

EDOLPHUS TOWNS, NEW YORK
CHAIRMAN

DARRELL E. ISSA, CALIFORNIA
RANKING MINORITY MEMBER

ONE HUNDRED ELEVENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

Majority (202) 225-5051
Minority (202) 225-5074

Statement of Rep. Brian Bilbray
Ranking Republican Member
Subcommittee on Government Management,
Organization, and Procurement

*“The Roles and Responsibilities of
Inspectors General Within Financial Regulatory Agencies”*
March 25, 2009

Thank you, Chairwoman Watson, for holding this hearing.

Since the Inspector General Act of 1978, we have relied on IGs throughout government to provide an important agency-level check on the operations of the Cabinet departments, regulatory authorities, and numerous other federal entities.

In this new era of bailouts, rescues, and big spending, inspectors general are on the front lines in making sure the American taxpayers – and the Congress – are provided sufficient levels of transparency and accountability. Never has that been more important than now, when in the wake of the most significant financial crisis of our time, the federal

Statement of Rep. Brian Bilbray

March 25, 2009

Page 2

agencies are beginning to come to grips with their extraordinary new role as stewards of trillions of dollars in stimulus and bailout funds.

In 1978, the Inspector General Act created 12 IG offices. Today we have more than 60 IGs. We rely on federal Inspectors General to support agencies like the Securities and Exchange Commission, and the Commodities Futures Trading Commission. We also rely on IGs to support agencies such as the Pension Benefit Guaranty Corporation, the National Credit Union Administration, and the Denali Commission.

Inspectors General do much more than identify and route out waste, fraud and abuse. They perform a central oversight and managerial role in their agency's efforts to improve efficiency and effectiveness.

While not ordinarily in the papers unless there is bad news, the central function of IGs is to perform audits and investigations of agency programs and operations.

The legislative trend with respect to IGs has been to attempt to provide them with more independence and autonomy. In the last Congress, we passed the Inspector General Reform Act of 2008. This bill was designed to give IGs new authorities and protections. Pay scales were improved, and budget independence was to be enhanced.

As we discuss the role of IGs, we should also examine ways to continue to integrate them into the managerial structure of the agency. The IGs need to be part of the day-to-day operations of their agencies rather than a detached observer.

Sometimes agency heads are so busy running their agencies that it is difficult for them to identify a problem within their own operation. The most skillful IGs are able to identify, recommend and communicate

Statement of Rep. Brian Bilbray

March 25, 2009

Page 3

how agency programs can be improved. A collaborative relationship between the IG and the agency head is, therefore, essential for agency success.

As Congressman Larson's bill illustrates, there remains a willingness in the Congress to ensure that inspectors general have sufficient resources to perform their function. The bill elevates five financial market regulatory IGs from agency head appointment to presidential appointment. I am interested in hearing more about the specific and tangible benefits of this bill.

Today we will hear from three financial regulatory agency inspectors general – the SEC IG, the CFTC IG, and the NCUA IG. We will also hear from several experts in understanding how the function of inspectors general is designed to work.

Again, I thank the Chair for calling this hearing, and I look forward to this afternoon's testimony.

#