Remarks of Chairman Henry A. Waxman
National Press Club
June 23, 2008

Thank you very much for the invitation to speak today. I believe all of us here share a strong interest in ensuring accountability in government and exposing waste, fraud, and abuse. I am honored to have the opportunity to talk with you about congressional oversight, and I look forward to any comments you might have at the conclusion of my remarks.

I want to start by saying a few words about the importance of congressional oversight, and the appropriate way for Congress to exercise its investigative authorities.

I. The Importance of Congressional Oversight

As the Supreme Court has noted, the power of Congress to conduct investigations is "broad" and "inherent in the legislative process." The Court specifically cited Congress' power to "expose corruption, inefficiency, and waste." And the power includes authority to review the administration of existing laws as well as whether new laws are needed.

Of course, writing the nation's laws is one of Congress' key constitutional duties. But simply by holding hearings, asking good questions, and releasing information, Congress can have a huge impact even if legislation isn't enacted.

In 1994, for example, as Chairman of the Health Subcommittee of the House Committee on Energy and Commerce, I led an investigation into the tobacco industry. And as part of that investigation, we held a hearing with the seven CEOs of the major tobacco companies. They swore under oath that tobacco didn't cause cancer, that nicotine wasn't addictive, and that their companies didn't market cigarettes to children.

We didn't get legislation passed that year, but having the executives before Congress and releasing hundreds of pages of internal tobacco industry documents had a major impact. The hearings spurred nationwide litigation by state Attorneys General that resulted in a settlement eliminating tobacco billboards, changing other industry practices, and raising over $200 billion. And the hearings sparked efforts to regulate tobacco at the federal, state, and local levels that are still continuing.

More recently, when Tom Davis was the Chair of the Committee, I asked him to look into the use of steroids in baseball and other professional sports. You might remember the hearing we had with Sammy Sosa, Jose Canseco, Mark McGwire, and some other players. Most people remember it for Mark McGwire's famous "I'm not here to talk about the past" approach and for the powerful statements Don Hooton and Denise and Raymond Garibaldi gave about their children, who died after using steroids.

We didn't pass any legislation after these hearings. But the hearings had a tremendous impact. Major League Baseball completely rewrote its steroids policy, and other leagues

strengthened theirs. And the Committee's work prompted an in-depth review of this issue by former Senate Majority Leader George Mitchell. The Mitchell Report, which was released six months ago, found that the use of steroids and human growth hormones has been and is a significant problem in Major League Baseball.

Congressional oversight can also result in tremendous savings for American taxpayers.

Our oversight efforts have uncovered significant waste, fraud, and abuse throughout the federal government. In 2006, I released a report that identified 118 federal contracts worth over $745 billion that the Government Accountability Office, the Defense Contract Audit Agency, inspectors general, or other government officials found to involve significant waste, fraud, abuse, or mismanagement. An update to this report in 2007 found $1 trillion in waste-prone contracts.

GAO, which conducts investigations at the request of members of Congress, reports that the financial benefits from its work in fiscal year 2007 alone totaled over $45 billion.

II. Appropriate Exercise of Congress' Oversight Powers

Although congressional oversight has tremendous potential to bring about positive results, it also can be subject to abuse.

One of the main principles that should govern congressional oversight is that investigations should be driven by genuine need, not by partisan considerations. Unfortunately, in my previous position as ranking Democrat on the Committee before taking the position as Chairman, I saw firsthand the harm that can result when this principle is not followed.

In the decade before I became Chairman of the Oversight Committee, oversight resembled a pendulum.

When President Clinton was in office, congressional committees spent millions of dollars investigating every possible allegation of wrongdoing, no matter how insignificant. But when President Bush took over, oversight virtually ceased. No matter how big the issue, Congress often looked the other way.

In the congressional investigations of President Clinton, powers that historically have been used carefully were exercised recklessly.

One statistic tells this story better than anything else. During the six years Dan Burton chaired the Oversight Committee, he issued over 1,000 unilateral subpoenas.

But in the years before he became Chair — from the 1950s to 1994 — there wasn't a single unilateral subpoena issued by a Chairman of the House Oversight Committee. In fact, there wasn't a single unilateral subpoena issued by any Chairman — Republican or Democratic — in the entire House and Senate during those 40 years.

We went from zero unilateral subpoenas for 40 years to over 1,000 from just one Chairman in six years.

Here's what happened. The historic practice had been for chairmen to issue subpoenas only after they consulted with the minority or held a committee vote. That ensured that the Chair had to make a showing that the subpoena was appropriate and absolutely necessary.

In 1997, however, Dan Burton concluded that the traditional rules weren't good enough. So the Republican majority on the Oversight Committee gave him the unilateral authority to issue subpoenas. That meant no scrutiny of the chair or his staff.

That quickly turned into an embarrassing fiasco. With no check on the chair's power, a frenzy of subpoenas followed. Chairman Burton sent more than two subpoenas per day for every day the House was in session. 97% of these subpoenas were focused on allegations of wrongdoing by the Clinton Administration or Democratic Party officials.

With no threshold to meet, the enormous power of the federal government careened out of control. Sometimes Chairman Burton and his staff became confused over people with similar names and obtained financial and personal records for the wrong people. And when this pointed out to the chair, his staff noted that they might have subpoenaed the wrong people, but it was possible that their inadvertent targets had done something wrong too.

I'd say it was a comedy of errors but there was nothing funny about it. And it didn't stop with subpoenas.

During the Clinton Administration, Congress demanded and received testimony from dozens of top Clinton White House aides concerning alleged Administration wrongdoing.

The House Government Reform Committee alone heard sworn testimony of Clinton White House officials including three White House chiefs of staff [Mack McLarty, Erskine Bowles, and John Podesta], numerous Assistants to the President [such as Bruce Lindsey and Harold Ickes], and four White House Counsels [Bernard Nussbaum, Jack Quinn, Charles Ruff, and Beth Nolan].

These extraordinary demands could be theoretically justified if we were investigating real issues and there was real evidence of wrongdoing. But that was rarely the case. The Committee, for instance, spent thousands of hours investigating these issues:

- Whether President Clinton sold burial plots in Arlington cemetery for campaign contributions;
- Whether the White House altered videotapes of meetings to conceal wrongdoing;
- Whether President Clinton sent aside a national monument in Utah to benefit a wealthy Indonesian family called the Riadys; and
- Whether the White House misused the President's Christmas card list.

During those years, suspicion and rumor became routine investigative procedures. Congress and the FBI, for instance, spent over a year investigating a charge made by the former head of the Rules Committee, Gerald Solomon that a DNC fundraiser, John Huang, committed espionage and sold secrets to the Chinese. The allegation was made in 1997 and it was covered on the network news.

Two years later, we learned the basis for this allegation when Dan Burton subpoenaed all FBI interview writeups known as "302s." Rep. Solomon's 302 revealed the basis of his allegation: his evidence came from a Senate staffer he talked to a reception, who told him he had talked to a Commerce Department employee. Rep. Solomon had never met the person before and couldn't remember his name.

That's the climate we were in then: Even cocktail party gossip could launch major congressional and criminal investigations of the Democratic Clinton Administration.

With the election of President Bush came a sea change in how the Republican majority conducted congressional oversight. For the first six years of President Bush's Administration, Congress failed to conduct meaningful oversight over a long list of many important issues, including:

- The mismanagement of every aspect of the Iraq War;
- The secret NSA wiretaps;
- The politicization of science at federal agencies;
- The White House role in withholding important cost information from Congress relating to the Medicare prescription drug bill in 2003; and
- The responsibility of senior Administration officials for Abu Ghraib and other abuses of detainees.

There were a few exceptions to this trend. On several occasions, Rep. Tom Davis, who chaired the House Government Reform Committee from 2003 through 2006, put partisanship aside and worked with the minority to expose abuses in the Bush Administration. For example, the former Chairman and I jointly issued requests for executive branch audits and reports relating to Department of Homeland Security contracting, and we issued a joint report regarding Jack Abramoff's contacts with the White House.

But even on our Committee, there was a dramatic contrast between oversight during the Clinton and Bush eras. Compared to the 1000 subpoenas issued unilaterally to investigate President Clinton and Democrats, Chairman Davis issued fewer than 10 subpoenas to investigate alleged Bush Administration and Republican Party wrongdoing.

The dearth of congressional oversight in the first six years of the Bush Administration had real consequences. If there had been more accountability and less secrecy, President Bush might not have steered the nation so far off course in Iraq, and he might not have been able to pursue economic policies so far out of the mainstream.

Overall, there can be no question that congressional oversight went from one extreme to the other: zealous pursuit of Clinton Administration with little sense of proportionality to abdication of major oversight responsibilities regarding the Bush Administration.

III. Oversight Agenda

When I became chairman of the Committee last year, my first step was a symbolic, but important one: I put the word "oversight" back into the Committee's title. I wanted to set an ambitious course to reinvigorate Congress's oversight role, which had been so lacking over the previous six years.

My second step was to establish an agenda with three broad goals.

First, we would focus on allegations of waste, fraud, and abuse in federal programs.

Second, based on the government's response to Hurricane Katrina and other recent fiascos, it was critical to focus on making government work again for the people it is supposed to serve, fixing broken programs that have failed in their basic missions.

Third, I wanted the Committee to bring accountability to both the government and the private sector. Too often those most responsible for wrongdoing and serious problems have evaded any oversight.

Waste, Fraud, and Abuse

I felt so strongly about shining a spotlight on waste, fraud, and abuse that I made that the first order of the Committee's business last year. Last February, I chaired four hearings in four consecutive days on the many different ways taxpayer dollars were being wasted.

One of the top issues on my agenda was Iraq. Since the war began in 2003, the Republican Congress had largely ignored the abuses of contractors, the mistakes of Administration officials, and the failure of the President's policies on reconstruction and political reconciliation.

My concern was that billions of dollars had literally disappeared without a trace. Huge pallets of cash — over 300 tons of shrink-wrapped bricks of $100 bills — were loaded onto C-130 cargo planes at Andrews Air Force base and flown into Baghdad.

Ambassador Paul Bremer, the head of the Coalition Provisional Authority, made a deliberate and conscious decision not to monitor more than $8.8 billion he distributed, even though his own directives and the United Nations Security Council required him to do so.

That's almost $9 billion dollars that disappeared without a trace. It's mind-boggling that someone actually thought this made sense.

When you combine this decision with Ambassador Bremer's decision to dismiss tens of thousands of armed soldiers, it's little wonder that forces opposed to the United States were able to find the personnel and financing they needed to build into a full-fledged insurgency. Yet Ambassador Bremer never had to answer for those decisions until I called him to testify last year.

We've also conducted other investigations related to Iraq, including private security companies like Blackwater. During our second hearing of that initial week, Army witnesses announced that they would recover $20 million in unauthorized payments made to security contractors. This was a direct result of work we had been doing in the minority for several years.

We've learned since then that the total amount of savings may grow to as much as $400 million. So by Day Two of our work, we had already begun to see real results for the taxpayers.

Our Blackwater investigation has continued, and we called Erik Prince to testify about Blackwater's aggressive use of force in Iraq. That investigation is still underway but, in the process, we discovered that Blackwater has avoided paying U.S. taxes by calling its employees "independent contractors." The IRS specifically ruled against Blackwater, and my staff calculated that U.S. taxpayers were due more than $50 million as a result.

Many of you know that I have been a vocal critic of KBR, the Halliburton subsidiary that received a secret, no-bid contract from the Bush Administration to run Iraq's oil fields. I began raising questions in 2003 about this deal and about KBR's work under the even larger LOGCAP contract to provide our troops with meals, laundry, and other logistical services.

When the war started back in 2003, my concern was that the Bush Administration was giving KBR special treatment by awarding it contracts without competition and by ignoring allegations of abuse. Because KBR's contracts were "cost-plus," they were reimbursed for the costs they incurred and then given a percentage on top of that.

Whistleblowers told us that KBR was charging $45 for a case of soda and $100 to wash a bag of laundry. They said KBR would destroy a brand new $85,000 convoy truck if it got a flat-tire. In the upside-down world of cost-plus contracts, the more a company spends — even if it means burning new trucks — is a moneymaker.

Over the past five years, American taxpayers have paid KBR an astonishing $30 billion. That's more than any other company operating in Iraq.

Auditors who testified before the Committee last year told us that they found $2.7 billion in questioned and unsupported charges under these two KBR contracts alone.

I have also tried to examine hundreds of thousands of commercial payments to contractors in Iraq. Any one of these payments might seem relatively small in comparison to KBR's windfall, but overall they were worth about $8.2 billion.

Officials from the Pentagon inspector general's office testified that the Pentagon made many of these payments with little or no documentation. It's possible that there could be as many as 7,000 potential criminal cases involved.

While Iraq has been a primary focus of the Committee, it has not been our only focus. We have investigated bloated and poorly-managed contracts at the Department of Homeland Security, like the Deepwater program to develop new ships for the Coast Guard.

We have examined mismanaged Defense Department weapons contracts, which by themselves account for over $300 billion a year in annual spending.

And we have examined overseas construction projects plagued with problems, including the single largest Pentagon project, a vast new mall in Germany called the "K-Town Mall" that is over budget and behind schedule.

We've also investigated the State Department's single largest construction project, the mammoth new embassy in Baghdad, which is now $150 million over its original $600 million budget and has been plagued by critical safety deficiencies.

Finally, you may have read this weekend that federal prosecutors arrested a 22-year-old and several of his accomplices on Friday for shipping illegal Chinese ammunition from Albania to Afghanistan under a $300 million contract with the Department of Defense.

As in many cases we examine, it appears there was criminal conduct by private actors. But our Committee pays special attention on the government's role in these messes. And this morning, I sent a letter to Secretary of State Rice asking why her ambassador to Albania apparently approved of actions to conceal this Chinese ammunition and then withheld this information from our Committee.

If you think this is worth knowing more about, we will be having a hearing tomorrow morning that should be of interest to you. By the time we finish, we will all have a better understanding of how an inexperienced 21-year-old became a major defense contractor in Afghanistan.

The only silver lining in this area is that the Committee's oversight efforts are beginning to translate into reform. Our Committee, after all, is the House Oversight and Government Reform Committee. The insights we've gained by studying contracting abuses are now being incorporated into several bills and should become law by the end of the year.

Making Government Work Again

The Committee's second major priority is doing all we can to Make Government Work Again.

One of the most important debates in modern politics is the role of government.

I think government can be a tremendous instrument of good and I've seen it help Americans in countless ways. The Social Security system transformed our country. Landmark health and environmental laws have improved the quality of life for millions of Americans. And regulatory and consumer agencies have made financial stability and basic safety precautions a part of everyday life.

But all of that progress is only possible if government is effective. Unfortunately, I've now seen government agencies that were once the gold standard for effectiveness and efficiency become punch lines on late-night talk shows.

For at least thirty years, Republicans have been telling the American people that government doesn't work. And over the last eight years, they seem to have tried to do everything in their power to turn that threat into reality.

But it doesn't have to be that way. Just ten years ago, FEMA was a model federal agency. We know it can be done because it has been done. The challenge now is to go back to best practices, to end cronyism, and to make sure federal departments and agencies that have critical missions for the American people have the funding necessary to actually to do their job.

I doubt any of us will forget FEMA's performance in Katrina and the image of President Bush telling Michael Brown that he did a "heck of a job."

But making government work again isn't limited to FEMA. Early last year, we all learned about the deplorable conditions at Walter Reed.

We owe an incalculable debt to our soldiers. They risk their bodies, their minds, and their lives for us. In return, the bare minimum we must do is to give them the best care possible when they are wounded.

It is inexcusable that the agency responsible for caring for them had failed so badly in its mission.

Walter Reed was the subject of one of our first hearings and John Tierney, the chair of the National Security and Foreign Affairs Subcommittee, has continued this investigation to make sure that the promises made to fix these problems are being kept.

We have also continued to look at the aftermath of Hurricane Katrina. Following the hurricane, FEMA bought nearly $3 billion worth of travel trailers and mobile homes for storm victims to use as temporary housing.

FEMA officials in the field discovered that these trailers had dangerously high levels of formaldehyde, threatening the health of hurricane victims a second time. But when they tried to send this message back to FEMA officials in Washington, they hit a brick wall. Senior officials actually said that if they knew about the problem, they would have to do something about it. And they preferred not to have that burden.

After we held our hearing, the Centers for Disease Control finally went in and confirmed that the trailers were unsafe. FEMA, the agency that is supposed to help people get out of danger's path, consciously and deliberately had tried to do nothing to help.

At times, the Environmental Protection Agency, the agency that is supposed to make our air cleaner, hasn't fared much better under the glare of oversight.

EPA appears to have ignored science, the factual record, and the requirements of the Clean Air Act in recent decisions preventing California and other states from reducing greenhouse gas emissions from motor vehicles and adopting new ozone air quality standards.

The White House got involved with both of these EPA decisions. Unfortunately, last week, the President took the extraordinary step of asserting executive privilege over documents the Committee was seeking, concealing over a thousand documents that would help the Committee and the public evaluate the President's role in directing EPA's actions and whether these decisions complied with the law.

There's no greater challenge we face than climate change. But in a report passed by the Committee last year, we found that this Administration has engaged in a systematic effort to manipulate climate change science and mislead policymakers and the public about the dangers of global warming.

Just as the EPA is supposed to protect the air we breathe and the water we drink, the Food and Drug Administration is supposed to ensure the safety of the food we eat and the drugs we take when we are sick. But under the Bush Administration, the FDA has taken actions to make people less safe.

For example, we have investigated FDA's efforts to allow manufacturers to promote and market potentially dangerous uses of drugs and medical devices that have not received FDA approval. We've also held hearings on FDA efforts to absolve manufacturers of liability for unsafe products as soon as they receive FDA approval.

Under this Administration, the FDA has essentially reversed decades of previous FDA policies designed to ensure that people injured by defective products or devices have a means of redress and that companies have an incentive to make their products safe.

Our work has even extended to examining whether the government is counting correctly. The census that happens every ten years is critical to ensuring that services and benefits provided by the federal government are delivered in a fair and equitable manner. But in hearings this year, we discovered that the Census Bureau has botched efforts to convert to computerized systems.

As a result, the Census will be forced to return to a paper-based census at an additional cost of $3 billion.

There's one last issue I want to mention, and it's one where it appears the federal government has never done a good job. In 2006 the *Los Angeles Times* ran a powerful series on uranium contamination on Navajo lands. The failure of the federal government was so deep for so long that I think it shocked every member who participated in our Committee's investigation of this matter.

For thirty years, the federal government did almost nothing to deal with this contamination. It is a modern American tragedy and it has had terrible health consequences for the Navajo people. Solving this problem has become a bipartisan priority for our Committee, and I want to applaud the federal agencies involved for beginning to prepare a comprehensive plan to remove and mitigate the contamination. We have a long way to go, but I think we've made more progress in the last nine months than in the previous thirty years.

Accountability

Accountability is the third area I want to talk about this afternoon.

I'll start with the focus we've had on private sector abuses. These abuses often have a national impact on our economy and on millions of individual American families.

We've tried, for example, to understand why the top CEOs of some of our nation's largest mortgage companies were receiving lavish compensation packages at the same time American families were being forced from their homes in record numbers, sometimes as a result of dishonest lending practices.

We found that Countrywide, Merrill Lynch, and Citigroup designed executive compensation programs with "all upside and no downside." The top executives were richly rewarded regardless of how poorly their decisions affected shareholders or homeowners.

Private insurance companies in Iraq have also figured out how to have their own version of "all upside and no downside."

They have been making windfall profits in a system that requires contractors working overseas to carry insurance to cover non combat related injuries and deaths. This insurance, called Defense Base Act insurance, is just like any other worker's compensation insurance and is supposed to cover injuries that happen on the job, like construction injuries.

But the companies operating in Iraq are charging massive premiums, even though all claims that involve combat are paid for by the government. Our Committee found that insurance companies retained nearly $600 million in excess underwriting profits.

In the same way, private drug companies are making windfall profits from the new Medicare Part D drug benefit. Unlike traditional Medicare, which is run by the government, the new prescription drug benefit utilizes private insurance companies to provide drug coverage to beneficiaries. We found that this has driven up costs by as much as $15 billion in 2007 alone.

It's just as important to bring accountability to government officials in Washington. If public officials are making poor decisions, abusing the public trust, or wasting taxpayer dollars, they need to know that there's a cop on the beat.

For example, we just held a hearing last week with Robert Flores, the Justice Department official who distributes grants for juvenile justice. We found that he disregarded his own office's peer review process to evaluate grant applications, ignoring the top five highest ranked applications in favor of proposals that ranked in the bottom half of applications.

His boss, an Assistant Attorney General, told us: "I am for candor and clarity, especially when dealing with people's money. And that did not happen. And I am upset that it did not happen."

I hope grant managers across the federal government paid attention to our hearing and heard bipartisan support for the importance of making funding decisions based on the merits, not on personal biases.

Late last year, we found ourselves in the unusual position of having to investigate an investigator. Howard Krongard was the State Department Inspector General, which is supposed to be an independent watchdog for State Department programs. Mr. Krongard's performance raised real questions about whether his office was fulfilling its mission, and his testimony at our Committee hearing only raised more questions. Shortly after the hearing, Mr. Krongard announced he was resigning his position.

Lurita Doan, the former head of the General Services Administration, didn't voluntarily leave her post. The White House told her she had to leave. Our Committee investigated Ms. Doan for allegations that she sought to use the resources of her agency to help Republican candidates get elected. There were also serious questions raised about her decisionmaking at GSA.

Over the past 18 months, the Committee has initiated a number of other investigations to make sure that taxpayer dollars are being spent wisely and that accountability is a reality.

Just as important, we have tried to exercise our powers carefully and only as a last resort. I haven't issued a single unilateral subpoena, and on a broad array of issues — ranging from Jack Abramoff to Navajo lands — Tom Davis and I have worked as partners in oversight.

I use a simple guide in conducting oversight — I don't want to repeat the mistakes I have seen in the past. Oversight should be honest, and partisanship should have no impact on the decisions we make.

We must never lose sight of the fact that Congress, and our Committee, have enormous powers. We can compel American citizens to provide us information, to appear in depositions and hearings, and to even hold them in contempt of Congress.

These are necessary powers, but they are powers that should only be used when absolutely necessary. Our moral obligation to conduct oversight is matched only by our moral obligation to conduct that oversight carefully and wisely.

Thank you, and I'd be happy to answer any questions you might have.