

TESTIMONY OF THE HONORABLE KATHLEEN S. TIGHE  
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BEFORE THE COMMITTEE ON HOMELAND SECURITY & GOVERNMENT AFFAIRS  
SUBCOMMITTEE ON EMERGENCY MANAGEMENT, INTERGOVERNMENTAL  
RELATIONS AND THE DISTRICT OF COLUMBIA  
UNITED STATES SENATE  
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Chairman Begich, Ranking Member Paul, and members of the Committee, I want to thank you for the opportunity to appear before you *today*. As Chair of the Recovery Accountability and Transparency Board (Board), I will be speaking to you about the Board's role in the oversight of funds expended in support of Hurricane Sandy recovery efforts.

**Background of the Board**

The Board was created in February 2009 as a part of the American Reinvestment and Recovery Act (Recovery Act). The Board currently consists of twelve Inspectors General (IGs) and its ongoing mission, pursuant to the Recovery Act, is to provide transparency of the use of the funds made available by the Recovery Act and to prevent and detect fraud, waste and abuse. In December 2011, Congress expanded the Board's authority to allow for the development and testing of information technology resources and oversight mechanisms to enhance the transparency of and detect and remediate waste, fraud, and abuse in federal spending.

The Recovery Act requires recipients of Recovery funds to report on how they are using those funds and requires agencies to report on spending as well. Every quarter, recipients of Recovery funds must report centrally into the Board's reporting website – [FederalReporting.gov](http://FederalReporting.gov). We then display this spending information on our public web site, [Recovery.gov](http://Recovery.gov), that the Recovery Act required us to build and maintain. With easy access to Recovery spending information through a technological infrastructure that allows for the timely display of quality-controlled data in uniquely arrayed ways, the [Recovery.gov](http://Recovery.gov) web site has provided new levels of transparency in government spending. Together, [FederalReporting.gov](http://FederalReporting.gov) and [Recovery.gov](http://Recovery.gov) provide a continuing quality-assurance process of Recovery spending information that involves agencies, the Board, the Office of Management and Budget (OMB), and recipients.

In addition to enhancing the transparency of taxpayer dollars, the Board developed the Recovery Operations Center (ROC) as a central data analytics service to support fraud detection and prevention. ROC services are based on a combination of sophisticated analytics tools, a technology infrastructure including a secure central repository of multiple data sets, and a mix of highly trained analysts and technology specialists. The ROC primarily serves to enhance the capabilities of the IG community to provide oversight of individual IGs' respective departments or agencies, as well as other federal law enforcement entities, in their

oversight of Recovery funds and other federal funds that are within the scope of our authorities.

The ROC's strength is the ability to rapidly aggregate and analyze large, complex volumes of data to screen for potential risks or identify targets and to provide deeper investigative information, such as link analysis and discovery of non-obvious relationships, in the support of preventative activities, audits, investigations, or prosecutions. Customers are supported through collaborative work with ROC analysts, thus benefiting from the Board's infrastructure, skilled workforce, multiple advanced analytical tools, and proven tactics to quickly detect fraud in federal funding.

While the Board was originally due to sunset on September 30 of this year, last January's Disaster Appropriations Relief Act, 2013, Pub. L. No. 113-2, (Sandy Supplement) extended the Board through September 2015, with additional duties for the Board to develop and use information technology resources and oversight mechanisms to detect and remediate waste, fraud and abuse of funds related to the impact of Hurricane Sandy.

### **Hurricane Sandy Oversight**

Because of the Board's work on Recovery, we were able to easily transition to oversight support for Hurricane Sandy spending. The Board's efforts to develop oversight mechanisms to prevent and detect fraud, waste, and abuse in Hurricane

Sandy spending have centered so far in three main areas: 1) we are applying the techniques and processes developed and implemented by the ROC to examine Hurricane Sandy spending, primarily working with our IG partners, 2) we are working with federal and state stakeholders to coordinate law enforcement efforts and to identify and obtain spending and other related data to be used in our fraud detection and risk identification efforts, and 3) we are using technologies developed throughout Recovery efforts to display available Sandy spending information.

#### Accountability

Through the ROC, the Board has undertaken a number of efforts to review Hurricane Sandy spending. For example, based on referrals from and in coordination with the Department of Homeland Security Office of Inspector General (DHS OIG), we conducted a review of 104 entities that received Hurricane Sandy debris removal contracts from 32 cities in New York and New Jersey totaling over \$329 million. Many of the ROC's specific findings for DHS OIG in these matters are considered law enforcement sensitive, but they include identification of:

- Debris removal companies whose owners had federal and state tax liens;
- Companies previously listed on the federal list of suspended or debarred contractors;

- Two contracting companies that filed for Chapter 7 bankruptcy in December 2010 that also had federal tax liens totaling more than \$1 million since 2011; and
- Companies with previous fraudulent activities receiving Hurricane Sandy-related debris removal contracts from cities where there is an indication that the CEOs of such companies have ties with city officials.

Along with the information we provided to DHS OIG that resulted in the opening of criminal investigations, we also gave it a report of high risk debris removal companies that the OIG is using to target audit work.

In addition to the debris removal work, among other activities, we have provided assistance to DHS OIG on its investigations of other Federal Emergency Management Agency (FEMA) public assistance Hurricane Sandy grants. We also are exploring opportunities to work with other OIGs, such as the Small Business Administration (SBA) OIG, to support their oversight efforts of Hurricane Sandy disaster assistance. For the State of Rhode Island, we undertook a proactive analysis of 10,000 potential Hurricane Sandy contractors against our data bases that would show potential risks, such as being delinquent on a federal debt or a debarred federal contractor.

## Coordination

After the passage of the Sandy Supplement, Board staff met frequently with the Hurricane Sandy Rebuilding Task Force Project Management Office (PMO) to discuss roles and responsibilities. We also organized and facilitated a joint Board, OMB, PMO, and OIG meeting to discuss the progress of current oversight activities. DHS OIG rejuvenated the Council of the Inspectors General for Integrity and Efficiency Disaster Assistance Working Group to share information and support IG community oversight efforts and invited the Board to co-chair that group. In addition, we reached out to state and local officials in the Hurricane Sandy-affected states who are and will be distributing and overseeing Hurricane Sandy funds.

The key issues discussed in all of these coordination efforts is the availability of and ability to share Hurricane Sandy spending information, particularly at the sub-recipient level, and the identification of potential data sources that may be relevant to remediating fraud, waste, and abuse. Unlike the Recovery Act, where the Board had access to standardized Recovery spending information based on recipient reporting through [FederalReporting.gov](http://FederalReporting.gov), no similar reporting structure for Hurricane Sandy exists. Rather, the Board must cull spending information from existing federal databases, such as the Federal Procurement Data System (FPDS) and [USASpending](http://USASpending.gov). As is discussed below,

there are limitations on the usefulness of this data. We have been working with DHS OIG to obtain usable data from the FEMA Emergency Management Mission Integrated Environment/National Emergency Management Information system that should provide basic project information at the municipality (or eligible nonprofit) level.

### Transparency

To date, the Board has been using its web site, [FederalTransparency.gov](http://FederalTransparency.gov), to attempt to collectively display what information is available on Hurricane Sandy spending. We visually display Hurricane Sandy awarded contracts from FPDS and agency award information, as well as links to FEMA spending by state and state Hurricane Sandy web sites. We also display the Department of Justice's disaster fraud reporting hotline.

We are in the final stages of moving the Hurricane Sandy information to our [Recovery.gov](http://Recovery.gov) web site. [Recovery.gov](http://Recovery.gov)'s infrastructure, functionalities, and tools, such as maps, charts, and downloads will be leveraged and re-purposed from [Recovery](http://Recovery.gov) to Hurricane Sandy activities. Among other capabilities, the Hurricane Sandy portion of the site will include available spending data displayed on maps, in charts, and on graphs, which will reflect outlays by business class (small, HUB Zone, etc.) and by agency. The web site will also display obligation deadlines,

Board and OIG reports, and stories on Hurricane Sandy projects and federal activities to help citizens follow the reconstruction.

### Challenges

Since commencing work in the winter of 2013 on our Hurricane Sandy mission, we have identified a series of challenges that we continue to face:

- Obtaining accurate and complete Hurricane Sandy spending data remains difficult for the Board. With no mandated centralized reporting mechanism, access to standardized data is limited.
- While FPDS and USASpending have information related to Hurricane Sandy spending, each has its limitations.
  - On FPDS, we are able to locate contracts related to Hurricane Sandy because FPDS assigns a unique identifier (National Interest Action code). However, FPDS does not consistently collect place of performance of awards, which inhibits the accuracy of mapping for transparency purposes.
  - On USASpending, Hurricane Sandy grants and loans lack a unique identifier, making it problematic to accurately extract and analyze Hurricane Sandy awards.
- The lack of sub-recipient data will further complicate the Board's work. Given the types of Hurricane Sandy grants expected to be awarded, prime recipients

of Hurricane Sandy awards oftentimes will be a state or municipality, but historically, the majority of fraud occurs below this level by entities performing the actual work. Some sub-recipient data can be gleaned on a case-by-case basis from disparate federal and state sources, but these records are often not accessible. Many sub-recipients remain unknown to oversight officials and the public, inhibiting full transparency and the Board's ability to perform more proactive analytical efforts.

That concludes my prepared testimony. Thank you for this opportunity to discuss the activities of the Board related to Hurricane Sandy oversight. I am happy to answer any questions you might have.