy waters rose in houses and nursing homes, or as blacked-out hospitals ran out of essential medications and supplies. Some 300,000 homes were destroyed or made uninhabitable. Additional but less intense damage followed the next week as Hurricane Rita dealt the devastated Gulf Coast a fresh blow.

The Hurricane Katrina catastrophe saw many acts of heroism and some outstanding organizational responses by the U.S. Coast Guard and the Louisiana Department of Wildlife and Fisheries, to name two conspicuous examples. In general, however, government officials, emergency-management experts, and the general public could agree that the preparations and response to Hurricane Katrina at all levels of government revealed a host of systemic and operational failures in evacuations, communications, situational awareness, coordination of effort, medical assistance, logistics, law enforcement, military operations, medical assistance, sheltering, housing, family reunification, and other areas.

Because much of the dissatisfaction focused on FEMA and on aspects of the National Response Plan—both responsibilities of the Department of Homeland Security, overseen by the Committee—and because many of the problems revealed by Hurricane Katrina would occur in response to a man-made catastrophe as well, Senators Collins and Lieberman determined that the episode required a full investigation by the Committee and a collaborative, bipartisan report on its findings and recommendations.

The Senators announced the planned investigation on September 2, 2005, even as disaster-recovery work continued on the Gulf Coast. Noting in a joint statement the Committee's role as oversight body for FEMA, they pledged assistance for the agency's response efforts along the Gulf Coast, but added, "It is also our responsibility to investigate the lack of preparedness and inadequate response to this terrible storm. While it is too early to reach conclusions on the response of government to this catastrophe, it is increasingly clear that serious shortcomings in preparedness and response have hampered relief efforts at a critical time." Committee staff of both parties, reinforced by duration-of-project new hires, cooperated to conduct interviews, obtain and examine documents, and carry out research to sharpen lines of inquiry and prepare for hearings. The investigation entailed detailed inquiries into topics ranging from levee engineering and radio networks, to command systems and the constitutional issues of control and roles of military units. Between September 2005 and April 2006, the Committee interviewed or took testimony from more than 400 people, conducted 22 public hearings, and examined more than 838,000 pages of documents.

The White House and a committee of the U.S. House of Representatives conducted their own probes of the Hurricane Katrina disaster, but the Committee's investigation was the only one carried out and reported in bipartisan fashion. Following adoption in a business meeting on May 2, 2006, the Committee report was published as Senate Special Report (S. Rept. 109–322), "Hurricane Katrina: A Nation Still Unprepared" (U.S. Government Printing Office, 2006; ISBN 0–16–076749–0). (The special report is not included in the 109th binding as it was printed in an 8½″x11″ format.) The illustrated, 732-page book caps its narrative and analysis with 24 general conclusions, 186 specific findings, and 88 recommendations for action to improve disaster preparation and response by governments, non-governmental organizations, the private sector, and individual citizens. Ten sections of additional views from Committee Members appear as appendices. Printed copies of the report are available for purchase from the GPO, and are on deposit at many libraries.

Copies are posted for reading or free download at the Web sites of the Committee (http://hsgac.senate.gov) and the GPO (http://www.gpoaccess.gov/serialset/creports/katrinanation.html), which has individual sections as PDF files and a compressed file holding the entire report.

The report's "Overview" section begins with a sweeping conclusion:

1. Four overarching factors contributed to the failures of Hurricane Katrina:

(i) long-term warnings went unheeded and government officials neglected their duties to prepare for a forewarned catastrophe;

(ii) government officials took insufficient actions or made poor decisions in the days immediately before and after landfall;

(iii) systems on which officials relied to support their response efforts failed; and

(iv) government officials at all levels failed to provide effective leadership.

These individual failures, moreover, occurred against a backdrop of failure, over time, to develop the capacity for a coordinated, national response to a truly catastrophic event, whether caused by nature or man-made.

Key recommendations from the Committee's report made their way into law as the Post-Katrina Emergency Management Reform Act of 2006, added as an amendment to become Title VI of H.R. 5441, the Department of Homeland Security Appropriations Act for fiscal year 2007 (Public Law 109–295, signed October 4, 2006). The original Senate bill, S. 3721, had been introduced by Senator Collins on July 25, 2006, with Senators Lieberman and Salazar as cosponsors, and was reported by the Committee on August 3, 2006.

The first of the many provisions of the Title VI: "National Emergency Management" language in the Act amended the Homeland Security Act of 2002 to provide that FEMA's primary mission is to reduce loss of life and property in disasters by taking the lead and supporting an all-hazards, risk-based, comprehensive emergency-management system of preparedness, protection, response, recovery, and mitigation. The language affirmed FEMA's place within the Department of Homeland Security and protected it from departmental reorganizations. The FEMA Administrator was officially named as emergency-management advisor to the President, the Secretary of Homeland Security, and the Homeland Security Council. The President was authorized to designate the FEMA Administrator to serve as a member of the Cabinet in the event of a disaster.

To improve FEMA's familiarity and coordination with the different areas it serves, the Act required FEMA to establish 10 regional offices plus area offices for the Pacific, the Caribbean, and Alaska. Each regional administrator was directed to establish a multi-agency strike team to ensure rapid response to disasters.

The Act also provided for a National Integration Center, a National Operations Center, and a Chief Medical Officer within FEMA; required greater clarity in the National Response Plan; made new provisions for evacuation plans and exercises; directed FEMA to appoint a Disability Coordinator; required new human-capital measures by FEMA; established an Urban Search and Rescue Response System in FEMA and reestablished the Metropolitan Medical Response Program; required new systems for prepositioning and managing commodities; authorized FEMA to develop national planning scenarios reflecting all-hazards, risk-based analysis as guides for preparation, standards, and training; established an Office of Emergency Communications in DHS to promote interoperable emergency-communications systems; amended the Stafford Act, enabling the President to authorize precautionary evacuations in the face of a major disaster and to provide accelerated Federal support without a specific request; directed FEMA to develop a national disaster-recovery strategy; authorized the President to appoint a single Federal coordinating officer and deputies for the entire affected area when a disaster extends across State borders; made provisions to assist child location and family reunification; required FEMA to take into account population groups with limited English proficiency; set requirements to reduce the risk of waste, fraud, and abuse in disaster contracting and assistance; authorized appropriations for purposes of the Act; and made numerous other provisions to reform and improve the national emergency-management system.

The Hurricane Katrina investigation took its place alongside the campaign-finance reform and intelligence reform investigations in earlier Congresses as one of the most intense and extensive undertakings in the Committee's history. Like those other efforts, it culminated in landmark legislation.

EXTENDED JOBLESS BENEFITS FOR HURRICANE VICTIMS

Hurricanes Katrina and Rita dealt a catastrophic blow to the economic life of the Gulf Coast. In Louisiana, for example, the unemployment rate nearly doubled after the hurricanes, reaching 12.1 percent in September 2005—worse than New York City's unemployment rate in the months following the September 11, 2001, terrorist attacks. The widespread destruction of Gulf Coast homes, businesses, and public infrastructure made it clear that for many thousands of people, the standard 26 weeks' duration of unemployment benefits would be inadequate.

On September 27, 2005, Senator Collins introduced S. 1777, the Katrina Emergency Assistance Act to extend the duration of benefits by 50 percent. The bill directed the President to make unemployment assistance available for 39 weeks to individuals eligible for such assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act as a result of a disaster declaration made for Hurricanes Katrina or Rita on or after August 29, 2005, for 39 weeks after the date of that declaration.

The measure passed the Senate by unanimous consent on February 15, 2006, and passed the House by voice vote on March 2, 2006. The President signed the Act into law 4 days later—in time to provide continued benefits for unemployed victims of the hurricanes. (Public Law 109–176)

PORT SECURITY

The National Commission on Terrorist Attacks Upon the United States (the "9/11 Commission"), created by Congress after the September 11, 2001, mass murders with hijacked aircraft, warned in its 2004 official report: "While commercial aviation remains a possible target, terrorists may turn their attention to other modes. Opportunities to do harm are as great, or greater, in maritime or surface transportation. Initiatives to secure shipping containers have just begun. Surface transportation systems such as railroads and mass transit remain hard to protect because they are so accessible and extensive."

Shipping containers—the large, lockable metal cargo boxes that can be stacked on ships or carried on trucks and railroad cars—emerged as a special security concern because more than 11 million enter U.S. ports every year, because they can then be dispersed across the country, and because tampering or false documentation could turn them into transport devices for terrorists or weapons—or into bombs. Addressing such concerns would require new and improved security measures not only at U.S. ports but at foreign ports as well: A container rigged for a biohazard or radioactive "dirty bomb" attack in a U.S. port needs to be detected before it reaches its destination. Apart from local consequences, a container-borne attack on a U.S. port and the resulting security clamp-down could have devastating economic repercussions. America's 361 seaports move more than 95 percent of the country's overseas trade, including essential raw materials and just-in-time components for manufacturing operations.

The 9/11 Commission's warnings on cargo security underscored the results of a 2003 Committee hearing that focused on shipping containers as a possible medium of terrorism. Four subsequent hearings by the Committee or its Permanent Subcommittee on Investigations, chaired by Senator Coleman, further explored concerns about cargo and port security.

The government had taken several steps toward better cargo and port security following the September 11, 2001 attacks, including requiring improved notice of ship arrivals, a Container Security Initiative, and the Customs-Trade Partnership Against Terrorism (C–TPAT) program that offered foreign shippers expedited processing in return for enhanced cargo security. The Committee heard evidence, however, that the various initiatives were proceeding unevenly and that they lacked the guiding discipline of a comprehensive and strategic security plan.

On March 27, 2006, Senator Collins introduced the GreenLane Maritime Cargo Security Act—S. 2459, in the Senate as a companion bill to a House measure, H.R. 4954, backed by Representatives Lungren and Harman, both of California. The Senate measure was originally cosponsored by Senators Coleman, Lieberman, and Murray.

The Committee conducted a hearing, "The Future of Port Security: The GreenLane Maritime Cargo Security Act," on April 5, 2006. Witnesses included Representatives Harman and Lungren, the Deputy Secretary of Homeland Security, and several experts on port operations.

The House version of the bill passed on a 421–2 vote on May 4, 2006. The Committee reported an amended version on May, 5, 2006, and the Senate adopted the measure by a 98–0 vote on September 14, 2006. After a Conference Report was accepted by both the House and the Senate on September 30, 2006, the Act was presented to the President, who signed it into law on October 13, 2006 (Public Law 109–347).

The new law, now known as the SAFE ("Security and Accountability for Every") Port Act of 2006, is a wide-ranging measure. Major provisions include: Amending the Maritime Transportation Security Act of 2002 (MTSA) to require area maritime transportation security plans to include a salvage response plan to identify equipment capable of restoring operational trade capacity and to ensure that waterways are cleared as quickly as possible after a security incident; requiring plans under MTSA to regulate access by persons transporting intermodal containers in or out of a facility; requiring the Secretary of Homeland Security to verify the effectiveness of vessel and facility security plans; strengthening requirements for transportation security cards; requiring development of a long-range vessel tracking system; requiring interagency operational centers for port security at all high-risk priority ports; requiring use of a risk-assessment tool with standardized criteria for updating area maritime security plans and applying for port-security grants; requiring live or full-scale exercises to test and evaluate Federal, State, and local capabilities to respond to and recover from threats at commercial seaports at least every 2 years; requiring a radiation-scanning program for all containers entering high-volume U.S. ports; requiring a strategic plan to enhance the security of the international supply chain; requiring DHS to develop and update protocols for resuming trade after a transportation security incident; requiring rules for data collection to improve high-risk targeting of U.S.-bound cargo prior to loading at foreign seaports; requiring new standards for container security; authorizing U.S. Customs and Border Protection to establish the Customs-Trade Partnership Against Terrorism (C-TPAT), as a voluntary government-private sector program to strengthen and improve the overall security of the international supply chain and U.S. border security and to facilitate the movement of secure cargo; requiring screening of all incoming cargo containers and search or scanning for those identified as high-risk; establishing an Office of Cargo Security Policy within DHS; establishing a Domestic Nuclear Detection Office within DHS; and authorizing funds for these and other purposes in the Act.

CHEMICAL SECURITY

During the 109th Congress, the Committee devoted considerable time and effort to examining America's vulnerability to attacks on or criminal use of materials from facilities that produce, store, or use potentially dangerous chemicals.

The Committee held four hearings on anti-terrorism issues relating to chemical facilities in the spring and summer of 2005, and concluded that increased Federal safeguards were required. On December 19, 2005, Senator Collins introduced S. 2145, the Chemical Facility Anti-Terrorism Act of 2006, with Senators Lieberman, Carper, Coleman, and Levin as original cosponsors. The Committee reported the bill to the Senate in June 2006, and issued S. Rept. 109–332 on the measure on September 11, 2006.

The bill took an integrated approach to security, comprehensively addressing vulnerabilities, threats, and consequences of a terrorist attack on a chemical facility. It gave the Department of Homeland Security discretion to regulate at-risk chemical facilities after consideration of the potential extent and likelihood of death or injury, environmental harm, and economic loss that could result from a terrorist attack on the facility. All covered facilities must complete or update vulnerability assessments, security plans, and emergency response plans, and must submit these assessments and plans to DHS for approval. If DHS determines that a covered facility has not complied with the regulations or with an order issued under the bill, DHS may enforce those regulations and orders through a variety of mechanisms, including civil and criminal penalties, and issuing an order to a facility to cease operations.

S. 2145 was not enacted by the Senate, but it and related House measures were instrumental in laying the groundwork for a Conference Report mandate in the 2006 DHS Appropriations Bill, H.R. 2360, directing the Secretary of DHS to "submit a report . . . on the resources needed to implement mandatory security requirements for the Nation's chemical sector and to create a system for auditing and ensuring compliance with the security standards."

POSTAL SERVICE REFORM

The Committee's work in the 109th Congress helped produce the first modernization of the U.S. Postal Service in more than 30 years. As a free-standing, although federally assisted enterprise, the USPS faced serious challenges from the rise of electronic mail, competing delivery services, rising costs and a nationwide service mandate, and a pattern of repeated and unpredictable rate increases.

On March 17, 2005, Senator Collins introduced S. 662, the Postal Accountability and Enhancement Act, with 26 bipartisan cosponsors including Senators Carper and Voinovich as original cosponsors. The Committee reported the bill, amended, on July 14, 2005.

Among other provisions, the bill directed the Postal Regulatory Commission, created by the bill, to establish a modern ratemaking system with an annual price-change limit, cost-based discounts for mailers' presorting or barcoding work, and notice and public comment on USPS proposals for rate changes; directed the PRC to avoid cross-subsidizing competitive services from market-dominant products; required annual reports from the USPS, audited by its Inspector General; directed the USPS to establish and update service standards for market-dominant products to enhance the quality and value of postal services and preserve access to postal services in all communities; revised qualification requirements for members of the USPS Board of Governors; and provided for changes to strengthen USPS retirement-benefits finances.

The key provisions of the Committee-reported bill were reflected in H.R. 6407, also titled the Postal Accountability and Enhancement Act, which passed the House by voice vote and the Senate by unanimous consent, and became Public Law 109–435 on December 20, 2006.

FUNDING TRANSPARENCY

The approach of the 2007 fiscal year saw annual Federal expenditures climbing toward the $3 trillion mark, but with the details largely hidden from public view. "The public's ability to track how their tax dollars are used remains a monumental task," the Committee declared in S. Rept. 109–329. "There is currently no comprehensive, publicly-available source of detailed, accurate, complete and timely information on Federal Government spending. Even within the Federal Government, information on all spending decisions is not compiled in one place."

A bipartisan effort to change that situation was launched on April 6, 2006, when Senator Coburn introduced S. 2590, the Federal Funding Accountability and Transparency Act, "A bill to require full disclosure of all entities and organizations receiving Federal funds." The measure drew 47 cosponsors, including the Chairman and Ranking Member of the Committee on Homeland Security and Governmental Affairs, to which it was referred.

An amended version of the bill won unanimous approval from the Committee and was reported on August 2, 2006. In September, the full Senate passed the bill by unanimous consent and the

House passed it on a voice vote. Signed by the President on September 26, 2006, the Act became Public Law 109–282.

The Committee's report (S. Rept. 109–329) on the measure explained the rationale:

Without a rigorous and transparent accountability system in place to provide visibility into who is receiving Federal funds through contracts and grants, and for what purpose, there is a greater potential for fraud and abuse. One goal of S. 2590 is to mitigate the potential for fraud and abuse by allowing citizens to see how their tax dollars are spent. Greater transparency allows taxpayers to judge whether government funds are being used for purposes they consider valuable, or whether spending in certain areas is excessive or wasteful. It also allows the public to better understand, assess, and appreciate the scope and value of Federal investments in their communities and to more fully participate in shaping priorities for Federal spending. The Web site will also allow State governments to better evaluate what funds flow to their States, what needs are or are not being met through Federal funding, and may foster greater coordination between the Federal Government and States, and between States and their subawardees.

The law directs the Office of Management and Budget to establish a free, searchable, public Web site by January 1, 2008, to document the amount, transaction type, name and location of each recipient of Federal financial assistance and expenditures. Individual transactions below $25,000 and credit-card transactions before October 1, 2008, are excluded, as is classified information.

By January 1, 2009, the law also requires the single Web site to provide information on Federal subgrants and subcontracts. Entities whose gross income did not exceed $300,000 in the previous tax year are exempted from subawards reporting until the Director of OMB determines that the reporting would not be an undue burden; the Director can also extend the deadline for the start of subaward reporting up to 18 months. Annual reports to Congress on Web site implementation are required.

S. 2590 could be the impetus for further steps toward transparency. Senators Lautenberg and Coburn said in their "Additional Views" appendix to the Committee's report, "Transparency in government decision-making should not be limited simply to spending; it should also be extended to the decisions Congress makes about the tax code. The tax code is currently over 60,000 pages long, and it is filled with obscure and little-known tax breaks. Because we believe that transparency is one of the best tools we have to curb wasteful behavior, we look forward to working together and with the Committee to develop bipartisan legislation like S. 2590 that will bring increased transparency to the tax code."

IRAQ RECONSTRUCTION

Committee oversight hearings on Federal contracting relating to the reconstruction effort following the 2003 U.S. and Allied overthrow of Saddam Hussein's Baathist regime in Iraq had confirmed the valuable services of the Special Inspector General for Iraq Reconstruction (SIGIR)—a post created through bipartisan cooperation led by Senators Collins and Feingold.

SIGIR audits and reports had identified nearly $2 billion of waste, fraud, abuse, and other problems among more than $30 billion of U.S. contracts for goods and services in Iraq. Issues ranged from simple disappearance of funds to delays and cost overruns at a childrens' hospital and a $94 million Bagdadh police-barracks project that was structurally unsafe and contaminated by defective plumbing work.

Concerned that the SIGIR's authority was set to expire on October 1, 2007, while the United States would still be heavily involved in Iraq, Senators Collins and Feingold developed the Iraq Reconstruction Accountability Act, S. 4046. The bill removed the arbitrary sunset date for the SIGIR and provided that the SIGIR would operate until 10 months after 80 percent of Iraq reconstruction funds were expended, and that the SIGIR would issue a final, forensic audit of the reconstruction program.

The bill, introduced by Senator Collins with cosponsorship from Senators Lieberman, Feingold, and 27 other Senators of both parties, was reported from the Committee on November 16, 2006. It passed the Senate by unanimous consent on December 6 and the House by voice vote on December 8, and was signed by the President on December 20, 2006, becoming Public Law 109–440.

II. Committee Jurisdiction

The jurisdiction of the Committee (which was renamed the Committee on Homeland Security and Governmental Affairs when the 109th Congress convened) derives from the Rules of the Senate and from Senate Resolutions:

RULE XXV

* * * * * * * *

(k)(1) Committee on Governmental Affairs, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

1. Archives of the United States.
2. Budget and accounting measures, other than appropriations, except as provided in the Congressional Budget Act of 1974.
3. Census and collection of statistics, including economic and social statistics.
4. Congressional organization, except for any part of the matter that amends the rules or orders of the Senate.
5. Federal Civil Service.
6. Government information.
7. Intergovernmental relations.
8. Municipal affairs of the District of Columbia, except appropriations therefore.
9. Organization and management of United States nuclear export policy.
10. Organization and reorganization of the executive branch of the Government.
11. Postal Service.
12. Status of officers and employees of the United States, including their classification, compensation, and benefits.

(2) Such committee shall have the duty of—

(A) receiving and examining reports of the Comptroller General of the United States and of submitting such recommendations to the Senate as it deems necessary or desirable in connection with the subject matter of such reports;

(B) studying the efficiency, economy, and effectiveness of all agencies and departments of the Government;

(C) evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government; and

(D) studying the intergovernmental relationships between the United States and the States and municipalities, and between the United States and international organizations of which the United States is a member.

[Note: The Senate changed the name to the Committee on Homeland Security and Governmental Affairs at the start of the 109th Congress. See following item.]

SENATE RESOLUTION 50, 109TH CONGRESS

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS.

Sec. 11. (a) * * *

* * * * * * * *

(e) INVESTIGATIONS——

(1) IN GENERAL—The committee, or any duly authorized subcommittee of the committee, is authorized to study or investigate——

(A) the efficiency and economy of operations of all branches of the Government including the possible existence of fraud, misfeasance, malfeasance, collusion, mismanagement, incompetence, corruption, or unethical practices, waste, extravagance, conflicts of interest, and the improper expenditure of Government funds in transactions, contracts, and activities of the Government or of Government officials and employees and any and all such improper practices between Government personnel and corporations, individuals, companies, or persons affiliated therewith, doing business with the Government; and the compliance or noncompliance of such corporations, companies, or individuals or other entities with the rules, regulations, and laws governing the various governmental agencies and its relationships with the public;

(B) the extent to which criminal or other improper practices or activities are, or have been, engaged in the field of labor-management relations or in groups or organizations of employees or employers, to the detriment of interests of the public, employers, or employees, and to determine whether any changes are required in the laws of the United States in order to protect such interests against the occurrence of such practices or activities;

(C) organized criminal activity which may operate in or otherwise utilize the facilities of interstate or international commerce in furtherance of any transactions and the manner and extent to which, and the identity of the persons, firms, or corporations, or other entities by whom such utilization is being made, and further, to study and investigate the manner in which and the extent to which persons engaged in organized criminal activity have infiltrated lawful business enterprise, and to study the adequacy of

Federal laws to prevent the operations of organized crime in interstate or international commerce; and to determine whether any changes are required in the laws of the United States in order to protect the public against such practices or activities;

(D) all other aspects of crime and lawlessness within the United States which have an impact upon or affect the national health, welfare, and safety; including but not limited to investment fraud schemes, commodity and security fraud, computer fraud, and the use of offshore banking and corporate facilities to carry out criminal objectives;

(E) the efficiency and economy of operations of all branches and functions of the Government with particular reference to—

(i) the effectiveness of present national security methods, staffing, and processes as tested against the requirements imposed by the rapidly mounting complexity of national security problems;

(ii) the capacity of present national security staffing, methods, and processes to make full use of the Nation's resources of knowledge and talents;

(iii) the adequacy of present intergovernmental relations between the United States and international organizations principally concerned with national security of which the United States is a member; and

(iv) legislative and other proposals to improve these methods, processes, and relationships;

(F) the efficiency, economy, and effectiveness of all agencies and departments of the Government involved in the control and management of energy shortages including, but not limited to, their performance with respect to——

(i) the collection and dissemination of accurate statistics on fuel demand and supply;

(ii) the implementation of effective energy conservation measures;

(iii) the pricing of energy in all forms;

(iv) coordination of energy programs with State and local government;

(v) control of exports of scarce fuels;

(vi) the management of tax, import, pricing, and other policies affecting energy supplies;

(vii) maintenance of the independent sector of the petroleum industry as a strong competitive force;

(viii) the allocation of fuels in short supply by public and private entities;

(ix) the management of energy supplies owned or controlled by the Government;

(x) relations with other oil producing and consuming countries;

(xi) the monitoring of compliance by governments, corporations, or individuals with the laws and regulations governing the allocation, conservation, or pricing of energy supplies; and

(xii) research into the discovery and development of alternative energy supplies; and

(G) the efficiency and economy of all branches and functions of Government with particular references to the operations and management of Federal regulatory policies and programs.

(2) EXTENT OF INQUIRIES—In carrying out the duties provided in paragraph (1), the inquiries of this committee or any sub-

committee of the committee shall not be construed to be limited to the records, functions, and operations of any particular branch of the Government and may extend to the records and activities of any persons, corporation, or other entity.

(3) SPECIAL COMMITTEE AUTHORITY—For the purposes of this subsection, the committee, or any duly authorized subcommittee of the committee, or its chairman, or any other member of the committee or subcommittee designated by the chairman, from March 1, 2005, through February 28, 2007, is authorized, in its, his, or their discretion——

(A) to require by subpoena or otherwise the attendance of witnesses and production of correspondence, books, papers, and documents;

(B) to hold hearings;

(C) to sit and act at any time or place during the sessions, recess, and adjournment periods of the Senate;

(D) to administer oaths; and

(E) to take testimony, either orally or by sworn statement, or, in the case of staff members of the Committee and the Permanent Subcommittee on Investigations, by deposition in accordance with the Committee Rules of Procedure.

(4) AUTHORITY OF OTHER COMMITTEES—Nothing contained in this subsection shall affect or impair the exercise of any other standing committee of the Senate of any power, or the discharge by such committee of any duty, conferred or imposed upon it by the Standing Rules of the Senate or by the Legislative Reorganization Act of 1946.

(5) SUBPOENA AUTHORITY—All subpoenas and related legal processes of the committee and its subcommittee authorized under S. Res. 66, agreed to February 26, 2003 (108th Congress) are authorized to continue.

III. Bills and Resolutions Referred and Considered

During the 109th Congress, 211 Senate bills and 98 House bills were referred to the Committee for consideration. In addition, 9 Senate Resolutions and 5 Senate Concurrent Resolutions were referred to the Committee.

The Committee reported 75 bills; an additional 74 measures were discharged.

Of the legislation received by the Committee, 106 measures became public laws, including 91 postal naming bills.

IV. Hearings

During the 109th Congress, the Committee held 75 hearings on legislation, oversight issues, and nominations including one joint hearing with the Veterans Affairs Committee. Hearing titles and dates follow.

The Committee also held 16 scheduled business meetings.

Lists of hearings with copies of statements by Members and witnesses, with archives going back to 1997, are online at the Committee's Web site, http://hsgac.senate.gov/.

Department of Homeland Security: The Road Ahead. January 26, 2005. (332 pp. S. Hrg. 109–15.)

Nomination of Hon. Michael Chertoff to be Secretary of Homeland Security, U.S. Department of Homeland Security. February 2, 2005. (334 pp. S. Hrg. 109–6.)

Transforming Government for the 21st Century. February 16, 2005. (75 pp. S. Hrg. 109–7.)

Nomination of Hon. Michael P. Jackson to be Deputy Secretary of the Department of Homeland Security. March 7, 2005. (144 pp. S. Hrg. 109–44.)

Department of Homeland Security's Budget Submission for Fiscal Year 2006. March 9, 2005. (79 pp. S. Hrg. 109–8.)

U.S. Postal Service: What Is Needed To Ensure Its Future Viability? April 14, 2005. (115 pp. S. Hrg. 109–198.)

Chemical Attack on America: How Vulnerable Are We? April 27, 2005. (110 pp. S. Hrg. 109–62.)

FEMA's Response to the 2004 Florida Hurricanes. May 18, 2005. (106 pp. S. Hrg. 109–161.)

Nominations of Carolyn Lewis Gallagher to be Governor of the U.S. Postal Service, Louis J. Giuliano to be Governor of the U.S. Postal Service, and Tony Hammond to be Commissioner of the Postal Rate Commission. May 19, 2005. (90 pp. S. Hrg. 109–63.) Star Print.

Nomination of Hon. Philip J. Perry, to be General Counsel of the U.S. Department of Homeland Security. May 19, 2005. (73 pp. S. Hrg. 109–197.)

Counterfeit Goods: Easy Cash for Criminals and Terrorists. May 25, 2005. (64 pp. S. Hrg. 109–202.)

Nomination of Hon. Linda M. Combs to be Controller, Office of Federal Financial Management, Office of Management and Budget. May 25, 2005. (41 pp. S. Hrg. 109–113.)

Is the Federal Government Doing Enough To Secure Chemical Facilities and Is More Authority Needed? June 15, 2005. (63 pp. S. Hrg. 109–175.)

Nomination of Hon. Linda M. Springer to be Director, Office of Personnel Management; Hon. Laura A. Condero to be Associate Judge, Superior Court of the District of Columbia; and Hon. Noel Anketell Kramer to be Associate Judge, District of Columbia Court of Appeals. June 15, 2005. (133 pp. S. Hrg. 109–156.)

Juvenile Diabetes: Examining the Personal Toll on Families, Financial Costs to the Federal Health Care System, and Research Progress Toward a Cure. June 21, 2005. (71 pp. S. Hrg. 109–225.)

Vulnerabilities in the U.S. Passport System Can Be Exploited By Criminals and Terrorists. June 29, 2005. (98 pp. S. Hrg. 109–304.)

Chemical Facility Security: What Is the Appropriate Federal Role? July 13 and July 29, 2005. (632 pp. S. Hrg. 109–382.)

U.S. Department of Homeland Security: Second Stage Review. July 14, 2005. (79 pp. S. Hrg. 109–359.)

Nominations of Richard L. Skinner to be Inspector General of the Department of Homeland Security, and Brian D. Miller to be Inspector General of the General Services Administration. July 18, 2005. (99 pp. S. Hrg. 109–199.)

Nomination of Edmund S. "Kip" Hawley to be the Assistant Secretary of Homeland Security for the Transportation Security Administration, Department of Homeland Security. July 18, 2005. (86 pp. S. Hrg. 109–310.)

Nominations of Colleen Duffy Kiko to be General Counsel, Federal Labor Relations Authority, Mary M. Rose to be Member, Merit Systems Protection Board, Hon. Juliet J. McKenna to be Associate Judge, District of Columbia Superior Court, and Hon. John R. Fisher to be Associate Judge, District of Columbia Court of Appeals. September 13, 2005. (138 pp. S. Hrg. 109–200.)

Recovering From Hurricane Katrina: The Next Phase. September 14, 2005. (121 pp. S. Hrg. 109–399.)

Nominations of Stewart A. Baker to be Assistant Secretary for Policy, Department of Homeland Security, and Julie L. Myers to be Assistant Secretary for U.S. Immigration and Customs Enforcement, Department of Homeland Security. September 15, 2005. (177 pp. S. Hrg. 109–327.)

After London Attacks: What Lessons Have Been Learned to Secure U.S. Transit Systems? September 21, 2005. (78 pp. S. Hrg. 109–481.)

Recovering from Hurricane Katrina: Responding To the Immediate Needs of Its Victims. September 28, 2005. (115 pp. S. Hrg. 109–445.)

Hurricane Katrina: How Is FEMA Performing Its Mission at This Stage of Recovery? October 6, 2005. (106 pp. S. Hrg. 109–467.)

Hurricane Katrina in New Orleans: A Flooded City, A Chaotic Response. October 20, 2005. (69 pp. S. Hrg. 109–482.)

Hurricane Katrina: Why Did the Levees Fail? November 2, 2005. (357 pp. S. Hrg. 109–526.)

Always Ready: The Coast Guard's Response to Hurricane Katrina. November 9, 2005. (49 pp. S. Hrg. 109–527.)

Hurricane Katrina: What Can the Government Learn From the Private Sector's Response? November 16, 2005. (67 pp. S. Hrg. 109–538.)

From Proposed to Final: Evaluating the Regulations for the National Security Personnel System. November 17, 2005. (243 pp. S. Hrg. 109–575.)

Hurricane Katrina: Perspectives of FEMA's Operations Professionals. December 8, 2005. (105 pp. S. Hrg. 109–591.)

Nominations of George W. Foresman to be Under Secretary for Preparedness, U.S. Department of Homeland Security, and Tracy A. Henke to be Executive Director of the Office of State and Local Government Coordination and Preparedness, U.S. Department of Homeland Security. December 8, 2005. (255 pp. S. Hrg. 109–513.)

Hurricane Katrina: Who's In Charge of the New Orleans Levees? December 15, 2005. (115 pp. S. Hrg. 109–616.)

Hurricane Katrina: Mississippi's Recovery. January 17, 2006. (68 pp. S. Hrg. 109–711.)

Preparing For a Catastrophe: The Hurricane PAM Exercise. January 24, 2006. (109 pp. S. Hrg. 109–403.)

Lobbying Reform: Proposals and Issues. January 25, 2006. (142 pp. S. Hrg. 109–428.)

Hurricane Katrina: Urban Search and Rescue in a Catastrophe. January 30, 2006. (81 pp. S. Hrg. 109–757.)

Challenges In A Catastrophe: Evacuating New Orleans In Advance of Hurricane Katrina. January 31, 2006. (167 pp. S. Hrg. 109–735.)

Hurricane Katrina: Managing the Crisis and Evacuating New Orleans. February 1, 2006. (135 pp. S. Hrg. 109–793.)

Hurricane Katrina: The Role of the Governors in Managing the Catastrophe. February 2, 2006. (168 pp. S. Hrg. 109–804.)

Hurricane Katrina: Managing Law Enforcement and Communications in a Catastrophe. February 6, 2006. (116 pp. S. Hrg. 109–656.)

Hurricane Katrina: The Defense Department's Role in the Response. February 9, 2006. (294 pp. S. Hrg. 109–813.)

Hurricane Katrina: The Roles of U.S. Department of Homeland Security and Federal Emergency Management Agency Leadership. February 10, 2006. (340 pp. S. Hrg. 109–829.)

Hurricane Katrina: Waste, Fraud, and Abuse Worsen the Disaster. February 13, 2006, 2006. (165 pp. S. Hrg. 109–731.)

Hurricane Katrina: The Homeland Security Department's Preparation and Response. February 15, 2006. (175 pp. S. Hrg. 109–848.)

The Department of Homeland Security's Budget Submission for Fiscal Year 2007. March 1, 2006. (120 pp. S. Hrg. 109–849.)

Hurricane Katrina: Recommendations for Reform. March 8, 2006. (240 pp. S. Hrg. 109–863.)

Nomination of Uttam Dhillon to be Director, Office of Counternarcotics Enforcement, U.S. Department of Homeland Security. March 31, 2006. (53 pp. S. Hrg. 109–542.)

Nomination of Mark D. Acton to be Commissioner, Postal Rate Commission. March 31, 2006. (32 pp. S. Hrg. 109–549.)

The Future of Port Security: The GreenLane Maritime Cargo Security Act. April 5, 2006. (115 pp. S. Hrg. 109–877.)

Rhode Island Homeland Security Priorities: Preparation for the 2006 Hurricane Season. (Field hearing in Providence, Rhode Island. April 20, 2006. (Not Yet Printed, 00 pp. S. Hrg. 109–932.)

FEMA's Manufactured Housing Program: Haste Makes Waste. (Field hearing in Hope, Arkansas. April 21, 2006. (95 pp. S. Hrg. 109–962.)

Nomination of David L. Norquist to be Chief Financial Officer for the U.S. Department of Homeland Security. May 8, 2006. (143 pp. S. Hrg. 109–520.)

Nomination of Hon. Robert J. Portman to be Director, Office of Management and Budget. May 17, 2006. (118 pp. S. Hrg. 109–657.)

Nomination of Robert I. Cusick to be Director, Office of Government Ethics. May 18, 2006. (40 pp. S. Hrg. 109–617.)

Nomination of Lurita Alexis Doan to be Administrator, U.S. General Services Administration. May 22, 2006. (71 pp. S. Hrg. 109–618.)

Nomination of R. David Paulison to be Under Secretary for Federal Emergency Management, U.S. Department of Homeland Security. May 24, 2006. (149 pp. S. Hrg. 109–673.)

Veterans Affairs Data Privacy Breach: Twenty-Six Million People Deserve Answers. Joint hearing with the Veterans' Affairs Committee. May 25, 2006. (Printed by the Veterans Affairs Committee. 55 pp. S. Hrg. 109–577)

National Emergency Management: Where Does FEMA Belong? June 8, 2006. (108 pp. S. Hrg. 109–974.)

Nomination of Paul A. Denett to be Administrator of the Office of Federal Procurement Policy, Office of Management and Budget. June 20, 2006. (78 pp. S. Hrg. 109–873.)

Nominations of Hon. Mickey D. Barnett, Katherine C. Tobin, and Ellen C. Williams, to be Governors of the U.S. Postal Service. June 28, 2006. (130 pp. S. Hrg. 109–870.)

Nominations of Hon. Anne Blackburne-Rigsby and Phyllis D. Thompson, to be Associate Judges, District of Columbia Court of Appeals; and Jennifer M. Anderson, to be Associate Judge, Superior Court of the District of Columbia. July 11, 2006. (90 pp. S. Hrg. 109–907.)

Nomination of Stephen S. McMillin to be Deputy Director of the Office of Management and Budget. July 13, 2006. (60 pp. S. Hrg. 109–908.)

Department of Homeland Security Purchase Cards: Credit Without Accountability. July 19, 2006. (120 pp. S. Hrg. 109–889.)

Iraq Reconstruction: Lessons Learned in Contracting. August 2, 2006. (76 pp. S. Hrg. 109–966.)

Homeland Security: The Next 5 Years. September 12, 2006. (57 pp. S. Hrg. 109–938.)

Nominations of Wayne C. Beyer to be Member, Federal Labor Relations Authority, and Stephen T. Conboy to be U.S. Marshal, Superior Court of the District of Columbia. September 13, 2006. (58 pp. S. Hrg. 109–902.)

Prison Radicalization: Are Terrorist Cells Forming in U.S. Cell Blocks? September 19, 2006. (159 pp. S. Hrg. 109–954.)

Critical Mission: Assessing Spiral 1.1 of the National Security Personnel System. September 20, 2006. (66 pp. S. Hrg. 109–927.)

The Potential of an Artificial Pancreas: Improving Care for People With Diabetes. September 27, 2006. (61 pp. S. Hrg. 109–961.)

Nomination of Susan E. Dudley, to be Administrator, Office of Information and Regulatory Affairs, Office of Management and Budget. November 13, 2006. (246 pp. S. Hrg. 109–955.)

Nominations of Hon. James H. Bilbray, Thurgood Marshall, Jr., to be Governors, U.S. Postal Services, and Hon. Dan G. Blair, to be Chairman, Postal Rate Commission. November 14, 2006. (87 pp. S. Hrg. 109–924.)

Hurricane Katrina: Stopping the Flood of Fraud, Waste, and Abuse. December 6, 2006. (66 pp. S. Hrg. 109–930.)

Nomination of Paul A. Schneider to be Under Secretary for Management, U.S. Department of Homeland Security. December 6, 2006. (67 pp. S. Hrg. 109–871.)

V. Reports, Prints, and GAO Reports

During the 109th Congress, the Committee prepared and issued 16 reports, including one Special Report, and five Committee Prints on the following topics. Reports issued by the Subcommittees are listed in their respective sections of this document.

Committee Reports

Homeland Security Grant Enhancement Act of 2005. S. Rept. 109–71, re. S. 21.

Federal Employee Protection of Disclosures Act. S. Rept. 109–72, re. S. 494.

Congressional Award Act. S. Rept. 109–87, re. S. 335.

National Women's History Museum Act of 2005. S. Rept. 109–104, re. S. 501.

Extending the Special Postage Stamp for Breast Cancer. S. Rept. 109–140, re. S. 37.

Providing for the participation of employees in the Judicial Branch in the Federal leave transfer program for disasters and emergencies. S. Rept. 109–158, re. S. 1736.

Homeland Security Food and Agriculture Act of 2005. S. Rept. 109–209, re. S. 572.

General Services Administration Modernization Act. S. Rept. 109–257, re. H.R. 2066.

To extend relocation expenses test programs for Federal employees. S. Rept. 109–289, re. S. 2146.

To preserve existing judgeships on the Superior Court of the District of Columbia. S. Rept. 109–316, re. S. 2068.

Debris Removal Act of 2005. S. Rept. 109–320, re. S. 939.

Hurricane Katrina: A Nation Still Unprepared. S. Rept. 109–322. Special Report.

Federal Funding Accountability and Transparency Act of 2006. S. Rept. 109–329, re. S. 2590.

Chemical Facility Anti-Terrorism Act of 2006. S. Rept. 109–332, re. S. 2145.

Federal and District of Columbia Government Real Property Act of 2005. S. Rept. 109–359, re. S. 1838.

Activities of the Committee on Governmental Affairs for the 108th Congress. S. Rept. 109–368.

Committee Prints

The committee issued the following Committee Prints during the 109th Congress:

Organization of Federal Executive Departments and Agencies. Agencies and Functions of the Federal Government Established, Abolished, Continued, Modified, Reorganized, Extended, Transferred, or Changed in Name by Legislative or Executive Action During Calendar Years 2003 and 2004. (Prepared by the Office of the Federal Register, National Archives and Records Administration for the Committee on Homeland Security and Governmental Affairs.) (Printed. 29 pp. S. Prt. 109–16)

Rules of Procedure. Permanent Subcommittee on Investigations. (Printed. 18 pp. S. Prt. 109–20.)

Rules of Procedure. Committee on Homeland Security and Governmental Affairs. (Printed. 36 pp. S. Prt. 109–21.)

Legislative Calendar for the 109th Congress. (164 pp. S. Prt. 109–76)

GAO Reports

Also during the 109th Congress, the Government Accountability Office (GAO) issued 130 reports at the request of the Committee. GAO reports requested by Subcommittees appear in their respective sections. Reports are listed here by title, GAO number, and release date.

Diversity Management: Expert-Identified Leading Practices and Agency Examples. GAO–05–90. January 14, 2005.

Federal Thrift Savings Plan: Customer Service Practices Adopted by Private Sector Plan Managers Should Be Considered. GAO–05–38. January 18, 2005.

Gun Control and Terrorism: FBI Could Better Manage Firearm-Related Background Checks Involving Terrorist Watch List Records. GAO–05–127. January 19, 2005.

Federal Procurement: International Agreements Result in Waivers of Some U.S. Domestic Source Restrictions. GAO–05–188. January 26, 2005.

Tax Shelters: Services Provided by External Auditors. GAO–05–171. February 1, 2005.

Contract Management: Opportunities to Improve Pricing of GSA Multiple Award Schedules Contracts. GAO–05–229. February 11, 2005.

Food Safety: Experiences of Seven Countries in Consolidating Their Food Safety Systems. GAO–05–212. February 22, 2005.

Bioterrorism: Information on Jurisdictions' Expenditure and Reported Obligation of Program Funds. GAO–05–239. February 28, 2005.

Performance Budgeting: States' Experiences Can Inform Federal Efforts. GAO–05–215. February 28, 2005.

Homeland Security: Much Is Being Done to Protect Agriculture from a Terrorist Attack, but Important Challenges Remain. GAO–05–214. March 8, 2005.

Cargo Security: Partnership Program Grants Importers Reduced Scrutiny with Limited Assurance of Improved Security. GAO–05–404. March 11, 2005.

Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization. GAO–05–179. March 29, 2005.

Oversight of Food Safety Activities: Federal Agencies Should Pursue Opportunities to Reduce Overlap and Better Leverage Resources. GAO–05–213. March 30, 2005.

Financial Audit: Independent and Special Counsel Expenditures for the Six Months Ended September 30, 2004. GAO–05–359. March 31, 2005.

Preventing Nuclear Smuggling: DOE Has Made Limited Progress in Installing Radiation Detection Equipment at Highest Priority Foreign Seaports. GAO–05–375. March 31, 2005.

Unfunded Mandates: Views Vary About Reform Act's Strengths, Weaknesses, and Options for Improvement. GAO–05–454. March 31, 2005.

Grants Management: Additional Actions Needed to Streamline and Simplify Processes. GAO–05–335. April 18, 2005.

Container Security: A Flexible Staffing Model and Minimum Equipment Requirements Would Improve Overseas Targeting and Inspection Efforts. GAO–05–557. April 26, 2005.

Equal Employment Opportunity: The Policy Framework in the Federal Workplace and the Roles of EEOC and OPM. GAO–05–195. April 29, 2005.

DOD Excess Property: Management Control Breakdowns Result in Substantial Waste and Inefficiency. GAO–05–277. May 13, 2005.

State Department: Improvements Needed to Strengthen U.S. Passport Fraud Detection Efforts. GAO–05–477. May 20, 2005.

Critical Infrastructure Protection: Department of Homeland Security Faces Challenges in Fulfilling Cybersecurity Responsibilities. GAO–05–434. May 26, 2005.

Clean Air Act: Emerging Mercury Control Technologies Have Shown Promising Results, but Data on Long-Term Performance Are Limited. GAO–05–612. May 31, 2005.

Federal Disability Assistance: Wide Array of Programs Needs to be Examined in Light of 21st Century Challenges. GAO–05–626. June 2, 2005.

Financial Management: Thousands of Civilian Agency Contractors Abuse the Federal Tax System with Little Consequence. GAO–05–637. June 16, 2005.

Information Security: Department of Homeland Security Needs to Fully Implement Its Security Program. GAO–05–700. June 17, 2005.

Oil And Gas Development: Increased Permitting Activity Has Lessened BLM's Ability to Meet Its Environmental Protection Responsibilities. GAO–05–418. June 17, 2005.

Hardrock Mining: BLM Needs to Better Manage Financial Assurances to Guarantee Coverage of Reclamation Costs. GAO–05–377. June 20, 2005.

Human Capital: Selected Agencies Have Opportunities to Enhance Existing Succession Planning and Management Efforts. GAO–05–585. June 30, 2005.

Human Capital: DOD's National Security Personnel System Faces Implementation Challenges. GAO–05–730. July 14, 2005.

Information Security: Weaknesses Persist at Federal Agencies Despite Progress Made in Implementing Related Statutory Requirements. GAO–05–552. July 15, 2005.

U.S. Postal Service: Guidance on Suspicious Mail Needs Further Refinement. GAO–05–716. July 19, 2005.

Federal Student Loan Repayment Program: OPM Could Build on Its Efforts to Help Agencies Administer the Program and Measure Results. GAO–05–762. July 22, 2005.

Federal Contracting: Share-in-Savings Initiative Not Yet Tested. GAO–05–736. July 26, 2005.

Rebuilding Iraq: Status of Funding and Reconstruction Efforts. GAO–05–876. July 28, 2005.

Border Security: Actions Needed to Strengthen Management of Department of Homeland Security's Visa Security Program. GAO–05–801. July 29, 2005.

Federal Procurement: Additional Data Reporting Could Improve the Suspension and Debarment Process. GAO–05–479. July 29, 2005.

Data Mining: Agencies Have Taken Key Steps to Protect Privacy in Selected Efforts, but Significant Compliance Issues Remain. GAO–05–866. August 15, 2005.

NASA Travel: Passenger Aircraft Services Annually Cost Taxpayers Millions More Than Commercial Airlines. GAO–05–818. August 26, 2005.

Rebuilding Iraq: U.S. Water and Sanitation Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaning Facilities. GAO–05–872. September 7, 2005.

Prescription Drugs: Strategic Framework Would Promote Accountability and Enhance Efforts to Enforce the Prohibitions on Personal Importation. GAO–05–372. September 8, 2005.

Chief Information Officers: Responsibilities and Information Technology Governance at Leading Private-Sector Companies. GAO–05–986. September 9, 2005.

Electronic Rulemaking: Progress Made in Developing Centralized E-Rulemaking System. GAO–05–777. September 9, 2005.

Waters and Wetlands: Corps of Engineers Needs to Better Support Its Decisions for Not Asserting Jurisdiction. GAO–05–870. September 9, 2005.

Border Security: Strengthened Visa Process Would Benefit from Improvements in Staffing and Information Sharing. GAO–05–859. September 13, 2005.

International Affairs: Information on U.S. Agencies' Efforts to Address Islamic Extremism. GAO–05–852. September 16, 2005.

Financial Management: Achieving FFMIA Compliance Continues to Challenge Agencies. GAO–05–881. September 20, 2005.

Department of Homeland Security: Strategic Management of Training Important for Successful Transformation. GAO–05–888. September 23, 2005.

Elections: Views of Selected Local Election Officials on Managing Voter Registration and Ensuring Eligible Citizens Can Vote. GAO–05–997. September 27, 2005.

Crop Insurance: Actions Needed to Reduce Program's Vulnerability to Fraud, Waste, and Abuse. GAO–05–528. September 30, 2005.

Financial Audit: Independent and Special Counsel Expenditures for the Six Months Ended March 31, 2005. GAO–05–961. September 30, 2005.

Influenza Vaccine: Shortages in 2004–05 Season Underscore Need for Better Preparation. GAO–05–984. September 30, 2005.

U.S. Postal Service: Factors Affecting Fund-Raising Stamp Sales Suggest Lessons Learned. GAO–05–953. September 30, 2005.

Nuclear Nonproliferation: IAEA Has Strengthened Its Safeguards and Nuclear Security Programs, but Weaknesses Need to Be Addressed. GAO–06–93. October 7, 2005.

Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies. GAO–06–15. October 21, 2005.

Terrorist Financing: Better Strategic Planning Needed to Coordinate U.S. Efforts to Deliver Counter-Terrorism Financing Training and Technical Assistance Abroad. GAO–06–19. October 24, 2005.

International Trade: U.S. and India Data on Offshoring Show Significant Differences. GAO–06–116. October 27, 2005.

Food and Drug Administration: Decision Process to Deny Initial Application for Over-the-Counter Marketing of the Emergency Contraceptive Drug Plan B Was Unusual. GAO–06–109. November 14, 2005.

Environmental Protection: More Complete Data and Continued Emphasis on Leak Prevention Could Improve EPA's Underground Storage Tank Program. GAO–06–45. November 30, 2005.

International Trade: USTR Would Benefit from Greater Use of Strategic Human Capital Management Principles. GAO–06–167. December 6, 2005.

U.S. Postal Service: Purchasing Changes Seem Promising, but Ombudsman Revisions and Continued Oversight Are Needed. GAO–06–190. December 15, 2005.

Homeland Security: DHS Needs to Improve Ethics-Related Management Controls for the Science and Technology Directorate. GAO–06–206. December 22, 2005.

DOD Business Transformation: Defense Travel System Continues to Face Implementation Challenges. GAO–06–18. January 18, 2006.

Homeland Security: DHS Is Taking Steps to Enhance Security at Chemical Facilities, but Additional Authority Is Needed. GAO–06–150. January 27, 2006.

State's Centrally Billed Foreign Affairs Travel: Internal Control Breakdowns and Ineffective Oversight Lost Taxpayers Tens of Millions of Dollars. GAO–06–298. March 10, 2006.

Combating Nuclear Smuggling: Corruption, Maintenance, and Coordination Problems Challenge U.S. Efforts to Provide Radiation Detection Equipment to Other Countries. GAO–06–311. March 14, 2006.

Information Sharing: The Federal Government Needs to Establish Policies and Processes for Sharing Terrorism-Related and Sensitive but Unclassified Information. GAO–06–385. March 17, 2006.

Combating Nuclear Smuggling: DHS Has Made Progress Deploying Radiation Detection Equipment at U.S. Ports-of-Entry, but Concerns Remain. GAO–06–389. March 22, 2006.

Offshoring in Six Human Services Programs: Offshoring Occurs in Most States, Primarily in Customer Service and Software Development. GAO–06–342. March 28, 2006.

Financial Audit: Independent and Special Counsel Expenditures for the Six Months Ended September 30, 2005. GAO–06–485. March 31, 2006.

Human Capital: Agencies Are Using Buyouts and Early Outs with Increasing Frequency to Help Reshape Their Workforces. GAO–06–324. March 31, 2006.

Information Technology: Near-Term Effort to Automate Paper-Based Immigration Files Needs Planning Improvements. GAO–06–375. March 31, 2006.

Long-Term Care Insurance: Federal Program Compared Favorably with Other Products, and Analysis of Claims Trend Could Inform Future Decisions. GAO–06–401. March 31, 2006.

Hurricane Katrina: Comprehensive Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance. GAO–06–460. April 6, 2006.

Company Formations: Minimal Ownership Information Is Collected and Available. GAO–06–376. April 7, 2006.

Elections: Absentee Voting Assistance to Military and Overseas Citizens Increased for the 2004 General Election, but Challenges Remain. GAO–06–521. April 7, 2006.

United Nations: Funding Arrangement Impede Independence of Internal Auditors. GAO–06–575. April 25, 2006.

United Nations: Lessons Learned from Oil for Food Program Indicate the Need to Strengthen UN Internal Controls and Oversight Activities. GAO–06–330. April 25, 2006.

United Nations: Procurement Internal Controls Are Weak. GAO–06–577. April 25, 2006.

Hurricane Katrina: Army Corps of Engineers Contract for Mississippi Classrooms. GAO–06–454. May 1, 2006.

Equal Employment Opportunity: DOD's EEO Pilot Program Under Way, but Improvements Needed to DOD's Evaluation Plan. GAO–06–538. May 5, 2006.

Hurricane Katrina: Better Plans and Exercises Needed to Guide the Military's Response to Catastrophic Natural Disasters. GAO–06–643. May 15, 2006.

2010 Census: Census Bureau Generally Follows Selected Leading Acquisition Planning Practices, but Continued Management Attention Is Needed to Help Ensure Success. GAO–06–277. May 18, 2006.

Cooperative Threat Reduction: DOD Needs More Reliable Data to Better Estimate the Cost and Schedule of the Shchuch'ye Facility. GAO–06–692. May 31, 2006.

Elections: The Nation's Evolving Election System as Reflected in the November 2004 General Election. GAO–06–450. June 6, 2006.

Hurricanes Katrina and Rita: Coordination between FEMA and the Red Cross Should Be Improved for the 2006 Hurricane Season. GAO–06–712. June 8, 2006.

2010 Census: Census Bureau Needs to Take Prompt Actions to Resolve Long-standing and Emerging Address and Mapping Challenges. GAO–06–272. June 15, 2006.

Equal Employment Opportunity: Improved Coordination Needed between EEOC and OPM in Leading Federal Workplace EEO. GAO–06–214. June 16, 2006.

Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse. GAO–06–655. June 16, 2006.

Internet Infrastructure: DHS Faces Challenges in Developing a Joint Public/Private Recovery Plan. GAO–06–672. June 16, 2006.

Rebuilding Iraq: More Comprehensive National Strategy Needed to Help Achieve U.S. Goals. GAO–06–788. July 11, 2006.

Disaster Preparedness: Limitations in Federal Evacuation Assistance for Health Facilities Should be Addressed. GAO–06–826. July 20, 2006.

U.S. Postal Service: Delivery Performance Standards, Measurement, and Reporting Need Improvement. GAO–06–733. July 27, 2006.

Baby Boom Generation: Retirement of Baby Boomers Is Unlikely to Precipitate Dramatic Decline in Market Returns, but Broader Risks Threaten Retirement Security. GAO–06–718. July 28, 2006.

Community Development Block Grants: Program Offers Recipients Flexibility but Oversight Can Be Improved. GAO–06–732. July 28, 2006.

Grants Management: Grantees' Concerns with Efforts to Streamline and Simplify Processes. GAO–06–566. July 28, 2006.

Small Business Administration: Actions Needed to Provide More Timely Disaster Assistance. GAO–06–860. July 28, 2006.

Coast Guard: Observations on the Preparation, Response, and Recovery Missions Related to Hurricane Katrina. GAO–06–903. July 31, 2006.

Security Assistance: Lapses in Human Rights Screening in North African Countries Indicate Need for Further Oversight. GAO–06–850. July 31, 2006.

Strategic Petroleum Reserve: Available Oil Can Provide Significant Benefits, but Many Factors Should Influence Future Decisions about Fill, Use, and Expansion. GAO–06–872. August 24, 2006.

Privacy: Domestic and Offshore Outsourcing of Personal Information in Medicare, Medicaid, and TRICARE. GAO–06–676. September 5, 2006.

Catastrophic Disasters: Enhanced Leadership, Capabilities, and Accountability Controls Will Improve the Effectiveness of the Nation's Preparedness, Response, and Recovery System. GAO–06–618. September 6, 2006.

Disaster Relief: Governmentwide Framework Needed to Collect and Consolidate Information to Report on Billions in Federal Funding for the 2005 Gulf Coast Hurricanes. GAO–06–834. September 6, 2006.

Hurricane Katrina: Strategic Planning Needed to Guide Future Enhancements Beyond Interim Levee Repairs. GAO–06–934. September 6, 2006.

United Nations: Additional Efforts Needed to Increase U.S. Employment at U.N. Agencies. GAO–06–988. September 6, 2006.

Natural Gas: Roles of Federal and State Regulators in Overseeing Prices. GAO–06–968. September 8, 2006.

Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers. GAO–06–929. September 12, 2006.

Mail Security: Incidents at DOD Mail Facilities Exposed Problems That Require Further Actions. GAO–06–757. September 15, 2006.

Defense Travel System: Reported Savings Questionable and Implementation Challenges Remain. GAO–06–980. September 26, 2006.

Financial Management: Improvements Under Way but Serious Financial Systems Problems Persist. GAO–06–970. September 26, 2006.

Hurricanes Katrina and Rita: Unprecedented Challenges Exposed the Individuals and Households Program to Fraud and Abuse; Actions Needed to Reduce Such Problems in Future. GAO–06–1013. September 27, 2006.

Interagency Contracting: Improved Guidance, Planning, and Oversight Would Enable the Department of Homeland Security to Address Risks. GAO–06–996. September 27, 2006.

DOD Personnel Clearances: Additional OMB Actions Are Needed to Improve the Security Clearance Process. GAO–06–1070. September 28, 2006.

Purchase Cards: Control Weaknesses Leave DHS Highly Vulnerable to Fraudulent, Improper, and Abusive Activity. GAO–06–1117. September 28, 2006.

Financial Audit: Independent and Special Counsel Expenditures for the Six Months Ended March 31, 2006. GAO–06–1054. September 29, 2006.

Hurricane Katrina: Status of Hospital Inpatient and Emergency Departments in the Greater New Orleans Area. GAO–06–1003. September 29, 2006.

Transportation Security: DHS Should Address Key Challenges before Implementing the Transportation Worker Identification Credential Program. GAO–06–982. September 29, 2006.

United Nations: Management Reforms Progressing Slowly with Many Awaiting General Assembly Review. GAO–07–14. October 5, 2006.

Medicaid: Strategies to Help States Address Increased Expenditures during Economic Downturns. GAO–07–97. October 18, 2006.

Homeland Security: Opportunities Exist to Enhance Collaboration at 2April 7 Operations Centers Staffed by Multiple DHS Agencies. GAO–07–89. October 20, 2006.

Immigration Benefits: Additional Efforts Needed to Help Ensure Alien Files Are Located when Needed. GAO–07–85. October 27, 2006.

Improper Payments: Agencies' Fiscal Year 2005 Reporting under the Improper Payments Information Act Remains Incomplete. GAO–07–92. November 14, 2006.

Internal Revenue Service: Procedural Changes Could Enhance Tax Collections. GAO–07–26. November 15, 2006.

Information Technology: DOD Needs to Ensure That Navy Marine Corps Intranet Program Is Meeting Goals and Satisfying Customers. GAO–07–51. December 8, 2006.

Information Technology: Status and Challenges of Employee Exchange Program. GAO–07–216. December 15, 2006.

National Flood Insurance Program: New Processes Aided Hurricane Katrina Claims Handling, but FEMA's Oversight Should Be Improved. GAO–07–169. December 15, 2006.

Federal Employees Health Benefits Program: Premium Growth Has Recently Slowed, and Varies among Participating Plans. GAO–07–141. December 22, 2006.

Homeland Security First Responder Grants: Cash Management Improvement Act Exemption and Cash Advance Funding Require Additional DHS Oversight. GAO–07–68. December 22, 2006.

Transportation-Disadvantaged Populations: Actions Needed to Clarify Responsibilities and Increase Preparedness for Evacuations. GAO–07–44. December 22, 2006.

Long-Term Care Insurance: Federal Program Has a Unique Profit Structure and Faced a Significant Marketing Challenge. GAO–07–202. December 29, 2006.

VI. Official Communications

During the 109th Congress, 1,023 official communications were referred to the Committee. Of these, 1,005 were Executive Communications, 16 were Petitions or Memorials, and 2 were Presidential Messages. Of the official communications, 390 dealt with the District of Columbia.

(Note: Due to a transposition error, incorrect totals were reported in the Activities of the Committee on Governmental Affairs for the 108th Congress, S. Rept. 109–368, for official communications sent to the Committee in the 108th Congress. The correct totals for the 108th Congress were 1,064 Executive Communications, 10 Petitions or Memorials, and 2 Presidential Messages.)

VII. Legislative Actions

During the 109th Congress, the Committee reported significant legislation that was approved by Congress and signed into law by the President.

The following are brief legislative histories of measures referred to the Committee and, in some cases, drafted by the Committee, which (1) became public law or (2) were favorably reported from the Committee and passed by the Senate, but did not become law. In addition to the measures listed below, the Committee received during the 109th Congress numerous legislative proposals that were not considered or reported, or that were reported but not passed by the Senate. Additional information on these measures appears in the Committee's Legislative Calendar for the 109th Congress, S. Prt. 109–76, Government Printing Office (December 31, 2006).

MEASURES ENACTED INTO LAW

The following measures considered by the Committee were enacted into Public Law. The descriptions following the signing date of each measure note selected provisions of the text, and are not intended to serve as section-by-section summaries.

H.R. 2385—To extend by 10 years the authority of the Secretary of Commerce to conduct the quarterly financial report program. (Public Law 109–79). September 30, 2005.

Transfers responsibility for the quarterly financial report from the Federal Trade Commission to the Secretary of Commerce, and extends the Secretary's authority to 2015.

S. 37—To extend the special postage stamp for breast cancer research for 2 years. (Public Law 109–100). November 11, 2005.

Extends the U.S. Postal Service's authority to issue special postage stamps to support breast cancer research through December 31, 2007.

H.R. 4324—To amend the Report T. Stafford Disaster Relief and Emergency Assistance Act to reauthorize the predisaster mitigation program, and for other purposes. (Public Law 109–139). December 22, 2005.

Amends the Stafford Act to reauthorize through FY2008 the program of technical and financial assistance to States and local governments for cost-effective predisaster hazard-mitigation measures.

S. 335—To reauthorize the Congressional Award Act. (Public Law 109–143). December 22, 2005.

Amends the Congressional Award Act to extend through calendar 2009 the requirement that the Comptroller General determine, and report to Congress, whether the Director of the Congressional Award Board is complying with requirements for financial operations of the Congressional Award Program. Extends authorization of the Board to October 1, 2009, and confirms Board actions and functions during the months preceding the extension.

S. 1777—To provide relief for the victims of Hurricane Katrina. (Public Law 109–176). March 6, 2006.

Directs the President to make unemployment assistance available to individuals eligible for such assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act as a result of a disaster declaration made for Hurricane Katrina or Hurricane

Rita on or after August 29, 2005, for 39 weeks from the date of that declaration.

S. 1736—To provide for the participation of employees in the judicial branch in the Federal leave transfer program for disasters and emergencies. (Public Law 109–229). May 31, 2006.

Amends Federal civil-service law to require the Office of Personnel Management, after consulting with the Administrative Office of the U.S. Courts, to allow Federal judicial branch employees to participate in any emergency-leave transfer programs for disasters and emergencies.

S. 2590—Federal Funding Accountability and Transparency Act of 2006. (Public Law 109–282). September 26, 2006.

Directs the Office of Management and Budget by January 1, 2008, to ensure the existence and operation of a single, searchable, and free Web site accessible by the public that includes for each Federal award of Federal financial assistance and expenditures (excluding individual transactions below $25,000 and credit card transactions before October 1, 2008): (1) the amount; (2) information including transaction type, funding agency, the North American Industry Classification System code or Catalog of Federal Domestic Assistance number, program source, and an award title descriptive of the purpose of each funding action; (3) the name and location of the recipient and the primary location of performance; and (4) a unique identifier of the recipient and any parent entity. Requires the website to include data for FY2007 and each fiscal year thereafter.

H.R. 3858—Pets Evacuation and Transportation Standards Act of 2005. (Public Law 109–308). October 6, 2006.

Amends the Robert T. Stafford Disaster Relief and Emergency Assistance Act to require the Director of the Federal Emergency Management Agency to ensure that State and local emergency preparedness operational plans address the needs of individuals with household pets and service animals prior to, during, and following a major disaster or emergency. Authorizes the Director to: (1) study and develop plans that take into account the needs of individuals with pets and service animals prior to, during, and following a major disaster or emergency; and (2) make financial contributions, on the basis of programs or projects approved by the Director, to the States and local authorities for animal emergency preparedness purposes, including the procurement, construction, leasing, or renovating of emergency shelter facilities and materials that will accommodate people with pets and service animals. Authorizes Federal agencies to provide, as assistance essential to meeting threats to life and property resulting from a major disaster, rescue, care, shelter, and essential needs to individuals with household pets and service animals and to such pets and animals.

H.R. 2066—General Services Administration Modernization Act. (Public Law 109–313). October 6, 2006.

Establishes a Federal Acquisition Service in the General Services Administration. Authorizes the Administrator to appoint Regional Executives in the Federal Acquisition Service. Abolishes the General Supply Fund and the Information Technology Fund in the Treasury. Transfers remaining capital assets and balances in such Funds to the Acquisition Services Fund to be merged with, and be available for, the purposes of such Fund. Amends the Office of Federal Procurement Policy Act to direct the head of each executive agency to establish policies and procedures under which the agency head may reemploy in an acquisition-related position an individual receiving an annuity from the Civil Service Retirement and Disability Fund without discontinuing such annuity, if unique needs exist.

S. 2146—To extend relocation expenses test programs for Federal employees. (Public Law 109–325). October 11, 2006.

Extends authority for four years for relocation expenses associated with test programs for Federal employees. Eliminates the limitation on the period of time under which payment of relocation expenses under such programs may be paid.

H.R. 3508—2005 District of Columbia Omnibus Authorization Act. (Public Law 109–356). October 16, 2006.

Amends the District of Columbia Home Rule Act to allow an increase in the amount appropriated as District of Columbia funds under a budget approved by an Act of Congress by a maximum aggregate amount of: (1) 25%, in the case of amounts allocated as "Other-Type Funds"; and (2) 6%, in the case of any other amounts allocated under the budget. Authorizes the District to enter into an interstate compact to establish a joint State commission as an instrumentality of the District to establish uniform insurance product regulations among the participating States. Requires the District to require all taxicabs licensed in the District to charge fares by a metered system; authorizes the Mayor to exempt the District from such requirement by issuing an executive order that specifically States that the District opts out of it. Amends the District of Columbia Code to modify the duties of the Register of Wills to require that all wills proved before the Register or the court and other matters required by law be recorded in electronic or other format. Increases the cap on rates of pay for nonjudicial employees of the DC courts. Authorizes the DC courts, subject to specified conditions, to conduct proceedings outside of the District during emergencies. Extends Federal enhanced dental and vision benefits to DC court employees. Amends the District of Columbia Code to treat nonjudicial and judicial DC court personnel as Federal personnel for purposes of such benefits. Revises requirements for the CFO, and the CFO's duties and term of office. Amends the General Legislative Procedures Act of 1975 to require, except for emergency declaration, ceremonial, confirmation, and sense of the Council resolutions, all permanent bills and resolutions to be accompanied by a fiscal impact statement before final adoption by the Council.

H.R. 3699—To provide for the sale, acquisition, conveyance, and exchange of certain real property in the District of Columbia to facilitate the utilization, development, and redevelopment of such property, and for other purposes. (Public Law 109–396). Dec. 15, 2006.

Directs the General Services Administration to convey to the District of Columbia U.S. Reservation 13, subject to specified conditions, and the Old Naval Hospital, on the day on which the District conveys to GSA certain real property on the West Campus of Saint Elizabeths Hospital. Transfers administrative jurisdiction over certain conveyed properties from the District to the Secretary of the Interior for administration by the Director of the National Park Service; retains for the District administrative jurisdiction over the subsurface area beneath a specified parcel; transfers administrative jurisdiction over other specified properties from the United States to the District. Requires certain property to be used as the site for the establishment of a memorial to honor disabled veterans of the U.S. armed forces. Requires the Secretary to convey U.S. Reservation 174 to the District upon the District's enactment of a final plan that meets specified requirements for the development of the former Convention Center Site. Requires NPS to convey Poplar Point to the District after the District adopts a land-use plan for it meeting specified requirements.

H.R. 4057—To provide that attorneys employed by the Department of Justice shall be eligible for compensatory time off for travel under section 5550b of title 5, United States Code. (Public Law 109–425). Dec. 20, 2006.

Makes attorneys employed by the Department of Justice (including assistant U.S. attorneys) eligible for compensatory time off for travel.

H.R. 4416—To reauthorize permanently the use of penalty and franked mail in efforts relating to the location and recovery of missing children. (Public Law 109–426). Dec. 20, 2006.

Makes permanent the authority to use official (penalty and franked) mail in efforts relating to the location and recovery of missing children.

S. 4046—To extend oversight and accountability related to United States reconstruction funds and efforts in Iraq by extending the termination date of the Office of the Special Inspector General for Iraq Reconstruction. (Public Law 109–440). Dec. 20, 2006.

Amends the John Warner National Defense Authorization Act for Fiscal Year 2007 to change the date for termination of the Office of the Special Inspector General for Iraq Reconstruction. Provides that the Office shall terminate 10 months after 80% of the funds appropriated or made available for the Iraq Relief and Reconstruction Fund have been expended. Requires the Special Inspector General to prepare a final forensic audit report on all funds appropriated or made available to the Iraq Relief and Reconstruction Fund.

POSTAL NAMING BILLS

H.R. 1760—To designate the facility of the United States Postal Service located at 215 Martin Luther King, Jr. Boulevard in Madison, Wisconsin, as the "Robert M. La Follette, Sr. Post Office Building." (Public Law 109–15). June 17, 2005.

H.R. 120—To designate the facility of the United States Postal Service located at 30777 Rancho California Road in Temecula, California, as the "Dalip Singh Saund Post Office Building." (Public Law 109–22). June 17, 2005.

H.R. 289—To designate the facility of the United States Postal Service located at 8200 South Vermont Avenue in Los Angeles, California, as the "Sergeant First Class John Marshall Post Office Building." (Public Law 109–23). June 17, 2005.

H.R. 324—To designate the facility of the United States Postal Service located at 321 Montgomery Road in Altamonte Springs, Florida, as the "Arthur Stacey Mastrapa Post Office Building." (Public Law 109–24). June 17, 2005.

H.R. 504—To designate the facility of the United States Postal Service located at 4960 West Washington Boulevard in Los Angeles, California, as the "Ray Charles Post Office Building." (Public Law 109–25). June 17, 2005.

H.R. 627—To designate the facility of the United States Postal Service located at 40 Putnam Avenue in Hamden, Connecticut, as the "Linda White-Epps Post Office." (Public Law 109–26). June 17, 2005.

H.R. 1072—To designate the facility of the United States Postal Service located at 151 West End Street in Goliad, Texas, as the "Judge Emilio Vargas Post Office Building." (Public Law 109–27). June 17, 2005.

H.R. 1082—To designate the facility of the United States Postal Service located at 120 East Illinois Avenue in Vinita, Oklahoma, as the "Francis C. Goodpaster Post Office Building." (Public Law 109–28). June 17, 2005.

H.R. 1236—To designate the facility of the United States Postal Service located at 750 4th Street in Sparks, Nevada, as the "Mayor Tony Armstrong Memorial Post Office." (Public Law 109–29). June 17, 2005.

H.R. 1460—To designate the facility of the United States Postal Service located at 6200 Rolling Road in Springfield, Virginia, as the "Captain Mark Stubenhofer Post Office Building." (Public Law 109–30). June 17, 2005.

H.R. 1524—To designate the facility of the United States Postal Service located at 12433 Antioch Road in Overland Park, Kansas, as the "Ed Eilert Post Office Building." (Public Law 109–31). June 17, 2005.

H.R. 1542—To designate the facility of the United States Postal Service located at 695 Pleasant Street in New Bedford, Massachusetts, as the "Honorable Judge George N. Leighton Post Office Building." (Public Law 109–32). June 17, 2005.

H.R. 2326—To designate the facility of the United States Postal Service located at 614 West Old County Road in Belhaven, North Carolina, as the "Floyd Lupton Post Office." (Public Law 109–33). June 17, 2005.

H.R. 1001—To designate the facility of the United States Postal Service located at 301 South Heatherwilde Boulevard in

Pflugerville, Texas, as the “Sergeant Byron W. Norwood Post Office Building.” (Public Law 109–36). July 21, 2005.

S. 571—To designate the facility of the United States Postal Service located at 1915 Fulton Street in Brooklyn, New York, as the “Congresswoman Shirley A. Chisholm Post Office Building.” (Public Law 109–50). August 2, 2005.

S. 775—To designate the facility of the United States Postal Service located at 123 W. 7th Street in Holdenville, Oklahoma, as the “Boone Pickens Post Office.” (Public Law 109–51). August 2, 2005.

S. 904—To designate the facility of the United States Postal Service located at 1560 Union Valley Road in West Milford, New Jersey, as the “Brian P. Parrello Post Office Building.” (Public Law 109–52). August 2, 2005.

H.R. 3667—To designate the facility of the United States Postal Service located at 200 South Barrington Street in Los Angeles, California, as the “Karl Malden Station.” (Public Law 109–84). October 4, 2005.

H.R. 2490—To designate the facility of the United States Postal Service located at 442 West Hamilton Street, Allentown, Pennsylvania, as the “Mayor Joseph S. Daddona Memorial Post Office.” (Public Law 109–107). November 22, 2005.

H.R. 3339—To designate the facility of the United States Postal Service located at 2061 South Park Avenue in Buffalo, New York, as the “James T. Molloy Post Office Building.” (Public Law 109–109). November 22, 2005.

H.R. 2062—To designate the facility of the United States Postal Service located at 57 West Street in Newville, Pennsylvania, as the “Randall D. Shughart Post Office Building.” (Public Law 109–122). December 1, 2005.

H.R. 2183—To designate the facility of the United States Postal Service located at 567 Tompkins Avenue in Staten Island, New York, as the “Vincent Palladino Post Office.” (Public Law 109–123). December 1, 2005.

H.R. 3853—To designate the facility of the United States Postal Service located at 208 South Main Street in Parkdale, Arkansas, as the “Willie Vaughn Post Office.” (Public Law 109–124). December 1, 2005.

S. 1989—To designate the facility of the United States Postal Service located at 57 Rolfe Square in Cranston, Rhode Island, shall be known and designated as the “Holly A. Charette Post Office.” (Public Law 109–175). February 27, 2006.

H.R. 2113—To designate the facility of the United States Postal Service located at 2000 McDonough Street in Joliet, Illinois, as the “John F. Whiteside Joliet Post Office Building.” (Public Law 109–185). March 20, 2006.

H.R. 2346—To designate the facility of the United States Postal Service located at 105 NW Railroad Avenue in Hammond, Louisiana, as the “John J. Hainkel Post Office Building.” (Public Law 109–186). March 20, 2006.

H.R. 2413—To designate the facility of the United States Postal Service located at 1202 1st Street in Humble, Texas, as the “Lillian McKay Post Office Building.” (Public Law 109–187). March 20, 2006.

H.R. 2630—To redesignate the facility of the United States Postal Service located at 1927 Sangamon Avenue in Springfield, Illinois, as the "J.M. Dietrich Northeast Annex." (Public Law 109–188). March 20, 2006.

H.R. 2894—To designate the facility of the United States Postal Service located at 102 South Walters Avenue in Hodgenville, Kentucky, as the "Abraham Lincoln Birthplace Post Office Building." (Public Law 109–189). March 20, 2006.

H.R. 3256—To designate the facility of the United States Postal Service located at 3038 West Liberty Avenue in Pittsburgh, Pennsylvania, as the "Congressman James Grove Fulton Memorial Post Office Building." (Public Law 109–190). March 20, 2006.

H.R. 3368—To designate the facility of the United States Postal Service located at 6483 Lincoln Street in Gagetown, Michigan, as the "Gagetown Veterans Memorial Post Office." (Public Law 109–191). March 20, 2006.

H.R. 3439—To designate the facility of the United States Postal Service located at 201 North 3rd Street in Smithfield, North Carolina, as the "Ava Gardner Post Office." (Public Law 109–192). March 20, 2006.

H.R. 3548—To designate the facility of the United States Postal Service located on Franklin Avenue in Pearl River, New York, as the "Heinz Ahlmeyer, Jr. Post Office Building." (Public Law 109–193). March 20, 2006.

H.R. 3703—To designate the facility of the United States Postal Service located at 8501 Philatelic Drive in Spring Hill, Florida, as the "Staff Sergeant Michael Schafer Post Office Building." (Public Law 109–194). March 20, 2006.

H.R. 3770—To designate the facility of the United States Postal Service located at 205 West Washington Street in Knox, Indiana, as the "Grant W. Green Post Office Building." (Public Law 109–195). March 20, 2006.

H.R. 3825—To designate the facility of the United States Postal Service located at 770 Trumbull Drive in Pittsburgh, Pennsylvania, as the "Clayton J. Smith Memorial Post Office Building." (Public Law 109–196). March 20, 2006.

H.R. 3830—To designate the facility of the United States Postal Service located at 130 East Marion Avenue in Punta Gorda, Florida, as the "U.S. Cleveland Post Office Building." (Public Law 109–197). March 20, 2006.

H.R. 3989—To designate the facility of the United States Postal Service located at 37598 Goodhue Avenue in Dennison, Minnesota, as the "Albert H. Quie Post Office." (as amended) (Public Law 109–198). March 20, 2006.

H.R. 4053—To designate the facility of the United States Postal Service located at 545 North Rimsdale Avenue in Covina, California, as the "Lillian Kinkella Keil Post Office." (Public Law 109–199). March 20, 2006.

H.R. 4107—To designate the facility of the United States Postal Service located at 1826 Pennsylvania Avenue in Baltimore, Maryland, as the "Maryland State Delegate Lena K. Lee Post Office Building." (Public Law 109–200). March 20, 2006.

H.R. 4295—To designate the facility of the United States Postal Service located at 12760 South Park Avenue in Riverton, Utah, as the “Mont and Mark Stephensen Veterans Memorial Post Office Building.” (Public Law 109–202). March 20, 2006.

S. 2089—To designate the facility of the United States Postal Service located at 1271 North King Street in Honolulu, Oahu, Hawaii, as the “Hiram L. Fong Post Office Building.” (Public Law 109–203). March 20, 2006.

S. 2064—To designate the facility of the United States Postal Service located at 122 South Bill Street in Francesville, Indiana, as the Malcolm Melville “Mac” Lawrence Post Office. (Public Law 109–207). March 23, 2006.

S. 1445—To designate the facility of the United States Postal Service located at 520 Colorado Avenue in Arriba, Colorado, as the “William H. Emery Post Office.” (Public Law 109–237). June 23, 2006.

H.R. 2977—To designate the facility of the United States Postal Service located at 306 2nd Avenue in Brockway, Montana, as the “Paul Kasten Post Office Building.” (Public Law 109–252). August 1, 2006.

H.R. 3440—To designate the facility of the United States Postal Service located at 100 Avenida RL Rodriguez in Bayamon, Puerto Rico, as the “Dr. Jose Celso Barbosa Post Office Building.” (Public Law 109–253). August 1, 2006.

H.R. 3549—To designate the facility of the United States Postal Service located at 210 West 3rd Avenue in Warren, Pennsylvania, as the “William F. Clinger, Jr. Post Office Building.” (Public Law 109–254). August 1, 2006.

H.R. 3934—To designate the facility of the United States Postal Service located at 80 Killian Road in Massapequa, New York, as the “Gerard A. Fiorenza Post Office Building.” (Public Law 109–255). August 1, 2006.

H.R. 4101—To designate the facility of the United States Postal Service located at 170 East Main Street in Patchogue, New York, as the “Lieutenant Michael P. Murphy Post Office Building.” (Public Law 109–256). August 1, 2006.

H.R. 4108—To designate the facility of the United States Postal Service located at 3000 Homewood Avenue in Baltimore, Maryland, as the “State Senator Verda Welcome and Dr. Henry Welcome Post Office Building.” (Public Law 109–257). August 1, 2006.

H.R. 4456—To designate the facility of the United States Postal Service located at 2404 Race Street in Jonesboro, Arkansas, as the “Hattie W. Caraway Station.” (Public Law 109–258). August 2, 2006.

H.R. 4561—To designate the facility of the United States Postal Service located at 8624 Ferguson Road in Dallas, Texas, as the “Francisco ‘Pancho’ Medrano Post Office Building.” (Public Law 109–259). August 2, 2006.

H.R. 4688—To designate the facility of the United States Postal Service located at 1 Boyden Street in Badin, North Carolina, as the “Mayor John Thompson ‘Tom’ Garrison Memorial Post Office.” (Public Law 109–260). August 2, 2006.

H.R. 4786—To designate the facility of the United States Postal Service located at 535 Wood Street in Bethlehem, Pennsylvania, as the “H. Gordon Payrow Post Office Building.” (Public Law 109–261). August 2, 2006.

H.R. 4995—To designate the facility of the United States Postal Service located at 7 Columbus Avenue in Tuckahoe, New York, as the "Ronald Bucca Post Office." (Public Law 109–262). August 2, 2006.

H.R. 5245—To designate the facility of the United States Postal Service located at 1 Marble Street in Fair Haven, Vermont, as the "Matthew Lyon Post Office Building." (Public Law 109–263). August 2, 2006.

H.R. 4646—To designate the facility of the United States Postal Service located at 7320 Reseda Boulevard in Reseda, California, as the "Coach John Wooden Post Office Building." (Public Law 109–273). August 17, 2006.

H.R. 4811—To designate the facility of the United States Postal Service located at 215 West Industrial Park Road in Harrison, Arkansas, as the "John Paul Hammerschmidt Post Office Building." (Public Law 109–274). August 17, 2006.

H.R. 4962—To designate the facility of the United States Postal Service located at 100 Pitcher Street in Utica, New York, as the "Captain George A. Wood Post Office Building." (Public Law 109–275). August 17, 2006.

H.R. 5104—To designate the facility of the United States Postal Service located at 1750 16th Street South in St. Petersburg, Florida, as the "Morris W. Milton Post Office." (Public Law 109–276). August 17, 2006.

H.R. 5107—To designate the facility of the United States Postal Service located at 1400 West Jordan Street in Pensacola, Florida, as the "Earl D. Hutto Post Office Building." (Public Law 109–277). August 17, 2006.

H.R. 5169—To designate the facility of the United States Postal Service located at 1310 Highway 64 NW in Ramsey, Indiana, as the "Wilfred Edward 'Cousin Willie' Sieg, Sr. Post Office." (Public Law 109–278). August 17, 2006.

H.R. 5540—To designate the facility of the United States Postal Service located at 217 Southeast 2nd Street in Dimmitt, Texas, as the "Sergeant Jacob Dan Dones Post Office." (Public Law 109–279). August 17, 2006.

S. 1275—To designate the facility of the United States Postal Service located at 7172 North Tongass Highway, Ward Cove, Alaska, as the "Alice R. Brusich Post Office Building." (Public Law 109–300). October 5, 2006.

S. 1323—To designate the facility of the United States Postal Service located on Lindbald Avenue, Girdwood, Alaska, as the "Dorothy and Connie Hibbs Post Office Building." (Public Law 109–301). October 5, 2006.

S. 2690—To designate the facility of the United States Postal Service located at 8801 Sudley Road in Manassas, Virginia, as the "Harry J. Parrish Post Office." (Public Law 109–302). October 5, 2006.S. 3187—To designate the Post Office located at 5755 Post Road, East Greenwich, Rhode Island, as the "Richard L. Cevoli Post Office." (Public Law 109–310). October 6, 2006.

S. 3613—To designate the facility of the United States Postal Service located at 2951 New York Highway 43 in Averill Park, New York, as the "Major George Quamo Post Office Building." (Public Law 109–311). October 6, 2006.

H.R. 5664—To designate the facility of the United States Postal Service located at 110 Cooper Street in Babylon, New York, as the "Jacob Samuel Fletcher Post Office Building." (Public Law 109–315). October 10, 2006.

H.R. 4109—To designate the facility of the United States Postal Service located at 6101 Liberty Road in Baltimore, Maryland, as the "United States Representative Parren J. Mitchell Post Office." (Public Law 109–327). October 12, 2006.

H.R. 4674—To designate the facility of the United States Postal Service located at 110 North Chestnut Street in Olathe, Kansas, as the "Governor John Anderson, Jr. Post Office Building." (Public Law 109–328). October 12, 2006.

H.R. 5504—To designate the facility of the United States Postal Service located at 6029 Broadmoor Street in Mission, Kansas, as the "Larry Winn, Jr. Post Office Building." (Public Law 109–330). October 12, 2006.

H.R. 6033—To designate the facility of the United States Postal Service located at 39–25 61st Street in Woodside, New York, as the "Thomas J. Manton Post Office Building." (Public Law 109–334). October 12, 2006.

H.R. 4768—To designate the facility of the United States Postal Service located at 777 Corporation Street in Beaver, Pennsylvania, as the "Robert Linn Memorial Post Office Building." (Public Law 109–345). October 13, 2006.

H.R. 4805—To designate the facility of the United States Postal Service located at 105 North Quincy Street in Clinton, Illinois, as the "Gene Vance Post Office Building." (Public Law 109–346). October 13, 2006.

H.R. 5428—To designate the facility of the United States Postal Service located at 202 East Washington Street in Morris, Illinois, as the "Joshua A. Terando Morris Post Office Building." (Public Law 109–349). October 13, 2006.

H.R. 5434—To designate the facility of the United States Postal Service located at 40 South Walnut Street in Chillicothe, Ohio, as the "Larry Cox Post Office." (Public Law 109–350). October 13, 2006.

H.R. 4768—To designate the facility of the United States Postal Service located at 777 Corporation Street in Beaver, Pennsylvania, as the "Robert Linn Memorial Post Office Building." (Public Law 109–345). Oct. 13, 2006.

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H.R. 5428—To designate the facility of the United States Postal Service located at 202 East Washington Street in Morris, Illinois, as the "Joshua A. Terando Morris Post Office Building." (Public Law 109–349). Oct. 13, 2006.

H.R. 5434—To designate the facility of the United States Postal Service located at 40 South Walnut Street in Chillicothe, Ohio, as the "Larry Cox Post Office." (Public Law 109–350). Oct. 13, 2006.

H.R. 1472—To designate the facility of the United States Postal Service located at 167 East 124th Street in New York, New York, as the "Tito Puente Post Office Building." (Public Law 109–397). Dec. 18, 2006.

H.R. 4246—To designate the facility of the United States Postal Service located at 8135 Forest Lane in Dallas, Texas, as the "Dr. Robert E. Price Post Office Building." (Public Law 109–398). Dec. 18, 2006.

H.R. 4720—To designate the facility of the United States Postal Service located at 200 Gateway Drive in Lincoln, California, as the "Beverly J. Wilson Post Office Building." (Public Law 109–399). Dec. 18, 2006.

H.R. 5108—To designate the facility of the United States Postal Service located at 1213 East Houston Street in Cleveland, Texas, as the "Lance Corporal Robert A. Martinez Post Office Building." (Public Law 109–400). Dec. 18, 2006.

H.R. 5736—To designate the facility of the United States Postal Service located at 101 Palafox Place in Pensacola, Florida, as the "Vincent J. Whibbs, Sr. Post Office Building." (Public Law 109–402). Dec. 18, 2006.

H.R. 5857—To designate the facility of the United States Postal Service located at 1501 South Cherrybell Avenue in Tucson, Arizona, as the "Morris K. 'Mo' Udall Post Office Building." (Public Law 109–403). Dec. 18, 2006.

H.R. 5923—To designate the facility of the United States Postal Service located at 29–50 Union Street in Flushing, New York, as the "Dr. Leonard Price Stavisky Post Office." (Public Law 109–404). Dec. 18, 2006.

H.R. 5989—To designate the facility of the United States Postal Service located at 10240 Roosevelt Road in Westchester, Illinois, as the "John J. Sinde Post Office Building." (Public Law 109–405). Dec. 18, 2006.

H.R. 5990—To designate the facility of the United States Postal Service located at 415 South 5th Avenue in Maywood, Illinois, as the "Wallace W. Sykes Post Office Building." (Public Law 109–406). Dec. 18, 2006.

H.R. 6078—To designate the facility of the United States Postal Service located at 307 West Wheat Street in Woodville, Texas, as the "Chuck Fortenberry Post Office Building." (Public Law 109–407). Dec. 18, 2006.

H.R. 6102—To designate the facility of the United States Postal Service located at 200 Lawyers Road, NW in Vienna, Virginia, as the "Captain Christopher Petty Post Office Building." (Public Law 109–408). Dec. 18, 2006.

H.R. 6151—To designate the facility of the United States Postal Service located at 216 Oak Street in Farmington, Minnesota, as the "Hamilton H. Judson Post Office." (Public Law 109–409). Dec. 18, 2006.

S. 1820—To designate the facility of the United States Postal Service located at 6110 East 51st Place in Tulsa, Oklahoma, shall be known and designated as the "Dewey F. Barlett Post Office." (Public Law 109–411). Dec. 18, 2006.

S. 4050—To designate the facility of the United States Postal Service located at 103 East Thompson Street in Thomaston, Georgia, as the "Sergeant First Class Robert Lee 'Bobby' Hollar, Jr. Post Office Building." (Public Law 109–413). Dec. 18, 2006.

VIII. Presidential Nominations

The committeee received a total of 65 Presidential nominations during the 109th Congress. Of these, 49 were reported favorably and confirmed by the Senate, 2 were discharged from Committee and confirmed, 2 were withdrawn by the President, and 12 were not acted upon by the Committee. Hearing dates and reports on these nominations appear in Section IV. Hearings.

The following 49 nominations were favorably reported by the Committee and confirmed by the Senate:

Louis J. Giuliano, of New York, to be a Governor of the United States Postal Service, United States Postal Service; for a term expiring December 8, 2014 (Reappointment). Confirmed June 15, 2005.

Tony Hammond, of Virginia, to be a Commissioner of the Postal Rate Commission, Postal Rate Commission, for a term expiring October 14, 2010 (Reappointment). Confirmed May 26, 2005.

Louis J. Giuliano, of New York, to be a Governor of the United States Postal Service, United States Postal Service; for a term expiring December 8, 2005; vice Carolyn L. Gallagher. Confirmed June 15, 2005.

Carolyn L. Gallagher, of Texas, to be a Governor of the United States Postal Service, United States Postal Service; for the remainder of the term expiring December 8, 2009; vice Louis J. Giuliano, resigned. Confirmed June 15, 2005.

Allen Weinstein, of Maryland, to be Archivist of the United States, National Archives and Records Administration; vice John W. Carlin. Confirmed February 10, 2005.

Brian David Miller, of Virginia, to be Inspector General, General Services Administration; vice Daniel R. Levinson. Confirmed July 22, 2005.

Stephen Thomas Conboy, of Virginia, to be United States Marshal for the Superior Court of the District of Columbia for a term of four years, vice Todd Walther Dillard. Confirmed November 16, 2006.

Harold Damelin, of Virginia, to be Inspector General, Department of the Treasury; vice Jeffrey Rush, Jr., resigned. Confirmed March 17, 2005.

Howard J. Krongard, of New Jersey, to be Inspector General, Department of State; vice Clark Kent Ervin, resigned. Confirmed April 27, 2005.

Daniel R. Levinson, of Maryland, to be Inspector General, Department of Health and Human Service; vice Janet Rehnquist, resigned. Confirmed June 8, 2005.

Michael Chertoff, of New Jersey, to be Secretary of Homeland Security, Department of Homeland Security; vice Thomas J. Ridge, resigned. Confirmed February 15, 2005.

Jennifer M. Anderson, of the District of Columbia, to be an Associate Judge of the Superior Court of the District of Columbia for the term of fifteen years, The Judiciary; vice Steffen W. Graae, retired. Confirmed August 3, 2006.

Laura A. Cordero, of the District of Columbia, to be an Associate Judge of the Superior Court of the District of Columbia for the term of fifteen years, The Judiciary; vice Shellie Fountain Bowers, retired. Confirmed June 22, 2005.

Juliet JoAnn McKenna, of the District of Columbia, to be an Associate Judge of the Superior Court of the District of Columbia, for the term of fifteen years, The Judiciary; vice Nan R. Shuker, retired. Confirmed October 7, 2005.

A. Noel Anketell Kramer, of the District of Columbia, to be an Associate Judge of the District of Columbia Court of Appeals for the term of fifteen years, The Judiciary; vice John Montague Steadman, retired. Confirmed June 22, 2005.

Jon T. Rymer, to be Inspector General, Federal Deposit Insurance Corporation, Federal Deposit Insurance Corporation; vice Gaston L. Gianni, Jr. Confirmed June 22, 2006.

Hon. Michael P. Jackson, of Virginia, to be Deputy Secretary of Homeland Security, Department of Homeland Security; vice James M. Loy, resigned. Confirmed March 10, 2005.

Linda Morrison Combs, of North Carolina, to be Controller, Office of Federal Financial Management, Office of Management and Budget, Executive Office of the President; vice Linda M. Springer.Confirmed June 24, 2005.

Linda M. Springer, of Pennsylvania, to be Director of the Office of Personnel Management for a term of four years, Executive Office of the President; vice Kay Coles James, resigned. Confirmed June 24, 2005.

Philip J. Perry, of Virginia, to be General Counsel, Department of Homeland Security; vice Joe D. Whitley, resigned. Confirmed June 8, 2005.

Richard L. Skinner, of Virginia, to be Inspector General, Department of Homeland Security; vice Clark Kent Ervin. Confirmed July 28, 2005.

Edmund S. "Skip" Hawley, of California, to be an Assistant Secretary of Homeland Security, Department of Homeland Security; vice David M. Stone, resigned. Confirmed July 22, 2005.

John R. Fisher, of the District of Columbia, to be an Associate Judge of the District of Columbia Court of Appeals, for the term of fifteen years, The Judiciary; vice Annice M. Wagner, retired. Confirmed October 7, 2005.

Mary M. Rose, of North Carolina, to be a Member of the Merit Systems Protection Board, Merit Systems Protection Board, for a term of seven years expiring March 1, 2011; vice Susanne T. Marshall, term expired. Confirmed December 17, 2005.

Colleen Duffy Kiko, of Virginia, to be General Counsel of the Federal Labor Relations Authority, Federal Labor Relations Authority for a term of five years; vice Peter Eide. Confirmed October 7, 2005.

Eric M. Thorson, of Virginia, to be Inspector General, Small Business Administration, vice Harold Damelin, resigned. Confirmed March 31, 2006.

Stewart A. Baker, of Virginia, to be an Assistant Secretary of Homeland Security (New Position). Confirmed October 7, 2005.

George J. Opfer, of Virginia, to be Inspector General, Department of Veterans Affairs; vice Richard J. Griffin. Confirmed November 10, 2005.

Donald A. Gambatesa, of Virginia, to be Inspector General, United States Agency for International Development; vice Everett L. Mosley. Confirmed December 17, 2005.

George W. Foresman, to be Under Secretary for Preparedness, Department of Homeland Security; vice Frank Libutti, resigned. Confirmed December 17, 2005.

Mark D. Acton, of Kentucky, to be Commissioner of the Postal Rate Commission, Postal Rate Commission for a term expiring October 14, 2010, vice Dana Bruce Covington, Sr., term expired. Confirmed August 3, 2006.

Uttam Dhillon, of California, to be Director of the Office of Counternarcotics Enforcement, Department of Homeland Security. Confirmed May 12, 2006.

David L. Norquist, to be Chief Financial Officer, Department of Homeland Security, Department of Homeland Security; vice Andrew B. Maner. Confirmed May 26, 2006.

Robert Irwin Cusick, Jr., of Kentucky, to be Director of the Office of Government Ethics, Office of Personnel Management for a term of five years, vice Amy L. Comstock, resigned. Confirmed May 26, 2006.

Katherine C. Tobin, of New York, to be a Governor of the United States Postal Service for a term expiring December 8, 2012, vice S. David Fineman, term expired. Confirmed August 3, 2006.

Mickey D. Barnett, to be Governor of the United States Postal Service, United States Postal Service; vice for a term expiring December 8, 2013, vice Robert F. Rider, term expired. Confirmed August 3, 2006.

R. David Paulison, to be Under Secretary for Federal Emergency Management, Department of Homeland Security; vice Michael D. Brown, resigned. Confirmed May 26, 2006.

Lurita Alexis Doan, of Virginia, to be Administrator of General Services, vice Stephen A. Perry, resigned. Confirmed May 26, 2006.

Paul A. Denett, to be Administrator for Federal Procurement Policy, Executive Office of the President; vice David Safavian. Confirmed August 3, 2006.

Robert J. Portman, of Ohio, to be Director of the Office of Management and Budget, vice Joshua B. Bolten. Confirmed May 26, 2006.

Ellen C. Williams, of Kentucky, to be a Governor of the United States Postal Service, vice for the remainder of the term expiring December 8, 2007, vice John S. Gardner. Confirmed August 3, 2006.

Phyllis D. Thompson, to be Associate Judge of the District of Columbia Court of Appeals, The Judiciary; vice John A. Terry, retired. Confirmed August 3, 2006.

Anna Blackburne-Rigsby, to be Associate Judge of the District of Columbia Court of Appeals, The Judiciary; vice Frank Ernest Schwelb, retiring. Confirmed August 3, 2006.

Stephen S. McMillin, to be Deputy Director of the Office of Management and Budget, Executive Office of the President; vice Joel David Kaplan. Confirmed July 28, 2006.

James H. Bilbray, of Nevada, to be a Governor of the United States Postal Service for a term expiring December 8, 2015 (Reappointment). Confirmed December 9, 2006.

Gerald Walpin, of New York, to be Inspector General, Corporation for National and Community Service, vice J. Russell George. Confirmed December 9, 2006.

Thurgood Marshall, Jr., of Virginia, to be Governor of the United States Postal Service for a term expiring December 8, 2011, vice Ned R. McWherter, term expired. Confirmed December. 9, 2006.

Dan Gregory Blair, of the District of Columbia, to be Commissioner, Postal Rate Commission for a term expiring October 14, 2012, vice George A. Omas, term expired. Confirmed December 9, 2006.

Paul A. Schneider, of Maryland, to be Under Secretary for Management, Department of Homeland Security, vice Janet Hale, resigned. Confirmed December 9, 2006.

The following two nominations were discharged from Committee:

James H. Bilbray, of Nevada, to be a Governor of the United States Postal Service for the remainder of the term expiring December 8, 2006, vice John F. Walsh, resigned. Discharged August 3, 2006.

Calvin L. Scovel, to be Inspector General, Department of Transportation; vice Kenneth M. Mead, resigned. Discharged September 29, 2006.

The following two nominations were withdrawn by the President:

Edward L. Flippen, of Virginia, to be Inspector General, Corporation for National and Community Service; vice J. Russell George. Nomination withdrawn December 13, 2005.

Tracy A. Henke, of Missouri, to be Executive Director of the Office of State and Local Government Coordination and Preparedness, Department of Homeland Security, vice C. Suzanne Mencer, resigned. Withdrawn December 6, 2006.

The following 12 nominations were not acted upon by the Committee. Each was returned to the President under provisions of Senate Rule XXXI, paragraph 6, of the Standing rules of the Senate:

Tracy A. Henke, of Missouri, to be Executive Director of the Office of State and Local Government Coordination and Preparedness, Department of Homeland Security, vice C. Suzanne Mencer, resigned. Returned August 3, 2006.

Tracy A. Henke, of Missouri, to be Executive Director of the Office of State and Local Government Coordination and Preparedness, Department of Homeland Security; vice C. Suzanne Mencer, resigned, to which position she was appointed during the last recess of the Senate. Returned August 3, 2006.

Alex A. Beehler, of Maryland, to be Inspector General, Environmental Protection Agency, vice Nikki Rush Tinsley, resigned. Returned December 9, 2006.

Wayne Cartwright Beyer, of New Hampshire, to be a Member of the Federal Labor Relations Authority for a term of five years expiring July 1, 2010, vice Othoniel Armendariz. Returned December 9, 2006.

Gregory B. Cade, of Virginia, to be Administrator of the United States Fire Administration, Department of Homeland Security, vice R. David Paulison, resigned. Returned December 9, 2006.

Carol A. Dalton, of the District of Columbia, to be Associate Judge of the Superior Court of the District of Columbia for the term of fifteen years, vice A. Noel Anketell Kramer, elevated. Returned December 9, 2006.

Susan E. Dudley, of Virginia, to be Administrator of the Office of Information and Regulatory Affairs, Office of Management and Budget, vice John D. Graham, resigned. Returned December 9, 2006.

S. Pamela Gray, of the District of Columbia, to be Associate Judge of the Superior Court of the District of Columbia for the term of fifteen years, vice Susan Rebecca Holmes, retired. Returned December 9, 2006.

Julie L. Myers, of Kansas, to be an Assistant Secretary of Homeland Security, Department of Homeland Security; vice Michael J. Garcia. Returned December 9, 2006.

Julie L. Myers, of Kansas, to be an Assistant Secretary of Homeland Security, vice Michael J. Garcia, resigned, to which position she was appointed during the last recess of the Senate. Returned December 9, 2006.

Heidi M. Pasichow, of the District of Columbia, to be an Associate Judge of the Superior Court of the District of Columbia for the term of fifteen years, vice Anna Blackburne-Rigsby, elevated. Returned December 9, 2006.

Ellen C. Williams, of Kentucky, to be a Governor of the United States Postal Service for a term expiring December 8, 2016 (Reappointment). Returned December 9, 2006.

IX. ACTIVITIES OF THE SUBCOMMITTEES

SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY

CHAIRMAN: TOM COBURN

RANKING MINORITY MEMBER: THOMAS R. CARPER

I. HEARINGS

The Subcommittee on Financial Management, the Budget, and International Security held the following 49 hearings during the 109th Congress:

An Assessment of the President's Management Agenda (April 21, 2005)

The purpose of this hearing was to discuss current efforts by the Administration to strengthen the management and accountability of Federal programs. The Subcommittee is hoping to ensure that taxpayer dollars are spent wisely and efficiently. This year the Federal Government is expected to spend almost $2.5 trillion, making our Federal budget larger than the economies of Canada, Mexico, and Australia combined. Washington will spend more than $22,000 per American household. The American public has entrusted both Congress and the President with ensuring that those dollars are spent wisely. The Office of Management and Budget reported how they intend to meet the President's goals of reducing improper payments.

Witnesses: Hon. Clay Johnson, III, Deputy Director for Management, Office of Management and Budget; and Hon. David M. Walker, Comptroller General of the United States, U.S. Government Accountability Office.

Examining USAID's Anti-Malaria Policies (May 12, 2005)

The purpose of this hearing is to review USAID's policies and spending to fight malaria around the world. Despite a sharp increase in USAID funds to fight malaria over the last 7 years, there has been an increase in the number of deaths from the disease. Nearly 3,000 people a day die from malaria, and women and children are the most susceptible. USAID does not have a centralized data system to track how money is spent. While malaria treatment is simple and inexpensive ($1.20 per child) most of USAID's malaria budget goes to conferences and technical assistance to talk about disease. Resources should go toward saving lives rather than bureaucratic programs related costs.

Witnesses: Hon. Sam Brownback, a U.S. Senator from the State of Kansas; Michael Miller, Deputy Assistant Administrator, Bureau of Global Health, U.S. Agency for International Development; Roger Bate, Ph.D., Resident Fellow, American Enterprise Institute, and U.S. Director, Africa Fighting Malaria; Amir Attaran, Associate Fellow, Royal Institute of International Affairs, London, England, and Canada Research Chair, Institute of Population Health and Faculty of Law, University of Ottawa, Canada; and Carlos C.

"Kent" Campbell, M.D., Program Director, Malaria Control and Evaluation Program in Africa.

Overview of the Competitive Effects of Specialty Hospitals (May 24, 2005)

The hearing focused on the financial benefits that accrue to Medicare from the presence of specialty hospitals. The Subcommittee discussed whether or not the moratorium imposed upon specialty hospitals by the Medicare Modernization Act should be made permanent. The prohibition against specialty hospitals impedes competition which then results in lower quality of care at a higher cost. Two studies have shown specialty hospitals pose no threat to community hospitals and result in high quality care and patient satisfaction. If Medicare and Medicaid are to remain viable their payment systems must be fixed. Community hospitals routinely use overpayments on some cases to "cross-subsidize" less profitable cases. The issue is whether or not Congress will allow true competition by permitting specialty hospitals to participate in Federal health programs.

Witnesses: John Graubert, Principal Deputy General Counsel, Federal Trade Commission; Mark E. Miller, Executive Director, Medicare Payment Advisory Commission; Regina E. Herzligner, Ph.D., Nancy R. McPherson Professor of Business Administration, Harvard Business School, Boston, Massachusetts; Stan Pelofsky, M.D., President, Neuroscience Specialists, and Physician Owner, Oklahoma Spine Hospital, Oklahoma City, Oklahoma; John T. Thomas, Senior Vice President and General Counsel, Baylor Health Care System, Dallas-Fort Worth, Texas; James E. Cain, M.D., Practice in Family Medicine, Lampasas County, Texas; Ed Jungbluth, Heart Patient, Heart Hospital of New Mexico, Albuquerque, New Mexico; and William G. Pleseted, III, M.D., Immediate Past Chair, Board of Trustees, American Medical Association.

An Assessment of Federal Funding for Private Research and Development (May 26, 2005)

The purpose of this hearing was to focus on the effectiveness of Federal financing of private research and development. Other issues discussed included whether some Federal programs such as the advanced technology programs result in the development of new technologies or merely displace private investment. Since 1990, Fortune 500 companies who do not need Federal subsidies have received over $730 million from the Advanced Technology Program (ATP). Taxpayers are being forced to pay for research conducted by billion dollar corporations. The U.S. Government Accountability Office (GAO) found it unlikely that ATP can "avoid funding research already being pursued by the private sector in the same time period." The Office of Management and Budget (OMB) found that ATP does not address a specific need and is not designed to make a unique contribution. The elimination of this Federal handout would allow taxpayer money to go to more necessary and beneficial programs.

Witnesses: Charles W. Wessner, Ph.D., Director of Technology and Innovation, Board on Sciences, Technology and Economic Policy, The National Academies; Robin Nazarro, Director, Natural Resources and Environment Team, U.S. Government Accountability

Office; and Brian Reidl, Grover M. Hermann Fellow for Federal Budgetary Affairs, The Heritage Foundation.

Accountability and Results In Federal Budgeting (June 14, 2005)

The hearing focused on the specific metrics and tools (e.g., the Program Assessment Rating Tool, or PART) used by the Office of Management and Budget (OMB) to determine the effectiveness of Federal programs, the advantages and disadvantages of using these metrics, and how information provided by these metrics is being used to increase effectiveness and accountability in Federal budgeting. We must ensure the American taxpayer is spared wasteful and redundant Federal programs. According to the Office of Management and Budget, nearly one-third of all Federal programs have failed to demonstrate any results and only 15 percent have been shown to be effective. The Program Assessment Rating Tool can be used to rate the performance of Federal programs, but the lack of Congressional interest thus far has hampered its effectiveness. Only eight agencies out of 26 have achieved "green," or successful, ratings on the Scorecard for budget and performance integration. Out of five "current status" rating, OMB itself received four unsatisfactory scores. The elimination of improper payments continues to be an area of concern among agencies.

Witnesses: Hon. David M. Walker, Comptroller General of the United States, U.S. Government Accountability Office; Hon. Clay Johnson, III, Deputy Director for Management, Office of Management and Budget; Eileen Norcross, M.A., Research Fellow, Government Accountability Project, The Mercatus Center of George Mason University; and Beryl A. Radin, Ph.D., Professor of Government and Public Administration, University of Baltimore.

Addressing Disparities in the Federal HIV/AIDS Care Programs (June 23, 2005)

The hearing examined the effectiveness of the Ryan White CARE Act funding allocations in ensuring that all Americans living with HIV are provided access to core medical services and life saving AIDS medications. Nearly 2,000 Americans living with HIV are on AIDS Drug Assistance Program (ADAP) waiting lists despite the fact that Congress appropriated over $2 billion for CARE Act services this year. Large sums of Title I and Title II funding are not spent at all on "planning" and other non-essential services. Existing funding structures have created geographical disadvantages and disparities: San Francisco captured 92 percent of "hold harmless" funding in 2004. The city receives twice the amount per AIDS cases as every other EMA and continues to receive funding for dead people. While San Francisco must find ways to spend excess money on nonessentials, other cities face dire financial problems despite growing populations affected by HIV/AIDS. Congress must ensure that funding more closely follows the epidemic and some States must improve their ability to ensure reliable HIV data collection.

Witnesses: Robert S. Janssen, M.D., Director, Divisions of HIV/AIDS Prevention, National Center for HIV, STD, and TB Prevention, Coordinating Center for Infectious Diseases, Centers for Disease Control and Prevention, U.S. Department of Health and Human Services; Deborah Parham Hopson, Ph.D., Associate Administrator, HIV/AIDS Bureau, Health Resources and Services Administration, U.S. Department of Health and Human Services; Michael Montgomery, Chief, Office of AIDS, California Department of Health Services, and Chair, National Alliance of State and Territorial AIDS Directors; and Marcia G. Crosse, Ph.D., Director, Health Care, U.S. Government Accountability Office.

Improper Payments: Where Are Truth and Transparency In Federal Financial Reporting? (July 12, 2005)

The purpose of the hearing was to examine challenges Federal agencies face in meeting the requirements of the Improper Payments Information Act of 2002, as well as incentives for improved reporting, and elimination of, improper payments in the Federal Government.

The magnitude of the problem is still being calculated because not all agencies have reported, even though all are required to under the Act. Fourteen of 29 Federal agencies are reporting $45.1 billion annually in improper payments under the Improper Payments Information Act of 2002. Medicare improper payments accounts for almost half—$21.7 billion—of the $45.1 billion agencywide improper payments estimated. Medicaid is still not reporting Improper Payments estimates.

Witnesses: McCoy Williams, Director, Financial Management and Assurance Team, U.S. Government Accountability Office; Hon. Linda M. Combs, Controller, Office of Federal Financial Management, U.S. Office of Management and Budget; Timothy Hill, Director, Office of Financial Management, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services; and Kate Coler, Deputy Under Secretary, Food, Nutrition, and Consumer Services, U.S. Department of Agriculture.

Securing American Sovereignty: A Review of the United States' Relationship With the WTO (July 15, 2005)

The purpose of this hearing was to examine the role of the World Trade Organization and its impact on national sovereignty and economic security. Since the inception of the World Trade Organization (WTO), the United States has lost half the cases brought against it by other WTO members. To date, two unfavorable WTO rulings led to the repealing of U.S. laws that were designed to protect U.S. interests, (U.S. tax code's Foreign Sales Corporation (FSC) and the Anti Dumping Act of 1969). Some States have indicated that adverse WTO rulings have constitutional implicates on State laws. The national association for State legislatures wrote to the U.S. Trade Representative in March 2005 to express concern about the legal implications of adverse WTO rulings against State laws. As a condition of membership to the WTO, the U.S. is beholden to the WTO norms of trade. The benefit is that U.S has recourse when member nations, such as China, violate those norms at the expense of U.S. companies. One wonders why the United States has not taken full advantage of this membership to pretext our United States interests when it comes to stopping U.S. intellectual property from being vandalized in China.

Witnesses: James E. Mendenhall, Ph.D., Acting General Counsel, Office of United States Trade Representative; Claude Barfield, Resident Scholar, and Director, Science and Technology Policy

Studies, American Enterprise Institute; Robert Stumberg, Professor of Law, Harrison Institute for Public Law, Georgetown University Law School; and Robert Vastine, President, Coalition of Service Industries.

Securing Cyberspace: Efforts To Protect National Information Infrastructures Continue to Face Challenges (July 19, 2005)

The hearing focused on challenges in protecting our Nation's critical infrastructures from cyber security threats. The United States does not currently have a robust ability to detect a coordinated cyber attack on our critical infrastructures. Nor does it have a measurable recovery and reconstitution plan for the key mechanisms of the Internet and telecommunications systems. Department of Homeland Security is responsible for protecting the Nation's critical infrastructures; however, 85 percent of all critical infrastructures are controlled by the private sector. There is a lack of stable leadership at the National Cyber Security Division which has hurt its ability to maintain trusted relationships with the private sector and hindered its ability to adequately plan and execute activities.

Witnesses: Donald (Andy) Purdy, Jr., Acting Director, National Cyber Security Division, Information Analysis and Infrastructure Protection Directorate, U.S. Department of Homeland Security; David A. Powner, Director, Information Technology Management Issues, U.S. Government Accountability Office; Paul M. Skare, Product Manager, Siemens Power Transmission and Distribution Inc., Energy Management and Automation; and Thomas M. Jarrett, Secretary and Chief Information Officer, Department of Technology and Information, State of Delaware.

U.S. Financial Involvement in Renovation of U.N. Headquarters (July 21, 2005)

The purpose of the hearing was to examine the United Nations' Capital Master Plan to renovate the U.N. headquarters in New York City. The U.N. renovation project is one more example of U.N. spending out of control. The U.N.'s purported $1.2 billion renovation price tag was challenged by world renowned developer, Donald Trump, as overly costly and inconsistent with fair market construction costs. The U.N. procurement officer in charge of contracting the architecture design firm had to resign from the United Nations due to allegations of impropriety. It was the work of the architecture design firm (contracted and overseen by this U.N. officer) that calculated the $1.2 billion figure cost assessment. Fifty percent of that figure includes the costs of padding for "contingencies." A recent poll showed that 69 percent of Americans opposed the United States offering this loan.

Witnesses: Hon. James Inhofe, a U.S. Senator from the State of Oklahoma; Hon. Jeff Sessions, a U.S. Senator from the State of Alabama; Christopher B. Burnham, Under Secretary General Department of Management, United Nations; Anne W. Patterson, Deputy Permanent Representative of the United States to the United Nations, U.S. Department of State; Martin J. Golden, New York State Senator; and Donald J. Trump, Chairman and President, The Trump Organization.

GSA: Is the Taxpayer Getting the Best Deal? (July 26, 2005)

The hearing examined the spending and use of the General Services Administration (GSA). By taking a closer look at the products being bought by Federal agencies through GSA and ensuring that the best prices are available. Recent reports issued by the Government Accountability Office and the GSA Office of Inspector General concerning GSA's contract management point to many existing problems that may account for why the taxpayers may not be getting the best deal. The goal was for GSA to learn from some of the open market and competitive free enterprise firms.

Witnesses: David E. Cooper, Director, Acquisition and Sourcing Management, U.S. Government Accountability Office; Emily W. Murphy, Chief Acquisition Officer, U.S General Services Administration; David Safavian, Administrator, Office of Federal Procurement Policy, U.S. Office of Management and Budget; Kathleen S. Tighe, Counsel to the Inspector General, U.S. General Services Administration; John B. Ames, Director, Contract Review and Evaluation Division, Office of Inspector General, U.S. Department of Veterans Affairs; and Thomas Graham, Chief Operating Office, Networld Exchange.

Who's Watching the Watchdog? Examining Financial Management at the SEC (July 27, 2005)

This hearing was convened to examine the recent and ongoing financial management challenges at the Securities and Exchange Commission (SEC). As of September 30, 2004, SEC had no implanted formalized accounting polices and procedures. SEC lacks formal polices and procedures in several major areas related to financial management. An overhaul of the financial management system and development of formal procedures is necessary to eliminate material internal control weaknesses related to penalties and discouragements (e.g. errors where SEC staff entered information into the accounting system that conflicted with information in the files), and financial reporting (e.g. accounting staff could not provide supporting documentation for certain account balances). SEC has no comprehensive agency information security program. The original FY 2005 estimate for the total cost of three new SEC buildings was $22.2 million. The Revised Fiscal Year estimate totaled $40.5 billion; and the current total estimate is $69 million.

Witnesses: Hon. David M. Walker, Comptroller General of the United States, U.S. Government Accountability Office; and James M. McConnell, Executive Director, U.S. Securities and Exchange Commission.

Cost and Payment Plans of Medicare Part D (September 22, 2005)

This hearing examined the cost and payment plans for the Medicare Modernization Act and whether the new legislation is meeting the needs of seniors. Part D has transferred a massive cost shift from the private sector to taxpayers as employers and unions will drop health plans for workers and retirees who can be covered by Medicare. Medicare's total unfounded liability through 2078 is $29.7 trillion, of which Part D accounts for $8.7 trillion. Its 2005 unfunded liability alone is $126 billion. The true cost of Part D was grossly underestimated—10-year cost projections have doubled from $400 billion to over $800 billion. With the Federal Government taking an increased share of the drug market local drug plan costs will shift to the Federal Government. Currently, Medicare is unsustainable and requires broad reforms with increased competition.

Witnesses: Leslie Norwalk, Deputy Administrator, Centers for Medicare and Medicaid Services; Joseph R. Antos, Ph.D., Wilson H. Taylor Scholar in Health Care and Retirement Policy, The American Enterprise Institute; Marilyn Moon, Vice President and Director, American Institutes for Research; and Jagadeesh Gokhale, Senior Fellow, Cato Institute.

Housing-Related Programs for the Poor: Can We Be Sure That Federal Assistance Is Getting To Those Who Need It Most? (September 27, 2005)

The purpose of this hearing was to examine existing challenges in measuring improper rent subsidy payments in the housing assistance programs at HUD, as well as Federal oversight of the Low-Income Home Energy Assistance Program. HUD has not yet effectively implemented a system to find improper payments in its housing assistance programs. In FY 2003, GAO reports that the amount of net overpayments in FY 2003 ($377 million) could have subsidized another 56,000 households with vouchers. HUD uses complex formulas to determine eligibility. Although the agency acknowledges the critical need for program simplifications in order to prevent payment terrors, HUD has not pushed for its legislative recommendations to be implemented by Congress. HHS' Low Income Heating and Energy Assistance Program (LIHEAP) is not in compliance with the Single Audit Act requirements and is, therefore, unable to effectively ensure that LIHEAP money is going to people who need it most. There are no performance measures for LIHEAP's Residential Energy Assistance Challenge (REACH) Option Program. This "demonstration" project is continuing in perpetuity without any assessment of effectiveness of relevance.

Witnesses: James M. Martin, Assistant Chief Financial Officer for Financial Management, U.S. Department of Housing and Urban Development; David G. Wood, Director, Financial Markets and Community Investment, U.S. Government Accountability Office; Josephine Bias Robinson, Director, Office of Community Services, Administration for Children and Families, U.S. Department of Health and Human Services; and Jim Wells, Director, Natural Resources and Environment, U.S. Government Accountability Office.

GSA: The Procurement Process From Start To Finish (September 29, 2005)

The purpose of this hearing was to shed light on how the GSA procurement process works in plain English, so that every American taxpayer can understand how Federal money is spent using GSA facilitation. The Federal Government does not know what agencies buy, at what price, and for what purpose, nor does it have automated system that can provide this information. The data collection systems the government does use the Federal Procurement Data System (FPDS) only provides minimal information, and not all government agencies are even using this system. The price GSA obtains for goods and services on their schedule (catalog) is only a ceiling. It is up to the purchasing agency to seek lower prices.

Witness: Stephen A. Perry, Administrator, U.S. General Services Administration.

How Does the Federal Government Lease Needed Space? (October 6, 2005)

This hearing was convened to examine the various ways Federal agencies lease needed space. There is currently no inventory of the Federal Government's leased space. The lack of data enables a lack of strategic and intelligent approach to managing the government's leased assets. Costly leasing arrangements have risen dramatically over the past decade due to scoring rules adopted in the Budget Enforcement Act of 1990. "Operating leases" are almost more costly than purchasing or construction. For example, in 1995, GAO reported that GSA had entered into 55 operating leases for long-term needs that were estimated to cost $700 million more than construction. Department of Transportation headquarters reduced the term of a 20-year lease to a 15-year lease so that it could meet the definition of an operating lease. GSA's FY 1999 prospectus of constructing a new facility for this need showed the cost of construction was estimated to be $190 million less than an operating lease. Agencies rely on these types of leases because they look cheaper on an agency's annual appropriation and the Nation's annual budget. Scoring requirements in the Budget Enforcement Act of 1990 and OMB's definition of "operating lease" perpetuate the problem.

Witnesses: William H. Matthews, Assistant Commissioner, Office of Real Property Asset Management Public Building Service, U.S. General Services Administration; Robert L. Neary, Jr., Acting Chief Facilities Management Officer, U.S. Department of Veterans Affairs; and Mark L. Goldstein, Director, Physical Infrastructure Issues, U.S. Government Accountability Office.

Guns and Butter: Setting Priorities in Federal Spending in the Context of Natural Disaster, Deficits and War (October 25, 2005)

The purpose of this hearing was to set priorities during a time of war and the worst natural disaster in our Nation's history. Since 2001, the non-defense, non-defense, non-homeland security government spending has increased 32 percent. Since 1998, it has grown 70 percent. The American people are aware that unrestrained government growth is endangering the future quality of life for their children and grandchildren. The constitution could not be clearer about the finite powers of the Federal Government. When the Founders wrote Article I, Section 8 that the government is to "provide for the common defense and general welfare of the United States," they were not intending to create a State that controls the lives of citizens, but a State that is responsible for its citizens. This is accomplished my setting priorities and being fiscally responsible.

Witnesses: Hon. John Shadegg, a Representative in Congress from the State of Arizona; Hon. Charlie Stenholm, Government Affairs Advisor, Olsson, Frank and Weeda, P.C., and Former Member of Congress from the State of Texas; Roger Pilon, Vice President for Legal Affairs, B. Kenneth Simon Chair in Constitutional Studies, and Director, Center for Constitutional Studies, Cato Institute; and Daniel J. Mitchell, McKenna Senior Fellow in Political Economy, The Heritage Foundation.

Uncollected Taxes: Can We Reduce the $300 Billion Tax Gap? (October 26, 2005)

This hearing examined the components that make up the $300 billion tax gap; the magnitude of the problem; and approaches to ensuring that honest American taxpayers are not bearing the financial burdens of those who are not complying with the law. The "tax gap" is the gap between revenues that should have been collected and those that actually were collected in a given year. IRS estimates the tax gap to be between $311 and $353 billion for the 2001 tax year annually. IRS can not report more recent data. IRS tax gap estimates are unreliable because of outdated methodologies and lack of reliable data. IRS has no specific plans to regularly measure tax compliance. When taxpayers fail to comply with tax laws, the burden of funding the nation's commitments, including funding growing budget deficits, falls more heavily on taxpayers who voluntarily and accurately pay their taxes.

Witnesses: Hon. Mark W. Everson, Commissioner, Internal Revenue Service; Bart L. Graham, Commissioner, Georgia State Department of Revenue; and Colleen M. Kelley, National President, National Treasury Employees Union.

Medicaid: Creative Improvements From the Field (October 28, 2005)

The purpose of this hearing was to examine Medicaid spending and South Carolina's Section 115 Waiver Proposal as a creative solution to the significant increases in spending and quality of care issues. Nationally, Medicaid spending grew 97.8 percent between 1995 and 2004. The program will cost taxpayers $338 billion this year. One in four south Carolinians receive Medicaid benefits—consuming more then $4 billion annually (19 percent of the State's budget-projected to be 50 percent in 2005). South Carolina ranks near the bottom in overall health outcomes, including rates of diabetes, stroke, and lung cancer. Fewer physicians will accept Medicaid patients due to low reimbursement. There must be a way to derive more value from healthcare dollars. The current Medicaid system forces States to shrink budgets for other critical State functions, e.g. Medicaid has surpassed education in consuming the largest piece of States' budgets nationally. Given the traditional options of cutting services, beneficiaries, or substantially raising taxes—South Carolina should be allowed to use market place principles in Medicaid.

Witnesses: Hon. Mark Sanford, Governor, State of South Carolina; Hon. Tracy E. Edge, a Representative in Congress from the State of South Carolina; Judith Solomon, Senior Fellow, Center on Budget and Policy Priorities; Donald Tice, D.O., Member South Carolina Board of Medical Examiners; Professor Regina E. Herzlinger, Nancy R. McPherson, Professor of Business Administration, Chair, Harvard Business School; and Ed McMullen, President, South Carolina Policy Council Education Foundation.

Iran: Teheran's Nuclear Recklessness and the U.S. Response—The Experts' Perspective (November 15, 2005)

The purpose of the hearing was to examine the relationship between Iran's pursuit of nuclear weapons and its status as a State-sponsor of terrorism. The intelligence community estimates that Iran could possess a nuclear weapon within the decade. Shortly after ascending the presidency, Iran's President Mahmoud Ahmadinejad called for the destruction of the United States and Israel. The country is consistently listed by the U.S. State Department as one of the most active State sponsors of terrorism. The current Iran regime is the most dangerous in the world and is the single most urgent threat to American national security. The Iranian regime created the dangerous terrorist organization, Hezbollah, and it actively supports Hamas and Islamic Jihad. U.S. efforts to stabilize Iraq are essential to efforts to deter Iran from obtaining a nuclear weapon. The International Atomic Energy Agency (IAEA) has been unwilling to pass a resolution to refer Iran to the U.N. Security Council for possible sanction and Russia has been working with Iran to provide nuclear power reactors to the current terrorist regime and has revolved to not support the IAEA from referring Iran to the Security Council.

Witnesses: Hon. R. James Wolsey, Former Director of Central Intelligence Agency; Hon. Alfonse D'Amato, Former U.S. Senator from the State of New York; Hon. Newt Gingrich, Former Speaker, U.S. House of Representatives; Gary S. Samore, Vice President, Program on Global Security and Sustainability, John D. and Catherine T. MacArthur Foundation; Ray Takeyh, Senior Fellow, Middle East Studies, Council on Foreign Relations; Ilan Berman, Vice President for Policy, American Foreign Policy Council; and Hon. Rick Santorum, a U.S. Senator from the State of Pennsylvania.

Ensuring Protection of American Intellectual Property Rights For American Industries In China (November, 21 2005)

The purpose of this hearing was to examine the importance of protecting intellectual property rights of all Americans and how copyright infringement and patent violations against industries affects American innovators, entrepreneurs and consumers. The U.S. Department of Commerce estimates that counterfeit trade in China is worth $19 to $80 billion a year. This means the U.S. is losing between 240,000–960,000 jobs, is applying the general rule of thumb that $1 billion in economic activity equates to 12,000–14,000 jobs. The U.S. Chamber of Commerce has reported that intellectual property rights (IPR) violations in China now severely affect virtually all industries, from consumer and industrial goods—including medicines, autos and auto parts, food and beverages, and cosmetics—to copyright works. These current trends in the U.S.-China relationship have negative implication for the long-term economic and security interest of the United States. The U.S. film industry estimates that 90 percent of DVDs sold in China are pirated versions of and offered evidence linking Chinese counterfeiters of DVDs to organized crime. The U.S. recording industry estimates that it lost over $200 million in China to pirate sales in 2004.

Witnesses: Hon. Dan Glickman, Chairman and Chief Executive Officer, Motion Picture Association of America, Inc. (MPAA); Gary Burr, Nashville Songwriter, on behalf of himself and the Recording Industry Association of American (RIAA); Jack Sabo, Vice President, Market Data Services, New York Board of Trade (NYBOT); Loren E. Hillberg, Executive Vice President, General Counsel, on behalf of the Macrovision Corporation; Timothy Minor, Vice President of Government Relations, Commins-Allison Corporation; Ted C. Fishman, Author, "China, Inc., and How the Rise of the Next

Superpower Challenges America and the World"; and Patrick A. Mulloy, Commissioner, U.S.-China Economic and Security Review Commission.

Bilateral Malaria Assistance: Progress and Prognosis (January 19, 2006)

The purpose of this hearing is to examine the following: Progress on President's Malaria Initiative, malaria program reforms at USAID, lessons on malaria control from the field, and what the experts say about indoor residual spraying. Follow-up from the May 12 hearing on the same subject led to the discovery that less than 8 percent of the USAID malaria budget went toward life-saving commodities. But things are changing in two ways: The President's Malaria Initiative commits $1.2 billion/5 years to a commodity-based effort to save lives, starting in three focus countries (expanding to 15 percent over 5 years). In non-focus countries, USAID is now implementing radical programmatic reforms to save lives. By FY 2007, 50 percent of funding will go to commodities in countries not under the President's Malaria Initiative, 25 percent will go to indoor insecticide spraying programs. Resources will be focused by eliminating country programs too small to have a major impact (under $1.5 million this year, $2.5 million next year).

Historically, indoor residual spraying with DDT eradicated malaria in all endemic developed nations. Despite the unfair and life-threatening stigma, DDT is still the cheapest (by far!) and most effective (by far!) insecticide for indoor spraying programs. No scientific evidence suggests it is unsafe for humans or the environment when used for indoor spraying programs. Evidence was presented that demonstrates DDT is still effective through its repellency action even when resistance to its mosquito-killing action is present.

Witnesses: Michael Miller, Deputy Assistant Administrator for Global Health, U.S. Agency for International Development; Simon Kunene, Malaria Program Manager, Swaziland Ministry of Health; Donald R. Roberts, Ph.D., Professor, Division of Tropical Public Health, Department of Preventive Medicine and Biometrics, Uniformed Services University of Health Sciences, Bethesda, Maryland; and Andy Arata, Vector Control Specialist.

Big Ticket Waste: Are Empty Federal Buildings Emptying the Taxpayers' Wallets? (February 6, 2006)

This hearing will examine the money wasted in abandoned, Federal buildings. Did you know that more than 30 Federal agencies are wasting—at the very least—$15 billion in unused real property assets worldwide? We don't even know how big the number is because there is no definitive inventory of federally owned facilities and land, let alone an inventory of buildings and land that go unused.

The Federal Government has no comprehensive database of properties that it owns and leases; how much space it needs and doesn't need. President Bush issued Executive Order 13327 in February 2004 to improve real property asset management, and this EO requires an inventory; yet many agencies have still not reported their inventories of real property (both used and unused). The Federal Government owns about $328 billion in real estate assets worldwide (GAO, 2003) and 2.8 billion square feet of building space. This means that the Federal Government maintains 683 square feet of space per Federal employee.

Witnesses: Hon. Barack Obama, a U.S. Senator from the State of Illinois; Mark L. Goldstein, Director, Physical Infrastructure Team, U.S. Government Accountability Office; William H. Matthews, Assistant Commissioner, Office of Real Property Asset Management, U.S. General Services Administration; James M. Sullivan, Deputy Director, Office of Asset and Enterprise Management, U.S. Department of Veterans Affairs; Tom Samra, Vice President, Facilities, U.S. Postal Service; and Dr. Get W. Moy, Director, Installations Requirements and Management Directorate, Office of the Deputy Under Secretary of Defense (Installations and Environment), U.S. Department of Defense.

Federal Agencies and Conference Spending (February 7, 2006)

The hearing explores agency approval process and budget ceilings for conference spending, cost, number of staff sent, conference topics, etc. The Federal Government has spent over $2 billion on meetings and travel since 2000. Overall department spending on meetings and travel has increased over 60 percent since 2000 (down from 70+ percent using FY05 levels). The majority of agencies assume annual increases in meetings and travel spending, a nonessential activity, and have been spending accordingly. Only three agencies spent less on conference travel in 2006 than they did in 2005 (HUD, USAID, and the Treasury). There is evidence that bureaucrats allow the destination to drive the decision to attend a conference rather than the agency mission. Many meetings and conferences are set in beach, resort, or casino areas.

Witnesses: Scott Evertz, Former Director of the White House Office of National AIDS Policy; Charles Johnson, Assistant Secretary for Budget, Technology and Finance, U.S. Department of Health and Human Services; Sid Kaplan, Acting Chief Financial Officer, U.S. Department of State; James M. Martin, Acting Chief Financial Officer, U.S. Department of Housing and Urban Development; and Michael W.S. Ryan, Deputy Chief Financial Officer, U.S. Environmental Protection Agency.

Crime Victims Fund Rescission: Real Savings or Budget Gimmick? (March 8, 2006)

The President's FY07 Budget proposes to raid the self-funded Crime Victims Fund and drain the Fund of its money. The Fund utilizes criminal fines, fees, and forfeitures in order to pay for victims' services and compensation—making criminals pay for the system they create. The Crime Victims Fund ensures justice through restitution and is a rare example of a Federal program that funds itself. The Administration suggests the Fund is a gimmick, and this hearing will determine whether the Fund or the proposed raid of the Fund is the real budget gimmick.

The Administration's Crime Victims Fund rescission takes the non-discretionary funds derived from criminal fines, fees, and forfeitures and puts them in the general treasury. This would terminate the program supported by the criminals to help the victims. The proposed rescission violates the authorizing statute (P.L. 98-473 and P.L. 100-690) regarding how the programs are supposed to be funded, but the Administration has not sent the required legislative changes to Congress along with the budget.

Witnesses: Hon. Ed Meese, Ronald Reagan Distinguished Fellow in Public Policy, and Chairman of the Center for Legal and Judicial Studies, The Heritage Foundation; Hon. Paul Corts, Assistant Attorney General for Administration, U.S. Department of Justice; Steve Derene, Executive Director of the National Association for VOCA Assistance Administrators; and Marsha Kimble, victim of the Oklahoma City Bombing, Victim Advocate, and founder of Families and Survivors United.

Reporting Improper Payments: A Report Card on Agencies' Progress (March 9, 2006)

Last June, the Subcommittee held a hearing to assess agencies' compliance with the reporting requirements of the Improper Payments Information Act of 2002 (agencies were required by the Act to begin reporting in FY 2004). The purpose of this hearing is to discuss the success or failure of agencies' to report and/or reduce improper payments in their FY 2005 Performance and Accountability Reports; and to discuss whether or not the various ways in which agencies measure improper payments is accurately depicting the magnitude of the problem.

Witnesses: Hon. Linda M. Combs, Controller, Office of Management and Budget; McCoy Williams, Director, Financial Management and Assurance Team, U.S. Government Accountability Office; Hon. Mark Everson, Commissioner, Internal Revenue Service; Hon. James B. Lockhart, III, Deputy Commissioner, Social Security Administration; Samuel T. Mok, Chief Financial Officer, U.S. Department of Labor; and Charles Johnson, Assistant Secretary for Budget, Technology and Finance, U.S. Department of Health and Human Services.

Earmark Reform: Understanding the Obligation of Funds Transparency Act (March 16, 2006)

The purpose of the hearing was to provide a public discussion on Senator John McCain's earmark reform bill submitted to the Homeland Security and Governmental Affairs Committee while shedding more light on the dangerous effect rampant earmarking has on the legislative process, Washington's culture, and our Nation's financial well-being. Earmarks need transparency and time for debate to make sure each item is considered on its own merits and in light of competing priorities. Tucking earmarks into conference reports prevents taxpayers from the benefit of debate and disclosure about how their money is being spent. Requiring earmarked projects to be part of actual legislation would also make it easier for legislators to challenge them by offering amendments to change or strike them.

Witnesses: Hon. Jeff Flake, a Representative in Congress from the State of Arizona; Hon. John McCain, a U.S. Senator from the State of Arizona; Thomas A. Schatz, President, Citizens Against Governmental Waste; Steve Ellis, Vice President of Programs, Taxpayers for Common Sense Action; and Scott Lilly, Senior Fellow, Center for American Progress.

Bolstering the Safety Net: Eliminating Medicaid Fraud (March 28, 2006)

This hearing convened to examine the current infrastructure for Medicaid program integrity at the State and Federal levels. Recent challenges to the current system—as well as some recent progress in these areas—necessitates a review of the current system for tracking improper spending and fraud at the State and Federal levels.

Medicaid, the uncapped partnership between States and the Federal Government providing a "safety-net of last resort" to America's poor, elderly, disabled (one in five Americans), cost an estimated $330 billion in 2005. The Federal investment in Medicaid is only growing—between 2004 and 2005, the program grew by 12 percent and by 2016, it is estimated that Medicaid and Medicare alone will make up almost half the Federal budget for mandatory spending. CMS testified at the hearing that a strategic fraud control plan would be in place in 6 weeks.

Witnesses: Hon. Daniel Levinson, Inspector General, U.S. Department of Health and Human Services, accompanied by Michael Little, Deputy Inspector General for Investigations, U.S. Department of Health and Human Services; Dennis Smith, Director, Center for Medicaid and State Operations, Centers for Medicaid and Medicare Services; Leslie Aronovits, Health Care Director, Program Administration and Integrity Issues, U.S. Government Accountability Office; and Brian Flood, Inspector General, Health and Human Services, State of Texas.

Federal Funding of Museums (April 5, 2006)

This hearing examined the various avenues of Federal funding for museums including authorized programs, grantmaking agencies and earmarks. Since 2001 the Federal Government has spent over $7 billion on museums, zoos, arboretums, science centers, halls of fame, and cultural centers. The Administration has requested at least $1.45 billion in FY 2007 funds for the arts, cultural, and learning activities, and the buildings themselves. This type of funding has increased almost 25 percent in the past 5 years.

Three types of Federal funding for these activities: Authorizations, grants, and earmarks. Museums rely on government (local, State, Federal) for one-fourth of their operating income according to the American Association of Museums. Museums spend a median of $21 for every visitor, while earning only $5.50 in revenue per visitor.

There are competitive grants available for museums to apply for through the Institute of Museum and Library Services and the National Science Foundation which include peer reviews and financial management requirements. There has been 863 museum earmarks handed out since 2001.

Witnesses: Anne-Imelda Radice, Director, Institute of Museum and Library Services; David A. Ucko, Ph.D., Program Head, Informal Science Education Program (ISEP), National Science Foundation; Thomas A. Schatz, President, Citizens Against Government Waste; and Edward H. Able, Jr., President and CEO, American Association of Museums.

The Effectiveness of the Small Business Administration (April 6, 2006)

This hearing examined the effectiveness of SBA programs and the financial impact of them on the budget and economy. The Small Business Administration (SBA) does little, if any, measuring of the impact its programs have upon the small business sector or the national economy. It primarily measures outputs such as number of loans made rather than outcomes such as the success of businesses helped, or the impact of the loans on the credit industry and small business sector growth. SBA Office of Advocacy estimates that compliance with Federal regulations cost small businesses (which make up more than 90 percent of all businesses) over $2,000 more per employee per year to comply with Federal regulations than the national average, which is already $5,633 ($1 trillion annually). Nevertheless, SBA dedicates less than 2 percent of its budget toward efforts to reduce regulatory burden for small business. In addition, it has lowered its FY 2007 goals below the amount of achieved savings in the 2 previous years. The SBA Inspector General reports that large companies may often be awarded small business contracts simply by working within the rules in place, demonstrating a need for change.

Witnesses: Hon. Sue Kelly, a Representative in Congress from the State of New York; Hon. Hector Barreto, Administrator, U.S. Small Business Administration; William B. Shear, Director, Financial Markets and Community Investment, U.S. Government Accountability Office; Veronique de Rugy, Resident Fellow, American Enterprise Institute; Jonathan J. Bean, Professor of History, Southern Illinois University; David Bartram, Chairman, National Association of Government Guaranteed Lenders; and John Pointer, Small Business Owner.

Katrina and Contracting: Blue Roof, Debris Removal, Travel Trailer Case Studies (April 10, 2006)

This field hearing, in New Orleans, focused on the blue roof, debris removal, and travel trailer programs and unreasonable costs and excessive multi-layered contracts. Neither the Federal Emergency Management Agency (FEMA) nor the U.S. Army Corps of Engineers were able to confirm or deny direct allegations of unreasonable costs and overhead for the blue roof program, debris removal, and the use of travel trailers for temporary housing as reported by local media and initial government analysis. The Federal Gulf Coast recovery is fraught with waste due to lack of pre-planning and oversight. Processes to apply cost controls and reasonability analysis before a contract was signed were either not used or were not in place. Prices paid under contracts (both prime contracts and all their sub-contracts) are not available to the public or to Congress. This is by policy, not by statute. FEMA and the U.S. Army Corps of Engineers are unable to justify the excessive number of layers utilized in the current method of vertical contracting.

Witnesses: Tina Burnette, Deputy Director Acquisitions for Katrina, U.S. Department of Homeland Security; Lieutenant General Carl A. Strock, Chief of Engineers, U.S. Army Corps of Engineers; Matthew Jadacki, Inspector General of Hurricane Katrina Oversight, U.S. Department of Homeland Security; Patrick J. Fitzgerald, Auditor General, U.S. Army Audit Agency; Thomas F.

Gimble, Principal Deputy Inspector General, U.S. Department of Defense; Hon. David Vitter, a U.S. Senator from the State of Louisiana; Hon. Mary L. Landrieu, a U.S. Senator from the State of Louisiana; Hon. Bobby Jindal, a Representative in Congress from the State of Louisiana; Hon. Steve Scalise, Representative, Louisiana State Legislature; Bill Woods, Director of Acquisition and Sourcing Management Team, U.S. Government Accountability Office; Derrell Cohoon, Chief Executive Officer, Louisiana Association of General Contractors; and Kevin Davis, President, St. Tammary Parish.

North Korea: Illicit Activity Funding the Regime (April 25, 2006)

North Korea is under the iron grip of Kim Jong-Il and his ruling elite. From the little we know about this secretive dictatorship, it's clear that there is little the regime won't do in order to increase its stranglehold of power and its threat to the world. A significant source of income that is keeping this malevolent empire solvent derives from a vast criminal network involved in counterfeiting currency and commercial goods, illegal drug production and trafficking, and slave labor. The purpose of this hearing is to expose these illicit activities to public scrutiny and connect the dots between this "moonshine" economy and the regime's ability to continue weapon proliferation while avoiding the full consequences of sanctions and isolationism.

Witnesses: Peter A. Prahar, Director, Office of Africa, Asia, and Europe Programs, Bureau for International Narcotics and Law Enforcement Affairs, U.S. Department of State; Michael Merritt, Deputy Assistant Director, Office of Investigations, U.S. Secret Service, U.S. Department of Homeland Security; Seong Min Kim, Vice Chairman of the Exile Committee for North Korea Democracy, and President, Free North Korea Radio; David L. Asher, Institute for Defense Analyses; Chuck Downs, Author, "Over the Line: North Korea's Negotiating Strategy"; and Marcus Noland, Senior Fellow, Institute for International Economics.

Ensuring Early Diagnosis and Access to Treatment for HIV/AIDS: Can Federal Resources Be More Effectively Targeted? (April 26, 2006)

Dr. Coburn held a hearing to examine how Federal funding is being distributed to provide AIDS drugs and HIV testing opportunities in the United States. The Government Accountability Office presented the findings of a just completed 3 year examination of these efforts, and the Health Resources and Services Administration (HRSA) and the Centers for Disease Control and Prevention (CDC) testified on current HIV/AIDS treatment and prevention programs.

Hundreds of patients in 14 States are on waiting lists for AIDS drugs, while HRSA's HIV/AIDS Bureau does not even have guidance on what conditions should trigger an AIDS Drug Assistance Program (ADAP) to establish a waiting list. In addition, a recent GAO report found that "ADAPs with waiting lists may not represent all eligible individuals who are not being served."

As many as 45 percent of persons testing positive for HIV received a positive test result less than a year before AIDS was diagnosed (a process taking up to 10 years in some cases), suggesting that people are living with HIV for many years before they are aware of their infection and may be unknowingly spreading the virus to others.

Witnesses: Kevin Fenton, M.D., Director, National Center for HIV, STD and TB Prevention, Centers for Disease Control and Prevention, U.S. Department of Health and Human Services; Deborah Parham Hopson, Associate Administrator, HIV/AIDS Bureau, Health Resources and Services Administration, U.S. Department of Health and Human Services; Marcia Crosse, Director, Health Care, U.S. Government Accountability Office; M. Beth Scalco, Director, HIV/AIDS Program, Louisiana Office of Public Health, and Past Chair, National Alliance of State and Territorial AIDS Directors; and Michael Weinstein, President, AIDS Healthcare Foundation

Unobligated Balances: Freeing up Funds, Setting Priorities and Untying Agency Hands (May 18, 2006)

The hearing examined the billions of unspent dollars sitting in government carryover accounts, also known as "un-obligated balances."

Most programs carry over balances year to year. A cursory investigation revealed there are at least $420 billion of unspent dollars sitting in government carryover accounts, also known as "un-obligated balances." "Un-obligated balances" refers to money that has been appropriated but not obligated during a fiscal year. According to the U.S. Treasury, at the very least, $54 billion in carryover funds sat in government accounts at the end of FY 2005. Despite money going unspent, Congress and the Administration continue to request budget increases for agencies and Federal programs.

Witnesses: Phyllis F. Scheinburg, Assistant Secretary for Budget and Programs, Chief Financial Officer, U.S. Department of Transportation; Lee J. Lofthus, Deputy Assistant Attorney General and Controller, U.S. Department of Justice; John P. Roth, Deputy Comptroller, Office of the Under Secretary of Defense, U.S. Department of Defense; Charles E. Johnson, Assistant Secretary for Budget, Technology and Finance, U.S. Department of Health and Human Services; and Robert J. Henke, Assistant Secretary for Management, U.S. Department of Veterans Affairs.

Congress' Role In Federal Financial Management: Is It Efficient, Accountable, and Transparent In the Way It Appropriates Funds? (May 25, 2006)

The hearing examined the complicated, broken and inefficient system Congress uses to budget and spend taxpayers money. Congress has a history of setting its own spending limitations and repeatedly breaking them. The implications of that behavior on the economy and the American taxpayer were confirmed by Comptroller General of the United States, David Walker: "We face large and growing structural deficits . . . most of which have nothing to do with Iraq, Afghanistan, and incremental Homeland Security costs. This must change."

The Federal budget process is broken: Congress has abandoned all spending restraint and violates its own spending limits with no second thought. In just 3 years, from 2003 to 2005, the budget deficit increased by 23.8 percent. According to the Congressional Research Service, the use of supplemental spending from 1991 to

2002 increased the budget deficit by 5.3 percent. The current Congressional budget process lacks transparency. Congress caters to narrow constituencies by inserting pork projects into omnibus and "emergency" supplemental bills that Congress and the public never see.

Witnesses: Hon. David M. Walker, Comptroller General of the United States, U.S. Government Accountability Office; Hon. James C. Miller III, Former Director, Office of Management and Budget; Hon. Timothy J. Penny, Former Congressman, Senior Fellow, University of Minnesota Humphrey Institute; Douglas Holtz-Eakin, Former Director, Congressional Budget Office, Director, Maurice R. Greenberg Center for Geoeconomic Studies, Paul A. Volcker Chair in International Economics Council on Foreign Relations; Chris Edwards, Director of Tax Policy Studies, Cato Institute; and Maya C. MacGuineas, President, Committee for a Responsible Federal Budget and Director, Fiscal Policy Program, New America Foundation.

Census 2010, Off-Line and Off-Budget: The High Cost of Low-Tech Counting (June 6, 2006)

Chairman Coburn convened a hearing on June 6: "2010 Census, Off-Line and Off-Budget: The High Cost of Low-Tech Counting" to examine why cost projections for the 2010 Census have risen so dramatically over the 2000 Census despite massive financial investments in technology.

Currently, the Census Bureau estimates that the 2010 Census will cost $11.3 billion, which is $5 billion more than the cost of the 2000 Census. On average, the cost of the census increases by 100 percent every 10 years. The Census Bureau has blamed these cost increases largely on inflation and population growth, yet inflation is estimated to increase by only 30 percent and population is projected to increase by less than 10 percent.

Witnesses: Hon. Louis Kincannon, Director, U.S. Census Bureau, and Brenda S. Farrell, Acting Director, Strategic Issues, U.S. Government Accountability Office.

Autopilot Budgeting: Will Congress Ever Respond to Government Performance Data? (June 13, 2006)

This hearing was held to examine the disconnect between the funding levels Congress dispenses to government programs and the performance data of those programs. A third of all programs rated by OMB have been scored "ineffective" or "results not demonstrated." These programs spend $152 billion of taxpayer money—dollars that could be spent on more vital priorities or used to pay down the national debt. Yet, Congress routinely ignores this information and automatically funds these programs at the same levels or increase.

The Performance Assessment Rating Tool (PART) was first introduced in 2002 as a tool to review the strengths and weaknesses of government programs to inform budgeting decisions. By 2008, OMB will have applied PART to the entire government. In the last 4 years OMB has reviewed 793 programs which account for $1.47 trillion in taxpayer money and rated 15 percent "effective"; 29 percent "moderately effective"; 28 percent "adequate"; 4 percent "ineffective"; and 24 percent cannot demonstrate results to even get a rating. Programs rated "ineffective" or "results not demonstrated" account for $152 billion in budget authority and one-third of all programs reviewed thus far.

Witnesses: Hon. Clay Johnson, III, Deputy Director for Management, U.S. Office of Management and Budget; Eileen Norcross, Government Accountability Project, Mercartus Center at George Mason University; and Adam Hughes, Director for Federal Fiscal Policy, OMB Watch.

U.N. Headquarters Renovation: No Accountability Without Transparency (June 20, 2006)

Chairman Coburn held a hearing June 20 on the continuing lack of transparency for the massive U.N. renovation project in Turtle Bay, Manhattan. This is a follow up to last year's hearing, where the United Nations was called to account for wasted design money and a flawed and over-priced ($1.2 billion) plan. Now the plan's cost projection has sky-rocketed to $1.7 billion, millions more have been spent on new designs and an itemized cost projection is still not available. The lack of transparency is a case study in the larger lack of transparency, accountability, financial and ethical integrity at the international body. Although reforming the agency would be almost overwhelmingly difficult, the Chairman is asking for a small first step—transparency in the Capital Master Plan.

The U.N. renovation project, the Capital Master Plan, operates within the unaccountable and corrupt U.N. procurement system. Not a single U.N. employee has been fired, indicted, or even censured for his or her involvement in the Oil-For-Food procurement scandal. Despite recent reports of ongoing corruption in the peacekeeping procurement system and the indictments of low-level procurement officers, the United Nations continues to utilize contractors suspected of fraud, sustain tainted contracts, and employ individuals suspected of corruption.

Witnesses: Hon. John R. Bolton, U.S. Permanent Representative to the United Nations; Anne Bayefsky, Senior Fellow, Hudson Institute, Professor, Touro Law Center, and Editor, www.EYEontheUN.org; Claudia Rosett, Journalist-in-Residence, The Foundation for the Defense of Democracies; and Thomas Melito, Director, International Affairs and Trade, U.S. Government Accountability Office.

Lessons Learned? Assuring Healthy Initiatives in Health Information Technology (June 22, 2006)

As most industries move online and are fully digitized, one industry is lagging woefully behind healthcare. Chairman Coburn held a hearing June 22, entitled, "Lessons Learned? Assuring Healthy Initiatives in Health Information Technology (HIT)" which considered:

Joint digital health systems at Veterans' Affairs and Department of Defense, additional Federal initiatives in health technology, efforts to standardize health information technology in several Federal agencies, including Veterans' Affairs (VA), the Department of Defense (DOD), and the Department of Health and Human Services (HHS).

Witnesses: Jodi G. Daniel, J.D., M.P.H., Director, Policy and Research, Office of the National Coordinator for Health Information

Technology, U.S. Department of Health and Human Services; Linda D. Koontz, Director, Information Management Issues, U.S. Government Accountability Office; Carl E. Hendricks, Military Health System Chief Information Officer, U.S. Department of Defense; Michael Kussman, M.D., Deputy Under Secretary for Health, U.S. Department of Veterans' Affairs accompanied by Robert Howard, Supervisor, Office of Information and Technology, U.S. Department of Veterans' Affairs; and Ross Fletcher, M.D., Chief of Staff, Veterans Medical Center.

Community Development Block Grants: The Case For Reform (June 29, 2006)

The Community Development Block Grants program is a multibillion dollar program that has exceptional flexibility compared to most other grant programs. Operated out of the Department of Housing and Urban Development, Community Development Block Grants give local officials broad discretion on the use of the funds for housing, economic development activities, social services, and infrastructure.

Grantee and sub-grantee level spending information is not available to Congress, the Administration, or the public, making it difficult to accurately gauge the effectiveness of the Community Development Block Grants (CDBG) program. In 2006, HUD has started to collect new performance measurements for the CDBG program, but according to the Inspector General's office, performance measures will likely be undermined by vague criteria and a failure to improve deficient enforcement tools. The CDBG formulas have not been updated since the late 1970's. As a result, many wealthy communities receive three to four times more CDBG funds per capita than many poor communities.

Witnesses: Hon. Pamela H. Patenuade, Assistant Secretary, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, accompanied by Todd Richardson; Hon. Kenneth M. Donohue, Inspector General, Department of Housing and Urban Development; Eileen Norcross, M.A., Senior Research Fellow for the Government Accountability Project, Mercatus Center, George Mason University; and Cardell Cooper, Executive Director, National Community Development Association.

What You Don't Know Can Hurt You: S. 2590, the Federal Funding Accountability and Transparency Act of 2006 (July 18, 2006)

The July 18 hearing highlighted the lack of transparency in Federal spending decisions as well as the merits of legislation to create a website disclosing the recipients of all Federal funding. As the quote from Thomas Jefferson says, "the government's finances should be available and understandable to the average citizen in order to bring transparency and accountability to the Federal Government." Thus far, the legislation has garnered the support of more than 100 organizations from all ideological perspectives, including Federal watchdog associations, newspaper editorial boards and academic think tanks.

As Federal spending approaches $3 trillion this fiscal year, the public's ability to track how it is spent remains a monumental task. There is currently no single source of accurate, complete, and timely information on Federal Government spending.

Grants, contracts and loans account for nearly $1 trillion in Federal spending annually, yet both areas lack enough transparency to allow taxpayers to know where that money goes.

The two primary sources for data on grants (Federal Assistance Awards Data System—FAADS) and contracts (Federal Procurement Data System—FPDS) are incompatible, hard to search, and lack basic information on what purpose tax money was spent to accomplish.

Witnesses: Hon. John McCain, a U.S. Senator from the State of Arizona; Hon. Barack Obama, a U.S. Senator from the State of Illinois; Gary D. Bass, Ph.D., Executive Director, OMB Watch; Eric Brenner, Director, Maryland Governor's Grants Office; and Mark Tapscott, Editorial Page Editor, The Washington Examiner Proprietor.

Iran's Nuclear Impasse: Next Steps (July 20, 2006)

The purpose of the hearing was to look at the status on Iran's nuclear weapons capabilities, European negotiations and the U.N. Security Council, and the feasibility of further negotiations, democracy promotion, sanctions, and/or military options.

Iran does not need a nuclear weapon in order to be a threat. The regime has been funding terrorist groups and killing citizens of the United States and its allies for 27 years. Iran poses a grave threat to the world but an even graver threat to Iranians who are beaten, imprisoned, and killed by the regime in order to keep the mullahs in power.

Hassan Rowhani, the Iranian regime's representative at the failed E.U.-3 (Germany, France and Britain) negotiations, admitted that Teheran played along with the negotiations for a time. This permitted the regime to successfully dupe the West while continuing to develop nuclear weapon technology.

Witness: Amir Abbas Fakhravar, Chairman, Independent Student Movement; Ilan Berman, Vice President for Policy, American Foreign Policy Council; Michael A. Leeden, Freedom Scholar, American Enterprise Institute; Ray Takeyh, Senior Fellow, Middle East Studies, Council on Foreign Relations; and Jim Walsh, Security Studies Program, Massachusetts Institute of Technology.

Responsible Resource Management at the Nation's Health Access Agency (July 27, 2006)

The Health Resources and Services Administration (HRSA) spends about $6 billion per year on over a hundred programs (including the Ryan White CARE Act, Healthy Start, and National Hospital Bioterrorism Preparedness, among many others) intended to increase access to and quality of health care. Given the recent release and priorities of the President's FY 2007 budget, the hearing examined the agency's financial management of its budget in carrying out its mission.

Witnesses: Peter C. Van Dyck, M.D., M.P.H., Associate Administrator, Maternal and Child Health Bureau, Health Resources and Services Administration, U.S. Department of Health and Human Services; and Joyce Somsak, M.A., Associate Administrator, Healthcare Systems Bureau, Health Resources and Services Administration, U.S. Department of Health and Human Services.

Cyber Security: Recovery and Reconstruction of Critical Networks (July 28, 2006)

Senator Coburn held the second hearing in a series on cyber security in the Federal Government. Today, despite spending millions of dollars over the past year, the Department of Homeland Security (DHS) continues to struggle with how to effectively form and maintain effective public/private partnerships in support of cybersecurity—including how to protect Internet infrastructure and how to recover it in the case of a major disruption. The public/private partnership necessary to accomplish the goals of DHS in securing computer networks continues to remain a public/private divide. Interested in making progress on a public/private partnership for cyber security of our Nation's critical infrastructures, the hearing highlighted the immediate steps that DHS and the private sector can take to formalize a partnership and to ensure effective response and recovery to major cyber network disruptions.

Witnesses: George Foresman, Under Secretary for Preparedness, U.S. Department of Homeland Security; Richard C. Schaeffer, Jr., Director of Information Assurance, National Security Agency; Karen Evans, Administrator for Electronic Government and Information Technology, Office of Management and Budget; Keith Rhodes, Chief Technologist and Director, Center for Technology and Engineering, U.S. Government Accountability Office; Thomas E. Noonan, President and Chief Executive Officer, Internet Security Systems; Roberta A. Bienfait, Senior Vice President Global Network Operations, AT&T; Michael A. Aisenberg, Director of Government Relations, VeriSign, Inc. and Vice Chair, IT Sector Coordinating Council; and Karl Brondell, State Farm Insurance Companies, on behalf of the Business Roundtable.

Financial Management at the Department of Defense (August 3, 2006)

Since FY 2005 DOD has become more focused on financial management as a critical area for reform. In GAO's words, "DOD has finally come to the realization that all of their 'business systems' whether payroll, logistics, supplies, personnel, etc., must be viewed as financial in nature, because they all involve a cost."

The Department of Defense has never gotten a financial audit. In fact, DOD has never produced auditable financial statements—in other words, they can't undergo an audit, much less pass one. Of the 26 "high-risk" areas designated by GAO, 14 are at DOD. GAO has been reporting to Congress that DOD is at the top of its "high-risk" list for years. In 2004, the Department set the goal of undergoing a full audit by 2007. That deadline has not been met, and in fact, has been moved to the year 2016.

Witnesses: Hon. David M. Walker, Comptroller General of the United States, U.S. Government Accountability Office; J. David Patterson, Principal Deputy Under Secretary of Defense (Controller), U.S. Department of Defense; Teresa McKay, Deputy Chief Financial Officer, U.S. Department of Defense; and Thomas F. Gimble, Acting Inspector General, Office of the Inspector General, U.S. Department of Defense.

IT Projects At Risk: Is It Too Late to Save $12 Billion? (September 7, 2006)

In FY 2007, the Federal Government will spend $64 billion on more than 850 information technology (IT) projects ranging from e-payroll and human resources to weather satellites and defense systems. The Office of Management and Budget is responsible for overseeing the use of IT throughout the government, and keeps close track of the most at-risk projects through its High-Risk List and Management Watch List. The U.S. Government Accountability Office (GAO) has determined that, between projects on both lists, more than $12 billion is in serious risk of being wasted due to performance or planning problems. The hearing focused on why $12 billion in potentially wasteful projects is being funded and what OMB is doing to make sure this money is not wasted.

In FY 2007, the Federal Government will spend $64 billion on information technology (IT), of which $7-$12 billion may be wasted through cost overruns, schedule delays and poor management. The Office of Management and Budget (OMB) monitors questionable and high-risk IT projects through two lists it created: The High-Risk List and the Management Watch List. The High-Risk List monitors projects that may perform poorly, while the Management Watch List monitors programs that OMB has decided are "not well planned," yet funds anyway. The President's FY 2007 budget submission included 226 projects worth $6.4 billion on the High-Risk List and 263 projects worth $9.9 billion on the Management Watch List.

Witnesses: Hon. Karen Evans, Administrator for Electronic Government and Information Technology, U.S. Office of Management and Budget; and David A. Powner, Director, Information Technology Management Issues, U.S. Government Accountability Office.

Round Two: Federal Agencies and Conference Spending (September 14, 2006)

Chairman Coburn convened a hearing to examine the amount of money Federal agencies spend on meetings and travel. "During a time of war, there's no excuse for agencies to spend excessive amounts of money to attend conferences in exotic locations," Dr. Coburn said. "Throughout our history, presidents and lawmakers cut back non-defense spending during times of war. Today, Congress must follow that precedent and begin to curb the increase in spending on nonessential activities."

Since 2000, the Federal Government has spent almost $1.5 billion to underwrite conferences or to send Federal employees to meetings. Some of the more dubious examples include:

The Department of Labor sending employees to the New York State Fair (more details in the hearing). The Department of Agriculture is sending people to an elephant training conference in Florida. The Department of Interior spending $722,000 to send 125 staff to a conference 70 miles outside of Washington, D.C. USAID has increased its conference spending by 147 percent since 2001. The Department of Education has increased such spending 261 percent in 6 years.

Witnesses: Lisa Fiely, Chief Financial Officer, U.S. Agency for International Development; Nina Rose Hatfield, Deputy Assistant Secretary, Policy, Management, and Budget, U.S. Department of the Interior; Lee J. Lofthus, Acting Assistant Attorney General for Administration, U.S. Department of Justice; Michell Clark, Assistant Secretary for Management, U.S. Department of Education; Edward C. Hugler, Deputy Assistant Secretary for Operations, Office of the Assistant Secretary for Administration and Management, U.S. Department of Labor; Clarence C. Crawford, Chief Financial Officer, U.S. Office of Personal Management; Eugene Schied, Deputy Chief Financial Officer, U.S. Department of Homeland Security; Jeffery K. Nulf, Deputy Assistant Secretary for Administration, U.S. Department of Commerce; Richard Holcomb, Deputy Chief Financial Officer, and Acting Deputy Assistant Secretary for Headquarters Operations, U.S. Department of the Treasury; and Charles R. Christopherson, Jr., Chief Financial Officer, U.S. Department of Agriculture.

Deconstructing the Tax Code: Uncollected Taxes and Issues of Transparency (September 26, 2006)

The hearing examined the latest "tax gap" estimate which IRS has priced at $345 billion for tax year 2001. The tax gap is the difference between the amount of tax imposed on taxpayers for a given year and the amount that is paid voluntarily and timely. At 11 a.m. that day, the Treasury Department released their strategy for reducing the tax gap.

The Internal Revenue Service's (IRS) most recent updates issued in February 2006 estimate the tax gap for the 2001 tax year to be $345 billion. The tax gap estimate is unreliable: The IRS itself has concerns with the overall tax gap estimate they have come up with because some areas of the estimate rely on old data; and it excludes many components of the tax gap. Due to antiquated methodologies and systems, IRS cannot report more recent data than tax year 2001.

Witnesses: Hon. Mark Everson, Commissioner, Internal Revenue Service; Hon. J. Russell George, Treasury Inspector General for Tax Administration (TIGTA), U.S. Department of the Treasury; Nina E. Olson, National Taxpayer Advocate; Jay A. Soled, Professor of Taxation, Rutgers University; Stephen J. Entin, President and Executive Director, Institute for Research on the Economics of Taxation; Jason Furman, Non-Resident Senior Fellow, Center on Budget and Policy Priorities, and Visiting Scholar, New York University Wagner Graduate School of Public Service; and Neal Boortz, Co-Author, "The Fair-Tax Act."

An Assessment of the Improper Payments Information Act of 2002 (December 5, 2006)

The Subcommittee held a hearing to review and assess the Improper Payments Information Act (IPIA) of 2002. This was the fourth oversight hearing the Subcommittee held on payment errors made by the Federal Government. However, while previous hearings focused on which agencies were out of compliance with the Act, the purpose of this hearing was to assess the successes and shortcomings with the statute and its corresponding guidance issued by the Office of Management and Budget (OMB).

Witnesses: Hon. David M. Walker, Comptroller General of the United States, U.S. Government Accountability Office; and Hon.

Clay Johnson, III, Deputy Director for Management, U.S. Office of Management and Budget.

II. Legislation

The following bills were considered by the Subcommittee on Federal Financial Management, Government Information, and International Security during the 109th Congress:

Measures referred to the Subcommittee upon which hearings were held or other action was taken

S. 1495, Obligation of Funds Transparency Act of 2005. This bill would prohibit a Federal agency from obligating funds made available in an appropriation Act to implement an earmark that is included in a congressional report accompanying such Act, unless the earmark is also included in that Act. Senator John McCain and cosponsor Senator Tom Coburn introduced S. 1495 on July 26, 2005. Senator Jon Kyl was later added as a cosponsor. On January 27, 2006, the bill was referred to the Subcommittee on Federal Financial Management, Government Information, and International Security. The Subcommittee held a hearing regarding legislation on March 16, 2006.

Measures which did not advance beyond referral to the Subcommittee

S. 2695, Federal Research Public, Access Act of 2006. This bill requires each Federal agency with extramural research expenditures of over $100 million to develop a specified Federal research public access policy that is consistent with and advances the purposes of the agency. Making each Federal research public access policy applicable to: (1) researchers employed by the Federal agency whose works remain in the public domain; and (2) researchers funded by the agency with specific exclusions, requiring the submission of annual reports by each Federal agency on its Federal research public access policy. The bill was introduced by Senator John Cornyn and cosponsor Senator Joseph I. Lieberman on May 2, 2006. Senator Jeff Sessions was later added as a cosponsor on May 8, 2006. The bill was referred to the Subcommittee on Federal Financial Management, Government Information, and International Security on May 26, 2006.

S. 2718, Website for American Taxpayers to Check and Help Deter Out-of-control Government Spending Act or "WATCHDOGS Act." This Act defines: (1) a "contractor entity" as any entity that receives Federal funds as a general contractor or subcontractor at any tier in connection with Federal contracts; and (2) "covered entity" as any entity that receives Federal funds through a grant or loan, with exception. Requires each contractor entity and covered entity to: (1) apply to the Office of Management and Budget (OMB) for a Federal funds application number; and (2) annually provide OMB with specified information. The bill was introduced by Senator John Ensign on May 4, 2006. The bill was referred to the Subcommittee on Federal Financial Management, Government Information, and International Security on May 26, 2006.

III. GAO Reports

The following reports were issued by the Government Accountability Office at the request of the Chairman and/or Ranking Member of the Subcommittee on Federal Financial Management, Government Information, and International Security during the 109th Congress:

DOD Business Transformation: Defense Travel system Continues to Face Implementation Challenges. GAO–06–18 (January 18, 2006)

Cooperative Threat Reduction: DOD Needs More Reliable Data to Better Estimate the Cost and Schedule of the Schuch'ye Facility. GAO–06–692 (May 31, 2006)

2010 Census: Census Bureau Needs to Take Prompt actions to Resolve Long-standing and Emerging Address and Mapping Challenges. GAO–06–272 (June 15, 2006)

Internet Infrastructure: DHS Faces Challenges in Developing a Joint Public/Private Recovery Plan. GAO–06–672 (June 16, 2006

Community Development Black Grants: Program Offers Recipients Flexibility but Oversight Can Be Improved. GAO–06–732 (July 28, 2006)

Security Assistance: Lapses in Human Rights Screening in North African Countries Indicate Need for Further Oversight. GAO–06–850 (July 31, 2006)

Disaster Relief: Governmentwide Framework Needed to Collect and Consolidate Information to Report on Billions in Federal Funding for the 2005 Gulf Coast Hurricanes. GAO–06–834 (September 6, 2006)

Defense Travel System: Reported Savings Questionable and Implementation Challenges Remain. GAO–06–980 (September 26, 2006)

Improper Payments: Agencies' Fiscal Year 2005 Reporting under the Improper Payments Information Act Remains Incomplete. GAO–07–92 (November 14, 2006)

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA

CHAIRMAN: GEORGE V. VOINOVICH

RANKING MINORITY MEMBER: DANIEL K. AKAKA

I. HEARINGS

The Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia held the following 27 hearings during the 109th Congress:

Unlocking the Potential Within Homeland Security: The New Human Resources System, February 10, 2005)

Witnesses: Hon. David M. Walker, Comptroller General, U.S. Government Accountability Office; Ronald J. James, Chief Human Capital Officer, U.S. Department of Homeland Security; Ronald P. SandersAssociate Director for Strategic Human Resources Policy, U.S. Office of Personnel Management; Darryl A. Perkinson, National Vice President, Federal Managers Association; Colleen M. Kelley, President, National Treasury Employees Union; John Gage, National President, American Federation of Government Employees; Richard N. Brown, President, National Federation of Federal Employees; andKim Mann, on behalf of the National Association of Agriculture Employees.

The hearing examined the new human resource management system that was designed jointly by the Department of Homeland Security and the Office of Personnel Management.

The first panel discussed the methods used to create the new regulation, including a meet and confer process with labor unions. Comptroller General David Walker outlined three potential weaknesses in the plan: (1) a limited collective bargaining process; (2) unclear core competencies; and (3) permitting the use of a pass/fail rating scale. Mr. James stated that the unions concerns about the new pay-for-performance system led to a longer implementation time frame and expanded training for managers. The panel expressed an overall feeling of success with the process, which they believe creates a modern and flexible personnel system, and thanked the unions for their input; noting that it improved the regulations.

The second panel outlined the concerns of the labor unions regarding the new regulations. The witnesses argued that the regulations did not meet statutory mandates. Ms. Kelley and Mr. Gage expressed concerns on behalf of the unions regarding changes to the collective bargaining and pay systems.

Programs in Peril: An Overview of the GAO High-Risk List (February 17, 2005)

Witnesses: Hon. David M. Walker, Comptroller General, U.S. Government Accountability Office; and Hon. Clay Johnson, III, Deputy Director for Management, Office of Management and Budget.

The hearing focused on the Government Accountability Office's (GAO) 2005 High-Risk Report. Comptroller General Walker provided an overview of the 2005 high-risk report. He summarized actions that had been taken or were underway to address high-risk areas. Mr. Walker stated, "Our objective for the high-risk list is to bring 'light' to these areas as well as 'heat' to prompt needed actions." Mr. Walker also mentioned that, in the past, high-risk areas were identified because of their increased susceptibility to waste, fraud, abuse, and mismanagement. However, in order to promote greater effectiveness and accountability of key programs and operations, GAO expanded their high-risk designation to encompass government-wide areas.

Deputy Director Johnson offered the Administration's perspective on the report. He pointed out that those agencies which have resolved their management problems have done so because they have had four key elements in place: (1) a top management commitment to resolving the problem; (2) a clear picture of what needs to be accomplished; (3) a clear, aggressive action plan for solving the problem; (4) a clear definition of who is responsible. Mr. Johnson promised to work with Congress to develop a clear strategy to address management deficiencies highlighted by GAO's high-risk list.

Critical Mission: Ensuring the Success of the National Security Personnel System (March 15, 2005)

Witnesses: Hon. David M. Walker, Comptroller General, U.S. Government Accountability Office; Hon. Charles S. Abell, Principal Deputy Under Secretary for Personnel and Readiness, U.S. Department of Defense; George Nesterczuk, Senior Advisor to the Director on the Department of Defense, U.S. Office of Personnel Management; Richard Oppedisano, National Secretary, Federal Managers Association; John Gage, National President, American Federation of Government Employees (AFL–CIO); and Gregory J. Junemann, President, International Federation of Professional and Technical Engineers AFL–CIO.

The hearing examined the proposed regulations for the National Security Personnel System, which were jointly published by the Department of Defense and Office of Personnel Management on February 14, 2005, for the National Security Personnel System. The reforms underway at the Department of Defense will affect not just the Department of Defense, but also the workforce of the Federal Government as a whole.

The Department of Defense and the Office of Personnel Management presented testimony to describe the new system and summarized the process utilized to develop it, including establishing a program executive office, conducting a series of town hall meetings, and engaging in a meet and confer process with the unions of the Department. Comptroller General David Walker identified several areas of concern, including the lack of information on the details of implementation, which the Department will publish in subsequent implementing issuances, as well as the absence of a formalized process to keep employees involved in the implementation process. The second panel of witnesses was representative of employee organizations. The witnesses expressed numerous, serious concerns with the National Security Personnel System and with the process used to develop it.

Monitoring CMS' Vital Signs: Implementation of the Medicare Prescription Drug Benefit (April 5, 2005)

Witnesses: Mark McClellan, M.D., Ph.D., Administrator, Centers for Medicare and Medicaid Services; Marcia Marsh, Vice President for Agency Partnerships, Partnership for Public Service; and Ann Womer Benjamin, Director, Ohio Department of Insurance.

The hearing reviewed the ability of the Centers for Medicare and Medicaid Services (CMS) to implement the Medicare Prescription Drug Benefit, authorized by the Medicare Modernization Act (MMA), Public Law 108–173.

Dr. McClellan testified that CMS had done a significant amount of work to implement all of the provisions of the MMA in such a way that the new benefits are easily understood and accessed by beneficiaries. Dr. McClellan also explained the challenges that lay ahead as the agency rolls out drug coverage to the 42 million Medicare beneficiaries on January 1, 2006. He explained how the agency was developing and implementing a comprehensive education and outreach campaign, including grassroots participation, to ensure beneficiaries have the support they need to select a plan that is best for them. CMS has also worked with potential drug plan sponsors and providers to ensure the agency has been responsive to their concerns through regulations and guidance. In addition, to ensure that CMS has the right people to carry out the new programs required by MMA, the agency has revamped its human capital management plans and hiring processes.

On the second panel, Ms. Marsh discussed the Partnership for Public Service's work with CMS to reform its human capital strategies, specifically their work on the "Extreme Hiring Makeover." Ms. Marsh testified that CMS was an ideal candidate for the makeover in terms of its (1) leadership commitment; (2) strategic need; (3) recognition of the need for change; and (4) willingness to put together a talented project team to work through the process. The Partnership has been able to map the hiring process and improve the agency's workforce, in light of the additional staff required to effectively implement the new benefit.

Ms. Benjamin testified that since the passage of the MMA, CMS has been instrumental in helping the Ohio Seniors Health Insurance Information Program (OSHIIP) with information and resources to prepare and respond to the many changes that are coming to Medicare. Ms. Benjamin indicated that outreach and educational efforts have increased at the State and local levels with the support and coordination of CMS.

Passing the Buck: A Review of the Unfunded Mandates Reform Act (April 14, 2005)

Witnesses: Orice M. Williams, Director, Strategic Issues, U.S. Government Accountability Office;Hon. John D. Graham, Administrator, Office of Information and Regulatory Affairs, Office of Management and Budget; Elizabeth Robinson, Deputy Director, Congressional Budget Office; Hon. John Hurson, Delegate, Maryland House of Delegates, and President, National Conference of State Legislatures; Hon. Colleen Landkamer, Commissioner; Blue Earth County, Minnesota, and First Vice President, National Association of Counties; and Hon. Nick Licata, City Council Member, Seattle, Washington, on behalf of the National League of Cities.

The hearing reviewed the impact that the Unfunded Mandates Reform Act (UMRA) has had on Federal, State, and local governments, and explored whether or not changes are necessary to strengthen the statute. The hearing was held to mark the 10-year anniversary of the enactment of UMRA, P.L. 104–4. To coincide with this anniversary, Senator Voinovich requested that the Government Accountability Office (GAO) undertake a two-part review of UMRA. The first report provided a general overview of UMRA. The second GAO report, released publicly in conjunction with this hearing, explored the strengths and weaknesses of UMRA and outlined options for enhancing current law.

During the first panel, Ms. Williams discussed the findings of both reports. GAO found that, although UMRA has discouraged and limited Federal mandates, the law's procedures for the identification and analysis of intergovernmental and private sector mandates are very complex. Moreover, some potential mandates are enacted through procedures that do not subject them to UMRA. For example, GAO noted that UMRA does not require automatic review of potential mandates contained in appropriation bills.

As the Federal agency responsible for reviewing UMRA statements and regulations issued by Executive Branch agencies, OMB plays a key role in the process for identifying unfunded mandates. Dr. Graham said that 0MB works to ensure that Federal rulemaking complies with UMRA's consultation and analysis requirements. Dr. Robinson discussed the Congressional Budget Office's (CBO) role in the UMRA process, which is to provide automatic UMRA statements for bills reported by authorizing committees. The UMRA statements specify whether the bill contains any intergovernmental or private sector mandates at or above UMRA thresholds. Dr. Robinson testified that since UMRA was enacted, CBO has conducted more than 5,200 UMRA reviews.

The second panel, consisting of State and local elected officials, discussed the impact that UMRA has had on their ability to govern. State and local representatives provided a favorable review of UMRA, but were concerned that the law's definitions, exceptions, exclusions, and thresholds still allowed unfunded mandates to be passed from the Federal Government to State and local governments. Delegate John Hurson testified on behalf of the National Conference of State Legislatures (NCSL). Delegate Hurson said that NCSL has identified a $51 billion cost shift in Federal funding to States for fiscal years 2004 and 2005. County Commissioner Colleen Landkamer testified on behalf of the National Association of Counties (NACO). Commissioner Landkamer stressed the importance of strengthening UMRA. She said that nearly $7 out of every $10 that Minnesota counties spend are for programs that have been mandated by the Federal and State governments. Councilmember Nick Licata, from the city of Seattle, Washington, testified on behalf of the National League of Cities. Mr. Licata discussed several ways to strengthen UMRA, including reconsidering the threshold amount in UMRA and enhancing the existing statutory language requiring Federal agency consultation with State and local governments in the development of Federal regulations.

Employing Federal Workforce Flexibilities: A Progress Report (April 21, 2005)

Witnesses: Marta Brito Perez, Associate Director for Human Capital Leadership and Merit System Accountability, U.S. Office of Personnel Management; Eileen R. Larence, Director, Strategic Issues, U.S. Government Accountability Office; Evelyn M. White, Principle Deputy and Acting Assistant Secretary for Administration and Management, Department of Health and Human Services; Hon. Jeffery K. Nulf, Deputy Assistant Secretary for Administration, U.S. Department of Commerce; Rafael DeLeon, Director, Office of Human Resources, Environmental Protection Agency; and Vicki A. Novak,Assistant Administrator for Human Capital Management and Chief Human Capital Officer, National Aeronautics and Space Administration.

The hearing continued a Subcommittee's oversight of the government's human capital practices by conducting an oversight hearing of recently enacted government-wide workforce flexibilities available to Federal agencies. Witnesses' testimony demonstrated significant progress by Federal departments and agencies in implementation, understanding, and the use of the flexibilities, as well as identified areas of continued concern. The Office of Personnel Management has improved its guidance and training programs for the human resources professionals of Federal departments and agencies. The Subcommittee determined that agencies have progressed in utilizing the flexibilities in a strategic manner; however, there are many opportunities for improvement and coordination throughout the government.

Waging War on Waste: An Examination of DOD's Business Practices (April 28, 2005)

Witnesses: Hon. David M. Walker, Comptroller General, U.S. Government Accountability Office (GAO); Hon. Clay Johnson, III, Deputy Director for Management, Office of Management and Budget; and Bradley M. Berkson, Acting Deputy Under Secretary of Defense for Logistics and Materiel Readiness, U.S. Department of Defense.

The hearing focused on the Department of Defense's (DOD) business transformation efforts, which is considered by the Government Accountability Office (GAO) to be DOD's overarching high-risk area. For years, GAO has reported that DOD wastes billions of dollars due to programmatic and management inefficiencies resulting in a lack of transparency and accountability.

The hearing reviewed the Department's plans to improve and streamline the current business practices, given the more than 4,100 business systems within DOD. Comptroller General Walker testified that DOD continues to confront pervasive, decades-old management problems related to its business operations. To make the necessary improvements, GAO recommended that DOD: (1) draft an integrated strategic business plan coupled with a well-defined business enterprise architecture, in order to guide their modernization efforts; (2) establish central control of systems investments; and (3) establish a centralized leadership position called a Chief Management Officer (CMO), created by Congress, to provide sustained leadership for the Department's transformation efforts.

OMB's Deputy Director for Management, Clay Johnson, testified that 0MB is working with DOD and GAO to establish a comprehensive plan for improving the Department's supply chain management process. He stated that 0MB will ensure that DOD establishes a business plan complete with action items and approximate dates for meeting these milestones. Bradley Berkson, Acting Deputy Under Secretary of Defense for Logistics and Materiel Readiness, stated that the creation of a CMO would complicate the Department's existing management balance, reporting requirements, and chain of command. He said that the Department truly needs high-performing employees with the background necessary for helping to transform the business operations of one of the most complex organizations in the world.

Safeguarding the Merit System: A Review of the U.S. Office of Special Counsel (May 24, 2005)

Witness: Hon. Scott J. Bloch, Special Counsel, U.S. Office of Special Counsel.

The purpose of the hearing was to review several of Special Counsel Scott Bloch's policy and management decisions. Specifically, Mr. Bloch was questioned on the methods his agency employed to reduce the backlog of whistleblower disclosure, prohibited personnel practice, and Hatch Act cases at the Office of Special Counsel (OSC).

Mr. Bloch was also asked about the January 2005 OSC restructuring plan, which established a Midwest field office in Detroit, Michigan. To open the new field office, Mr. Bloch proposed to transfer 12 employees from Washington, DC, to the Detroit, San Francisco, and Dallas field offices through a process known as a directed reassignment. The Subcommittee questioned Mr. Bloch's timeline for implementing the restructuring, including the time permitted to employees for deciding to accept the directed reassignment. Finally, Mr. Bloch faced questions on 0SC's handling of sexual orientation discrimination complaints. In April 2004, after a 2-month review, OSC affirmed its jurisdiction over discrimination on the basis of sexual orientation and continued accepting claims from affected individuals.

Finding and Fighting Fakes: Reviewing the Strategy Targeting Organized Piracy (June 14, 2005)

Witnesses: Jeffrey O. Evans, President and Chief Executive Officer, The Will-Burt Company, Orrville, Ohio; John W. Dudas, Under Secretary of Commerce for Intellectual Property, and Director, U.S. Patent and Trademark Office; Victoria Espinel, Acting Assistant, U.S. Trade Representative; Daniel Baldwin, Acting Assistant Commissioner, Office of Strategic Trade, U.S. Customs and Border Protection, Department of Homeland Security; Laura H. Parsky, Deputy Assistant Attorney General, Criminal Division, Department of Justice; Loren Yeager, Director, International Affairs and Trade, U.S. Government Accountability Office; Brad Huther, Director, U.S. Counterfeiting and Piracy Initiative, U.S. Chamber of Commerce; and Franklin J. Vargo, Vice President, International Economic Affairs, National Association of Manufacturers.

The purpose of the hearing was to evaluate the Administration's Strategy Targeting Organized Piracy (STOP!), which was announced in October 2004, to address the growing problem of intellectual property theft and to help protect American businesses and consumers from counterfeit and pirated goods. This was the fourth in a series of trade-related hearings held by OGM dating back to the 107th Congress.

During the first panel, Mr. Evans testified about the problems the Will-Burt Company has had with intellectual property theft in China. The company develops, manufactures, and distributes a mast that sets atop police and rescue vehicles called a "Night-Scan." It has secured patent and trademark protection in China for its Night-Scan products. The company entered into an exclusive licensing agreement with Shenzhen Superway, pursuant to which Shenzhen Superway would be Will-Burt's sole distributor in China. The contract contained a non-compete clause. Nevertheless, within a year of signing the agreement, Will-Burt learned that Shenzhen Supeway had reverse engineered its products and was selling them outside its agreement with Will-Burt. Due to the sales of these pirated Night-Scan products, Will-Burt's sales in China have fallen by approximately 50 percent. The company also has incurred significant cost in seeking to regain its market share.

During the second panel, representatives from Federal Government discussed their roles in implementing the STOP! initiative. As part of the initiative, the Patent and Trademark Office manages a hotline to help businesses obtain the information they need to protect their intellectual property, and to enforce their intellectual property rights in the United States and abroad. There also is a website for STOP!, www.stopfakes.gov. The Commerce Department is conducting a series of road shows to educate businesses, especially small and medium-sized businesses, on how to protect their IPR rights, including by registering their trademarks with U.S. Customs and Border Protection at the Department of Homeland Security, which provides a means to stop the importation of counterfeit goods at the U.S. border. Under STOP!, the Administration is providing a variety of intellectual property enforcement training and technical assistance activities within the government. The Department of Justice established a Task Force on Intellectual Property to study ways the Department could improve and enhance its protection of intellectual property. The Task Force reported its recommendations this year and the Department is currently implementing many of them. The Administration is working to improve the cooperation between the Federal Government and the private sector on IP protection and enforcement. The Administration is also working to build an international coalition to fight the trade in fake products by reaching out to members of the G–8, the Organization for Economic Cooperation and Development and the Asia-Pacific Economic Cooperation Forum. GAO testified that its review of STOP! found that it has resulted in several new actions and emphasized other ongoing efforts, but that intellectual property enforcement in many countries remains weak.

During the third panel, Mr. Huther and Mr. Vargo praised STOP! and indicated that their organizations, the Chamber of Commerce and the National Association of Manufacturers, respectively, applauded the Administration's efforts to improve IP enforcement. They also discussed their organizations' efforts to build private sector coalitions to fight IP theft. Mr. Vargo urged Congress to pass H.R. 32, the "Stop Counterfeiting in Manufactured Goods Act."

Assess Delayed: Fixing the Security Clearance Process (June 28, 2005)

Witnesses: Derek B. Stewart, Director, Defense Capabilities and Management, U.S. Government Accountability Office; Kathy L. Dillaman, Deputy Associate Director for Human Resource Products and Services, Center for Federal Investigative Services; U.S. Office of Personnel Management; and Heather Anderson, Director, Strategic Integration, Office of the Deputy Under Secretary of Defense, Counterintelligence and Security, and Acting Director, Defense Security Service, U.S. Department of Defense.

This is the third in a series of hearings that the Subcommittee has held in the 109th Congress on DOD programs designated as high-risk by the Government Accountability Office (GAO).

This hearing examined the security clearance process, which was designated by GAO as one of DOD's high-risk areas in January 2005. The hearing also explored the transfer of investigative responsibilities from DOD to the Office of Personnel Management (OPM), including the impact that this shift is having on the ability to investigate and adjudicate security clearances in a thorough and expeditious manner. In addition, the hearing allowed DOD and OPM to discuss the steps they are taking to remove the personnel security clearance program from the high-risk list.

Mr. Stewart began the testimony by outlining the problems with the security clearance process. Mr. Stewart said that DOD is uncertain about the number and level of clearances that it requires and has experienced problems submitting investigation requests. However, he noted that the Department has taken steps to address these problems. Ms. Dillaman and Ms. Anderson detailed the actions taken by their respective agencies to transfer DOD's security clearance investigations process from the Department to OPM. In addition, Ms. Dillaman said that OPM is working to ensure that adequate resources are available to better manage the current backlog of investigations. Ms. Anderson said that the transfer of DOD's security clearance investigation process to OPM would provide for a more efficient and effective use of trained, experienced, and available staff to conduct the necessary background investigations.

Overall, each witness recognized that DOD and OPM have made significant progress in streamlining and improving the security clearance process,but that a great deal of work needs to be completed before this issue can be removed from the GAO high-risk list.

The War on Terrorism: How Prepared Is the Nation's Capital? (July 14, 2005)

Witnesses: William O. Jenkins, Jr., Director, Homeland Security and Justice Issues, U.S. Government Accountability Office (GAO); George W. Foresman, Assistant to the Governor of Virginia for Commonwealth Preparedness, Commonwealth of Virginia; Dennis R. Schrader, Director of the Governor's Office of Homeland Security in the State of Maryland; Thomas J. Lockwood, Director, Office of National Capital Region Coordination, U.S. Department of Homeland Security; and Edward D. Reiskin, Deputy Mayor for Public Safety and Justice for the District of Columbia.

The hearing addressed the progress that has been made within the National Capital Region (NCR) regarding terrorism preparedness, emergency training and planning, the spending of homeland security grant funding, and whether the NCR can be used as a model for homeland security coordination in other regions of the country.

During the hearing, GAO testified that is was important that the NCR have a strategic plan and gave recommendations of what should be included in such a plan. NCR officials stated that they were in the process of finalizing a strategic plan and expected that it would be released in September 2005. In addition, GAO stated that the NCR faces several challenges in managing Federal funds in a way that maximizes first responder capacity an preparedness while minimizing duplicative expenditures. To address some of GAO's concerns, the District of Columbia Office of Homeland Security developed an online database that tracks Urban Areas Security Initiative (UASI) grants. However, the database does not track State Homeland Security Grant Program (SHSGP) grants. GAO has recommended that the NCR region develop a system that tracks all grants to maximize preparedness and minimize duplicative programs.

Alternative Personnel Systems: Assessing Progress in the Federal Government (September 27, 2005)

Witnesses:Hon. Dan G. Blair, Deputy Director, U.S. Office of Personnel Management; Hon. David M. Walker, Comptroller General, U.S. Government Accountability Office; Jeffery K. Nulf, Deputy Assistant Secretary for Administration, U.S. Department of Commerce; Arleas Upton Kea, Director, Division of Administration, Federal Deposit Insurance Corporation; Dr. Hratch G. Semerjian, Deputy Director, National Institute of Standards and Technology, Technology Administration, U.S. Department of Commerce; C. Morgan Kinghorn, Jr., President, National Academy of Public Administration; Colleen M. Kelley, National President, National Treasury Employees Union; and John Gage, National President, American Federation of Government Employees.

This hearing identified the broad principles of lessons learned through Federal departments and agencies that have developed personnel systems different from the traditional Title 5 General Schedule. The first of the three panels of witnesses described the broad principles of lessons learned, and attempted to make the case for government-wide reform.

The second panel of witnesses provided specific experiences of implementing alternative personnel systems at the Department of Commerce, the Federal Deposit Insurance Corporation, and the National Institute of Standards and Technology, and how the principles identified have been incorporated.

The third panel of witnesses provided an alternative perspective from a think tank and two Federal employee unions. The National Academy of Public Administration echoed the sentiments of the first panel in arguing for government-wide reform based upon what has been learned in more than 20 years of alternative systems in the Federal Government. However, the National Treasury Employees Union and the American Federation of Government Employees expressed the opposite opinion. Their testimonies identified the experiences of the unions working with agencies under such systems. In the experience of NTEU and AFGE, performance based pay systems do not work and employees are unhappy under these systems.

From Factory to Foxhole: Improving DOD Logistics (October 6, 2005)

Witnesses:Ken Krieg, Under Secretary of Defense for Acquisition, Technology, and Logistics, U.S. Department of Defense; Hon. Clay Johnson, III, Deputy Director for Management, Office of Management and Budget; and William M. Solis, Director, Defense Capabilities and Management, U.S. Government Accountability Office

This was the fourth in a series of hearings that the Subcommittee held in the 109th Congress on programs deemed to be high-risk by the Government Accountability Office (GAO) and the third specifically on the Department of Defense (DOD). This hearing examined DOD's supply chain management process, which was first designated by GAO as high-risk in 1990.

The hearing explored the steps DOD has taken to implement its high-risk plan on the supply chain management program, how the departments will measure success, and what strategies the Office of Management and Budget (OMB) and GAO will employ to ensure that the Department is meeting its goals.During the hearing, Mr. Krieg provided an overview of the current logistics structure at the Department, which encompasses a workforce of more than one million people, including active duty and reserve military, and civilians who manage an inventory valued at approximately $77 billion. In addition, Mr. Krieg summarized DOD's ongoing efforts to improve and enhance the efficiency and accountability of the supply chain, including the placement of active Radio Frequency Identification tags on all loaded ocean containers and air pallets shipped by the Defense Logistics Agency into Iraq and Afghanistan. Mr. Krieg also outlined the Department's next steps, which include the development of metrics and benchmarks to measure DOD's supply chain management progress.

To ensure successful implementation of the DOD supply chain plan, Mr. Johnson and Mr. Solis testified that OMB and GAO would continue to closely monitor this important issue. Mr. Johnson also said that 0MB is working with the Department and other agencies with high-risk areas to improve the performance of those programs. Mr. Solis said that GAO would take a three-step approach to evaluate DOD's supply chain performance. First, GAOwill assess DOD's progress in implementing recommendations made prior to GAO reports. Second, GAO anticipates evaluating several of DOD's supply chain management activities as part of their planned engagements over the next 2 years. And third, GAO expects to work with other audit agencies to coordinate audit coverage of the initiatives, metrics, and data system validity.

Access Delayed: Fixing the Security Clearance Process, Part II (November 9, 2005)

Witnesses: Hon. Linda M. Springer, Director, U.S. Office of Personnel Management, accompanied by Kathy Dillaman, Associate Director, Federal Investigative Services division, U.S. Office of Personnel Management; Hon. Clay Johnson, III, Deputy Director for Management, U.S. Office of Management and Budget; and Derek B. Stewart, Director, Defense Capabilities and Management, U.S. Government Accountability Office.

This was the second in a series of hearings held by the Subcommittee to examine the Federal Government's security clearance process during the 109th Congress. The hearing examined two critical components of reforming this process. First, it reviewed Executive Order No. 13381, issued by President Bush on June 27, and the steps that the Office of Management and Budget (0MB) has taken to implement the policy. Second, it examined the Office of Personnel Management's (OPM) plan to address the long-standing backlog of security clearance investigations, released on November 8, 2005.

During the hearing, OPM Director Springer unveiled a strategic plan that includes actions the agency will take to meet the timeliness standards for investigating security clearances, as required by the Intelligence Reform and Terrorism Prevention Act of 2004, P.L. 108–796. The strategic plan, which was developed jointly with OPM, OMB, and major clearance granting agencies across the government, presents five reports containing benchmarks, measures, and desired outcomes that will track progress on the security clearance process. The reports are: The reports are: (1) Clearance Granting Agency Reports; (2) OPM Investigation Workloads and Processing Timeliness; (3) National Agency Record Repository Timeliness; (4) Agencies with Delegated Investigative Authority; and (5) Clearance Granting Agencies use of E-Clearance Tools.

Mr. Johnson outlined the steps the Administration is taking to improve the security clearance process, including the establishment of a Reciprocity Working Group to hold agencies countable for honoring an employee's security clearance among Federal agencies. He also stressed the overwhelming level of government-wide support for, and involvement in, streamlining the security clearance process.

Mr. Stewart testified that GAO was encouraged by the level of commitment demonstrated by 0MB and OPM in the preparation of the government's strategic plan. He also characterized the plan as an important first step toward removing the security clearance process from the GAO high-risk list. However, Mr. Stewart discussed some concerns with the plan, including the inherent shortcomings for measuring the quality of the security clearance process. In response, OPM explained its methods for measuring quality.

Enhancing Educational and Economic Opportunity In the District of Columbia (February 28, 2006)

Witnesses: Hon. Anthony Williams, Mayor, District of Columbia, Hon. Sally L. Stroup, Assistant Secretary for Post-Secondary Education, U.S. Department of Education; and Paul Hoffman, Deputy Assistant Secretary for Fish and wildlife and Parks, U.S. Department of the Interior.

The purpose of this hearing was to examine three pieces of legislation that would impact the District of Columbia. The bills are S. 2060. a bill to extend the District of Columbia College Access Act of 1999, S. 1838, Federal and District of Columbia Government

Real Property Act of 2005, and H.R. 3508, 2005 District of Columbia Omnibus Authorization Act.

During the hearing, Mayor Williams expressed support for the legislation. In his written testimony, Mayor Williams stated, "these bills will have a profound impact on the District of Columbia over the long term." Mr. Hoffman expressed the Administration's support of S. 1838, noting several amendments to the legislation that the District has agreed to. Ms. Stroup testified on behalf of the Administration in support of S. 2060. Ms. Stroup stated that the "Administration shares Mayor Williams' goal of bettering the lives of the residents of the District of Columbia through improved educational opportunities," such as the District of Columbia Tuition Assistance Grant program, noting the Administration has proposed $35.1 million in funding for the TAG program in its FY07 budget request.

Programs In Peril: An Overview of the GAO High-Risk List—Part II (March 15, 2006)

Witnesses: Hon. David M. Walker, Comptroller General, U.S. Government Accountability Office; and Hon. Clay Johnson, III, Deputy Director for Management, U.S. Office of Management and Budget.

The purpose of this hearing was to conduct a mid-course review of the Government Accountability Office's (GAO) 2005 high-risk series.

During the hearing, the sixth before the Subcommittee in the 109th Congress on the high-risk series, both Comptroller General Walker and Deputy Director Johnson provided their assessment of the progress on improving the performance of programs on GAO's high-risk list. Comptroller General Walker noted marked improvement in several high-risk related activities, including the Federal Government's security clearance process. In addition, he praised the Administration on developing strategic plans, in collaboration with GAO, to address each high-risk area. While praising the Administration, Comptroller General Walker stated that sustained reform would only occur if the Executive Branch and Congress continued with stringent oversight of the high-risk program areas. Comptroller General also stated that some agencies, namely the Departments of Defense and Homeland Security, would benefit from the establishment of a Chief Management Officer to manage and oversee large-scale transformation efforts. In addition, Comptroller General Walker announced the designation of the National Flood Insurance Program as a high-risk item.

Deputy Director Johnson, testified that OMB is currently ensuring that key management concepts are established Federal agencies with high-risk program areas. These concepts include:(1) top management commitment; (2) a clear picture of what needs to be accomplished; (3) an aggressive action plan; and (4) a clear definition of who is responsible. Mr. Johnson outlined a number of positive actions taken by the Administration to improve the performance of high-risk program areas. For example, he noted that the Department of Defense is enhancing its supply chain management capabilities by implementing a series of business practices to reduce inventory levels, increase the availability of supplies, and eliminate duplicative warehouse facilities.

The War on Terrorism: How Prepared Is the Nation's Capital—Part II (March 29, 2006)

Witnesses: Thomas Lockwood, Director, Office of National Capital Region Coordination, U.S. Department of Homeland Security; Dennis R. Schrader, Director, Governor's Office of Homeland Security, State of Maryland; Edward D. Reiskin, Deputy Mayor, Public Safety and Justice, District of Columbia; Robert P. Crouch, Jr., Assistant to the Governor for Commonwealth Preparedness, Office of Commonwealth Preparedness, Commonwealth of Virginia; and William O. Jenkins, Jr., Director, Homeland Security and Justice Issues, U.S. Government Accountability Office.

This hearing was the second Subcommittee hearing during the 109th Congress examining the National Capital Region (NCR). The hearing focused on the progress that the National Capital Region has made regarding terrorism preparedness, emergency training and planning, and the expenditure of homeland security grant funding, as well as the status of the NCR's strategic plan.

Senators Voinovich, Akaka, and Warner highlighted the urgent need for the region to develop a strategic plan to guide preparedness and to effectively spend hundreds of millions of dollars of homeland security grant funding. NCR officials stated that a final strategic plan will be released in August 2006. Furthermore, due to the poor response to Hurricane Katrina and the multiple entities involved with the security of the NCR, the Subcommittee also discussed the importance of establishing a clear chain of command before a catastrophic event happens. Finally, the Subcommittee discussed the importance of tracking all homeland security grants in the NCR, including the Urban Areas Security Initiative (UASI) grants.

Fulfilling the Promise? A Review of Veterans' Preference in the Federal Government (March 30, 2006)

Witnesses:Hon. Dan G. Blair, Deputy Director, Office of Personnel Management; Hon. Charles S. Ciccolella, Assistant Secretary for Veterans Employment and Training, U.S. Department of Labor; James McVay, Deputy Special Counsel, U.S. Office of Special Counsel. Richard Weidman, Director of Government Relations, Vietnam Veterans of America; Joseph C. Sharpe, Jr., Deputy Director, National Economics Commission, The American Legion; and Brian E. Lawrence, Assistant National Legislative Director, Disabled American Veterans.

The hearing evaluated the Federal Government's commitment to its veterans through preference in hiring practices, as well as the impact recently enacted hiring flexibilities have had on the adherence to veterans' preference. As the number of veterans continues to increase, the Subcommittee recognizes it is important to ensure the Federal Government maintains its promise. During the hearing, the Subcommittee stressed to the Office of Personnel Management, the agency charged with responsibility for ensuring government-wide compliance with this merit principle, the need for it to work more closely with various veteran service organizations to improve communication between Federal agencies and our Nation's veterans to ensure they understand the opportunities and rights available in Federal employment.

Preparing for Transition: Implementation of the National Security Personnel System (April 12, 2006)

Witnesses:Maureen U. Kleintop, Deputy Chief of Staff for Total Fleet Force Manpower and Personnel, Commander, U.S. Pacific Fleet; Jeffrey T. Wataoka, Director, Human Resources Service Center Pacific, Department of the Navy, Michael L. Vajda, Director, Civilian Human Resources Agency, U.S. Army, Aberdeen Proving Ground, Maryland; John C. Priolo, Retired President, Chapter 19 Pearl Harbor Naval Shipyard, Federal Managers Association; Benjamin T. Toyama, International Vice President, Western Federal Area, International Federation of Professional and Technical Engineers (IFPTE) AFL–CIO CLC and Vice President of IFPTE Local 121, Pearl Harbor Naval Shipyard; and Don Bongo, Vice President, Hawaii Federal Employees Metal Trades Council, AFL–CIO CLC and Sergeant First Class, E–7, Hawaii National Guard, 227th Engineer Company (combat), 29th Brigade.

The Subcommittee conducted its second oversight hearing of the National Security Personnel System (NSPS) during a field hearing at Fort DeRussy Military Reservation in Honolulu, Hawaii.

The Subcommittee evaluated the training and communications strategy utilized in the field in preparation for implementation of Spiral 1.1 of the National Security Personnel System; approximately 254 Defense employees in Hawaii are scheduled to transition into NSPS in Spiral 1.1.

The two panels of witnesses provided the Subcommittee contrasting testimony. The first panel of the Department of Defense officials detailed the intensive planning and preparation commands have undertaken on the local level to prepare for NSPS.

The witnesses described the training that has been provided to the employees, including: The technical aspects of the new personnel system and the soft skills necessary to effectively implement the new performance management system; the communication and coordination the NSPS Program Executive Office; and the communication strategy used by the Department to keep employees involved in the development implementation plan.

However, representatives from Federal employee organizations identified significant problems with the system. The Federal Managers Association identified gaps in communication between the Program Executive Office in Washington, DC, and the local command, and encouraged the Department to continue its commitment to managerial training. The International Federation of Professional and Technical Engineers and Federal Area Metal Trades Council disagreed with the assessment provided by Department of Defense officials; their testimony expressed the feeling that the Department has not involved employees sufficiently in the process.

The testimony asserted that employees felt the intent of the new system was not to benefit the employee, rather to eliminate employee collective bargaining rights.

Progress or More Problems: Assessing the Federal Government's Security Clearance Process (May 17, 2006)

Witnesses: Hon. Clay Johnson, III, Deputy Director for Management, Office of Management and Budget; Kathy Dillaman, Associate Director, Federal Investigative Services Division, Office of Personnel Management; Robert Andrews, Deputy Under Secretary for Counterintelligence and Security, U.S. Department of Defense; Robert Rogalski, Special Assistant, Office of the Under Secretary for Intelligence, accompanied by Janice Haith, Acting Director for Defense Security Service, U.S. Department of Defense; and Derek Stewart, Director, Defense Capabilities and Management, U.S. Government Accountability Office.

This was the third Subcommittee hearing held during the 109th Congress on the Federal Government's security clearance process. The hearing assessed the progress of the Office of Personnel Management (OPM) in implementing its plan to address the long-standing backlog of security clearance investigations.

In addition, the hearing examined the next steps by the Office of Management and Budget (OMB), once Executive Order 13381 that expired on June 28, 2006. Mr. Johnson stated that it is likely OMB will continue its role of oversight on the issue with the intention of eventually moving ownership over to the Director of National Intelligence (DNI). Finally, the hearing addressed the temporary halt by the Defense Security Service (DSS) in processing industry contractor security clearances.

The Right People? Oversight of the Office of Personnel Management (June 27, 2006)

Witnesses: Hon. Linda M. Springer, Director, Office of Personnel Management; and Hon. David M. Walker, Comptroller General, U.S. Government Accountability Office.

This oversight hearing evaluated whether the Office of Personnel Management (OPM) is positioned to be the Federal Government's leader in personnel policy. OPM personnel are the senior advisors to the President on civil service matters, and its leadership is imperative to ensuring the Federal Government recruits and retains a talented 21st Century workforce, especially following the retirement of the Baby Boomer generation. Furthermore, the role and responsibility of OPM continues to increase as flexibilities in personnel policies must be regulated and overseen. The Government Accountability Office has been conducting a management review of OPM and identified a number of areas of concern; however, Comptroller General David Walker acknowledged the new OPM Director has begun taking the appropriate steps to correct identified problems.

Enhancing Employee Performance: A Hearing on Pending Legislation (June 29, 2006)

Witnesses: Hon. Dan G. Blair, Deputy Director, Office of Personnel Management; Darryl Perkinson, National President, Federal Managers Association, on behalf of the Government Managers Coalition; Colleen M. Kelley, National President, National Treasury Employees Union; Jacqueline Simon, Public Policy Director, American Federation of Government Employees; and Patricia McGinnis, President and Chief Executive Officer, Council for Excellence in Government.

The legislative hearing examined two bills pending before the Subcommittee: S. 3492, The Federal Workforce Performance Appraisal and Management Improvement Act, and S. 3584, The Federal Supervisor Training Act. The Office of Personnel Management (OPM) Deputy Director Dan Blair testified in support of both bills.

The second panel of four witnesses unanimously supported the Federal Supervisor Training Act, but was divided in its support for the Federal Workforce Performance Appraisal and Management Improvement Act. The witness representing the Council for Excellence in Government expressed strong support of S. 3492, while witnesses for the National Treasury Employees Union and American Federation of Government Employees expressed opposition to the concept of withholding raises from employees and the potential for managers to use favoritism, rather than merit, to reward employees. The witness for the Federal Managers Association expressed support for the bill; however, he underscored his concern that in order for the changes to be implemented properly, agencies would need to devote significant resources to training the managers who would be responsible for executing the rigorous performance management systems required by the bill.

Examining the Challenges the District will Face Today, Tomorrow, and in the Future (July 18, 2006)

Witnesses: Hon. Anthony A. Williams, Mayor, District of Columbia; Natwar M. Gandhi, Chief Financial Officer, District of Columbia; Clifford B. Janey Superintendent and Chief State School Officer, District of Columbia Public Schools; and Alice M. Rivlin, Director, Greater Washington Research Program, The Brookings Institution.

The hearing was a general oversight hearing on District of Columbia's government operations examining the successes and challenges the District has experienced during Mayor Williams' two terms. The hearing also looked ahead to the challenges that the new mayor will face.

During the hearing, Mayor Williams discussed several challenges that arose during his 8 years which he has had to address, including restoring, financial stability and integrity to the District government and spurring economic development in the city. Mayor Williams went on to discuss challenges that the District faces now and in the future, including public safety, structural imbalance, and voting rights for the residents of the District.

Supporting the Warfighter: Assessing the DOD Supply Chain Management Plan (July 25, 2006)

Witnesses: Alan F. Estevez, Assistant Deputy Under Secretary of Defense, Supply Chain Integration, U.S. Department of Defense; and William M. Solis, Director, Defense CapabilitiesManagement, U.S. Government Accountability Office.

This was the second hearing held by the Subcommittee to examine the Department of Defense's (DOD) supply chain management improvement plan and the eight hearing held by the Subcommittee on the Government Accountability Office's (GAO) high-risk list. Mr. Estevez discussed the Department's supply chain management improvement plan, and Mr. Solis provided an assessment of the plan's implementation.

The hearing focused on the progress that DOD has made in developing and implementing the supply chain management improvement plan since the Subcommittee's October 6, 2005 hearing. The hearing also examined the extent to which the supply chain management improvement plan is integrated with other DOD logistics strategies, concepts, and plans, such as the Quadrennial Defense Review, the Logistics Transformation Strategy, the Focused Logistics Roadmap, and the Enterprise Transition Plan. Finally, the hearing explored whether DOD has identified valid performance metrics and data to monitor its initiatives and measure progress.

STOP!: A Progress Report on Protecting and Enforcing Intellectual Property Rights Here and Abroad (July 26, 2006)

Witnesses: Chris Israel, Coordinator for International Intellectual Property Enforcement, U.S. Department of Commerce; Stephen M. Pinkos, Deputy Under Secretary of Commerce for Intellectual Property, and Deputy Director, U.S. Patent and Trademark Office; Arif Alikhan, U.S. Department of Justice's Task Force on Intellectual Property, and Deputy Director, National Intellectual Property Law Enforcement Coordination Council; Anthony C. LaPlaca, Vice President and General Counsel, Bendix Commercial Vehicle Systems, LLC; and Loren Yager, Director, International Affairs and Trade, U.S. Government Accountability Office.

This was the sixth hearing the Subcommittee has held on trade and intellectual property enforcement issues. The hearing focused on the progress that the Administration has made in developing and implementing a coordinated effort to combat intellectual property theft since the Subcommittee's hearing in June 2005. In particular, the hearing focused on examining the progress made in the year since Chris Israel was named the Administration's Intellectual Property (IP) Coordinator. The hearing also focused on the impact that counterfeiting has had on private companies, such as Bendix, with regard to both financial and safety issues. The hearing examined the efforts undertaken to educate businesses, particularly small and medium sized businesses, about the intellectual property issues related to conducting business in the global economy. Finally, the hearing discussed S. 1984, The Intellectual Property Rights Enforcement Act, which Senators Voinovich and Bayh introduced to increase domestic intellectual property coordination, seeking input from the IP Coordinator as well as from the other witnesses.

Senior Executives: Leading the Way in Federal Workforce Reforms (September 26, 2006)

Witnesses: Hon. Linda M. Springer, Director, Office of Personnel Management; Brenda S. Farrell, Acting Director, Strategic Issues, U.S. Government Accountability Office; and Carol A. Bonosaro, President, Senior Executives Association.

The Subcommittee conducted an oversight hearing of the implementation of performance-based pay for members of the Senior Executive Service (SES). The current performance management and pay systems for the SES were enacted as part of the Homeland Security Act of 2002, which established the new performance management system, and the National Defense Authorization Act for Fiscal Year 2004, which established the new pay system. Subsequently, the Senior Executives Association (SEA) conducted a survey of its members. The survey demonstrated that while the SEA supports the concept of pay-for-performance, the implementation has not had the intended results. The Subcommittee is unsatisfied with the findings and requested that the Office of Personnel Management work with Federal agencies and the Senior Executives Association to make the changes necessary in order to improve the system.

Securing the National Capital Region: An Examination of the NCR's Strategic Plan (September 28, 2006)

Witnesses: Anthony Griffin, County Executive, Fairfax County, Virginia, and Chairman, Chief Administrative Officers Committee, Washington Metropolitan Council of Governments; Edward D. Reiskin, Deputy Mayor, Public Safety and Justice, District of Columbia; Hon. Robert P. Crouch, Assistant to the Governor for Commonwealth Preparedness, Commonwealth of Virginia; Hon. Dennis R. Schrader, Director, of the Governor's Office of Homeland Security, State of Maryland; Thomas Lockwood, Director, Office of National Capital Region Coordination, U.S. Department of Homeland Security; and William O. Jenkins, Jr., Director, Homeland Security and Justice Issues, U.S. Government Accountability Office

This was the third Subcommittee hearing examining the ability of the responsible Federal, State, and local government agencies of the National Capital Region (NCR) to respond to a terrorist attack or natural disaster. The hearing focused on the NCR's strategic plan, which was released on September 13, 2006, and coordination efforts within the NCR.

During the hearing, representatives from the NCR provided an overview of the strategic plan, including the plan for implementation and performance measures. In addition, NCR representatives discussed that status of the region's interoperable communications, indicating that NCR is able to communicate across the region. GAO commended the NCR for producing a strategic plan, while offering several suggestions for improvement.

II. LEGISLATION

The following bills were considered by the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia during the 109th Congress:

MEASURES ENACTED INTO LAW

P.L. 109–325, S. 2146—This bill extends the authority, for an additional four years, relocation expenses test programs for federal employees. S. 2146 also eliminates the limitation on the period of time under which payment of relocation expenses under such programs may be paid. S. 2146 was introduced on December 20, 2005, by Senator Collins and was referred to the Homeland Security and Governmental Affairs Committee. The bill was cosponsored by Senators Akaka and Lieberman. On January 27, 2006, S. 2146 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, and polled favorably by the Subcommittee on April 25, 2006. The bill was reported to the Senate by the Homeland Security and Governmental Affairs Committee, without amendment, on July 21, 2006 (S. Rept. 109–289). On August 1, 2006, S. 2146 was passed by the Senate by unanimous consent, without amendment. S. 2146 was received in the House of Representatives and referred to the House Committee on Government Reform on August 2, 2006. S. 2146 was passed by the House on September 28, 2006 by voice vote under suspension of the rules. S. 2146 was enacted on October 11, 2006.

P.L. 109–356, H.R. 3508—The 2005 District of Columbia Omnibus Authorization Act authorizes improvements in the operation of the government of the District of Columbia, and for other purposes. On July 28, 2005, H.R. 3508 was introduced by Representative Tom Davis and Delegate Norton and was referred to the House Committee on Government Reform. On November 3, 2006, H.R. 3508 was reported favorably, with amendment, by the House Committee on Government Reform and passed the House on November 14, 2005, under suspension of the rules by voice vote. On December 15, 2005, the measure was received in the Senate and on January 27, 2006, was referred to the Senate Committee on Homeland Security and Governmental Affairs. The Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia held a legislative hearing to examine H.R. 3508 on February 28, 2006, entitled "Enhancing Educational and Economic Opportunity in the District of Columbia." H.R. 3508 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on March 28, 2006, and was polled favorably by the Subcommittee on April 25, 2006. H.R. 3508 was reported favorably, with an amendment in the nature of a substitute, by the Homeland Security and Governmental Affairs Committee on July 25, 2006, without a written report. On August 3, 2006, H.R. 3508, with an amendment in the nature of a substitute, passed the Senate by unanimous consent. On September 25, 2006, the House passed H.R. 3508, as amended by the Senate, by voice vote under suspension of the rules. The bill was enacted on October 16, 2006.

MEASURES FAVORABLY REPORTED BY THE SUBCOMMITTEE AND PASSED BY THE SENATE

S. 2068—The legislation would preserve existing judgeships on the Superior Court of the District of Columbia by amending the District of Columbia Code to increase from 58 to 61 the number of associate judges on the Superior Court of the District of Columbia. S. 2068 was introduced on November 28, 2005, by Senator Collins and co-sponsored by Senators Akaka, Lieberman and Voinovich, and was referred to the Homeland Security and Governmental Affairs Committee. S. 2068 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on January 27, 2006, which polled favorably the bill on April 25, 2006. S. 2068 was reported by the Homeland Security and Governmental Affairs Committee, without amendment, on July 31, 2006 (S. Rept. 109–316). On August 8, 2006, the Senate passed S. 2068 by unanimous consent. The bill was received in the House of Representatives on September 6, 2006, and referred to the House Government Reform Committee.

MEASURES REFERRED TO THE SUBCOMMITTEE UPON WHICH HEARINGS WERE HELD OR OTHER LEGISLATIVE ACTION WAS TAKEN

S. 494—The Federal Employee Protection of Disclosures Act would clarify the disclosure of information protected from prohibited personnel practices, require a statement in nondisclosure policies, forms, and agreements that such policies, forms, and agreements conform with certain disclosure protections, provide certain authority for the Special Counsel, and for other purposes. S. 494 was introduced by Senator Akaka on March 2, 2005, and referred to the Homeland Security and Governmental Affairs Committee. Senators Carper, Chafee, Coleman, Collins, Dayton, Durbin, Grassley, Johnson, Lautenberg, Leahy, Levin, Lieberman, Pryor, and Voinovich are co-sponsors of the bill. S. 494 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on March 9, 2005, and was polled favorably by the Subcommittee on March 29, 2005. S. 494 was reported, without amendment, by the Homeland Security and Governmental Affairs Committee on April 13, 2005 (S. Rept. 109–72).

S. 1149—The Improving Access to Workers' Compensation for Injured Federal Workers Act would amend the Federal Employees' Compensation Act to cover services provided to injured federal workers by physician assistants and nurse practitioners, and for other purposes. On May 26, 2005, Senators Isakson and Kennedy introduced S. 1149 to the Senate, and it was referred to the Homeland Security and Governmental Affairs Committee. On June 9, 2005, S. 1149 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, which favorably polled the legislation on July 21, 2006.

S. 1838—The Federal and District of Columbia Government Real Property Act of 2005 is a bill to provide for the sale, acquisition, conveyance, and exchange of certain real property in the District of Columbia, in order to facilitate the utilization, development, and redevelopment of such property.

S. 1838 was introduced by Senator Voinovich, co-sponsored by Senator Collins, on October 6, 2005, and referred to the Homeland Security and Governmental Affairs Committee. On January 27, 2006, S. 1838 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia. A Subcommittee hearing on S. 1838 was held on February 28, 2006. The hearing was entitled "Enhancing Educational and Economic Opportunity in the District of Columbia." On April 25, 2006, the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia reported the measure, without amendment, favorably to the Homeland Security and Governmental Affairs Committee. S. 1838 was reported to the Senate, without amendment, on July 27, 2006, by the Homeland Security and Governmental Affairs Committee, and filed on November 13, 2006 as written report S. Rept. 109–359. A similar bill, H.R. 3699, P.L. 109–396, passed the Senate, without amendment, by unanimous consent on November 16, 2006, and was enacted on December 15, 2006.

S. 1876—This bill would provide that attorneys employed by the Department of Justice are eligible for compensatory time off for travel under section 5550b of title 5, United States Code. This bill was introduced by Senator Akaka and referred to the Homeland Security and Governmental Affairs Committee on November 17, 2005. On January 27, 2006, S. 1876 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, which favorably polled on April 25, 2006. The measure passed the Senate, with an amendment, by unanimous consent on December 6, 2006, along with its companion bill, H.R. 4057. H.R. 4057 was enacted on December 22, 2006 as P.L. 109–425.

S. 2060—The bill would amend the District of Columbia Access Act of 1999 to authorize, through FY 2011, its public and private school tuition assistance programs. S. 2060 would also redefine the statutory term "eligible institution" to include any private school located in the United States. Further, the measure would limit federal funding for such public school and private school programs for FY2006 and each succeeding fiscal year. In addition, S. 2060 would require an annual report requirement to Congress by the Mayor of the District of Columbia to be fulfilled by August 1 each year, including of the number of students applying for the program and the number graduating from it. On November 18, 2005, Senator Voinovich introduced S. 2060, and the measure was referred to the Homeland Security and Governmental Affairs Committee. On January 27, 2006, S. 2060 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia. On February 28, 2006, hearings were held by the Subcommittee. The legislation was polled favorably, without amendment, by the Subcommittee on April 25, 2006.

S. 3492—The Federal Workforce Appraisal and Management Improvement Act of 2006 would strengthen performance management in the Federal Government and make the annual general pay increase for Federal employees contingent on performance. S. 3492 was introduced by Senator Voinovich on June 13, 2006, and referred to Homeland Security and Governmental Affairs Committee. On June 29, 2006, the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia held a legislative hearing to discuss S. 3492. S. 3492 was referred to the Subcommittee on August 2, 2006.

S. 3584—The Federal Supervisor Training Act of 2006 would amend chapter 41 of title 5, United States Code, to provide for the establishment and authorization of funding for certain training programs for supervisors of Federal employees. S. 3584 was introduced by Senator Akaka and referred to the Homeland Security and Governmental Affairs Committee on June 27, 2006. On June 29, 2006, the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia held a legislative hearing. S. 3584 was referred to the Subcommittee on August 2, 2006.

MEASURES WHICH DID NOT ADVANCE BEYOND REFERRAL TO SUBCOMMITTEE

S. Con. Res. 8—A concurrent resolution expressing the sense of Congress that there should continue to be parity between the adjustments in pay of the members of the uniformed services and the adjustments in the pay of civilian employees of the United States. S. Con. Res. 8 was introduced by Senator Sarbanes and referred to the Homeland Security and Governmental Affairs Committee on February 1, 2005. The bill has 20 co-sponsors, including, Senators Akaka, Allen, Bingaman, Collins, Corzine, Dayton, Durbin, Johnson, Kennedy, Kerry, Landrieu, Lautenberg, Leahy, Lieberman, Mikulski, Murray, Nelson, Snowe, Warner and Wyden. On March 9, 2005, the measure was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 60—A bill to amend the Legislative Reorganization Act of 1946 to eliminate automatic pay adjustments for Members of Congress. S. 60 was introduced by Senator Feingold on January 24, 2005, and was referred to the Homeland Security and Governmental Affairs Committee. On March 9, 2005, S. 60 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 72—A bill to amend title 5, United States Code, and to provide for the issuance by the President of a prisoner-of-war medal to civilian employees of the Federal Government who are forcibly detained or interned by an enemy government, a hostile force during war, by a foreign government, or by a hostile force during periods determined comparable to wartime conditions. On January 24, 2005, Senator Inouye introduced the bill, and it was referred to the Homeland Security and Governmental Affairs Committee. On March 9, 2005, S. 72 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 82—A private bill to provide for the relief of Robert J. Bancroft, of Newport Washington, by permitting the payment of back pay for overtime incurred in missions with the Drug Enforcement Agency. S. 82 was introduced in the Senate by Senator Craig on January 24, 2005, and referred to the Homeland Security and Governmental Affairs Committee. The Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia received the bill, upon referral, on March 9, 2005.

S. 127—The Clinical Social Workers' Recognition Act of 2005 would amend chapter 81 of title 5, United States Code, to authorize the use of clinical social workers to conduct evaluations to determine work-related emotional and mental illnesses. S. 127 was introduced by Senator Inouye and referred to the Homeland Security and Governmental Affairs Committee on January 24, 2005. On March 9, 2005, S. 127 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 143—The Taste of Our Own Medicine Act of 2005 would ensure that Members of Congress do not receive better prescription drug benefits than Medicare beneficiaries. On January 24, 2005, S. 143 was introduced by Senator Dayton and referred to the Homeland Security and Governmental Affairs Committee. On March 9, 2005, S. 143 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 195—The No Taxation Without Representation Act of 2005 would provide for full voting representation in Congress for the citizens of the District of Columbia. On January 26, 2005, S. 195 was introduced by Senator Lieberman and referred to the Homeland Security and Governmental Affairs Committee. The legislation has 15 co-sponsors, including Senators Boxer, Clinton, Corzine, Dayton, Dodd, Durbin, Feingold, Jeffords, Kennedy, Kerry, Leahy, Mikulski, Obama, Sarbanes, and Schumer. The bill was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on March 9, 2005.

S. 968—The Federal Public Safety Officer Surviving Spouse Protection Act would amend chapters 83 and 84 of title 5, United States Code, to provide that spouses of Federal public safety officers who are killed in the line of duty, may remarry and continue to receive a survivor annuity. The measure was introduced by Senator Clinton, co-sponsored by Senators Corzine and Leahy, on April 28, 2005, and referred to Homeland Security and Governmental Affairs Committee. On June 9, 2005, S. 968 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 981—The Reservists Pay Security Act of 2005 would ensure that a Federal employee who takes leave without pay in order to perform services as a member of the uniformed services or member of the National Guard shall continue to receive pay in an amount which, when taken together with the pay and allowances such individual is receiving for such service, will be no less than the basic pay such individual would then be receiving if no interruption in employment had occurred. S. 981 was introduced by Senator Durbin on May 9, 2005 and co-sponsored by Senators Allen, Bingaman, Graham, Isakson, Kerry, Landrieu, Lautenberg, Leahy, Mikulski and Sarbanes. The measure was referred to the Homeland Security and Governmental Affairs Committee on May 10, 2005, and subsequently referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on June 9, 2005.

S. 1018—The Federal Employee Commuter Benefits Act of 2005 would provide that transit pass transportation fringe benefits be made available to all qualified Federal employees in the National Capital Region. S. 1018 would allow passenger carriers owned or released by the Federal Government to be used to transport its employees between their place of employment and mass transit facilities. S. 1018 was introduced by Senator Sarbanes, with Senators Allen, Mikulski and Warner co-sponsoring, on May 19, 2005, and referred to the Homeland Security and Governmental Affairs Committee. On June 9, 2005, the bill was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 1082—The District of Columbia Personal Protection Act would restore Second Amendment rights in the District of Columbia. On May 19, 2005, S. 1082 was introduced by Senator Hutchinson and referred to the Homeland Security and Governmental Affairs. S. 1082 has 38 co-sponsors, including Senators Allard, Allen, Baucus, Bond, Brownback, Bunning, Burns, Burr, Byrd, Chambliss, Coburn, Cochran, Cornyn, Craig, Crapo, DeMint, Dole, Ensign, Enzi, Graham, Grassley, Hagel, Hatch, Inhofe, Isakson, Kyl, Lott, Martinez, Murkowski, Nelson, Sessions, Shelby, Stevens, Sununu, Talent, Thomas, Thune and Vitter. On June 9, 2005, the measure was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 1221—The Federal Firefighters Fairness Act of 2005 would amend chapter 81 of title 5, United States Code to create a presumption that a disability or death of a Federal employee in fire protection activities caused by certain diseases results from the performance of such employee's duty. Senator Dayton introduced S. 1221 on June 9, 2006, where it was then referred to the Homeland

Security and Governmental Affairs Committee. Senators Allen, Boxer, Carper, DeWine and Kerry are co-sponsors of the bill. On January 27, 2006, S. 1221 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 1888—The Military Family Support Act of 2005 would authorize two programs for the use of federal leave by caregivers for family members of certain individual performing military service, and for other purposes. Senator Jeffords introduced, with Senators Dayton, Feingold and Lautenberg co-sponsoring, S. 1888 on October 19, 2005, and it was referred to the Homeland Security and Governmental Affairs Committee. The Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia received S. 1888 on referral on January 27, 2006.

S. 2040—The Department of Homeland Security Qualified Leaders Act of 2005 would amend The Homeland Security Act of 2002 (6 U.S.C. 101 et seq.) to ensure that the Department of Homeland Security is led by qualified, experience personnel. S. 2040 was introduced by Senator Akaka and referred to the Homeland Security and Governmental Affairs Committee on November 17, 2005. S. 2040 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on January 27, 2006.

S. 2076—The Assistant United States Attorney Retirement Benefit Equity Act of 2005 would amend title 5, United States Code, to provide to assistant United States attorneys the same retirement benefits as are afforded to Federal law enforcement officers. Senator Leahy introduced the bill, which was referred to the Homeland Security and Governmental Affairs Committee on November 18, 2005. The measure was co-sponsored by Senators Biden, Boxer, Chambliss, Cochran, Corzine, DeWine, Dodd, Durbin, Feingold, Feinstein, Hatch, Lieberman, Mikulski, Nelson, Rockefeller, Salazar, Smith, Stabenow and Wyden. On January 27, 2006, S. 2076 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 2247—A bill to promote greater use of information technology in the Federal Employees Health Benefits Program under chapter 89 of title 5, United States code, in order to increase efficiency and reduce costs. Senator Obama introduced the bill on February 6, 2006, and it was referred to Homeland Security and Governmental Affairs Committee. S. 2247 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on March 28, 2006.

S. 2262—A bill to provide that pay may not be disbursed to Members of Congress after October 1 of any fiscal year in which all appropriations acts are not passed by Congress. This bill was introduced by Senator Allen, and referred to the Homeland Security and Governmental Affairs Committee, on February 9, 2006. On March 28, 2006, S. 2262 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 2268—This bill would amend title 5, United States Code, to deny Federal retirement benefits to individual convicted of certain offenses, and for other purposes. S. 2268 was introduced by Senators Kerry and Salazar, and was referred to the Homeland Security and Governmental Affairs Committee on February 9, 2006. S. 2268 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on March 28, 2006.

S. 2285—The Whistleblower Empowerment, Security, and Taxpayer Protection Act of 2006 would modify federal criminal law provisions relating to tampering with or retaliating against a witness, victim, or an informant. Further, S. 2285 would allow a victim of a prohibited personnel practice to bring a civil action against a covered entity and to recover damages. S. 2285 was introduced by Senator Lautenberg and referred to the Homeland Security and Governmental Affairs Committee on February 14, 2006. On March 28, 2006, S. 2285 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 2490—The Real Estate Investment Thrift Savings Act of 2006 would amend title 5, United States Code, to provide for a real estate stock index investment option under the Thrift Savings Plan. S. 2490 was introduced by Senator Coleman on April 3, 2006, and referred to the Homeland Security and Governmental Affairs Committee. Senator Bennett co-sponsored the bill. On May 26, 2006, S. 2490 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 2801—A bill to amend chapters 83 and 84 of title 5, United States Code, to authorize payments to certain trusts under the Social Security Act, and for other purposes. Senators Allard and Salazar introduced S. 2801 on May 15, 2006, and it was referred to the Homeland Security and Governmental Affairs Committee. S. 2801 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on May 26, 2006, and again on July 19, 2006.

S. 3652—The Law Enforcement Officers Retirement Equity Act would amend the definition of a law enforcement officer under subchapter III of chapter 83 and chapter 84 of title 5, United States Code, respectively, to ensure the inclusion of certain federal positions. S. 3652 was introduced by Senator Mikulski and referred to the Homeland Security and Governmental Affairs Committee on July 13, 2006. S. 3652 is co-sponsored by Senators Clinton and Sarbanes. On July 19, 2006, S. 3652 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 3653—The Federal Law Enforcement Pension Adjustment Equity Act of 2006 would amend the Law Enforcement Pay Equity Act of 2000 to permit certain annuitants of the retirement programs of the United States Park Police and United States Secret Service Uniformed Division to receive the adjustments in pension benefits to which such annuitants would otherwise be entitled as a result of the conversion of members of the United States Park Police and United States Secret Service Uniformed Division to a new salary schedule under the amendments made by that Act. Senator Mikulski introduced S. 3653, and it was referred to the Homeland Security and Governmental Affairs Committee, on July 13, 2006. S. 3653 was co-sponsored by Senators Allan, Clinton, Sarbanes and

Warner. On July 19, 2006, S. 3653 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia.

S. 3676—A bill to amend the Congressional Accountability Act of 1995 to apply whistleblower protections available to certain executive branch employees to legislative branch employees, and for other purposes. On July 17, 2006, Senator Grassley introduced S. 3676, which was subsequently referred to the Homeland Security and Governmental Affairs Committee. S. 3676 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on July 29, 2006

S. 3692—A bill to extend the date on which the National Security Personnel System would first apply to certain defense laboratories. On July 19, 2006, Senator Voinovich introduced S. 3692, and it was referred to the Homeland Security and Governmental Affairs Committee. The bill has nine cosponsors, including Senators Bingaman, DeWine, Kennedy, Lott, Sessions, Clinton, Domenici, Lieberman and Reed. S. 3692 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on August 2, 2006.

H.R. 3496—The National Capital Transportation Amendments Act of 2005 would amend the National Capital Transportation Act of 1969 to authorize additional Federal contributions for maintaining and improving the transit system of the Washington Metropolitan Area Transit Authority, and for other purposes. Congressman Tom Davis introduced H.R. 3496 on July 28, 2005, and it was referred to the House Committee on Governmental Reform. On April 26, 2006, H.R. 3496, as amended, was ordered favorably by the Committee on Governmental Reform (H. Rept. 109–440). On July 17, 2006, the House passed H.R. 3496, as amended, by a vote of 242–120 under suspension of the rules. On July 18, 2006, H. R. 3496 was received in the Senate and referred to the Homeland Security and Governmental Affairs Committee. H.R. 3496 was referred to the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia on July 19, 2006.

III. GAO Reports

The following reports were issued by the Government Accountability Office at the request of the Chairman and/or Ranking Member of the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia during the 109th Congress:

Experience of Foreign Countries Consolidating Their Food Safety Systems, GAO–05–0389 (2/22/2005)

Federal Student Loan Repayment Program, GAO–05–0865 (7/22/2005)

DOD National Security Personnel System (NSPS): Costs Associated With Design, Implementation and Training, GAO–06–0016 (11/ 12/2005): No report

Agencies' Use of Voluntary Separation Incentive Payment (VSIP) Authority and Voluntary Early Retirement Authority (VERA) Under the Homeland Security Act of 2002, GAO–05–1032 (3/31/2006)

UN Employment of U.S. Citizens, GAO–05–0802 (9/6/2006) Department of Homeland Security Interagency Contracting: Planning and Evaluation, GAO–06–0262 (9/27/2006)

DOD Personnel Clearances: Additional OMB Actions Needed to Improve the Security Clearance Process, GAO–05–1146 (9/28/2006)

U.S. Efforts to Help Other Countries Secure Radioactive Sources, GAO–06–0030 (11/20/2006)

Office of Personnel Management's Management Capacity and Ability to Lead and Implement Human Capital Reform in the 21ST Century, GAO–05–0943 (11/30/2006)

The Nuclear Regulatory Commission's Efforts to Recruit and Retain a Critically Skilled Workforce, GAO–06–0045 (12/14/2006)

Premium Growth in Federal Employees Health Benefit Program, GAO–06–0286 (12/22/2006)

Privacy Protection for Health Information and the National Health Information Technology (IT) Strategy, GAO–06–0018 (1/10/2007)

U.S. Efforts to Enforce Intellectual Property Rights at U.S. Boarders, GAO–05–1055 (1/12/2007)

Global Cooperation to Prevent or Delay Onset of Pandemic Influenza, GAO–06–0884 (2/15/2007)

U.S. Department of Homeland Security's Reliance on Contractors, GAO–06–0262 (5/25/2007)

Review of the U.S. Department of Homeland Security's One Face at the Boarder Initiative, GAO–06–0259 (No date set)

Implementation of Chief Operating Officer (COO) Chief Management Official (CMO) Positions, GAO–06–0692 (No date set)

U.S. Efforts to Improve Global Disease Surveillance, GAO–06–0885

NASA'S Efforts to Recruit, Manage, and Retain its Engineering, Science, and Technology Workforce, GAO–06–145 (No date set)

Pending Request: Corps if Engineers Human Capital Challenges, GAO–06–0145

Pending Request: Department of Homeland Security's (DHS) Major Information Technology Systems Contracting Review, GAO–06–0262

Pending Request: DOD Decision to Reimburse Halliburton Subsidiary Kellogg, Brown & Root (KBR): Fuel Delivery /Repair of Oil Equipment Contract in Iraq, GAO–06–0555

Pending Request: Review Department of Homeland Security (DHS) National Telecommunications System, GAO–06–0831

Pending Request: DOD Supply Chain Management Process: Review DOD'S Progress toward Instituting Joint Theatre Logistics, GAO–06–1169

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

CHAIRMAN: NORM COLEMAN

RANKING MINORITY MEMBER: CARL LEVIN

The following is the Activities Report of the Permanent Subcommittee on Investigations during the 109th Congress:

I. HISTORICAL BACKGROUND

A. SUBCOMMITTEE JURISDICTION

The Permanent Subcommittee on Investigations was originally authorized by Senate Resolution 189 on January 28, 1948. At its creation in 1948, the Subcommittee was part of the Committee on Expenditures in the Executive Departments. The Subcommittee's records and broad investigative jurisdiction over government operations and national security issues, however, actually antedate its creation, since it was given custody of the jurisdiction of the former Special Committee to Investigate the National Defense Program (the so-called "War Investigating Committee" or "Truman Committee"), chaired by Senator Harry S Truman during the Second World War. Today, the Subcommittee is part of the Committee on Homeland Security and Governmental Affairs.[1]

The Subcommittee has had nine Chairmen: Senators Homer Ferguson of Michigan (1948), Clyde R. Hoey of North Carolina (1949–1952), Joseph R. McCarthy of Wisconsin (1953–1954), John L. McClellan of Arkansas (1955–1972), Henry M. Jackson of Washington (1973–1978), Sam Nunn of Georgia (1979–1980 and 1987–1994), William V. Roth of Delaware (1981–1986 and 1995–1996), Susan M. Collins of Maine (1997–2001); Carl Levin of Michigan (2001–2002); and Norm Coleman of Minnesota (2003–present).

Until 1957, the Subcommittee's jurisdiction focused principally on waste, inefficiency, impropriety, and illegality in government operations. Its jurisdiction has expanded considerably since then, however, today encompassing investigations within the broad ambit of the parent committee's responsibility for matters relating to the efficiency and economy of operations of all branches of the government, including matters related to: (a) waste, fraud, abuse, malfeasance, and unethical practices in government contracting and operations; (b) criminality or improper practices in labor-management relations; (c) organized criminal activities affecting interstate or international commerce; (d) criminal activity affecting the national health, welfare, or safety, including investment fraud, commodity and securities fraud, computer fraud, and use of offshore banking and corporate facilities to carry out criminal objectives; (e) the effectiveness of present national security methods, staffing and procedures, and U.S. relationships with international organizations concerned with national security; (f) energy shortages, energy pricing, management of government-owned or controlled energy supplies; and relationships with oil producing and consuming countries; and (g) the operations and management of

[1] In 1952, the parent committee's name was changed to the Committee on Government Operations. It was changed again in early 1977, to the Committee on Governmental Affairs, and again in 2005, to the Committee on Homeland Security and Governmental Affairs, its present title.

Federal regulatory policies and programs. While technically reduced to a subcommittee of a standing committee, the Subcommittee has long exercised its authority on an independent basis, selecting its own staff, issuing its own subpoenas, and determining its own investigatory agenda.

The Subcommittee acquired its sweeping jurisdiction in several successive stages. In 1957—based on information developed by the Subcommittee—the Senate passed a Resolution establishing a Select Committee on Improper Activities in the Labor or Management Field. Chaired by Senator McClellan, who also chaired the Subcommittee at that time, the Select Committee was composed of eight Senators—four of whom were drawn from the Subcommittee on Investigations and four from the Committee on Labor and Public Welfare. The Select Committee operated for 3 years, sharing office space, personnel, and other facilities with the Permanent Subcommittee. Upon its expiration in early 1960, the Select Committee's jurisdiction and files were transferred to the Subcommittee on Investigations, greatly enlarging the latter body's investigative authority in the labor-management area.

The Subcommittee's jurisdiction expanded further during the 1960s and 1970s. In 1961, for example, it received authority to make inquiries into matters pertaining to organized crime and, in 1963, held the famous Valachi hearings described below, examining the inner workings of the Italian Mafia. In 1967, following a summer of riots and other civil disturbances, the Senate approved a Resolution directing the Subcommittee to investigate the causes of this disorder and to recommend corrective action. In January 1973, the Subcommittee acquired its national security mandate when it merged with the National Security Subcommittee. With this merger, the Subcommittee's jurisdiction was broadened to include inquiries concerning the adequacy of national security staffing and procedures, relations with international organizations, technology transfer issues, and related matters. In 1974, in reaction to the gasoline shortages precipitated by the Arab-Israeli war of October 1973, the Subcommittee acquired jurisdiction to investigate government operations involving the control and management of energy resources and supplies.

In 1997, the full Committee on Governmental Affairs was charged by the Senate to conduct a special examination into illegal or improper activities in connection with Federal election campaigns during the 1996 election cycle. The Permanent Subcommittee provided substantial resources and assistance to this investigation, contributing to a greater public understanding of what happened, to subsequent criminal and civil legal actions taken against wrongdoers, and to enactment of campaign finance reforms in 2001.

B. Past Investigations

Armed with its broad jurisdictional mandate, the Subcommittee has in recent years conducted investigations into a wide variety of topics of public concern, ranging from corporate misconduct, including the Senate's most in-depth investigation of the collapse of the Enron Corporation, to unfair energy prices, predatory lending, and tax evasion. The Subcommittee has also conducted investigations into numerous aspects of criminal wrongdoing, including money laundering, the narcotics trade, child pornography, labor racketeering, and organized crime activities. In addition, the Subcommittee has investigated a wide range of allegations of waste, fraud, and abuse in government programs and consumer protection issues, addressing problems ranging from food safety to Medicare fraud to mortgage "flipping."

Most recently, under the leadership of Senator Coleman, the Subcommittee has focused on exposing corruption problems in the United Nations' Oil-for-Food Program, port and supply-chain security, credit counseling abuses, and Federal contractors with billions of dollars in unpaid taxes. At Senator Levin's request, the Subcommittee has also examined offshore tax abuses, the role of tax professionals in promoting abusive tax shelters, transparency and pricing problems in U.S. crude oil markets, abusive credit card practices, and the failure of U.S. bank regulators to crack down on possible money laundering practices at financial institutions like Riggs Bank.

In 1998, the Subcommittee marked the fiftieth anniversary of the Truman Committee's conversion into a permanent subcommittee of the U.S. Senate.[2] In the half-century of its existence, the Subcommittee's many successes have made clear to the Senate the importance of retaining a standing investigatory body devoted to keeping government not only efficient and effective, but also honest and accountable.

(1) Historical Highlights

The Subcommittee's investigatory record as a permanent Senate body began under the Chairmanship of Republican Senator Homer Ferguson and his Chief Counsel (and future Attorney General and Secretary of State) William P. Rogers, as the Subcommittee inherited the Truman Committee's role in investigating fraud and waste in U.S. Government operations. This investigative work became particularly colorful under the chairmanship of Senator Clyde Hoey, a North Carolina Democrat who took the chair from Senator Ferguson after the 1948 elections. The last U.S. Senator to wear a long frock coat and wing-tipped collar, Mr. Hoey was a distinguished southern gentleman of the old school. Under his leadership, the Subcommittee won national attention for its investigation of the so-called "five percenters," notorious Washington lobbyists who charged their clients 5 percent of the profits from any Federal contracts they obtained on the client's behalf. Given the Subcommittee's jurisdictional inheritance from the Truman Committee, it is perhaps ironic that the "five percenters" investigation raised allegations of bribery and influence-peddling that reached right into the White House and implicated members of President Harry Truman's staff. In any event, the fledgling Subcommittee was off to a rapid start.

[2] This anniversary also marked the first date upon which internal Subcommittee records generally began to become available to the public. Unlike most standing committees of the Senate whose previously unpublished records open after a period of 20 years has elapsed, the Permanent Subcommittee on Investigations, as an investigatory body, may close its records for 50 years to protect personal privacy and the integrity of the investigatory process. With this 50th anniversary, the Subcommittee's earliest records, housed in the Center for Legislative Archives at the National Archives and Records Administration, began to open seriatim. The records of the predecessor committee—the Truman Committee—were opened by Senator Nunn in 1980.

What began colorful soon became contentious. When Republicans returned to the Majority in the Senate in 1953, Wisconsin's junior Senator, Joseph R. McCarthy, became the Subcommittee's Chairman. Two years earlier, as Ranking Minority Member, Senator McCarthy had arranged for another Republican Senator, Margaret Chase Smith of Maine, to be removed from the Subcommittee. Senator Smith's offense, in Senator McCarthy's eyes, was her issuance of a "Declaration of Conscience" repudiating those who made unfounded charges and used character assassination against their political opponents. Although Senator Smith had carefully declined to name any specific offender, her remarks were universally recognized as criticism of Senator McCarthy's accusations that communists had infiltrated the State Department and other government agencies. Senator McCarthy retaliated by engineering Senator Smith's removal from the Subcommittee, replacing her with the newly-elected Senator from California, Richard M. Nixon.

Upon becoming Subcommittee Chairman, Senator McCarthy staged a series of highly publicized anti-communist investigations, culminating in an inquiry into communism within the U.S. Army, which became known as the Army-McCarthy hearings. During the latter portion of these hearings, in which the parent Committee examined the Wisconsin Senator's attacks on the Army, Senator McCarthy recused himself, leaving South Dakota Senator Karl Mundt to serve as Acting Chairman of the Subcommittee. Gavel-to-gavel television coverage of the hearings helped turn the tide against Senator McCarthy by raising public concern about his treatment of witnesses and cavalier use of evidence. In December 1954, in fact, the Senate censured Senator McCarthy for unbecoming conduct; in the following year, the Subcommittee adopted new rules of procedure that better protected the rights of witnesses. The Subcommittee also strengthened the rules ensuring the right of both parties on the Subcommittee to appoint staff, initiate and approve investigations, and review all information in the Subcommittee's possession.

In 1955, Senator John McClellan of Arkansas began 18 years of service as Chairman of the Permanent Subcommittee on Investigations. Senator McClellan appointed the young Robert F. Kennedy as the Subcommittee's Chief Counsel. That same year, Members of the Subcommittee were joined by Members of the Senate Labor and Public Welfare Committee on a special committee to investigate labor racketeering. Chaired by Senator McClellan and staffed by Robert Kennedy and other Subcommittee staff members, this special committee directed much of its attention to criminal influence over the Teamsters Union, most famously calling Teamsters' leaders Dave Beck and Jimmy Hoffa to testify. The televised hearings of the special committee also introduced Senators Barry Goldwater and John F. Kennedy to the Nation, as well as leading to passage of the Landrum-Griffin Labor Act.

After the special committee completed its work, the Permanent Subcommittee on Investigations continued to investigate organized crime. In 1962, the Subcommittee held hearings during which Joseph Valachi outlined the activities of La Cosa Nostra, or the Mafia. Former Subcommittee staffer Robert Kennedy—who had by now become Attorney General in his brother's Administration—used this information to prosecute prominent mob leaders and their accomplices. The Subcommittee's investigations also led to passage of major legislation against organized crime, most notably the Racketeer Influenced and Corrupt Organizations (RICO) provision of the Crime Control Act of 1970. Under Chairman McClellan, the Subcommittee also investigated fraud in the purchase of military uniforms, corruption in the Department of Agriculture's grain storage program, securities fraud, and civil disorders and acts of terrorism. From 1962 to 1970, the Permanent Subcommittee on Investigations conducted an extensive probe of political interference in the awarding of government contracts for the Pentagon's ill-fated TFX ("tactical fighter, experimental"). In 1968, the Subcommittee also examined charges of corruption in U.S. servicemen's clubs in Vietnam and elsewhere around the world.

In 1973, Senator Henry "Scoop" Jackson, a Democrat from Washington, replaced Senator McClellan as the Subcommittee's Chairman. During these years, recalled Chief Clerk Ruth Young Watt—who served in this position from the Subcommittee's founding until her retirement in 1979—Ranking Minority Member Charles Percy, an Illinois Republican, was more active on the Committee than Chairman Jackson, who was often distracted by his Chairmanship of the Interior Committee and his active role on the Armed Services Committee.[3] Senator Percy worked closely in this regard with Georgia Democrat Sam Nunn, who subsequently succeeded Senator Jackson as Chairman in 1979. As Chairman, Senator Nunn continued the Subcommittee's investigations into the role of organized crime in labor-management relations and also investigated pension frauds.

The regular reversals of political fortunes in the Senate of the 1980s and 1990s saw Senator Nunn trade chairmanship three times with Delaware Republican William Roth. Senator Nunn served from 1979 to 1980 and again from 1987 to 1995, while Senator Roth served from 1981 to 1986, and again from 1995 to 1996. These 15 years saw a strengthening of the Subcommittee's bipartisan tradition in which investigations were initiated by either the Majority or Minority and fully supported by the entire Subcommittee. For his part, Senator Roth led a wide range of investigations into commodity investment fraud, offshore banking schemes, money laundering, and child pornography. Senator Nunn led inquiries into Federal drug policy, the global spread of chemical and biological weapons, abuses in Federal student aid programs, computer security, airline safety, and health care fraud. Senator Nunn also appointed the Subcommittee's first female counsel, Eleanore Hill, who served as Chief Counsel to the Minority from 1982 to 1986 and then as Chief Counsel from 1987 to 1995. Ms. Hill subsequently served as Inspector General at the Department of Defense.

(2) Recent Investigations

In January 1997, Republican Senator Susan Collins of Maine, became the first woman to Chair the Permanent Subcommittee on Investigations. Senator John Glenn of Ohio became the Ranking Mi-

[3] It had not been uncommon in the Subcommittee's history for the Chairman and Ranking Minority Member to work together closely despite their partisan differences, but Senator Percy was unusually active in the Minority—a role that included chairing one investigation of the hearing aid industry.

nority Member. After Senator Glenn's retirement, Michigan Democrat Carl Levin succeeded him in January 1999, as the Ranking Minority Member. During Senator Collins' chairmanship, the Subcommittee conducted a number of investigations affecting Americans in their day-to-day lives, including investigations into mortgage fraud, phony credentials obtained through the Internet, deceptive mailings and sweepstakes promotions, day trading of securities, and securities fraud on the Internet. Senator Levin, while Ranking Minority Member, initiated an investigation into money laundering. At his request, the Subcommittee held hearings in 1999 on money laundering issues affecting private banking services provided to wealthy individuals, and in 2001 on how major U.S. banks providing correspondent accounts to offshore banks were being used to advance money laundering and other criminal schemes. Senator Collins chaired the Subcommittee until June 2001, when the Senate Majority party changed hands, and Senator Levin assumed the chairmanship. Senator Collins, in turn, became the Ranking Minority Member.

During the 107th Congress, both Senator Collins and Senator Levin chaired the Subcommittee. In her 6 months chairing the Subcommittee at the start of the 107th Congress, Senator Collins held hearings examining issues related to cross border fraud, the improper operation of tissue banks, and Federal programs designed to fight diabetes. Over the following 18 months, Senator Levin led a bipartisan investigation into Enron Corporation, which had collapsed into bankruptcy just before he became Chairman. The Subcommittee reviewed over 2 million pages of documents, conducted more than 100 interviews, held four hearings, and issued three bipartisan reports on the role played by Enron's Board of Directors, Enron's use of tax shelters, and how major U.S. financial institutions had contributed to Enron's accounting deceptions, corporate abuses, and ultimate collapse. The Subcommittee's investigative work contributed to passage of the Sarbanes-Oxley Act which enacted accounting and corporate reforms in July 2002. Senator Levin also advanced the money laundering investigation initiated while he was Ranking Minority Member and opened new investigations into offshore tax abuses, border security, and the pricing of gasoline and other fuels.

In January 2003, Senator Collins became Chairman of the full Committee on Governmental Affairs, and Republican Senator Norm Coleman of Minnesota became Subcommittee Chairman. During the 108th Congress, Senator Coleman held 15 hearings on topics of national and global concern including illegal file sharing on peer-to-peer networks, abusive practices in the credit counseling industry, the dangers of purchasing pharmaceuticals over the Internet, Federal contractors with billions of dollars in unpaid taxes, SARS preparedness, border security, and how Saddam Hussein abused the United Nations Oil-for-Food Program. At the request of Senator Levin, then Ranking Minority Member, the Subcommittee examined how some U.S. accounting firms, banks, investment firms, and tax lawyers were designing, promoting, and implementing abusive tax shelters across the country; and how some U.S. financial institutions were failing to comply with anti-money laundering controls mandated by the Patriot Act, using as a case history Riggs Bank accounts involving Augusto Pinochet, former President of Chile, and Equatorial Guinea, an oil-rich country in Africa.

During the 109th Congress, Chairman Coleman held 13 hearings on a wide range of topics, including three additional hearings on abuses associated with the United Nation's Oil-for-Food Program, two hearings on Federal contractors who failed to pay billions of dollars in taxes, additional border security hearings focused on securing the global supply chain, two hearings on DOD travel abuses, and two field hearings on consumers hurt by abusive tax refund loans or unfair energy pricing. At Senator Levin's request, the Subcommittee also held hearings on offshore tax abuses, which are responsible for $100 billion in unpaid taxes each year, and on U.S. money laundering vulnerabilities due to the failure of the States to obtain ownership information for the 2 million companies formed within their jurisdictions each year. The following pages describe the Subcommittee's work during the 109th Congress.

II. Subcommittee Hearings During the 109th Congress

A. The United Nations' Management and Oversight of the Oil-for-Food Program (February 15, 2005)

On February 15, 2005, the Subcommittee held the second in a series of Subcommittee hearings on abuses related to the United Nations Oil-for-Food (OFF) Program. The Subcommittee's first hearing on this topic was held in November 2004, and detailed some of the methods employed by the Hussein regime to manipulate the Oil-for-Food Program to its own political advantage.

The February hearing examined the United Nations' management of the OFF Program. In particular, the Subcommittee introduced evidence that Benon Sevan, the U.N. official who managed the Program for the U.N. Secretariat as the Executive Director of the Office of the Iraq Programme, received lucrative oil allocations from the Hussein regime. The Subcommittee also presented evidence that one of the U.N. oil inspectors—the agents retained by the United Nations to inspect the oil exports from Iraq under the OFF Program—may have taken a bribe of roughly $105,000 and helped Iraq generate $9 million in illegal, under-the-table revenue.

The Subcommittee also examined the performance of Cotecna Inspection S.A., a company retained by the United Nations to inspect and authenticate humanitarian goods imported into Iraq under the OFF Program. The Subcommittee reviewed evidence that raised questions about the United Nations' award of the multi-million dollar contract to Cotecna during a time when Kojo Annan, the son of Secretary-General Kofi Annan, was employed by Cotecna as a paid consultant. To assist in the Subcommittee's examination of these issues, the Subcommittee heard testimony from Cotecna's CEO Robert Massey, former Vice President Andre Pruniaux, and former inspector in Iraq Arthur Ventham. Messrs. Massey and Pruniaux testified that Cotecna had been awarded the contract on objective grounds and had met and exceeded its obligations under the U.N. contract. Mr. Ventham, a Cotecna inspector during the OFF Program, testified about the inadequacy and ineffectiveness of the inspection procedures utilized by Cotecna in connection with the OFF Program. The Subcommittee also heard testimony from Vernon P. Kulyk, a former Deputy Customs Expert for the Office of the Iraq Programme and former Cotecna employee, who testified about the efficacy of inspections of humanitarian goods under the Program.

The Subcommittee also examined evidence raising questions about the performance of Saybolt, a company retained by the United Nations as its oil inspection agent. Specifically, the Subcommittee questioned John Denson, General Counsel of the Saybolt Group, concerning evidence suggesting that Saybolt had been granted a lucrative oil allocation by the Hussein regime. Moreover, the Subcommittee heard Mr. Denson's testimony concerning the evidence that one of Saybolt's oil inspectors may have received the $105,000 bribe to facilitate an illegal oil transaction for the benefit of Iraq.

On the second panel of witnesses, the Subcommittee heard testimony from Joseph A. Christoff, Director of the International Affairs and Trade Team at the Government Accountability Office. Mr. Christoff testified about GAO's analysis of 58 audits of OFF Program operations conducted by the U.N. Office of Internal Oversight Services.

The Subcommittee also heard from Stafford Clarry, a former Humanitarian Affairs Advisor for the OFF Program, concerning the Program's impact in the Kurdistan Regional Government in Northern Iraq. Mr. Clarry testified that the Kurdistan region had received substantially lower funding—amounting to an estimated $4 to $5 billion—than what had been allocated during the life of the Program and emphasized that the loss of funding had a substantial detrimental impact on Kurdistan. Mr. Clarry also testified about the lack of financial transparency concerning the Program's operations and finances. He concluded by emphasizing the need for greater transparency in U.N. audits and investigations to ensure proper management, minimize waste, and improve relations between local governments and the United Nations.

The final witness was Patrick F. Kennedy, Ambassador to the United Nations for Management and Reform. Ambassador Kennedy's testimony outlined the formation and purpose of the OFF Program as a way to provide funds to an Iraqi economy under sanctions, while attempting to focus those funds on humanitarian efforts and not military agendas. Ambassador Kennedy stated that some U.N. member states had failed to honor their obligations and either directly or indirectly facilitated the Hussein regime's abuses of the OFF Program, including the manipulation of oil prices and receipt of kickbacks on humanitarian goods. Ambassador Kennedy described U.S. efforts to prevent or mitigate these abuses and stressed the difficulties the United States and the United Kingdom faced at the 661 Committee to pass any policy regarding Iraqi sanctions, including policy attempts to counter improper smuggling, price controls, and kickback activities of the Hussein regime. The Ambassador also criticized U.N. oversight of the OFF Program and the lack of transparency.

B. Tax Related Financial Products Can Be Costly (April 15, 2005)

In 2005, the Subcommittee initiated an investigation into abusive practices associated with refund anticipation loans (RALs) and other tax-related products marketed to U.S. taxpayers. RALs are high-cost, short-term loans issued by companies and financial institutions to taxpayers, secured by the taxpayers' anticipated Federal tax refund. These loans are sold to taxpayers as a way to provide immediate access to their tax refunds, often without full disclosure of the high costs involved or the likely availability of the refund on a cost-free basis in a matter of days or weeks. Estimates are that as many as 12 million RALs are issued each year, with interest rates ranging from 28 to 700 percent, depending upon whether the fees paid to obtain the RAL are included in the calculation. Consumers are estimated to pay RAL bank fees totaling from $790 million to $1.1 billion per year, plus additional tax preparer application fees totaling an estimated $282 million to $389 million.

On April 15, 2005, the Subcommittee held a hearing in St. Paul, Minnesota on the marketing and sale of RALs, refund anticipation checks, audit insurance, and other tax-related products by tax preparers to their clients, especially unsophisticated taxpayers filing returns to qualify for the Earned Income Tax Credit. Among other issues, the hearing examined whether tax preparers who sold such products were acting in the best interest of their clients, or were motivated by their own financial gain. The hearing took testimony from three panels of witnesses.

The first panel consisted of former clients and employees of H&R Block and Jackson Hewitt, which are the two largest U.S. tax preparation companies and both of which market RALs and other tax-related products to their clients. Julie Burbach, a former H&R Block client, testified that her tax preparer did not fully disclose the cost of the RAL that was sold to her or the availability of less costly options for obtaining her refund. She said that if she had fully understood her options she would not have taken a refund anticipation loan. She said that she was charged $322.90 for the RAL, which included $203 for tax preparation fees and $119.90 for bank fees on her loan.

Pat Eickelberry, a former H&R Block tax preparer, testified that H&R Block management pushed very hard for tax preparers to use the client-preparer trust relationship to sell the clients tax-related financial products such as refund anticipation loans and tax preparation guarantees. He testified that the sales emphasis was on refund speed rather than client cost. He testified that RALs were often sold to clients who could least afford it, did not understand they were applying for a loan, and did not understand the true costs. He further testified that H&R Block used financial incentives and performance evaluations to encourage its employees to sell financial products to the company's clients.

Nila Grant, a former Jackson Hewitt tax preparer, testified that there was no management pressure or suggestive sales tactics used to sell financial products to clients, and the company did not offer incentives or use performance evaluations to sell its financial products. She also testified that most of her clients wanted their refund as soon as they could get it, which is why they purchased RALs. She testified that she believed her clients understood that they were receiving a loan.

The second panel consisted of representatives from Minnesota consumer rights groups including Beth Haney, Director of Research for the Children's Defense Fund in Minnesota, and Bonnie Esposito, Executive Director for AccountAbility in Minnesota. Ms. Haney testified about the broader impact of RALs on Minnesota's low-income workers. She stated that, during the 2003 tax filing season, an estimated $5.1 million of Minnesota's earned income tax credit funds were diverted from families to pay for RALs. She noted that the earned income tax credit is generally available to taxpayers who work and earn less that $30,000 per year. Further, according to Ms. Haney's testimony, RALs are expensive and many families do not understand that they are taking out a loan. She testified that research has shown that tax preparers target their services to low income neighborhoods where financial literacy is limited. Ms. Esposito testified that free tax preparation services at 40 sites statewide had returned $10.9 million in tax refunds to 9,500 low income taxpayers. However, Ms Esposito said that these sites are filled to capacity and they have to turn away taxpayers.

The Subcommittee also received testimony that, in Minnesota, to obtain a RAL for an anticipated tax refund of $3,500, a client typically paid tax preparation fees, finance charges, account setup, and administrative fees totaling about $300. Despite this hefty payment, most RAL loans were repaid quickly with funds from the client's tax refund which is sent directly to the lender, with the loan itself often lasting less than 2 weeks.

The third panel of witnesses consisted of representatives from H&R Block and Jackson Hewitt. H&R Block is the largest tax preparer in the Nation with 11,000 offices, while Jackson Hewitt operates about 3,800 franchises in 47 States. In 2004, H&R Block prepared about 15.9 million tax returns, representing 15.6 percent of the individual income tax returns filed with IRS, and originated about 4.27 million RALs. In 2004, Jackson Hewitt prepared about 3.1 million tax returns and originated about 1.1 million RALs. The Subcommittee learned that the sale of tax-related products generated significant revenues for both firms, including about $200 million in 2004 revenues alone for H&R Block and Jackson Hewitt.

Testifying for H&R Block, Robert A. Weiberger, Vice President for Government Relations, testified that RALs are extensively regulated by Federal lending laws and IRS rules that require full disclosure. He also discounted the cost to consumers, explaining that the interest rates are calculated on an annual basis, whereas RALs typically last an 11-day period. He said that, in Minnesota, for example, a $3,000 RAL costs $99.95 which is 3.3 percent of the refund amount, but annualizes as a 114 percent APR.

Testifying for Jackson Hewitt, Gary P. Weinstein, Vice President for Legal and Government Affairs, announced five actions it was taking for the 2006 tax filing season on RALs after discussions with Senator Coleman. These actions included elimination of the tax preparer application fee for tax related products, elimination of a $10 finance fee imposed on earned income tax credit applicants, creation of a customer right to cancel a RAL within 48 hours, preparation of a comprehensive code of ethics, and creation of a customer bill of rights. He estimated that elimination of the $10 finance fee would save low income taxpayers $5 million for the 2006 tax filing season. Mr. Weinstein also testified that some customers needed and wanted RALs or other tax-related products, but that the company would make full disclosure in all instances where tax related financial products are elected by their customers.

C. Oil For Influence: How Saddam Used Oil to Reward Politicians Under the United Nations Oil-for-Food Program (May 17, 2005)

On May 17, 2005, the Subcommittee held a third hearing on the Oil-for-Food Program, entitled "Oil For Influence: How Saddam Used Oil to Reward Politicians Under the United Nations Oil-for-Food Program." At that hearing, the Subcommittee examined evidence of how the Iraqi government under Saddam Hussein exploited the Oil-for-Food (OFF) Program for its own political purposes. The Subcommittee introduced evidence and released three staff reports showing that the Hussein regime had granted lucrative allocations of oil to foreign officials, political parties, companies, and journalists in an effort to engender international opposition to U.N. sanctions. The evidence also showed that the recipients had sold their oil allocations to oil traders for sizeable commissions. The Subcommittee examined how Saddam Hussein and his regime used OFF oil allocations in an effort to buy political influence in particular, steering a large portion of the oil allocations toward U.N. Security Council members, Russia, France, and China.

The hearing heard from two panels of witnesses. The first panel consisted of Subcommittee investigators who had compiled and analyzed the evidence. Mark L. Greenblatt, Subcommittee Counsel, testified about the Subcommittee's investigation into how the Hussein regime had granted oil allocations to political figures around the world. First, Mr. Greenblatt examined evidence obtained by the Subcommittee that the Hussein regime granted allocations of 75 million barrels of oil to Vladimir Zhirinovsky, a prominent Russian official. According to one Iraqi government document introduced at the hearing, those allocations were valued at a profit of approximately $8.6 million. Mr. Greenblatt also presented evidence that Bayoil, a U.S. oil company, had bought some of Mr. Zhirinovsky's oil allocations and that Mr. Zhirinovsky used the resulting funds to pay the Hussein regime millions of dollars in illegal, under-the-table surcharges. In addition, Mr. Greenblatt introduced evidence that French official Charles Pasqua and U.K. Parliament Member George Galloway had been granted oil allocations from the Hussein regime. The evidence obtained by the Subcommittee included documents from the Hussein regime listing the assigned oil allocations and testimony from former Hussein regime officials that Mr. Pasqua and Mr. Galloway had received allocations of Iraqi oil under the OFF Program.

Steven A. Groves, Subcommittee Counsel, introduced evidence establishing that the Hussein regime attempted to exert influence at the highest levels of the Russian government by awarding oil allocations to officials, political parties, government ministries, and major oil companies in that country, based upon their good standing with the regime and their opposition to U.N. sanctions. For example, Mr. Groves introduced evidence that the Hussein regime awarded a large number of allocations to the Russian Presidential Council. The evidence obtained by the Subcommittee established that these transactions involved Bayoil. Those transactions showed that $9.2 million had been wired into different bank accounts in Cyprus, Greece, and Switzerland. The evidence also established that contracts allocated to the Russian Presidential Council resulted in illegal surcharge payments of about $5.6 million to the Hussein regime.

Dan Berkovitz, Minority Counsel to the Subcommittee, testified regarding a report issued by the Subcommittee's Minority staff and released in conjunction with the hearing. That report described the Hussein regime's demand that all purchasers of Iraqi oil pay an illegal, per-barrel surcharge to bank accounts outside of the control of the OFF Program; how Iraqi records showed purchasers paid the regime about $228 million in illegal surcharges from September 2000 to September 2002; and how $118 million of those illegal surcharges, about 52 percent, were paid to the Hussein regime on Iraqi barrels of oil sent to the United States. The report used Bayoil USA, the largest importer of Iraqi oil into the United States during the surcharge period, as a case history to illustrate how the surcharges were assessed and paid. The report also described the efforts of the U.S. and U.K. governments to put an end to the illegal surcharges. In addition, Mr. Berkovitz testified about the evidence in the report related to the so-called Khor al-Amaya shipments, which represented the largest incident of oil exported from Iraq in violation of U.N. sanctions. Mr. Berkovitz testified that oil tankers chartered by a company acting on behalf of the Jordanian government wired $53 million to the Iraqi government in exchange for 7.7 million barrels of oil illegal loaded onto the ships at the Khor al-Amaya port. That money went into bank accounts under the control of the Hussein regime just before the start of Iraqi invasion, providing the regime with hard currency. The report also presented evidence that the U.N. Maritime Interdiction Force, then under the command of a U.S. naval force, was aware of the illegal shipments but did nothing to stop them.

On the second witness panel, George Galloway, a Member of the U.K. Parliament for Bethnal Green and Bow, testified concerning evidence obtained by the Subcommittee that he had been granted oil allocations from the Hussein regime, including testimony by multiple regime officials, documents from the Hussein-era Iraqi government, and documents from the post-Hussein Iraqi government. Mr. Galloway vigorously denied that he had been granted such allocations or that he had benefited from any Iraqi oil deals.

Thomas A. Schweich, Chief of Staff to the Mission to the United Nations, submitted written testimony discussing the U.N. Security Council's oversight of the Oil-for-Food Program and the difficulty the United States and the United Kingdom had in trying to maintain the effectiveness of OFF restrictions. Mr. Schweich stated this difficulty was due to both Saddam's efforts to avoid compliance with sanctions, and also certain governments' willingness to facilitate the Hussein regime's manipulations and abuses of the Program. Mr. Schweich stated that members of the U.N. Security Council that were benefiting economically from relationships with the Hussein regime were resistant toward attempts to achieve compliance with sanctions.

Peter Reddaway, Professor Emeritus of Political Science and International Affairs at George Washington University, submitted written testimony discussing the Russian government and private oil sector, the corruption in government-business relations, and the Russian recipients of Iraqi oil allocations. Mr. Reddaway explained that, because the Russian Constitution gives extensive powers to the Executive Branch, the Legislative and Judicial Branches become dominated by the President and the Presidential Administration. The Executive Branch, according to Mr. Reddaway's testimony, also intervenes in the business world, indirectly mediating major disputes, and indirectly granting favors to some companies, while penalizing others. Mr. Reddaway stated that Russian oil companies that benefited from Iraq oil allocations were "oligarchs" with a reputation for demonstrating ruthless business tactics. These oligarchs possessed a net worth of more than $10 billion and had long and intimate ties to the highest levels of the Russian government. Mr. Reddaway also gave accounts of the recipients of the Iraqi oil allocations in the government and in the business sector.

D. The Container Security Initiative and the Customs-Trade Partnership Against Terrorism: Securing the Global Supply Chain or Trojan Horse? (May 26, 2005) and Neutralizing the Nuclear and Radiological Threat: Securing the Global Supply Chain (March 28 and 30, 2006)

Following the terrorist attacks of September 11, 2001, concern increased that terrorists could smuggle weapons of mass destruction in the approximately 11 million ocean-going containers that arrive in the United States every year. Maritime trade is one of the foundations of the global economy. Seaports are critical gateways for international trade, and shipping containers play a vital role in the movement of cargo between global trading partners. Approximately 90 percent of the world's trade is shipped in containers. Effectively securing cargo and ensuring the viability of the global supply chain is critical to homeland security and the global economy. To that end, the U.S. Government has established numerous programs to address global supply chain security.

Since 2003, the Subcommittee has conducted an ongoing investigation into border security issues and Federal Government programs designed to secure the global supply chain. The Subcommittee's efforts culminated in three hearings during the 109th Congress. Many of the findings and recommendations of the Subcommittee were utilized in the drafting of S. 2459, the GreenLane Maritime Cargo Security Act and Public Law 109–347, the Security and Accountability for Every (SAFE) Port Act.

The Subcommittee's bipartisan investigation included document requests to numerous Federal agencies, numerous meetings with the U.S. Department of Homeland Security (DHS) and Department of Energy (DOE), staff assessments of 10 Container Security Initiative ports, staff examinations of eight U.S. ports of entry, a staff trip to the Nevada detection equipment test site, and a staff inspection of the National Targeting Center (NTC). Subcommittee staff have also met with Customs and Border Protection (CBP), Immigration and Customs Enforcement (ICE), the Domestic Nuclear Detection Office (DNDO), and the National Nuclear Security Administration (NNSA).

In early 2002, the U.S. Customs Service launched both the Container Security Initiative (CSI) and the Customs-Trade Partnership Against Terrorism (C-TPAT) to address the threat of terrorism and the security of the global supply chain. CSI extends U.S. borders by stationing CBP officers at major international ports to prescreen containers prior to their shipment to the United States. C-TPAT represents a public-private partnership because private-sector applicants voluntarily commit to making security improvements in their supply chain in exchange for benefits from CBP. In addition to these programs, CBP established the Radiation Portal Monitor Project to install radiation detection equipment at U.S. Ports of Entry to screen cargo, mail, and vehicles for radioactive materials upon arrival in the United States.

Another program to screen containers for radiation is the National Nuclear Security Administration Megaports Initiative, through which radiation detection equipment is provided to foreign governments and installed at major international seaports. Containers transiting these ports are screened by radiation detection equipment, effectively providing an additional layer of screening prior to the containers' arrival at a U.S. port. Collectively, these programs represent the Federal Government's efforts to secure the global supply chain and have been examined thoroughly in the Subcommittee's oversight investigation.

Shortly after the inception of CSI and C-TPAT, the Subcommittee commenced its oversight of these critical programs. During the course of its oversight investigation, the Subcommittee raised significant concerns about the effectiveness of these programs. The Subcommittee discovered that, while these programs were positive initiatives, both CSI and C-TPAT face a number of compelling challenges that impact their ability to safeguard our Nation from terrorism.

On May 26, 2005, the Subcommittee held its first hearing to examine the requirements for and challenges involved in transitioning CSI and C-TPAT from promising risk management concepts into effective and sustained enforcement operations. This hearing, entitled "The Container Security Initiative and the Customs-Trade Partnership Against Terrorism: Securing the Global Supply Chain or Trojan Horse?," included the following witnesses: Hon. Robert C. Bonner, Commissioner, U.S. Customs and Border Protection; Richard M. Stana, Director, Homeland Security and Justice Team, Government Accountability Office; Commander Stephen E. Flynn (USCG, Retired), Jeane J. Kirkpatrick Senior Fellow for National Security Studies, Council on Foreign Relations; and Hon. C. Stewart Verdery, Jr., Principal, Mehlman Vogel Castagnetti, Inc.

Following this hearing, the Subcommittee continued its investigation into the security of the global supply chain, culminating in a staff report and 2 days of hearings in March 2006, entitled "Neutralizing the Nuclear and Radiological Threat: Securing the Global Supply Chain."

On March 28, 2006, the first day of the hearing, the Subcommittee focused on the domestic and international deployment of radiation detection equipment, as well as U.S. Government efforts to prevent radiological and nuclear terrorism. The Government Accountability Office (GAO) released three reports at this hearing. These reports include: (1) U.S. Customs and Border Protection Radiation Portal Monitor Program (RPMP) to Install Radiation Portal Monitors (RPMs) at U.S Ports of Entry; (2) The Department of Energy Second Line of Defense Program to Install RPMs at Key International Border Crossings and Ports; and (3) The Successful Importation of Radiological Sources Across the Northern and Southern Border. Witnesses during part one of the hearing included: Hon. Thomas Kean, Former Governor of New Jersey and Chairman of the 9/11 Commission; Commander Stephen E. Flynn (USCG, Retired), Jeane J. Kirkpatrick Senior Fellow for National Security Studies, Council on Foreign Relations; Eugene E. Aloise, Director, Nuclear and Nonproliferation Issues, Natural Resources and Environment, GAO; Gregory D. Kutz, Managing Director, Forensic Audits and Special Investigations, Financial Management and Assurance, GAO; Keith A. Rhodes, Chief Technologist, Center for Technology and Engineering, GAO; David G. Huizenga, Deputy Assistant Secretary, National Nuclear Security Administration; Vayl Oxford, Director, Domestic Nuclear Detection Office, Department of Homeland Security; and Jayson P. Ahern, Assistant Commissioner, U.S. Customs and Border Protection.

The Subcommittee's second day of hearings, on March 30, 2006, focused on the security of the global supply chain and updated the May 2005 hearing. In addition, the Subcommittee released a staff report on global supply chain security. The March 30 hearing examined the programs that form America's layered defense against nuclear terrorism, including CSI, the Megaports Initiative, and C-TPAT. The hearing also examined the role of the Domestic Nuclear Detection Office, a new office created within DHS to coordinate global nuclear detection architecture. Witnesses at this hearing included: Senator Lindsey Graham (R–SC); Senator Charles E. Schumer (D–NY); Hon. Michael P. Jackson, Deputy Secretary, Department of Homeland Security; Christopher L. Koch, President and CEO, World Shipping Council; Gary D. Gilbert, Senior Vice President, Hutchinson Port Holdings; and John P. Clancey, Chairman, Maersk Inc.

E. Civilian Contractors Who Cheat on Their Taxes and What Should Be Done About It (June 16, 2005)

The Permanent Subcommittee on Investigations continued its inquiry into Federal contractors who cheat on their taxes by examining the extent to which civilian contractors holding Federal contracts have outstanding tax debt. The Subcommittee's first hearing on this topic, in February 2004, looked at defense contractors and, based on a GAO report, found that 27,100 companies holding Department of Defense contracts owed roughly $3 billion in unpaid taxes.

On June 16, 2005, the Subcommittee held its second hearing, "Civilian Contractors Who Cheat on Their Taxes and What Should Be Done About It." Greg Kutz, the Director of Financial Management and Assurance at GAO, testified that 33,000 Federal contractors working for civilian departments and agencies owed $3.3 billion in unpaid Federal taxes. John J. Ryan, GAO Assistant Director of the Office of Special Investigations, identified 50 egregious cases of apparent tax evasion by civilian contractors, detailing potential fraud or criminal activity.

GAO also testified that the U.S. Government's procedures for recouping unpaid taxes from Federal contractors are seriously flawed and mismanaged. Specifically, the Department of the Treasury's Financial Management Service (FMS) is not matching all contractor payments against outstanding tax debt to determine whether levies should be imposed on contractors' payments. This is occurring because (1) agency payment documentation is inaccurate or incomplete, (2) the FMS did not maintain current information on agency locations that are authorized to make payments, and (3) some FMS payment processes bypass the Treasury Offset Program (TOP) that is used to identify payments that should be levied.

At the hearing, Richard L. Gregg, the Commissioner of FMS, acknowledged the problems identified by GAO and agreed to begin working to ensure that all payments are reviewed for possible levy under TOP. The Subcommittee also took testimony from Internal Revenue Service Commissioner Mark Everson.

F. The Defense Travel System: Boon or Boondoggle? (September 29, 2005)

Between November 6, 2003 and May 27, 2005, the Chairman sent a series of questions about the Defense Travel System (DTS) to the Department of Defense (DOD). Prior hearings had addressed issues related to DOD's improper use of premium class travel and the failure to reclaim the costs of unused airline tickets. The questions were principally designed to determine whether DTS would resolve the issues that had been raised in previous hearings. Due to unsatisfactory responses from DOD, the Subcommittee initiated an investigation of DTS as part of its ongoing investigation of Federal travel abuse.

The Defense Travel System was created to facilitate DOD travel and reduce travel costs. However, the Subcommittee's investigation revealed that reports by the DOD Inspector General, the DOD's Office of Program Analysis and Evaluation, the Government Accountability Office (GAO), and Citizens Against Government Waste questioned whether DTS was the most effective travel system for DOD and whether any actual savings would be realized by the implementation of DTS. Some of these reports also raised questions about restructuring the DTS contract following DTS' failure to pass its operational test.

On September 29, 2005, the Subcommittee held a hearing to explore issues related to DTS.

Thomas F. Gimble, Acting Inspector General (IG) for DOD testified about its DTS report issued July 1, 2002. That report found that DTS was at high risk for not being an effective solution to streamlining the DOD travel process. Mr. Gimble testified that, in response to the IG report, the DOD Comptroller had directed the Office of Program Analysis and Evaluation (PA&E) to undertake a cost effectiveness study of DTS. The PA&E report questioned whether DTS was the most cost effective travel solution to DOD's travel needs.

Testifying for GAO, McCoy Williams stated that DOD had implemented changes to DTS without adequately testing them first. Further, DOD had no assurance that DTS properly displayed flight and airfare information. He also testified that DOD was incurring costs for operating duplicative travel systems that eroded the cost savings DTS planned to achieve.

Robert Langsfeld, a partner in the Corporate Solutions Group was hired by the General Services Administration to audit the functionality of DTS. He testified that DTS did not display all available flights, the lowest cost flights, or all of the government rate flights that are required to be displayed. Thomas Schatz, President of Citizens Against Government Waste, testified that DTS was over budget, behind schedule, and was a waste of taxpayer dollars. Moreover, Mr. Schatz criticized DOD's renegotiation of the DTS contract because the risk of developing DTS was transferred from the contractor to the taxpayer.

The Subcommittee also heard testimony from Zack Gaddy, Director of the Defense Finance and Accounting Service, Department of Defense. He testified that in 2002, the Department designated DTS as a Major Automated Information System, which meant greater scrutiny of DTS's progress and problems by the Department's senior leaders. Mr. Gaddy stated that at the present time, DTS does not accommodate all DOD travel requirements, such as processing permanent change of station, group, or mobilization travel, but he said these requirements would be addressed by the end of fiscal year 2006. Further he estimated that DTS would save DOD more than $35 million in fiscal year 2006, with system total acquisition costs for the program expected to be $474 million through fiscal year 2006. Mr. Gaddy said that department-wide usage of DTS was expected by fiscal year 2009.

G. Corruption in the United Nations Oil-for-Food Program: Reaching a Consensus on United Nations Reform (October 31, 2005)

On October 31, 2005, the Subcommittee held its fourth and final hearing on its inquiry into abuses related to the Oil-for-Food Program, entitled "Corruption in the United Nations Oil-for-Food Program: Reaching a Consensus on United Nations Reform."

This hearing examined the Oil-for-Food (OFF) Program in the context of U.N. reform, including the extent and nature of reform needed, as well as specific recommendations. The evidence presented in the Subcommittee's earlier hearings showed that the OFF Program collected more than $64 billion in Iraqi oil proceeds, spent $34 billion on the Iraqi people's humanitarian needs, and spent another $18 billion on Kuwaiti reparations. The program was also the victim of kickback schemes that generated $229 million in illegal surcharges on contracts to buy Iraqi oil, and roughly $1.5 billion in payoffs on contracts selling humanitarian goods. In addition, the Hussein regime obtained $10 billion in illicit income from making sales of Iraqi oil outside of the OFF Program, primarily to Turkey, Jordan, and Syria, with the acquiescence of the world community, including the United States. Beyond Iraq's abuses of the program, there were significant management failures and outright corruption by U.N. officials. The October hearing examined how the mismanagement of the OFF Program allowed the abuses to take place and what management reforms were needed to prevent future failures and restore the United Nations' credibility.

At the hearing, the Subcommittee heard from four experts on the OFF Program and U.N. management. Paul Volcker, Chairman of the Independent Inquiry Committee (IIC) into the United Nation's Oil-for-Food Program, briefed the Subcommittee on the IIC's final report describing the ways and means by which the Hussein regime manipulated the OFF Program. Mr. Volcker emphasized that the corruption of the program would not have been so pervasive if there had been more disciplined management by the United Nations and its agencies. According to Mr. Volcker, the IIC's report reinforced the need for wide-ranging administrative reform, emphasized in four areas: (1) the need for the Security Council to clarify the purpose and criteria in initiating and improving U.N. intervention in critical and administratively complex areas; (2) the Secretary General should create the position of Chief Operating Officer, who would have clear authority for planning and personnel practices; (3) internal control, auditing, and investigator functions must be strongly reinforced; and (4) the Security Council and Secretary General must demand coordination of large programs, like the Oil-for-Food Program, from the start.

On the second panel, Newt Gingrich, Co-Chair of the Task Force on the United Nations at the United States Institute of Peace, testified about a June 2005 consensus report on U.N. reform, entitled "American Interests and U.N. Reform." The report focuses on six key areas: (1) American interests and the United Nations; (2) saving lives, safeguarding human rights, and ending genocide; (3) repairing and reforming the management and operations of the United Nations; (4) deterring death and destruction, catastrophic terrorism and the proliferation of nuclear, chemical, and biological weapons; (5) war and peace: preventing and ending conflicts; and (6) helping people and nations: development and humanitarian assistance. Mr. Gingrich stressed his belief that the United States must work with other countries to move toward a voluntary dues paying model for the entire U.N. system. He testified that the problem of an ineffective U.N. bureaucracy lies not only in corruption, but also in incompetence and an inability to get things done, and warned that corruption will continue unless substantial reform takes place.

Thomas Melito, Director of the International Affairs and Trade Team at the Government Accountability Office (GAO), testified about the need for internal oversight and procurement reform in the United Nations. Mr. Melito's statement reflected a GAO investigation into the United Nations' procurement process and its Office of Internal Oversight Services. The investigation focused on two main findings: (1) how effective oversight of U.N. organizations is hindered by the United Nations' budgeting processes, and (2) the United Nations' failure to fully address previously identified problems affecting the openness and professionalism of its procurement system.

Robert Werner, Director of the Office of Foreign Assets Control (OFAC) at the U.S. Department of the Treasury, testified on OFAC's role in the Oil-for-Food Program in relation to Bayoil Inc., an American oil company whose executives were indicted in April 2005 for violating Iraqi sanctions in connection with the Program. OFAC is responsible for administering and enforcing U.S. economic sanctions programs against government entities and individuals. In 1996, OFAC determined that Bayoil violated Iraqi sanctions on two separate occasions when purchasing oil from Iraq without first obtaining licensing authorization.

The Subcommittee also released two staff reports in connection with the hearing. The first, "Testimony of George Galloway Before the Permanent Subcommittee on Investigations," by the Majority staff, examined evidence that Mr. Galloway may have provided misleading testimony at the prior Subcommittee hearing on the OFF Program. The second, "Bayoil Diversions of Iraqi Oil and Related Oversight Failures," by the Minority staff, examined actions taken by Bayoil USA to sell Iraqi oil in unapproved markets and reap millions of dollars of illicit revenue in violation of the U.N. sanctions program and U.S. regulations. The report also examined in more detail inadequate U.S. and U.N. oversight efforts and failure to stop Bayoil's illicit activities.

H. Volatility In the Natural Gas Market: The Impact of High Natural Gas Prices on American Consumers (February 13, 2006)

On February 13, 2006, the Subcommittee held a field hearing in Minnesota entitled, "Volatility in the Natural Gas Market: The Impact on High Natural Gas Prices on American Consumers." This hearing examined why natural gas prices had become increasingly high and volatile, the impact higher prices have had on the economy, businesses, and families, and the government's role on the State and Federal level to provide affordable natural gas.

Natural gas is an essential contributor to U.S. energy needs, heating more than 63 million homes, powering industrial and agricultural production, and providing a substantial amount of the Nation's electricity needs. For decades the average price of natural gas was $2.30 to $2.50 per million btu. Since 2000, however, natural gas prices have increased, fluctuating generally between $2 and $10 per million btu. In December 2005, however, NYMEX natural gas futures closed above $14 per million btu. The evidence also indicates that the United States pays significantly higher prices for natural gas than the rest of the world. Even countries like Japan that produce no natural gas have lower natural gas prices than the United States.

These increased energy costs are taking a toll on the American economy, businesses, consumers, and families. In Minnesota, rising costs have hurt many families that heat their homes with natural gas. Between 1999 and 2004, residential heating prices have risen 73 percent according to the Energy Information Administration, forcing families to spend more money on their heating bills, and requiring some to choose between paying for heat, medicine, food, and clothing. Natural gas prices paid by Minnesota's manufacturers have increased nearly 150 percent since 1999, which is especially challenging for businesses competing with countries where energy costs far less.

Allegations of price manipulation and charges that suppliers are withholding gas supplies from the market have increased in frequency. At the same time, oil industry profits have nearly tripled over the last 3 years to $87 billion last year. In the first 9 months of 2005, the five largest oil companies made $84 billion in profits. In fact, Exxon Mobil Corp. reported that its 2005 earnings totaled $36.13 billion, the largest annual profit ever for a U.S. company. The company's annual profit was up 43 percent from the year before.

Energy market projections estimate record natural gas prices for the 2005–2006 winter season. Data also indicates that the balance between supply and demand for natural gas in North America has been tightening for the last decade as production has increased only slightly while the economy has significantly increased demand. In addition, record natural gas prices last winter were attributable to an unusually warm summer, the hottest on record according to the National Climatic Data Center, which reduced natural gas inventories due to increased use of natural gas-fired electric generation to cool homes during the summer months. Hurricanes Rita and Katrina also had a significant effect on the natural gas industry, with over a dozen natural gas processing plants going off-line resulting in the loss of 10 Bcf of production, almost one-fifth of the U.S. average daily production. While high prices last winter were largely a result of these three factors, market manipulation is also a concern.

The February 13, 2006, Subcommittee hearing heard testimony from a variety of witness about the impact of higher natural gas prices on Minnesota and the U.S. economy. Two Minnesota residents, Lucille Olson and Deidre Jackson, discussed the impact of higher prices on their families. LaRaye Osborne, Vice President of Environment, Health and Safety at Cargill, testified about the effect that higher prices have had on profitability and global competitiveness as well as the company's energy initiatives, including the use of renewable fuels to conserve energy. Kathleen O'Brien, Vice President of University Services at the University of Minnesota, testified about the effect of higher natural gas prices for the University, indicating that, as recently as June 2003, the University purchased natural gas for $3.12 per million btu while projections last winter indicated prices as high as $15 per million btu. In addition, Ms. O'Brien also discussed the University's research and development initiatives for using alternative fuels, including wind energy, which is providing 60 percent of the electricity needs at the Morris campus.

LeRoy Koppendrayer, Chairman of the Minnesota Public Utilities Commission, and Edward Garvey, Deputy Commissioner for Energy and Telecommunications of the Minnesota Department of Commerce, testified about recent pricing trends that are affecting residents as well as the State's efforts for ensuring low natural gas prices. Susan Court, Director of the Office of Market Oversight and Investigations at the Federal Energy Regulatory Commission, testified about the factors driving up natural gas prices as well as the Commission's oversight efforts to ensure just and reasonable wholesale prices. Last, James Wells, Managing Director of the Minnesota Natural Resources and Environment Department, testified on the factors affecting price, market manipulation, and recommendations to ensure prices are determined in a competitive and informed marketplace.

I. GSA Contractors Who Cheat on Their Taxes and What Should Be Done About It (March 14, 2006)

As part of its continuing investigation into Federal contractors that cheat on their taxes, the Subcommittee held a third hearing examining the extent to which the General Services Administration (GSA) had issued contracts to companies that were tax delinquent. The Subcommittee also sought to determine whether there were any mechanisms to bar tax-delinquent Federal contractors from receiving new Federal contracts.

On March 14, 2006, Greg Kutz, GAO Director of Financial Management and Assurance, testified that 3,800 GSA contractors have outstanding tax debts amounting to $1.4 billion as of June 30, 2005. Many of these contractors were on GSA's Master Award Schedule, which permits a contractor to provide goods and services to any Federal agency without the need to have contracts with each agency. GAO also identified 25 instances of abusive or potentially criminal activity related to the Federal tax system. These 25 contractors provided a variety of goods and services, including building maintenance, security services, and computer services. Finally, GAO testified that neither Federal law as implemented by the Federal Acquisition Regulations, nor GSA policies require contracting officers to specifically consider tax debts in making contract decisions either at the initial award or when considering options to extend the contract.

The Subcommittee's investigation determined that Federal contractors with tax debts are not identified prior to being awarded government contracts because the government is asking the wrong questions. Federal contractors and potential contractors must disclose on a Representations and Certifications Application whether they have been indicted for or convicted of tax evasion in the last 3 years. However, in 97 cases of egregious tax abuse identified by GAO, none of the contractors had been indicted for or convicted of tax evasion. This was confirmed by Kathleen Turco, the Acting Deputy Administrator for GSA, in her testimony before the Subcommittee. Commissioner Mark Everson testified on the progress of the Federal Contractor Tax Compliance Task Force's efforts to improve the Federal Payment Levy Program. Among the improvements he cited were the validation of all Federal contractors taxpayer identification numbers, a $23 million increase in Federal contractor collections, and the inclusion of Federal contractors who file their tax returns as individuals and have outstanding tax debts.

The Subcommittee also took testimony from Steve Sebastian, Director of GAO's Financial Management and Assurance Team, and John J. Ryan, Assistant Director of GAO's Office of Special Investigations.

J. Tax Haven Abuses: The Enablers, the Tools and Secrecy (August 1, 2006)

In 2006, the Subcommittee held a hearing in its ongoing investigation to combat offshore tax abuses and abusive tax shelters. Offshore tax havens today hold trillions of dollars in assets, including an estimated $1 trillion belonging to U.S. taxpayers. While these jurisdictions claim to offer clients financial privacy, limited regulation, and low taxes, too often these jurisdictions have instead become havens for tax evasion, financial fraud, and money laundering. A sophisticated offshore industry, with an armada of professionals including tax attorneys, accountants, bankers, brokers, corporate service providers, and trust administrators, aggressively promotes offshore jurisdictions to U.S. citizens as a means to avoid taxes and creditors in their home jurisdictions. These professionals, many of whom are located or do business in the United States, help U.S. citizens open offshore accounts, establish sham trusts and shell corporations, hide assets offshore, and enable them to make secret use of offshore assets here at home. Experts estimate that Americans use offshore tax dodges to evade between $40 and $70 billion in U.S. taxes each year, while U.S. corporations use them to evade another $30 to $60 billion in taxes each year. The resulting $100 billion tax gap each year due to offshore tax abuse increases the tax burden on America's working families.

The Subcommittee has held a series of hearings examining different aspects of offshore and tax shelter abuses. A 2001 hearing examined, for example, the historic and ongoing lack of cooperation by some offshore tax havens with international tax enforcement efforts, and their resistance to divulging information needed to detect, stop, and prosecute U.S. tax evasion. A 2002 hearing examined an international tax shelter used by Enron to escape taxes and artificially strengthen its balance sheet. In 2003, 2 days of Subcommittee hearings and a staff report disclosed how respected accounting firms, banks, investment advisors, and lawyers had become high-powered engines behind the design and sale of abusive tax shelters. The hearings featured a case history on abusive tax shelters that had been developed, promoted, and implemented in whole or in part by KPMG, one of the largest accounting firms in the world.

In April 2005, as a followup to its 2003 investigation, the Subcommittee issued a bipartisan report, "The Role of Professional Firms in the U.S. Tax Shelter Industry," with additional information on the mass marketing of abusive tax shelters; specific tax shelters that had been promoted by KPMG, Ernst and Young, or PricewaterhouseCoopers; and the role played by other professional firms in helping to spread those abusive tax shelters across the country, including actions taken by Sidley Austin Brown and Wood, Deutsche Bank, HVB, Wachovia Bank, Presidio, and Quellos. The report provided 10 recommendations to combat abusive tax shelters and the professionals promoting them.

In August 2006, the Subcommittee held hearings and issued a bipartisan, 370-page staff report entitled, "Tax Haven Abuses: The Enablers, the Tools and Secrecy," focusing on offshore abuses. This investigation featured six case histories illustrating how the offshore industry enabled U.S. taxpayers to undermine, circumvent, and violate U.S. tax, securities, and anti-money laundering laws. In one case history, for example, two brothers from Texas, Sam and Charles Wyly, built a network of 58 offshore trusts and corporations over 13 years to avoid paying taxes on most of the $190 million in stock options sent offshore and $600 million in income generated by investing the offshore funds. The brothers used the offshore funds to finance U.S. business ventures, acquire U.S. real estate, and buy art, furnishings, and jewelry for the personal use of Wyly family members in the United States. In another case history, a U.S. securities firm designed, sold, and helped implement an abusive, offshore tax shelter known as the POINT Strategy to help five U.S. clients dodge payment of U.S. taxes on more than $2 billion in capital gains. A third case history showed how a one-man U.S. company, EDG, recruited clients through the Internet and helped them create offshore structures and open offshore bank accounts. The remaining case histories detailed how U.S. businessmen used offshore schemes to hide assets and dodge U.S. taxes.

The report recommended a number of reforms to rein in tax haven abuses, including provisions to simplify proof of beneficial ownership of offshore entities, strengthen SEC disclosure requirements for officers and directors with offshore holdings, strengthen 1099 reporting of U.S. accounts that are opened in the name of offshore entities but secretly benefit U.S. persons, strengthen foreign trust distribution rules, require hedge fund anti-money laundering programs, bar tax shelters involving stock option-annuity swaps, and impose sanctions on uncooperative offshore tax havens.

At the 2006 hearing, the Subcommittee heard testimony from five panels of witnesses. The single witness on the first panel was IRS Commissioner Mark Everson, who described the scope of offshore tax abuses confronting his agency and the difficulties associated with investigating and proving offshore tax cases.

The second panel of witnesses consisted of an international tax expert, Reuven S. Avi-Yonah, Irwin I. Cohen Professor of Law at the University of Michigan School of Law, and a securities expert, Gary M. Brown, from the law firm of Baker, Donelson, Bearman, Caldwell and Berkowitz. These experts discussed offshore transactions that undermine U.S. tax and securities law, including transactions associated with two of the case histories featured in the Subcommittee's investigation, involving the Wylys and the POINT Strategy.

The third panel presented testimony from individuals with first-hand information about the Wyly case history and the POINT Strategy. Michael C. French, former Trust Protector for the offshore trusts established by Sam and Charles Wyly, described how the brothers' offshore network of trusts and corporations operated and how they used offshore funds in the United States. Haim Saban of the Saban Capital Group, Inc. in Los Angeles, California, and Robert Wood Johnson IV of New York, discussed their respective use of the POINT Strategy and failure to pay taxes on substantial capital gains.

The fourth panel presented testimony from securities and bank personnel involved in the Wyly offshore network and the POINT Strategy. Louis J. Schaufele III, a securities broker, testified about his handling of securities transactions and accounts at multiple U.S. financial institutions on behalf of the Wyly-related offshore trust and corporations. Michael Conn, Private Bank Northwest Region President of Bank of America, discussed his bank's handling of some of these transactions. Jeffrey Greenstein, Chief Executive Officer of the Quellos Group, LLC of Seattle, Washington, testified about how his company developed, sold, and implemented the POINT Strategy. George T. Wendler, Senior Executive Vice President and Chief Credit Officer of HSBC Bank USA, testified about his bank's involvement with carrying out various aspects of the POINT Strategy.

The fifth panel presented testimony from lawyers who were involved with the Wyly case history and POINT Strategy. Michael G. Chatzky of Chatzky and Associates in San Diego testified about how he designed transactions to enable the Wylys to move $190 million in stock option compensation offshore without paying any taxes on that compensation. Charles W. Blau, of Meadows, Owens, Collier, Reed, Cousins and Blau in Dallas, testified about how his law firm designed transactions that allowed the Wylys to purchase real estate using offshore funds, and to engage in other matters involving their offshore holdings, again without paying taxes on the funds brought into the United States. Lewis R. Steinberg, former tax partner at Cravath, Swaine and Moore LLP in New York, testified about his role in writing a legal opinion letter affirming the validity of the POINT Strategy. John P. Barrie, partner at Bryan Cave LLP, provided similar testimony.

After the hearing, Senators Levin, Coleman, and Obama introduced legislation to stop abusive tax shelters and offshore tax dodges.

K. Failure To Identify Company Owners Impedes Law Enforcement (November 14, 2006)

As part of its ongoing efforts to examine money laundering and tax evasion problems in the United States, on November 14, 2006, the Subcommittee held a hearing on how the 50 States currently do not obtain the names of the beneficial owners of the corporations formed in their jurisdictions, how the lack of this ownership information impedes law enforcement, and how the absence of legal requirements for ownership information violates the United States' commitment to comply with international standards for strong anti-money laundering laws.

Nationwide, the 50 States form nearly two million corporations and limited liability companies each year without obtaining the names of the companies' owners. Many of these corporations are formed over the Internet, at minimal cost, within 24 hours of a request. A small percentage of these companies become involved with terrorist financing, money laundering, tax evasion, securities fraud, or other misconduct. The Subcommittee has long been concerned about the legal difficulties associated with investigating and prosecuting anonymous U.S. corporations involved in wrongdoing.

In November 2000, for example, at the request of the Subcommittee, GAO conducted an investigation and released a report entitled, "Suspicious Banking Activities: Possible Money Laundering by U.S. Corporations Formed for Russian Entities." This report revealed that a Russian immigrant living in the United States was able to set up more than 2,000 Delaware shell corporations, open bank accounts for these corporations, and ultimately move $1.4 billion through the accounts, without knowing the owners of the corporations.

In April 2006, again at the Subcommittee's request, GAO reviewed the corporate formation laws in all 50 states and issued a report entitled, "Company Formations: Minimal Ownership Information Is Collected and Available." GAO found that most States do not collect, nor do they possess, any information on the beneficial owners or controlling persons associated with the legal entities formed in their jurisdictions. GAO also determined that the lack of ownership information impeded law enforcement efforts.

The Subcommittee's November 2006 hearing explored these matters further by taking testimony from three panels of witnesses. The first panel consisted of Federal law enforcement officials from the Department of Justice, IRS, and the Treasury Department, each of whom testified that the absence of corporate ownership information hindered their efforts to investigate and prosecute misconduct by U.S. companies. The law enforcement witnesses were Stuart G. Nash, Associate Deputy Attorney General and Director of the Organized Crime Drug Enforcement Task Force at the U.S. Department of Justice; K. Steven Burgess, Director of Examinations at the Small Business/Self Employed Division of the IRS; Robert Northcutt, Acting Director of the Abusive Transactions Office at the Small Business/Self Employed Division of the IRS; and Jamal El-hindi, Associate Director for Regulatory Policy and Programs at the Financial Crimes Enforcement Network (FinCEN) in the U.S. Department of the Treasury. Mr. Nash testified, for example, that the Department "had allegations of corrupt foreign officials using [U.S.] shell accounts to launder money, but were unable—due to lack of identifying information in the corporate records—to fully investigate this area." They also testified that the leading international body fighting money laundering, the Financial Action Task Force on Money Laundering (FATF), has formally cited the United States for failing to obtain beneficial ownership information when companies are formed and directed the United States to remedy this deficiency in its laws by June 2008.

The second panel presented testimony from Yvonne Jones, Director of Financial Markets and Community Investment Team at GAO, about GAO's investigation and report. Among other testimony, she provided several examples of cases in which law enforcement was unable to investigate misconduct due to inadequate company ownership information. For example, U.S. Immigration and Customs Enforcement officials told GAO that a Nevada-based corporation received more than 3,700 suspicious wire transfers totaling $81 million over 2 years, but the case was not pursued, because the agency was unable to identify the corporation's owners. The FBI told GAO that anonymously-held U.S. shell companies were being used to launder as much as $36 billion from the former Soviet Union. The FBI also reported that it had 103 open cases investigating stock market manipulation, most of which involved anonymously-held U.S. shell companies. FinCEN reported that, between April 1996 and January 2004, financial institutions had filed 397 suspicious activity reports involving a total of almost $4 billion deposited in or wired through U.S. financial institutions by anonymously-held U.S. shell companies. A Department of Justice report revealed that Russian officials used anonymously-held shell companies in Pennsylvania and Delaware to unlawfully divert $15 million in international aid intended to upgrade the safety of former Soviet nuclear power plants.

The third panel presented testimony from State officials representing Delaware, Nevada, and Massachusetts. The State officials were Richard J. Geisenberger, Assistant Secretary of State, State of Delaware; Scott W. Anderson, Deputy Secretary of State for Commercial Recordings, Office of the Secretary of State, State of Nevada; and Laurie Flynn, Chief Legal Counsel, Office of the Secretary of the Commonwealth of Massachusetts. All three discussed their existing requirements to obtain company ownership information, the competitive pressures to minimize incorporation requirements, and the issues related to requiring ownership information.

As a consequence of the hearing, in the next Congress, Senators Levin, Coleman, and Obama introduced legislation to require States that receive funding from the U.S. Department of Homeland Security to obtain beneficial ownership information for the companies formed in their jurisdictions.

L. The Defense Travel System: Boon or Boondoggle? (Part 2) (November 16, 2006)

Following the September 29, 2005, hearing on the Defense Travel System (DTS), the Chairman sent letters to the DOD Inspector

General (IG) and GAO requesting an evaluation of DTS. The DOD IG was asked to perform a cost-benefit analysis to determine whether DTS was the best and most cost-effective solution to DOD's travel needs. GAO was asked to assess the reliability of DOD's projected cost savings for DTS. On November 16, 2006, the Subcommittee convened a hearing to obtain the results of the DOD IG and GAO evaluations.

Thomas F. Gimble, Acting IG for DOD, testified that the IG could not perform a cost-benefit evaluation because DOD had failed to maintain the required travel records. He also testified that DOD continued to pay for duplicate travel systems. McCoy Williams of GAO testified that DOD's projected $56 million in DTS savings was not justified. Further, Mr. Williams testified that 87 of 246 airline flights that are required to be listed on DTS were not displayed, and DOD did not know the extent to which DTS was being used. A Subcommittee inquiry had determined that, in 2006, at 42 locations DTS was used only 17 percent of the time.

Dr. David Chu, Under Secretary of Defense for Personnel and Readiness, testified that he was aware of the problems, and that DOD was working to resolve them.

III. Legislative Activities During the 109th Congress

The Permanent Subcommittee on Investigations does not have legislative authority, but because its investigations play an important role in bringing issues to the attention of Congress and the public, the Subcommittee's work frequently contributes to the development of significant legislative initiatives. The Subcommittee's activity during the 109th Congress was no exception, with Subcommittee hearings and Members playing prominent roles in the development of a number of legislative initiatives.

A. SAFE Port Act (Public Law 109–347)

The SAFE Port Act provides an international, layered, and risk-based approach to improving maritime security. The legislation strengthens U.S. seaport security by providing additional resources, grants, and training programs for port personnel. The legislation requires radiation scanning of all containers at the top 22 U.S. seaports, covering 98 percent of containers entering the United States, and requires the Department of Homeland Security (DHS) to develop clear response and recovery plans in the event of a terrorist attack in a seaport. Additionally, the legislation sets firm deadlines for the implementation of the Transportation Worker Identification Credential (TWIC), and requires a pilot program to ensure that card readers installed at port facilities and vessels are reliable and effective.

The legislation also seeks to improve maritime security through strengthening the supply chain. Additional advanced data on cargo entering the United States will be required prior to loading at foreign seaports to allow for more accurate security targeting. Three pilots are required to evaluate the feasibility of conducting 100 percent scanning of containers at foreign seaports for nuclear and radiological material. The legislation requires detailed evaluation of the pilots prior to full-scale implementation, including an assessment of effectiveness in detecting a shielded nuclear weapon, and regular reporting to Congress. The Customs-Trade Partnership

Against Terrorism (C-TPAT) is authorized and enhanced by requiring on-site validations of all participants, hiring of 100 additional Customs and Border Protection Supply Chain Security Specialists, and establishing a pilot program to test the use of third-party validators.

To ensure that DHS programs and policies on cargo and maritime security are coordinated and accountable and to ensure that policies balance the need to facilitate legitimate commerce, the legislation establishes an Office of Cargo Security Policy and designates a Director of International Trade to be a senior advisor to the Secretary.

The legislation also establishes the Domestic Nuclear Detection Office (DNDO) within the Department, authorizing it to develop and maintain a global nuclear detection architecture, of which the domestic portion will be implemented by DNDO. To improve the effectiveness of the architecture in detecting nuclear and radiological material or devices over time, the legislation directs DNDO to conduct a robust research and development program to include rigorous testing and evaluation of detection technologies.

The legislation also modernizes our Nation's Emergency Alert System (EAS) by permitting commercial mobile service providers to transmit geographically-targeted emergency alerts and warnings to the American public through cell phones, pagers, blackberries, and other mobile technologies. The use of such devices and other advanced technologies will facilitate the development of an effective, reliable, integrated, flexible, and comprehensive system to alert and warn people in situations of war, terrorist attack, natural disaster, or other hazards to public safety and well-being.

B. Strategic Petroleum Reserve Amendment to the Energy Policy Act (Amendment 864 to H.R. 6—by Senators Levin, Collins, Wyden, and Schumer)

On June 22, 2005, Senators Levin, Collins, Wyden, and Schumer amended the Energy Policy Act to require the U.S. Energy Department to fill the Strategic Petroleum Reserve (SPR) in a cost-effective manner, taking into account the effect on oil prices. The SPR is the United States' emergency oil stockpile that stores crude oil. Since 2001, DOE has been steadily adding oil to the SPR, which now holds about 695 million barrels out of a maximum physical capacity of about 700 million barrels. A 2003 Subcommittee Minority staff report, issued by Senator Levin, found that a major factor in rising U.S. oil prices was the Administration's break from the past practice of filling the SPR only when oil supplies were plentiful and prices low—instead filling it continuously without regard to price or supplies. The report found that the continuous filling of the SPR took oil off the commercial market and put upward pressure on U.S. oil prices. The Levin-Collins amendment, which is nearly identical to a Levin-Collins amendment that was approved by the Senate in 2003, but later dropped from final legislation, restores the prior SPR fill policy. The amendment, which was enacted into law in August 2005, as part of the Energy Policy Act, requires DOE to develop procedures for obtaining oil for the SPR that take into account the effect on U.S. oil prices and supplies.

C. Tax Shelter and Tax Haven Reform Act (S. 1565—by Senators Levin, Coleman, and Obama)

On July 29, 2005, Senators Levin, Coleman, and Obama introduced the Tax Shelter and Tax Haven Reform Act. This bill, which was a revised and improved version of S. 2210 from the last Congress, was intended to combat abusive tax shelters and uncooperative offshore tax havens. Among other provisions, this bill sought to increase penalties on tax shelter promoters and persons who knowingly aid or abet tax evasion; allow the IRS to share information with other civil law enforcement agencies; strengthen standards for issuing tax shelter legal opinion letters; strengthen rules barring unethical conduct by tax practitioners; codify the economic substance doctrine which requires transactions to have economic substance apart from tax avoidance; and impose penalties on offshore tax havens which the U.S. Treasury Secretary determined were uncooperative with U.S. tax enforcement. The bill was referred to the Finance Committee, which took no further action on it.

D. Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006 (H.R. 3058)

Based on a July 14, 2005, colloquy with Senator Bond, the Chairman of the Appropriations Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies, Senators Coleman, Levin, Wyden, Akaka and Coburn added an amendment to the Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006, that would have required the addition of business class travel to the annual Federal travel report. The language was subsequently removed in conference.

E. Purchase Card Waste Elimination Act of 2005 (S. 457—by Senators Collins, Coleman, Levin, and Akaka)

On June 22, 2005, Senators Coleman, Levin, and Akaka amended the Purchase Card Waste Elimination Act of 2005 (S. 457) introduced by Senator Collins, to require the addition of business class travel to the annual Federal travel report.

IV. Reports and Prints

A. Money Laundering and Foreign Corruption: Enforcement and Effectiveness of the Patriot Act, Supplemental Staff Report on U.S. Accounts Used by Augusto Pinochet, March 17, 2005 (Report Prepared by Majority and Minority Staffs) (S. Prt. 109–25)

During the last Congress, the Subcommittee conducted a yearlong investigation into whether U.S. financial institutions were complying with the stronger anti-money laundering controls enacted into law in the Patriot Act. In 2004, a Subcommittee hearing and Minority staff report on this investigation disclosed that Riggs Bank had opened accounts, helped create offshore corporations, and performed suspect financial transactions on behalf of the former President of Chile, Augusto Pinochet involving millions of dollars. Following the hearing, Riggs identified additional documents and accounts that should have been provided in response to Subcommittee subpoenas. Using these documents and additional information, the Subcommittee uncovered a secret web of at least 125 U.S. bank and securities accounts at Riggs and other financial institutions operating in the United States that were used by Mr. Pinochet, his family members, and associates to move millions of dollars. On March 17, 2005, the Subcommittee released a supplemental staff report describing these additional accounts.

The new information showed that the web of Pinochet accounts in the United States was far more extensive, went on far longer, and involved more banks than previously disclosed. It also showed that some banks had actively helped Mr. Pinochet to hide his funds, while others had failed to comply with U.S. regulations requiring banks to know their customers.

The report provided four key findings. First, the relationship between Riggs Bank and Augusto Pinochet was more extensive than previously disclosed, encompassing 28 accounts instead of nine, spanning 25 years instead of eight, including secret accounts opened under misleading names, and involving more personal, high-level contact between Riggs officials and Pinochet than previously described. Second, from 1981 to 2004, eight Riggs accounts, opened in the names of Chilean military officers, served as conduits for Pinochet funds and transmitted more than $1.7 million to Pinochet-related accounts. Third, over a 25-year period, multiple financial institutions operating in the United States, including Riggs Bank, Citigroup, Banco de Chile-United States, Espirito Santo Bank in Miami, and others, had enabled Pinochet to construct a web of at least 125 U.S. bank and securities accounts—often using aliases, offshore corporations, or names of third parties—that he used to move millions of dollars in funds and conduct business. Finally, after U.S. bank regulators raised money laundering concerns about the Pinochet funds at Riggs Bank, the bank closed the accounts and transferred the funds to another financial institution operating in the United States, without notice that the funds were suspect. The U.S. regulators failed to follow the suspect funds when they left Riggs to determine whether they went to another U.S. financial institution.

The report contained several recommendations to address these concerns. First, it recommended that financial institutions that close an account due to money laundering concerns should, before transferring the suspect funds to another financial institution, warn that financial institution under Section 314(b) of the Patriot Act that the transfer is the result of an account closure due to suspect funds. Second, U.S. regulators should take steps to prevent suspect funds from being transferred to another U.S. financial institution and should identify and dismantle any network of related U.S. accounts. Third, U.S. regulators should clarify Section 314(b) to make clear that its legal protections permit financial institutions to respond to requests for information, including by offering information that may help to expose or prevent money laundering or terrorist activities. Finally, the United States should work with the European Union to enable financial institutions with U.S. and E.U. affiliates to exchange information about clients and accounts across international lines to guard against money laundering and terrorist financing.

As a result of the Subcommittee's initial and supplemental reports, the Chilean government arrested Mr. Pinochet and certain family members on charges related to tax evasion, money laundering, and other misconduct. In January 2005, Riggs Bank entered a guilty plea and paid a $16 million fine to the U.S. Treasury related to its failure to report suspicious activity in connection with the Pinochet accounts as well as accounts opened for the Governments of Equatorial Guinea and Saudi Arabia. In February 2005, Riggs Bank and its owners paid about $9 million to Spanish authorities for violating a court order directing financial institutions to freeze Pinochet assets. In May 2005, Riggs Bank was sold to PNC Financial Services Group Inc. which subsequently paid $5.25 million to settle a shareholder lawsuit related to the money-laundering scandal.

B. The Role of Professional Firms in the U.S. Tax Shelter Industry, April 13, 2005 (S. Rept. 109–54)

In 2003, the Subcommittee held 2 days of hearings and released a Minority staff report on how respected accounting firms, banks, investment advisors, and lawyers were involved in the design, sale, and implementation of abusive tax shelters. The hearings and report featured abusive tax shelters that had been promoted by KPMG, one of the largest accounting firms in the world. As a followup to this effort, the Subcommittee issued a second report with additional information on the mass marketing of abusive tax shelters; specific tax shelters promoted by KPMG, Ernst and Young, or PricewaterhouseCoopers; and the role played by other professional firms to promote abusive tax shelters across the country.

The second report entitled, "The Role of Professional Firms in the U.S. Tax Shelter Industry," was formally approved by Subcommittee vote in February 2005. In April 2005, the full Committee approved the Subcommittee report and formally reported it to the full Senate. This Subcommittee report incorporated the findings and text of the earlier Minority staff report regarding KPMG and detailed additional transactions involving Ernst and Young and PricewaterhouseCoopers, two other leading accounting firms. The report examined, for example, Ernst and Young tax products known as CDS and COBRA, and a PricewaterhouseCooper tax product called BOSS, each of which was a "loss generator" whose purpose was to create artificial paper losses that could be used to offset other income and shelter it from taxation. Each used complex, orchestrated transactions, structured finance, and investments with little or no profit potential to accomplish their ends. The report also provided additional information about the participation of major banks, investment advisory firms, and law firms in the development, marketing, and implementation of these abusive tax shelters in return for substantial fees. including actions taken by Sidley Austin Brown and Wood, Deutsche Bank, HVB, Wachovia Bank, Presidio, and Quellos.

The Subcommittee report contained a number of findings and recommendations. It found, for example, that the sale of potentially abusive and illegal tax shelters had become a lucrative business in the United States. It found that KPMG, Ernst and Young, and PricewaterhouseCoopers had sold generic tax products to multiple clients despite evidence that some were potentially abusive or illegal tax shelters. The report also found that major banks and investment advisory firms had provided critical lending and brokerage services in return for substantial fees, while law firms had provided KPMG clients with allegedly "independent" opinion letters claiming that a tax product would withstand an IRS challenge, also in return for substantial fees. To address these problems, the report recommended that Congress strengthen the penalties on promoters, aiders, and abettors of abusive tax shelters; increase IRS enforcement dollars; and codify the economic substance doctrine. It also recommended that Federal regulators and professional organizations undertake reviews of accounting firms, banks, securities firms, and law firms to stop their participation in tax shelter activities. These and other measures were included in the Tax Shelter and Tax Haven Reform Act, S. 1565, introduced by Senators Levin and Coleman during the 109th Congress.

C. Profiteering in a Non-Profit Industry: Abusive Practices in Credit Counseling, April 13, 2005 (S. Rept. 109–55)

Since 1996, more than one million consumers have filed for bankruptcy each year, with a record 1.66 million filings in 2003. The Nation's credit card debt—$735 billion in 2003—has skyrocketed over the past several years, and consumer debt has more than doubled in the past 10 years. To manage that debt, consumers regularly turned to the non-profit credit counseling industry for advice, financial education, and debt consolidation. Consumers who could not afford to make all of their credit card payments often enrolled in a debt management program, which allowed them to consolidate their debts from several credit cards, reduce their monthly payments, and lower their interest rates.

The non-profit credit counseling industry often provided a last chance for heavily indebted consumers to repair their finances. Over the past several years, however, the credit counseling industry has undergone significant changes. The behavior of many new entrants into the industry resulted in increased consumer complaints, which, in 2003, led the Subcommittee, under the chairmanship of Senator Coleman, to open an investigation into the credit counseling industry.

The Subcommittee investigated the practices of credit counseling agencies, the for-profit service providers that performed "back room" services for those agencies, and the creditor banks. The enforcement policies and practices of the Internal Revenue Service and the Federal Trade Commission were also examined. The Subcommittee investigation revealed that the consumer complaints were due to new entrants into the credit counseling industry—entrants that pressured consumers into debt management plans, charged excessive fees, provided little or no financial counseling or education, promised results that never came about, ruined credit ratings, provided poor service, and in many cases, left consumers in worse debt than before they initiated their debt management plan.

On March 24, 2004, the Subcommittee held a hearing and released a bipartisan staff report presenting the findings of its investigation. Two consumers who had been victimized by credit counseling agencies appeared as witnesses, and two former credit counseling employees testified about the operations of credit counseling agencies from the inside. The Subcommittee also heard from three major credit counseling "conglomerates"—the DebtWorks-AmeriDebt conglomerate, the Cambridge-Brighton conglomerate, and the Ascend One-Amerix conglomerate. IRS Commissioner Mark Everson and FTC Commissioner Thomas Leary also testified regarding their agencies' efforts to regulate the industry and enforce consumer protection laws.

As a result of the Subcommittee's investigation, several of the largest credit counseling agencies in the industry took major steps to bring themselves into compliance with the tax code and consumer protection law. For instance, Cambridge Credit implemented a major corporate restructuring that placed all of affiliated entities under the control of a non-profit holding company, so that all of its activities are subject to IRS oversight and must be reported to the IRS. Similarly, the Ballenger Group required its credit counseling agencies to sign amendments to their contracts to adhere to stricter consumer-friendly practices. Amerix instituted a $5 million financial education program and dropped the provisions of its contracts that gave improper control over its member agencies. Later, AmeriDebt declared bankruptcy and closed down.

In addition, the Subcommittee's investigation prompted the relevant government agencies to step up their enforcement efforts. For instance, the IRS continued its audits of the industry and issued an opinion outlining what is expected of a credit counseling agency if it is to receive non-profit status under Section 501(c)(3). The FTC continued its enforcement actions and effectively shut down AmeriDebt, one of the largest and most abusive credit counseling agencies in the country.

On April 13, 2005, the Subcommittee issued a supplemental, bipartisan report that was officially approved by its parent Committee on Homeland Security and Governmental Affairs and filed with the full Senate. This report updated the Subcommittee's findings, highlighted changes that had occurred in the credit counseling industry since the Subcommittee's hearing, and offered a number of recommendations to reform the credit counseling industry. The Subcommittee recommendations included the following.

(1) The IRS and FTC should complete their ongoing reviews of the industry to eliminate abusive conduct by agencies that have been operating in violation of restrictions on non-profit charities or using unfair or deceptive trade practices;

(2) The IRS should require each agency to submit every 5 years, for IRS review, return information establishing its charitable activities and a certification that the agency is not providing a private benefit to any individual or entity;

(3) To address rising consumer debt and bankruptcy rates, each agency should provide affirmative financial counseling and educational programs designed to reduce excessive indebtedness within the populations they serve, and should evaluate, improve, and document the effectiveness of these programs;

(4) Major creditors should continue to provide financial support to appropriate, non-profit credit counseling agencies, conditioned upon the agencies' achieving specified standards that contribute to the public good. Creditors should carefully screen agencies to ensure they provide funds only to reputable agencies that comply with their standards; and

(5) The IRS and FTC should work together to clarify the standards that agencies must meet to maintain tax exempt status and avoid deceptive or unfair trade practices, including by making it clear that a non-profit credit counseling agency must: (a) maintain good standing and accreditation status within the industry, such as by meeting the accreditation standards of the Council on Accreditation for Children and Family Services; (b) maintain an independent Board of Directors that includes representatives of the community served by the agency and that includes no more than a minority of directors who are employed by the agency, a related entity, or any other person who stands to gain direct or indirect financial benefit from the agency's activities; (c) avoid conduct or transactions that generate or create the appearance of generating a private benefit for any individual or entity; (d) disclose to each consumer the existence and nature of any financial relationship that the agency has with a creditor of the consumer or with a for-profit entity that provides data processing, marketing, or financial services to the agency or the consumer; (e) assess reasonable fees that are based upon the agency's actual costs and are charged as services are provided, rather than in advance of such services; and (f) refrain from accepting compensation for referring consumers to any service or organization, and refrain from paying compensation to any employee based upon the number of consumers enrolled in debt management plans.

D. Oil Allocations Granted To Charles Pasqua and George Galloway, May 17, 2005 (Report Prepared by Majority and Minority Staffs and released in conjunction with the Subcommittee Hearing on May 17, 2005) (Printed in the May 17th hearing record.)

On May 17, 2005, the Permanent Subcommittee on Investigations held a hearing entitled, "Oil for Influence: How Saddam Used Oil to Reward Politicians Under the United Nations Oil-for-Food Program." The Subcommittee examined evidence of Iraqi government abuses of the United Nations Oil-for-Food Program.

In conjunction with that hearing, the Subcommittee issued a bipartisan staff report that presented evidence gathered by the Subcommittee that the Hussein regime granted allocations of oil under the Oil-for-Food Program to Charles Pasqua, the former French Minister of the Interior, and George Galloway, a Member of the British Parliament. In particular, the Subcommittee staff report examined documents created by the Iraqi Ministry of Oil during the reign of Saddam Hussein, interviews by Subcommittee staff of senior officials of the Hussein regime, and interviews of Hussein regime officials conducted by the U.S. Treasury Iraqi Financial Asset Team.

The Subcommittee's staff report presented evidence that the Hussein regime granted allocations totaling 11 million barrels of oil to Charles Pasqua. According to Iraqi Ministry of Oil documents, those oil allocations for Mr. Pasqua occurred in Phases VI, VII and VIII of the Oil-for-Food Program, stretching from May 1999 to December 2000. In addition to the 11 million barrels of oil granted to Mr. Pasqua, Iraqi records indicate that the Hussein regime allocated 5 million barrels of oil to Mr. Pasqua's representative and foreign affairs advisor, Bernard Guillet, in Phases X, XI and XIII of the Program. Iraqi Ministry of Oil records indicate that Saddam

Hussein had personally approved some of the Pasqua oil allocations. One Iraqi government document stated that Mr. Pasqua attempted to hide his activities for “political reasons” and because he “fear[ed] political scandals.”

The Subcommittee staff report also presented evidence that the Hussein regime granted allocations of 20 million barrels of oil to George Galloway under the Oil-for-Food Program. According to the evidence obtained by the Subcommittee, those allocations started in Phase VIII of the Program (June 2000) and continued through Phase XIII (June 2003). Senior officials of the Hussein regime confirmed in interviews with the Subcommittee that Mr. Galloway had received oil allocations under the Oil-for-Food Program. For instance, the former Vice President of Iraq, Taha Yassin Ramadan, verified that Mr. Galloway was granted allocations and stated that the Hussein regime awarded Mr. Galloway with oil “because of his opinions about Iraq” and because he “want[ed] to lift the embargo against Iraq.” Another Hussein regime official stated to the U.S. Treasury Department that “a member of the British Parliament benefited tremendously from the illegal trade of oil by Iraq,” and specifically identified Mr. Galloway. Evidence obtained by the Subcommittee also indicated that, in one of the transactions involving oil allocated to Mr. Galloway, surcharges of more than $300,000 were paid to the Hussein regime.

The Subcommittee staff report indicates that both Mr. Pasqua and Mr. Galloway denied that they had received any benefits, including allocations of oil, from the Hussein regime.

E. Oil Allocations Granted to Vladimir Zhirinovsky, May 17, 2005 (Report Prepared by Majority and Minority Staffs and released in conjunction with the Subcommittee Hearing on May 17, 2005) (Printed in the May 17th hearing record.)

On May 17, 2005, the Permanent Subcommittee on Investigations held a hearing entitled, “Oil for Influence: How Saddam Used Oil to Reward Politicians Under the United Nations Oil-for-Food Program.” At that hearing, the Subcommittee examined evidence of Iraqi government abuses of the United Nations Oil-for-Food Program.

In conjunction with the hearing, the Subcommittee issued a bipartisan staff report that presented evidence gathered by the Subcommittee that the Hussein regime granted allocations of oil under the Oil-for-Food Program to Vladimir Zhirinovsky, a member of the Russian legislature and founder of the Liberal Democratic Party of Russia (LDPR). The report introduced evidence, including records of the Iraqi Ministry of Oil and the State Oil Management Organization and testimony of key officials of the Hussein government, indicating that the Hussein regime granted allocations of 75.8 million barrels of oil to Mr. Zhirinovsky and his political party, the LDPR. Iraqi documents indicate that Saddam Hussein personally approved at least one of the allocations to Mr. Zhirinovsky and that Hussein’s deputy Tariq Aziz was intimately involved in Mr. Zhirinovsky’s allocations. According to the evidence obtained by the Subcommittee, these oil allocations started in Phase II (June 1997) of the Program and continued through Phase XII (December 2002). Of the 75.8 million allocated to Mr. Zhirinovsky and the LDPR, roughly 60 million barrels of oil were ultimately lifted. The Iraqi

Ministry of Oil estimated that oil allocations granted to Mr. Zhirinovsky and the LDPR were worth $8,679,000.

The former Vice President of Iraq, Taha Yassin Ramadan, confirmed to the Subcommittee that Mr. Zhirinovsky was awarded oil allocations from the Hussein regime. Another senior official of the Hussein regime interviewed by the Subcommittee confirmed not only that Mr. Zhirinovsky received oil allocations, but that he profited from the transactions, saying: "Of course Zhirinovsky would make a profit. That's the whole point." Among the evidence obtained by the Subcommittee are six letters that openly discuss the allocations and that appear to be signed by Mr. Zhirinovsky himself and more than 30 documents of the Iraqi Ministry of Oil that expressly identify Mr. Zhirinovsky and his political party, the LDPR, in connection with oil allocations.

Additional evidence obtained by the Subcommittee indicated that Zhirinovsky transferred or assigned some of the allocations to an American oil company called Bayoil Supply and Trading Limited, in exchange for significant commissions. The evidence presented in the report also indicated that under-the-table payments were made in connection with the Zhirinovsky/LDPR oil contracts. On September 1, 2000, in Phase VIII of the Program, the Hussein regime began imposing surcharges on Iraqi exports. Those surcharges, which generally ranged from 10 to 30 cents per barrel of oil, were in direct violation of U.N. sanctions and Oil-for-Food Program rules. According to a memorandum written by the Iraqi Ministry of Oil, illegal surcharges amounting to more than $4 million were paid to the Hussein regime in connection with the oil allocated to Mr. Zhirinovsky and his political party. The evidence indicated that Bayoil was involved in at least three of those transactions and facilitated surcharge payments of more than $2 million. The evidence showed that, in one transaction, Bayoil paid $1,122,548.70 to an unknown entity called Plasco Shipping, and Iraqi Ministry of Oil records indicated that the surcharge owed for that transaction was exactly $1,122,548.70. The records also indicated that the surcharge was paid in full.

F. Oil Allocations Granted to the Russian Presidential Council, May 17, 2005 (Report Prepared by Majority and Minority Staffs and released in conjunction with the Subcommittee Hearing on May 17, 2005) (Printed in the May 17th hearing record.)

On May 17, 2005, the Permanent Subcommittee on Investigations held a hearing entitled, "Oil for Influence: How Saddam Used Oil to Reward Politicians Under the United Nations Oil-for-Food Program." At that hearing, the Subcommittee examined evidence of Iraqi government abuses of the United Nations Oil-for-Food Program.

In conjunction with the hearing, the Subcommittee issued a bipartisan staff report that presented evidence gathered by the Subcommittee that the Hussein regime granted allocations of oil under the Oil-for-Food Program to the Russian Presidential Council. The Council, headed by Alexander Salevich Voloshin, carries significant power within the Russian government and therefore could affect Russian international policy, especially regarding votes in the U.N. Security Council.

The evidence obtained by the Subcommittee indicated that the Hussein regime allocated a total of 90 million barrels of oil to the Russian Presidential Council, Voloshin (the head of the Council), and a Russian named Sergey Issakov. The report also introduced several contracts for the allocated quantities of oil that appear to have been signed by Mr. Issakov, as well as internal documents from the Iraqi Ministry of Oil that identify the Council, Mr. Voloshin, and Mr. Issakov as beneficiaries of the oil allocations. Additionally, the Subcommittee obtained a letter from the Iraqi Ministry of Oil to "Mr. A. Voloshin" of Impexoil regarding an oil transaction relating to one of his oil allocations.

One Iraqi Ministry of Oil document obtained by the Subcommittee estimated that the Council's allocations were worth in excess of $16 million. According to Iraqi records, these oil allocations started in Phase VI (1999) of the Program and continued through the final phase, Phase XIII (2002–2003).

In addition to the Iraqi records of these transactions, testimony from senior Hussein regime officials further confirmed these allocations of oil. According to Tariq Aziz, Saddam Hussein specifically ordered that the Russians be rewarded for their threatened use of a veto at the Security Council. In 2001, the United States and the United Kingdom circulated a Resolution at the U.N. Security Council to restrict the illicit trade occurring at Iraq's borders. The Russian delegation threatened to use its veto to block any such resolution, effectively killing it before it began. As a result, according to Mr. Aziz, the Hussein regime rewarded numerous Russian officials and entities, such as the RPC and Mr. Voloshin, with a higher percentage of oil allocations and contracts for humanitarian goods under the Oil-for-Food Program. Moreover, Iraqi Vice President Taha Yassin Ramadan informed the Subcommittee that he recognized Mr. Voloshin as the head of Russia's presidential administration and stated that the oil allocations awarded to Mr. Voloshin had been approved by Saddam Hussein. Other regime officials stated that the allocations given to Mr. Voloshin were a show of support for him and were granted to him because of his relationships with "very important characters."

The evidence presented in the report also showed that the Hussein regime profited from these transactions by demanding that the parties pay under-the-table "surcharges" to the regime as a condition of the sale. Allocations given to the Russian Presidential Council in Phases VIII and IX, for example, resulted in payments that were routed back to the Iraq government. The Subcommittee report estimated that more than $5.6 million in surcharge payments were made to the Iraqi government in connection with those transactions.

The evidence showed that an American oil company named Bayoil Supply and Trading Limited was involved in several of the transactions involving these allocations of oil, including some of the transactions involving illegal surcharge payments to the Hussein regime. According to documents obtained by the Subcommittee, Bayoil performed 20 liftings of oil relating to allocations granted to the Russian Presidential Office. For each of those liftings, Bayoil made payments to bank accounts in Switzerland and Cyprus for "premiums" and "commissions." In total, Bayoil paid over $9.2 million into those bank accounts. The evidence suggests that those payments included surcharge payments to the Iraqi government and commission payments to the recipients of the oil allocations.

G. Report Concerning the Testimony of George Galloway Before the Permanent Subcommittee on Investigations, October 31, 2005 (Report Prepared by Majority Staff and released in conjunction with the Subcommittee Hearing on October 31, 2005) (Printed in the October 31st hearing record.)

On May 17, 2005, the Subcommittee held a hearing entitled, "Oil for Influence: How Saddam Used Oil to Reward Politicians Under the United Nations Oil-for-Food Program." In conjunction with that hearing, the Subcommittee issued a bipartisan staff report presenting evidence that the Hussein regime had granted lucrative allocations of oil under the United Nations Oil-for-Food (OFF) Program to George Galloway, a Member of the British Parliament. Mr. Galloway appeared at the May hearing and denied under oath that he had solicited or was granted allocations of Iraqi oil and denied that anyone else had done so on his behalf. He also denied that he or anyone else solicited oil allocations from the Hussein regime as a means of raising funds for the Mariam Appeal, Mr. Galloway's political campaign opposing U.N. sanctions imposed upon Iraq.

Several months after the May hearing, the Subcommittee issued a report by the Majority Staff entitled, "Report Concerning the Testimony of George Galloway, before the Permanent Subcommittee on Investigations." That report presented additional evidence that:

1. Mr. Galloway personally solicited and was granted oil allocations from the Government of Iraq during the reign of Saddam Hussein. The Hussein regime granted Mr. Galloway and the Mariam Appeal eight allocations totaling 23 million barrels from 1999 through 2003.
2. Mr. Galloway's wife, Dr. Amineh Abu-Zayyad, received approximately $150,000 in connection with one of those oil allocations.
3. Mr. Galloway's political campaign, the Mariam Appeal, received at least $446,000 in connection with the oil allocations granted to Mr. Galloway and the Mariam Appeal under the OFF Program.
4. The Hussein regime received improper "surcharge" payments amounting to $1,642,000 in connection with the oil allocations granted to Mr. Galloway and the Mariam Appeal.
5. Mr. Galloway knowingly made false or misleading statements under oath before the Subcommittee at its hearing on May 17, 2005.

The evidence presented in the report included: (a) documents, including bank account and wire transfer records, establishing that Fawaz Zureikat, a Jordanian businessman and close friend of Mr. Galloway, received money in connection with an oil allocation under the OFF Program and transferred a significant portion of that money to Mr. Galloway's wife and Mr. Galloway's political campaign, the Mariam Appeal; (b) testimony from Tariq Aziz in which Mr. Aziz describes in detail his discussions with Mr. Galloway concerning oil allocations, including Mr. Galloway's request for allocations and his subsequent request to increase the amount of oil allocated to him and his political organization, the Mariam Appeal; (c) records of the Iraqi Ministry of Oil, including documents created during the Hussein regime that were authenticated by the Minister of Oil; (4) documents created by senior Hussein officials detailing Mr. Galloway's efforts to obtain financial support from the Hussein regime for his political campaign, including documents that were authenticated by Tariq Aziz and Ali Hasan al-Majid; (5) interviews with an oil trader stating that he discussed the oil allocation process with Mr. Galloway, and that "[Mr. Galloway] told me that, if he were to obtain an oil allocation, he would contact us directly or indirectly" and that "[Mr. Galloway] said he or his representative in Iraq would contact [me] in connection with the sale of an allocation;" and (6) written affirmation from a second oil trader who negotiated with Mr. Galloway's agent for the purchase of a Galloway oil allocation.

Shortly after the release of the Majority staff report, the United Nations entity investigating the OFF Program, called the Independent Inquiry Committee (IIC) for the U.N. Oil-for-Food Program, issued a report that corroborated many of the findings of the Majority staff report. In addition, the IIC report presented evidence that Mr. Galloway's wife had received an additional $120,000 in connection with an oil transaction under the OFF Program and that the Mariam Appeal had received hundreds of thousands of dollars from other deals stemming from the Program.

In June 2007, the U.K. Charity Commission issued a report concerning the activities of the Mariam Appeal, finding, among other things, that the donations to the Appeal stemming from oil transactions related to the Oil-for-Food Program came from "improper sources." In July 2007, the U.K. House of Commons Committee on Standards and Privileges issued a report concerning Mr. Galloway's activities and the Oil-for-Food Program. The Parliament report was highly critical of Mr. Galloway's activities related to the Program, ruling that he violated the House of Commons Code of Conduct on numerous different counts: failing to properly register his relationship with the Mariam Appeal; improperly using House resources and facilities for the Mariam Appeal; and breaching the House's so-called "advocacy rule." The parliamentary committee also concluded that Mr. Galloway, through his extensive misconduct, brought the House into "disrepute." As a result of its investigation and findings, the U.K. committee recommended that Mr. Galloway be suspended for one month and that he be ordered to apologize to the House of Commons. During the House of Commons debate concerning Mr. Galloway's activities, Mr. Galloway was ejected from the House during the debate for inappropriate statements. The House ultimately suspended Mr. Galloway for one month for his misconduct related to the Oil-for-Food Program.

H. Illegal Surcharges on Oil-for-Food Contracts and Illegal Oil Shipments From Khor al-Amaya, May 17, 2005 (Report Prepared by Minority Staff and released in conjunction with the Subcommittee Hearing on May 17, 2005) (Printed in the May 17th hearing record), and Bayoil Diversions of Iraqi Oil and Related Oversight Failures, October 31, 2005 (Report Prepared by Minority Staff and released in conjunction with the Subcommittee Hearing on October 31, 2005) (Printed in the October 31st hearing record.)

In connection with the Subcommittee's three hearings on abuses associated with the United Nations' Oil-for-Food Program, the Subcommittee released two reports prepared by the Minority staff under the direction of Senator Levin. The first, "Illegal Surcharges on Oil-for-Food Contracts and Illegal Oil Shipments From Khor al-Amaya," was released in conjunction with the Subcommittee hearing on May 17, 2005. It complemented the other Subcommittee staff reports released in connection with that hearing by examining, not how the oil was allocated, but how the oil entered the United States and what the United States did to attempt to stop the illegal surcharge payments being demanded by Saddam Hussein. In addition, the report examined the largest single incident of oil being exported from Iraq by ship in violation of the U.N. sanctions, sometimes referred to as the Khor al-Amaya shipments, in reference to the Iraqi port where these shipments originated.

The report disclosed that, from September 2000 until September 2002, the Iraqi government demanded that purchasers of Iraqi oil under the Oil-for-Food Program pay an illegal, per-barrel surcharge to the Iraqi regime. These surcharges were above the Official Sales Price for Iraqi oil approved by the United Nations and were to be paid into accounts outside U.N. control. The surcharge amount varied, from a low of 10 cents per barrel to a high of 30 cents per barrel. Detailed internal records kept by the Iraqi Oil Ministry's State Oil Marketing Organization (SOMO) show that, during this period, Iraq collected about $228 million in illegal surcharges. Throughout this period, the United States was one of the largest customers of Iraqi crude oil, importing an average of about 660,000 barrels of oil per day, for a total of about 525 million barrels.

The report disclosed that U.S. companies did not buy this oil directly from Iraq, but rather from oil traders, allocation holders, and other intermediaries unique to the Iraqi oil trade. Using SOMO records on surcharge amounts assessed and collected, and U.S. Energy Information Administration data on U.S. oil imports, the report estimated that about $118 million in illegal surcharges were paid on Iraqi barrels of oil sent to the United States, which means that oil imported into the United States financed about 52 percent of the illegal surcharges paid to the Hussein regime. Oil destined for other countries accounted for about $110 million in illegal surcharges, or about 48 percent of the total illegal surcharges paid.

The report also provided a detailed examination of the actions taken by one U.S. company, Bayoil USA, which was headquartered in Texas, had affiliates in the Bahamas, Switzerland, and Luxembourg, and during the surcharge period was the largest provider of Iraqi oil to the United States. The report presented evidence indicating that Bayoil paid or financed at least $37 million in illegal surcharges on about 102 cargoes of Iraqi oil imported into the

United States. The report also presented evidence that Bayoil persistently and openly lobbied U.S. and U.N. officials to influence the pricing of Iraqi oil and oppose U.S. efforts to address the surcharge problem by raising the official sales price. In addition, the report presented evidence that Bayoil had helped Iraq and Russia devise objections to U.S. and U.K. pricing proposals to stop the surcharges, and even on occasion drafted documents for Russian companies to send to U.N. officials. The report also found that the United States took minimal steps to ensure that U.S. companies were not paying surcharges and failed to respond to U.N. requests for information about Bayoil.

In addition to examining the surcharge problem, the Levin report presented detailed information about the Khor al-Amaya shipments. Over several weeks in February and March 2003, Iraq loaded seven large oil tankers with a total of more than 7.7 million barrels of oil at the port of Khor al-Amaya in southern Iraq, at the entrance to the Persian Gulf. These were the first loadings at Khor al-Amaya since the port had been damaged during the Iran-Iraq war in 1980. Iraqi oil exports from Khor al-Amaya were not authorized under the Oil-for-Food Program and did not have U.N. approval. They constituted the largest single instance of an illicit oil shipment out of Iraq by ship during the sanctions period.

The report detailed how the oil tankers had been chartered by a Jordanian company acting on behalf of the Jordanian government, and, in exchange for the 7.7 million barrels, the Government of Jordan wired more than $53 million to the Government of Iraq. Subcommittee interviews with high-ranking Iraqis then in detention, including former Vice President Taha Yasin Ramadan, confirmed that these shipments had been authorized at the highest levels of the Iraqi government, and the oil proceeds went to bank accounts under the control of the Hussein regime. Shipping interests that saw the oil tankers characterized the shipments as blatant violations of U.N. sanctions, and press reports raised questions about how the ships were able to travel the Persian Gulf with impunity. The report presented evidence that U.S. personnel appeared to have had advance warning of the shipments, and the ships traveled with the full knowledge and acquiescence of the Maritime Interdiction Force (MIF), the naval force patrolling the Persian Gulf to prevent smuggling of oil from Iraq. The MIF was then under the command of a U.S. naval officer. The report was unable to determine who within the State Department or the Department of Defense had instructed the MIF commander not to object to the Khor al-Amaya shipments, even though the shipments provided tens of millions of dollars in hard currency to the Hussein regime just before the start of the Iraq invasion.

The second Levin report entitled, "Bayoil Diversions of Iraqi Oil and Related Oversight Failures," was released in conjunction with the Subcommittee hearing on October 31, 2005. This report examined actions taken by Bayoil USA to sell Iraqi oil in unapproved markets and reap millions of dollars of illicit revenue in violation of the U.N. sanctions program and U.S. regulations. The report also examined inadequate U.S. and U.N. oversight efforts and failure to stop Bayoil's illicit activities.

The report presented evidence indicating that, in 2001, Bayoil diverted 4 million barrels of Iraqi oil to unapproved markets in violation of the relevant U.N. contracts, OFF Program requirements, and U.S. regulations. As a result of these diversions, Bayoil appeared to have obtained at least $7.5 million in illicit revenue that may have been used to finance illegal surcharges paid to the Hussein regime. The report showed that U.N. oil experts repeatedly sought specific information about these suspect Bayoil shipments, but Bayoil refused to cooperate and the United States failed to obtain the information in response to U.N. requests. The U.S. Government also failed to exercise any independent oversight of Bayoil, despite the company's significance as an Iraqi oil importer and U.N. concerns about suspect Bayoil shipments. Additionally, the report presented evidence that the head of the U.N. Office of Iraq Programme, Benon Sevan, rejected without explanation a request by U.N. oil experts to present the facts about Bayoil to the U.N. 661 Committee responsible for U.N. sanctions on Iraq.

The Justice Department later obtained convictions of Bayoil and some of its officers for crimes relating to the payment of illegal surcharges to Iraq.

I. An Assessment of U.S. Efforts to Secure the Global Supply Chain, March 30, 2006 (Report Prepared by Majority and Minority Staffs and released in conjunction with the Subcommittee Hearing on March 30, 2006) (Printed in the March 30th hearing record.)

Since early 2003, the Subcommittee has conducted an oversight investigation into U.S. Government programs designed to secure the global supply chain. This effort has been thoroughly bipartisan and bicameral. The Subcommittee's efforts have included: document requests and letters from the Subcommittee, numerous meetings with officials from the U.S. Department of Homeland Security (DHS) and the Department of Energy (DOE), staff assessments of 10 Container Security Initiative ports, staff examinations of eight U.S. ports of entry, a staff trip to the Nevada detection equipment test site, and a staff inspection of the National Targeting Center (NTC). Subcommittee staff has also met with officials from Customs and Border Protection (CBP), Immigration and Customs Enforcement (ICE), the Domestic Nuclear Detection Office (DNDO), and the National Nuclear Security Administration (NNSA). This report detailed the findings from the Subcommittee's investigation, outlined areas of concern, and made recommendations for improving and enhancing the security of the global supply chain.

The report provided an unvarnished assessment of the state of global supply chain security. The Subcommittee staff's findings were troubling. In short, America's supply chain security remains vulnerable to the proverbial Trojan Horse—America's enemies could compromise the global supply chain to smuggle a Weapon of Mass Destruction (WMD), or even terrorists, into this country.

These frightening scenarios are not the work of Hollywood writers. Last year, on two separate occasions, dozens of Chinese immigrants were smuggled through the Port of Hong Kong into Los Angeles using maritime shipping containers. These incidents, coupled with similar episodes abroad, demonstrate the vulnerability of the global supply chain. The 9/11 Commission confirmed these vulnerabilities, stating: "opportunities to do harm are as great, or greater, in maritime or surface transportation."

Over the course of its 3-year investigation, Subcommittee staff has identified numerous weaknesses in America's programs that secure the global supply chain. A brief overview of these problems illustrates the challenges confronting these efforts:

- In the Container Security Initiative (CSI), a critical program designed to inspect high-risk shipping containers before they enter U.S. ports, the Subcommittee found that only a de minimus number of such high-risk containers are actually inspected. In fact, the vast majority of high-risk containers are simply not inspected overseas. To make matters worse, the U.S. Government has not established minimum standards for these inspections.
- Under the Customs-Trade Partnership Against Terrorism (C-TPAT), the U.S. Government grants benefits to private-sector companies that make specific security commitments. The Subcommittee found, however, that an overwhelming proportion of participating companies receive benefits prior to having their security profile validated. Only 27 percent of the participating companies have been subjected to a validation. Therefore, 73 percent of companies have not been subjected to any legitimate, on-site review to ensure that their security practices pass muster.
- The targeting system employed by the U.S. Government to identify high-risk shipping containers entering U.S. ports is largely dependent on "the least reliable" form of data for targeting purposes. Moreover, the Subcommittee has found that this targeting system has never been tested or validated, and may not discern actual, realistic risks.
- Less than 40 percent of cargo containers entering U.S. ports are screened for nuclear or radiological materials. One part of the problem is that the deployment of radiation detection equipment is woefully behind schedule. As of March 2006, the Department of Homeland Security has deployed only 30.8 percent of the necessary radiation monitors.

Although these findings are alarming, there are some silver linings. For instance, the creation of the Domestic Nuclear Detection Office (DNDO) has already addressed some of the problems surrounding the deployment of radiation detectors. DNDO has created a centralized, global architecture for the deployment of these radiation detectors, so that the process is no longer diffused among several disconnected agencies. DNDO has begun to address the concerns of numerous private-sector port operators, which had reservations about the safety and impact of radiation monitors upon their operations. DNDO has also facilitated the installation of numerous radiation detectors.

The good news is not limited to DNDO. While the U.S. currently screens approximately 5 percent of all maritime containers, there is a promising pilot project in the Port of Hong Kong that demonstrates the potential to screen 100 percent of all shipping containers. Each container in the Hong Kong port flows through an integrated system featuring an imaging machine, a radiation scan, and a system to identify the container. Coupling these technologies together allows for the most complete scan of a container currently available. The Hong Kong concept or similar technology, which is described in detail in this report, holds great promise and could lead to a dramatic improvement in the efficacy of our supply chain security. These improvements would help ensure that the threat of Trojan Horse infiltration by terrorists never becomes a reality.

Many of the findings of this report were utilized in the discussions and floor debate of and eventually incorporated into provisions of the SAFE Port Act, Public Law 109–347, signed into law on October 13, 2006.

J. The Role of Market Speculation in Rising Oil and Gas Prices: A Need To Put the Cop Back On the Beat, June 27, 2006 (Report Prepared by Majority and Minority Staffs) (S. Prt. 109–65)

For the past 5 years, the Subcommittee has investigated rising energy prices, including the prices of gasoline, crude oil, and natural gas. In 2002, the Subcommittee held hearings and issued a 400-page Majority staff report, prepared at the request of Senator Levin, examining how U.S. retail gasoline prices are set, including examining such factors as oil industry mergers, refinery closings, tight gasoline supplies, and regional pipeline limitations. In 2003, the Subcommittee released a Minority staff report, prepared at the request of Senator Levin, detailing how crude oil markets affect the price of gasoline and other key energy commodities such as home heating oil, jet fuel, and diesel fuel. The report warned that the crude oil markets were vulnerable to price manipulation and needed additional oversight. The report also warned that ongoing large deposits of oil into the Strategic Petroleum Reserve, while oil prices were high and oil supplies were tight, were contributing to higher energy prices. In February 2006, at the request of Senator Coleman, the Subcommittee held a field hearing in Minnesota on why natural gas prices were increasingly high and volatile, the impact of higher prices on the economy, businesses, and working families, and the government's role on the State and Federal level to provide affordable natural gas.

On June 27, 2006, the Subcommittee released a bipartisan staff report entitled, "The Role of Market Speculation in Rising Oil and Gas Prices: A Need To Put the Cop Back On the Beat." This report found that the traditional forces of supply and demand no longer fully accounted for rising prices and price volatility in the oil and gasoline markets. The report also determined that, in 2006, market speculation contributed to rising oil and gasoline prices, perhaps accounting for $20 out of a $70 barrel of oil, and that too many energy trades were occurring without regulatory oversight. The report made a number of recommendations to increase market oversight and stop market manipulation and excessive speculation.

The report noted that, in April 2006, the price of crude oil on the New York Mercantile Exchange (NYMEX) hit a record of $75.17 per barrel. In mid-May, the average retail price for gasoline reached $2.99 per gallon, just a few cents short of the record set after Hurricane Katrina shut down oil and gasoline production along the Gulf Coast in September 2005. Although these high prices were often attributed to the forces of supply and demand, the report demonstrated that oil supplies were more than adequate to meet demand. It presented evidence, for example, that, since late 2004, the amount of stored oil in the United States had been increasing. It showed that oil inventories had recently reached 347 million barrels—an 8-year high and the largest U.S. inventory since 1998, when oil was $15 per barrel. Similarly, oil inventories in the Organisation for Economic Co-operation and Development (OECD) countries had recently reached a 20-year high.

The report also presented evidence that, over the past few years, for the first time, market speculators had poured tens of billions of dollars into energy commodity markets. It showed, for example, that the International Monetary Fund had reported that over the past 3 years approximately $100 to $120 billion had been invested in energy markets worldwide. Over this same period about $60 billion had been invested in oil futures on the NYMEX. The report cited a number of analysts who had concluded that these speculative investments had significantly raised the price of oil futures. In addition, the report stated that, while it was not possible to determine the precise dollar increase in the price of oil attributable to market speculation, some analysts had estimated that speculation had added as much as $20 to $25 to the price of each barrel of oil, thereby pushing up oil from about $50 to around $70 per barrel. The report noted that former Federal Reserve Chairman Alan Greenspan had recently stated: "With the demand from the investment community, oil prices have moved up sooner than they would have otherwise."

The report noted that, at the same time that oil and gas traders were spending billions of dollars on energy commodities, those traders were increasingly able to trade without any oversight by the key Federal regulator, the Commodity Futures Trading Commission (CFTC). The CFTC is charged with preventing fraud, manipulation, and excessive speculation in U.S. commodity markets. Under a provision slipped into the Commodity Futures Modernization Act of 2000 at the behest of Enron and other energy traders, however, large oil and gas traders were allowed to trade energy commodities in "over-the-counter" (OTC) electronic markets without any ongoing oversight by the CFTC. Additionally, oil and gas traders in these markets were not required to file any large trader reports with the CFTC, even though large trader reports are the cornerstone of CFTC oversight of commodity markets to detect, prevent, and punish price manipulation and excessive speculation. Traders in these electronic markets were also exempted from speculative trading limits imposed by the CFTC to prevent excessive speculation.

The report pointed out further that, due to past regulatory actions by the CFTC, oil and gasoline traders located in the United States had gained the ability to engage in electronic trades of U.S. energy commodities on a London futures exchange, called "ICE Futures." ICE Futures is regulated by the United Kingdom Financial Services Authority, but not the CFTC. The report stated that, as a result, persons within the United States seeking to trade key U.S. energy commodities—U.S. crude oil, gasoline, and heating oil futures—were able to avoid all CFTC oversight and reporting requirements simply by routing their trades through the ICE Futures exchange in London instead of the NYMEX in New York.

To address these regulatory gaps and curb excessive speculation in U.S. energy commodities, the report offered a number of recommendations to strengthen U.S. commodity laws, including by requiring all U.S. traders of energy futures to report large trades to the CFTC, regardless of where the trades take place—on the NYMEX, on an over-the-counter electronic exchange, or on a foreign exchange. The report also recommended that Congress close the Enron loophole by enacting legislation to make electronic exchanges for large energy traders subject to CFTC oversight.

Specifically, the report contained the following findings and recommendations:

Findings

(1) *Rise in Speculation.* Over the past few years speculators have expended tens of billions of dollars in U.S. energy commodity markets.

(2) *Speculation Has Increased Prices.* Speculation has contributed to rising U.S. energy prices, but gaps in available market data currently impede analysis of the specific amount of speculation, the commodity trades involved, the markets affected, and the extent of price impacts.

(3) *Price-Inventory Relationship Altered.* With respect to crude oil, the influx of speculative dollars appears to have altered the historical relationship between price and inventory, leading the current oil market to be characterized by both large inventories and high prices.

(4) *Large Trader Reports Essential.* CFTC access to daily reports of large trades of energy commodities is essential to its ability to detect and deter price manipulation. The CFTC's ability to detect and deter energy price manipulation is suffering from critical information gaps because traders on OTC electronic exchanges and the London ICE Futures are currently exempt from CFTC reporting requirements. Large trader reporting is also essential to analyze the effect of speculation on energy prices.

(5) *ICE Impact on Energy Prices.* ICE's filings with the Securities and Exchange Commission and other evidence indicate that its over-the-counter electronic exchange performs a price discovery function—and thereby affects U.S. energy prices—in the cash market for the energy commodities traded on that exchange.

Recommendations

(1) *Eliminate Enron Loophole.* Congress should eliminate the Enron loophole that currently limits CFTC oversight of key U.S. energy commodity markets, and put the CFTC back on the beat policing these markets.

(2) *Require Large Trader Reports.* Congress should enact legislation to provide that persons trading energy futures "look-alike" contracts on over-the-counter electronic exchanges are subject to the CFTC's large trader reporting requirements.

(3) *Monitor U.S. Energy Trades on Foreign Exchanges.* Congress should enact legislation to ensure that U.S. persons trading U.S. energy commodities on foreign exchanges are subject to the CFTC's large trader reporting requirements.

(4) *Increase U.S.-U.K. Cooperation.* The CFTC should work with the United Kingdom Financial Services Authority to ensure it has information about all large trades in U.S. energy commodities on the ICE Futures exchange in London.

(5) *Make ICE Determination.* The CFTC should immediately conduct the hearing required by its regulations to examine the price

discovery function of the ICE OTC electronic exchange and the need for ICE to publish daily trading data as required by the Commodity Exchange Act.

K. Tax Haven Abuses: The Enablers, the Tools and Secrecy, August 1, 2006 (Report Prepared by Minority and Majority Staffs and released in conjunction with the Subcommittee Hearing on August 1, 2006) (Printed in the August 1st hearing record.)

On August 1, 2006, after a year-long investigation, the Subcommittee released a 370-page bipartisan staff report entitled, "Tax Haven Abuses: The Enablers, the Tools and Secrecy." This report was released in conjunction with a hearing held on the same date. The report presented six case histories on how offshore and U.S. professionals were helping U.S. citizens to hide assets offshore and dodge U.S. taxes, contributing to an offshore tax abuse problem that costs U.S. taxpayers an estimated $100 billion dollars each year.

The report described the following case histories to illustrate how the offshore industry operates, the roles played by U.S. and offshore tax professionals and service providers, and the ways in which offshore abuses undermine, circumvent, and violate U.S. tax, securities, and anti-money laundering laws.

(1) *EDG.* This case history described how a one-person U.S. corporation recruited clients through the Internet and helped them create offshore structures.

(2) *Turpen-Holliday.* This case history described an offshore promoter who developed a how-to manual for going offshore and showed how one of his U.S. clients who used that manual to move his assets to several tax havens.

(3) *Greaves-Neal.* This case history presented information on a U.S. businessman who, with the guidance of a prominent offshore promoter, moved between $400,000 and $500,000 in untaxed business income offshore.

(4) *Anderson.* This case history presented information on a wealthy American facing criminal charges for allegedly hiding $450 million in stock and cash offshore and disguising his ownership of the offshore corporations that held the assets.

(5) *POINT Strategy.* This case history described an abusive tax shelter sold to five U.S. clients, including Haim Saban and Robert Wood Johnson IV, to erase $2 billion in capital gains and about $300 million in U.S. taxes. The case history detailed how a U.S. company designed, sold, and implemented the abusive tax shelter which used a phony stock portfolio held by two offshore shell corporations, operating in the Isle of Man under offshore secrecy protections, to generate fake securities losses to offset real capital gains of U.S. taxpayers.

(6) *Wylys.* This case history presented information on two brothers, Sam and Charles Wyly, who moved about $190 million in stock option compensation offshore to a complex array of 58 offshore trusts and corporations, without paying taxes on most of the compensation. It then described how the brothers secretly directed the exercise of the stock options, used the stock to generate at least $600 million in untaxed investment income, and used the offshore funds to finance business ventures, acquire real estate, and buy

art, furnishings and jewelry for the personal use of Wyly family members in the United States.

The report contained the following findings and recommendations.

Findings

(1) *Control of Offshore Assets.* Offshore "service providers" in tax havens use trustees, directors, and officers who comply with client directions when managing offshore trusts or shell corporations established by those clients; the offshore trusts and shell corporations do not act independently.

(2) *Tax Haven Secrecy.* Corporate and financial secrecy laws and practices in offshore tax havens make it easy to conceal and obscure the economic realities underlying a great number of financial transactions with unfair results unintended under U.S. tax and securities laws.

(3) *Ascertaining Control and Beneficial Ownership.* Corporate and financial secrecy laws and practices in offshore tax havens are intended to make it difficult for U.S. law enforcement, creditors, and others to learn whether a U.S. person owns or controls an allegedly independent offshore trust or corporation. They also intentionally make it difficult to identify the beneficial owners of offshore entities.

(4) *Offshore Tax Haven Abuses.* U.S. persons, with the assistance of lawyers, brokers, bankers, offshore service providers, and others, are using offshore trusts and shell corporations in offshore tax havens to circumvent U.S. tax, securities, and anti-money laundering requirements.

(5) *Anti-Money Laundering Abuses.* U.S. financial institutions have failed to identify the beneficial owners of offshore trusts and corporations that opened U.S. securities accounts, and have accepted W–8 forms in which offshore entities represented that they beneficially owned the account assets, even when the financial institutions knew the offshore entities were being directed by or were closely associated with U.S. taxpayers.

(6) *Securities Abuses.* Corporate insiders at U.S. publicly traded corporations have used offshore entities to trade in the company's stock, and these offshore entities have taken actions to circumvent U.S. securities safeguards and disclosure and trading requirements.

(7) *Stock Option Abuses.* Because stock option compensation is taxed when exercised, and not when granted, stock options have been used in potentially abusive transactions to defer and in some cases avoid U.S. taxes.

(8) *Hedge Fund Transfers.* U.S. persons who transferred assets to allegedly independent offshore entities in a tax haven have then directed those offshore entities to invest the assets in a hedge fund controlled by the same U.S. persons, thereby regaining investment control of the assets.

Recommendations

(1) *Presumption of Control.* U.S. tax, securities, and anti-money laundering laws should include a presumption that offshore trusts and shell corporations are under the control of the U.S. persons supplying or directing the use of the offshore assets, where those

trusts or shell corporations are located in a jurisdiction designated as a tax haven by the U.S. Treasury Secretary.

(2) *Disclosure of U.S. Stock Holdings.* U.S. publicly traded corporations should be required to disclose in their SEC filings company stock held by an offshore trust or shell corporation related to a company director, officer, or large shareholder, even if the offshore entity is allegedly independent. Corporate insiders should be required to make the same disclosure in their SEC filings.

(3) *Offshore Entities as Affiliates.* An offshore trust or shell corporation related to a director, officer, or large shareholder of a U.S. publicly traded corporation should be required to be treated as an affiliate of that corporation, even if the offshore entity is allegedly independent.

(4) *1099 Reporting.* Congress and the IRS should make it clear that a U.S. financial institution that opens an account for a foreign trust or shell corporation and determines, as part of its anti-money laundering duties, that the beneficial owner of the account is a U.S. taxpayer, must file a 1099 form with respect to that beneficial owner.

(5) *Real Estate and Personal Property.* Loans that are treated as trust distributions under U.S. tax law should be expanded to include, not just cash and securities as under present law, but also loans of real estate and personal property of any kind including artwork, furnishings, and jewelry. Receipt of cash or other property from a foreign trust, other than in an exchange for fair market value, should also result in treatment of the U.S. person as a U.S. beneficiary.

(6) *Hedge Fund AML Duties.* The Treasury Secretary should finalize a proposed regulation requiring hedge funds to establish anti-money laundering (AML) programs and report suspicious transactions to U.S. law enforcement. This regulation should apply to foreign-based hedge funds that are affiliated with U.S. hedge funds and invest in the United States.

(7) *Stock Option-Annuity Swaps.* Congress and the IRS should make it clear that taxes on stock option compensation cannot be avoided or deferred by exchanging stock options for other assets of equivalent value such as private annuities.

(8) *Sanctions on Uncooperative Tax Havens.* Congress should authorize the U.S. Treasury Secretary to identify tax havens that do not cooperate with U.S. tax enforcement efforts and eliminate U.S. tax benefits for income attributed to those jurisdictions.

V. Requested and Sponsored Reports

In connection with its investigations, the Subcommittee makes extensive use of the resources and expertise of the Government Accountability Office (GAO), the Offices of Inspectors General (OIGs) at various Federal agencies, and other entities. During the 109th Congress, the Subcommittee requested a number of reports and studies on issues of importance to Congress and to U.S. consumers. Most of these reports have already been described in connection with Subcommittee hearings. Several additional reports that were of particular interest, and that were not covered by Subcommittee hearings, are detailed here.

A. Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers (GAO–06–929), September 12, 2006

In response to a 2005 request by the Subcommittee's Ranking Minority Member, Senator Levin, the U.S. Government Accountability Office (GAO) conducted a year-long investigation and issued a 2006 report entitled, "Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers." This GAO report was the first Federal study in years to provide recent, comprehensive data on the credit card fees, interest rates, and disclosure practices of major credit card issuers in the United States.

The report examined 28 popular credit cards issued by the six largest credit card issuers of 2004: Citibank (South Dakota), N.A.; Chase Bank USA, N.A.; Bank of America; MBNA America Bank, N.A.; Capital One Bank; and Discover Financial Services. GAO calculated that the credit card accounts provided by these six credit card issuers made up 80 percent of credit card lending in the United States. Key report findings included the following:

- Increased Credit Card Use. GAO reported that, in 2005, U.S. consumers had about 690 million credit cards, and the amount charged on them between 1980 and 2005 had grown from approximately $69 billion to more than $1.8 trillion.
- Higher Late Fees. GAO reported that the average penalty in 2005 for making a late payment was $34, which was a 115 percent increase from the average late fee of $13 in 1995. It reported that the highest late fee was $39 per occurrence. GAO reported that, in 2005, about 35 percent—over one-third—of active U.S. accounts were assessed a late fee at least once.
- Unfair Interest Charges on Timely Payments. GAO reported that one-third of the credit card issuers it studied used a billing method that charged interest on credit card debt that had already been repaid by the consumer. The example outlined by GAO assumed that a consumer starts a billing cycle with a zero balance and charges $1,000 on the credit card. The cardholder makes a timely payment of $990, reasonably expecting to pay interest on the remaining $10. Instead, some credit card issuers charged interest on the full $1,000, even though the cardholder had already paid 99 percent of the balance on time. While the consumer only owed the credit card company $10 for 30 days or less in GAO's example, the interest charge was $11.02.
- Hidden Fees. GAO found that some credit card fees were not disclosed in the materials provided to cardholders. For example, some issuers charged cardholders a $5 to $15 fee to make a single bill payment by telephone; others charged a $2 to $13 fee for obtaining a single copy of a billing statement or other record.
- Penalty Interest Rates Exceed 30 Percent. Some of the credit cards analyzed by GAO imposed penalty interest rates of over 30 percent on cardholders who paid late or exceeded a credit limit. In one instance reported to GAO, consumers complained to a Federal banking regulator about being charged an over-

the-limit fee when their account balances exceeded their credit limits due solely to a late fee charged by their card issuer.

- Inadequate Fee Disclosure. GAO found that credit card fee disclosures were difficult to understand, buried important information, and often failed to convey to cardholders when late fees would be charged and what actions could result in penalty interest rates.
- Credit Card Interest Rate and Fee Revenues. GAO determined that interest rate charges generated about 70 percent of the credit card issuers' revenues, while cardholder fees provided about 10 percent, and interchange fees charged to merchants provided the remaining 20 percent. GAO also determined that credit card penalty interest rates and fees had increased over time as a portion of credit card issuer revenues. In addition, GAO reported that, from 1986 to 2004, the average profitability of large credit card-issuing banks was more than double that of all commercial banks.

As part of its analysis, GAO examined information supplied by the six credit card issuers; employed a usability consultant to analyze and test disclosures; interviewed a sample of 112 consumers selected to represent a range of education and income levels; and analyzed academic and regulatory studies on bankruptcy and card issuer revenues.

B. Tax Shelters: Services Provided by External Auditors (GAO–05–171), February 1, 2005

On February 1, 2005, GAO issued a report entitled, "Tax Shelters: Services Provided by External Auditors," which was provided in response to a request by the Subcommittee's Ranking Minority Member Senator Levin. This report compiled data related to when the auditor of a publicly traded corporation also provided the corporation or its directors or officers with services related to the U.S. tax obligations, including advice on the design, validity, or implementation of tax shelters to minimize or eliminate payment of U.S. taxes. GAO was asked to determine: (1) How many Fortune 500 companies obtained tax shelter services from their external auditor; (2) for how many Fortune 500 companies did the auditor provide tax shelter services to individual company officers or directors; and (3) whether in recent years selected Fortune 500 case study companies had changed how they obtained tax services from their external auditors.

Using IRS data, GAO found that 61 Fortune 500 companies had obtained tax shelter services from their external auditor during the period, 1998 through 2003, for transactions generally reportable on tax returns sent to IRS. GAO stated that the IRS considered some of these reportable transactions abusive, with tax benefits subject to disallowance under existing law, and other transactions to possibly have some traits of abuse. GAO reported that estimated multi-year potential tax revenue lost to the Federal Government from the 61 companies' auditor-related transactions was about $3.4 billion, including $1.8 billion in categories the IRS considered abusive. GAO also found that, in 17 companies, at least one officer or director had used the company's auditor to obtain individual tax shelter services. In reporting this data, GAO explained that the numbers had important limitations and that the IRS was working to address the data limitations.

The GAO investigation also examined eight case studies to evaluate the extent to which companies had changed their procedures for obtaining tax services from their external auditors. The GAO report stated that all eight companies had reported using their auditor for tax services during 2000 through 2003. In addition, two of the companies had reported using their auditor to obtain tax shelter services, but one said it had obtained those services before the covered period. GAO reported that six of the eight companies had indicated that company officers or directors had obtained individual tax services from the company auditor at some time since 2000, with four disallowing the practice later. GAO stated that none of the eight reported officers or directors using the company auditor to obtain individual tax shelter services. GAO reported that, according to the company representatives, all eight case study companies had adopted or refined policies or practices in 2002 or 2003, to pre-approve the tax services or govern the tax services provided by their auditor.

C. United Nations: Procurement Internal Controls Are Weak (GAO–06–577), April 25, 2006

For more than a decade, experts have called on the United Nations (UN) Secretariat to correct serious deficiencies in its procurement process. Recent evidence of corruption and mismanagement in procurement suggests that millions of dollars contributed to the U.N. by the United States and other member states are at risk of fraud, waste and abuse. During the last decade, U.N. procurement has more than tripled to more than $1.6 billion in 2005, largely due to expanding U.N. peacekeeping operations. More than a third of that amount is procured by U.N. peacekeeping field missions. To review the U.N.'s internal controls over procurement, GAO assessed key control elements, including (1) the overall control environment and (2) specific control activities aimed at providing reasonable assurance that staff are complying with directives. GAO found that weak internal controls over U.N. headquarters and peacekeeping procurement operations expose U.N. resources to significant risk of waste, fraud, and abuse. GAO determined that the U.N.'s overall control environment for procurement is weakened by the absence of (1) an effective organizational structure, (2) a commitment to a professional workforce, and (3) specific ethics guidance for procurement staff. GAO found that leadership responsibilities for U.N. procurement are highly diffused. While the U.N. Department of Management is responsible for U.N. procurement, field procurement staff are instead supervised by the U.N. Department of Peacekeeping Operations, which currently lacks the expertise and capacities needed to manage field procurement activities. GAO also found that the U.N. has not demonstrated a commitment to maintaining a qualified, professional procurement workforce. It has not established training requirements or a procurement career path. In addition, GAO found that the U.N. has yet to establish specific ethics guidance for procurement staff in response to longstanding mandates by the U.N. General Assembly, despite recent findings of unethical behavior. GAO also found weaknesses in key control activities. For example, it found that the U.N. has not addressed workload and resource problems that are impeding the ability of a key committee to review high-value contracts. Also, GAO found the U.N. has yet to establish an independent process to review vendor complaints, despite long-standing recommendations that it do so. In addition, the U.N. has not updated its procurement manual since 2004. As a result of these and other weaknesses, GAO concluded that many millions of dollars in U.S. and other member state contributions were vulnerable to fraud, waste, and abuse.

D. United Nations: Funding Arrangements Impede Independence of Internal Auditors (GAO–06–575), April 25, 2006

With contributions to United Nations (U.N.) organizations totaling more than $1.6 billion in 2006–2007, the United States has advocated strong U.N. oversight. In 1994, the United States provided support to establish the U.N. Office of Internal Oversight Services (OIOS). The findings of the Independent Inquiry Committee (IIC) into the Oil-for-Food Program renewed concerns about U.N. oversight, and the 2005 World Summit proposed actions to improve OIOS. GAO examined (1) the extent to which U.N. funding arrangements for OIOS ensure independent oversight, and (2) the consistency of OIOS practices with key international auditing standards. GAO found that U.N. funding arrangements constrain OIOS's ability to operate independently as mandated by the General Assembly and required by international auditing standards that OIOS has adopted. First, while OIOS is funded by a regular budget and 12 other revenue streams, U.N. financial rules severely limit OIOS's ability to reallocate resources among revenue streams, locations, and operating divisions. Thus, OIOS cannot always direct resources at high-risk areas when they arise. Second, OIOS is dependent on the funds, programs, and other entities it audits for reimbursement for its services. GAO found that the managers of the programs OIOS intends to examine can deny OIOS permission to perform work or not pay OIOS for services. U.N. entities could thus avoid OIOS audits or investigations, and high-risk areas can be and have been excluded from examination. GAO also found that OIOS has begun to implement key measures for effective oversight, but some of its practices fall short of applicable international auditing standards. For example, GAO determined that OIOS develops an annual work plan, but the risk management framework on which the work plans are based is not fully implemented. Moreover, OIOS annual reports do not assess risk and control issues facing the U.N. organization or the consequences if these are not addressed. OIOS officials report that the office does not have adequate resources, but they also do not have a mechanism to determine appropriate staffing levels. In addition, OIOS has no mandatory training curriculum for staff or systematic procedures for ensuring the reliability of data used for their audits. OIOS also does not require all staff to document their independence. GAO found that, although two OIOS divisions have recently undergone external reviews, the other two have not undergone such a review within the last 5 years. OIOS monitors and reports on the status of its recommendations and is making efforts to improve followup on oversight recommendations.

E. Internal Revenue Service: Procedural Changes Could Enhance Tax Collections (GAO–07–26), November 15, 2006

GAO has previously testified that Federal contractors have abused the tax system with little consequence. While performing those audits, GAO noted that the Internal Revenue Service (IRS) records sometimes contained inaccurate or outdated tax information that prevented IRS from taking appropriate collection actions against those contractors, including submitting their tax debt to the Federal Payment Levy Program (FPLP) for collection. As a result, GAO was asked to review IRS's coding of tax debt excluded from the FPLP to determine whether: (1) IRS tax records contain inaccurate status or transaction codes that exclude tax debt from the FPLP, (2) IRS monitoring could be strengthened to ensure the accuracy of its status and transaction codes, and (3) other opportunities exist to increase the amount of tax debt included in the FPLP. GAO found that IRS tax records had inaccurate information that resulted in it erroneously excluding cases from the FPLP and other tax collection actions. The FPLP is a cost-effective automated system used to collect unpaid taxes from certain Federal payments. GAO estimated that as of September 30, 2005, over 500,000 tax records equating to about $2.4 billion in tax debt contained inaccurate codes that IRS systems used to exclude tax debt. GAO also found that IRS monitoring of cases was insufficient to identify and correct the coding errors GAO identified. Additionally, IRS monitoring of financial hardship cases was not sufficient to ensure their ongoing accuracy. IRS grants tax debtors experiencing financial difficulty a hardship designation that excludes them from the FPLP and other tax collection activities until their income increases. GAO found that the IRS solely uses the income reported on the tax debtor's annual tax returns. However, IRS does not monitor those tax debtors to ensure they are filing and paying current taxes. For 31 financial hardship cases GAO examined, 24 had ceased to file tax returns. GAO determined that, although the IRS had increased the amount of tax debt it submits to the FPLP, additional policy changes could further improve the program's effectiveness. Since 1992, IRS has almost tripled the maximum income it allows tax debtors in financial hardship to earn; raising it to $84,000 in 2004—almost double the national median income. As a result, whereas in 1992, no one earning above the median income was considered to be in financial hardship (and therefore excluded from the FPLP), in 2005 almost two-thirds of the tax debt in financial hardship was owed by individuals earning over the median income. Although a financial hardship designation may be appropriate in many situations, allowing relatively high-income tax debtors to avoid tax collection action, including the FPLP, calls into question the fair application of the tax system and may contribute to noncompliance. GAO also found that IRS policy also limits the amount of tax debt in the FPLP by excluding $5 billion in tax debt from the program while IRS is pursuing levies from other assets or income sources. Additionally, during notification IRS excludes individuals' tax debt from the FPLP about twice as long as legally necessary.

F. Additional GAO reports that assisted the Subcommittee during the 109th Congress include the following, many of which have already been described in connection with the Subcommittee's hearings.

(1) GAO report related to the United Nations Oil-for-Food Program:

- United Nations: Management Reforms Progressing Slowly with Many Awaiting General Assembly Review (GAO–07–14), October 5, 2006

(2) GAO reports related to border security:

- Cargo Security: Partnership Program Grants Importers Reduced Scrutiny With Limited Assurance of Improved Security (GAO–05–404), March 11, 2005
- Preventing Nuclear Smuggling: DOE Has Made Limited Progress in Installing Radiation Detection Equipment at Highest Priority Foreign Seaports (GAO–05–375), March 31, 2005
- Container Security: A Flexible Staffing Model and Minimum Equipment Requirements Would Improve Overseas Targeting and Inspection Efforts (GAO–05–557), April 26, 2005
- Nuclear Nonproliferation: IAEA Has Strengthened Its Safeguards and Nuclear Security Programs, But Weaknesses Need to Be Addressed (GAO–06–93), October 7, 2005
- Combating Nuclear Smuggling: Corruption, Maintenance, and Coordination Problems Challenge U.S. Efforts to Provide Radiation Detection Equipment to Other Countries (GAO–06–311), March 14, 2006
- Combating Nuclear Smuggling: DHS Has Made Progress Deploying Radiation Detection Equipment at U.S. Ports-of-Entry, But Concerns Remain (GAO–06–389), March 22, 2006
- Border Security: Investigators Successfully Transported Radioactive Sources Across Our Nation's Borders at Selected Locations (GAO–06–545R), March 28, 2006

(3) GAO reports related to Federal contractors who cheat on their taxes:

- Financial Management: Thousands of Civilian Agency Contractors Abuse the Federal Tax System With Little Consequence (GAO–05–637), June 16, 2005
- Financial Management: State and Federal Governments Are Not Taking Action to Collect Unpaid Debt Through Reciprocal Agreements (GAO–05–697R), July 26, 2005

(4) GAO report related to money laundering issues:

- Company Formations: Minimal Ownership Information Is Collected and Available (GAO–06–376), April 7, 2006

(5) GAO reports related to energy pricing issues and the Strategic Petroleum Reserve:

- Royalty Revenues: Total Revenues Have Not Increased at the Same Pace as Rising Oil and Natural Gas Prices Due to Decreasing Production Sold (GAO–06–786R), June 21, 2006
- Strategic Petroleum Reserve: Available Oil Can Provide Significant Benefits, But Many Factors Should Influence Future

Decisions about Fill, Use, and Expansion (GAO–06–872), August 24, 2006
- Natural Gas: Roles of Federal and State Regulators in Overseeing Prices (GAO–06–968), September 8, 2006

(6) GAO reports related to DOD travel issues:

- DOD Business Transformation: Defense Travel System Continues to Face Implementation Challenges (GAO–06–18), January 18, 2006
- Defense Travel System: Reported Savings Questionable and Implementation Challenges Remain (GAO–06–980), September 26, 2006

(7) GAO report related to homeland security issues:

- Homeland Security: Opportunities Exist to Enhance Collaboration at 24/7 Operations Centers Staffed by Multiple DHS Agencies (GAO–07–89), October 20, 2006

(8) GAO report related to Internet pharmacy issues:

- Prescription Drugs: Strategic Framework Would Promote Accountability and Enhance Efforts to Enforce the Prohibitions on Personal Importation (GAO–05–372), September 8, 2005

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