



Statement for the Record to the
Subcommittee on Oversight and
Investigations, Committee on Financial
Services, House of Representatives

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Observations on GAO Access to Information on Programs and Activities

Statement for the record by
Lawrence L. Evans, Jr., Managing Director,
Financial Markets and Community Investment

Accessible Version

Highlights of [GAO-18-255T](#), a statement for the record to the Subcommittee on Oversight and Investigations, Committee on Financial Services, House of Representatives

Why GAO Prepared This Statement

In September 2014, the House Committee on Financial Services requested that GAO review OFR, an office within the Department of the Treasury. Among other things, GAO was asked to assess the agency's usefulness to regulators and Congress in assessing systemic risk in the financial system and any delays or setbacks in its major undertakings. GAO subsequently initiated a review of OFR in January 2015. However, during the course of its review, GAO encountered substantial delays in obtaining access to agency officials and information. Separately, whistleblower allegations and an ongoing Treasury OIG investigation led GAO to terminate the engagement.

This statement discusses (1) GAO's audit standards and protocols regarding access to agency information, (2) issues GAO encountered in accessing information at OFR, and (3) GAO's decision to terminate the engagement without issuing a product.

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Observations on GAO Access to Information on Programs and Activities

GAO Views

GAO has broad statutory authority to audit and evaluate agency transactions, programs, and activities, as well as a broad statutory right of access to agency records. Auditing standards require that analysts and financial auditors promptly obtain sufficient, relevant evidence to provide a reasonable basis for any related findings and conclusions. Therefore, prompt access to all records and other relevant information is needed for the effective and efficient performance of GAO's work. GAO has promulgated protocols describing how it will interact with the agencies it audits. Among other things, GAO expects that agencies will promptly comply with requests for all categories of needed information. GAO also expects to receive full and timely access to agency officials who have stewardship over the requested records and to agency employees responsible for the programs, issues, and other factors covered by such records.

During the course of its review of the Office of Financial Research (OFR), GAO experienced repeated problems with gaining access to both people and documents. Many meetings took months to schedule, some were canceled with short notice, and responses to requests for documentation and other information were delayed. GAO made repeated attempts to obtain required documentation and to schedule interviews with agency officials. These attempts included frequent follow-up emails and phone calls, the imposition of deadlines for document delivery that were either not complied with or resulted in production of some but not all required documents, and a discussion between GAO Counsel and the Chief Counsel of OFR regarding the agency's continuing delays. Despite these extensive efforts, GAO experienced significant delays in getting access to officials and agency documents.

Whistleblower allegations raised additional concerns about the quality of information that OFR provided GAO. As GAO discussed with House Committee on Financial Services staff, in June 2016 GAO was contacted by an anonymous whistleblower who alleged that OFR had manipulated the information it provided. GAO subsequently learned that the Department of the Treasury's Office of Inspector General (Treasury OIG) was conducting an investigation of similar allegations from whistleblowers. Because of concerns about the quality of OFR's information and the fact that the Treasury OIG was conducting an investigation, GAO decided to terminate the engagement consistent with GAO protocols and practices. However, GAO agreed with Committee staff that, following the completion of the Treasury OIG's investigation, GAO would be in a better position to initiate a new review of OFR.

Chairman Wagner, Ranking Member Green, and Members of the Subcommittee:

I am pleased to submit this statement on our access to information at the Office of Financial Research (OFR), within the Department of the Treasury, and the reasons for our termination of a recent review of OFR. My statement will provide information on our audit standards and protocols regarding our access to agency information, the information access issues we encountered at OFR, and our concerns about the quality of OFR's information and the factors that led to our decision to terminate our review.

As you know, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established OFR to serve the Financial Stability Oversight Council (FSOC) and its member agencies by improving the quality, transparency, and accessibility of financial data and information, conducting and sponsoring research related to financial stability, and promoting best practices in risk management. Since OFR was created, we have analyzed various aspects of the agency's operations as part of our body of work related to financial markets, such as the agency's early efforts to establish management structures to carry out its mission and its role in monitoring systemic risk to financial stability.¹

In September 2014, the House Committee on Financial Services requested that we review OFR to assess, among other things, the agency's usefulness to regulators and Congress in assessing financial risk and setting regulatory policy and any delays or set-backs in its major undertakings and the reasons for them. This request was the first time we had been asked to focus solely on OFR. In response to that request, we initiated a review of OFR in January 2015.

As detailed in the remainder of my statement, during the course of this review we encountered substantial delays in obtaining access to information, and the information we were provided was often of limited value. While we had made a commitment to the Chairman to complete

¹GAO, *Financial Stability: New Council and Research Office Should Strengthen the Accountability and Transparency of Their Decisions*, GAO-12-886 (Washington, D.C.: Sept. 11, 2012) and *Financial Regulation: Complex and Fragmented Structure Could Be Streamlined to Improve Effectiveness*, GAO-16-175 (Washington, D.C.: Feb. 25, 2016).

our work and issue a product by November 17, 2015, these delays prolonged the engagement until June 2016. As we informed your staff, we also spoke with a whistleblower who alleged, among other things, that OFR had manipulated the information it provided to us. We subsequently learned that the Department of the Treasury's Office of Inspector General (Treasury OIG) was conducting an investigation into similar allegations from whistleblowers. Because the whistleblowers' allegations raised concerns about the reliability of the information OFR had provided to us, and because the Treasury OIG was conducting an investigation into the same or similar allegations, we decided to terminate the engagement consistent with GAO protocols and practice. However, we agreed with committee staff that, following the completion of the Treasury OIG's investigation, we would be in a better position to initiate a new engagement. This statement was prepared in accordance with those sections of GAO's Quality Assurance Framework that were relevant to our objectives.

GAO Conducts Audits and Evaluations in Compliance with Auditing Standards and Has Broad Authority to Access Information

GAO has broad statutory authority under title 31 of the United States Code to audit and evaluate agency transactions, programs, and activities. To carry out these audit and evaluation authorities, we have a broad statutory right of access to agency records. Using the authority granted under title 31, we perform a range of work to support Congress, including the following:

- Evaluations of federal programs, policies, operations, and performance.
- Management and financial audits to determine whether public funds are being spent efficiently, effectively, and in accordance with applicable laws.
- Investigations to assess whether illegal or improper activities may have occurred.
- Engagements in which we work proactively with agencies, when appropriate, to help guide their efforts toward transformation and achieving positive results.

We carry out our audit and analytical work in accordance with generally accepted government auditing standards.² Our analysts and financial auditors are responsible for planning, conducting, and reporting their work in a timely manner without internal or external impairments. These standards and responsibilities require that analysts and financial auditors promptly obtain sufficient and relevant evidence to provide a reasonable basis for any related findings and conclusions. Therefore, prompt access to all records and other relevant information is needed for the effective and efficient performance of our work.

Our work involves different collection approaches to meet the evidence requirements of generally accepted government auditing standards. Such evidence falls into four categories:

- physical (the results of direct inspection or observation);
- documentary (information created by and for an agency, such as letters, memorandums, contracts, management and accounting records, and other documents in various formats, including electronic databases);
- testimonial (the results of face-to-face, telephone, or written inquiries, interviews, and questionnaires); and
- analytical (developed by or for GAO through computations, data comparisons, and other analyses).

We have promulgated protocols describing how we will interact with the agencies we audit.³ We expect that agencies will promptly comply with our requests for all categories of needed information. We also expect that we will receive full and timely access to agency officials who have stewardship over the requested records; to agency employees responsible for the programs, issues, events, operations, and other factors covered by such records; and to contractor personnel supporting such programs, issues, events, and operations. In addition, we expect that we will have timely access to an agency's facilities and other relevant locations while trying to minimize interruptions to an agency's operations when conducting work related to requests for information.

²GAO, *Government Auditing Standards, 2011 Revision*, [GAO-12-331G](#) (Washington, D.C.: December 2011).

³GAO, *GAO's Agency Protocols*, [GAO-05-35G](#) (Washington, D.C.: Oct. 21, 2004).

Access Issues with OFR Included Difficulties with Scheduling Meetings and Obtaining Documents

During the course of our review of OFR, we experienced repeated problems with gaining access to both people and documents. Many meetings with OFR officials took months to schedule, some were canceled with short notice, and requests for documentation and other information were delayed. We had to make repeated attempts to obtain required documentation and to schedule interviews with agency officials. These attempts included frequent follow-up emails and phone calls, the imposition of deadlines for document delivery that were either not complied with or resulted in production of some but not all required documents, and a discussion between GAO counsel and the Chief Counsel of OFR regarding the agency's continuing delays. Despite these extensive efforts, we experienced significant delays that prevented us from completing our audit work within originally planned time frames. Examples include the following:

- **OFR delayed and canceled meetings:** We first emailed the OFR liaison to request an entrance conference—a meeting between GAO and the agency under review that marks the beginning of an engagement—on February 6, 2015. OFR officials agreed to meet with us in person on March 10, in part to accommodate our plans to bring field staff to Washington, D.C. We sent numerous emails to the OFR liaison attempting to confirm the meeting logistics and attendees but did not receive a response. On March 4, we provided OFR with a set of questions to guide the entrance discussion. However, on March 9—one day before we were scheduled to meet—the OFR liaison emailed to cancel the meeting. Although we provided several options for meeting with agency officials, we were unable to hold the entrance conference with OFR until April 8, more than 2 months after our first meeting request.

In another example, we requested a follow-up interview with OFR officials on June 30, 2015, to discuss OFR's (1) statutory mandate and how the agency planned projects to meet it and (2) functional issues, such as how the agency manages data collection and data sharing efforts among federal financial agencies. However, OFR did not acknowledge receipt of our meeting request until July 27—almost a month after our initial request. Further, the agency proposed delaying our requested meeting for another month—specifically, until

August 26. We expressed disappointment at the lengthy time frames and described the impact they could have on our work, but again, on August 25—one day before we were scheduled for an in-person meeting—the OFR liaison emailed to cancel the meeting.

- **OFR repeatedly delayed fulfillment of document requests:** On May 11, 2015, we requested copies of several documents that OFR described during the April 8 entrance conference. On May 20, the OFR liaison emailed to let us know that officials were discussing our request and said she would soon let us know when we could expect the documents. A week later the liaison notified us that OFR would fulfill the document request in two parts: one by June 5 and the second by June 12. We followed up with the liaison on numerous occasions before receiving all documents in the original request on June 19—5 weeks after our May 11 request. In another example, after meeting with OFR officials who could not respond to questions that had been sent in advance, we made a formal request on October 16, 2015, that OFR respond to the questions in writing. We also requested that OFR provide additional documents detailing, for example, OFR's performance measures and project management policies and practices. We made several follow-up attempts by email and phone before receiving the documents 2 months later (December 14, 2015) and written responses almost 4 months later (February 3, 2016).

In addition to these difficulties with scheduling meetings and obtaining documents, officials we met with were frequently unable to answer our questions. In some cases, OFR officials in the best position to answer our questions were unable to provide answers or would direct us to ask others in the agency, who also told us they were not able to answer. For example, on September 11, 2015 we met with OFR's Acting Deputy Director of Research and its Chief Data Officer and were able to learn about the agency's data collection and data sharing efforts. However, although we provided OFR with an agenda nearly 2 months in advance, both officials were unable to respond to agenda items covering how certain aspects of OFR's strategic plan and performance measures relate to its data collection and data sharing functions, which are statutorily mandated.⁴ Instead, we were told that the questions should be posed to OFR's Chief Operating Officer. We met with OFR's Chief Operating

⁴ The Dodd Frank Act requires OFR to set up a data center and a research and analysis center to, among other things, collect and provide data to FSOC and its member agencies, perform applied and essential long-term research, and develop tools for risk measurement and monitoring.

Officer on September 30 and posed the same questions; however, we were told that they were best answered by the Acting Deputy Director of Research and the Chief Data Officer.

Agency officials gave several explanations for their delays, including that the required parties were very busy or traveling, that they did not receive an email (despite our logs showing that the emails were transmitted), that particular months were busy at the agency, and that they did not fully understand our requests. We continued to pursue our information requests, analyze the information we obtained from OFR, and moved forward with our efforts to respond to the Committee's request. However, as a result of OFR's repeated delays, we were unable to issue a report by November 2015, as committed to the Chairman, and ultimately were still conducting audit work in June 2016.

Whistleblower Allegations and a Separate Investigation Led GAO to Terminate Its Review of OFR

In June 2016—during the course of our audit work—GAO's then Managing Director of Financial Markets and Community Investment was contacted by an anonymous whistleblower. The person stated that they worked at OFR and alleged, among other things, that OFR had manipulated certain information provided to us and misled us during interviews. In an effort to corroborate the whistleblower's allegations, we reached out to officials at the Treasury OIG, who told us that they too, were conducting an investigation into OFR's activities. They advised us that they had also been approached by whistleblowers with similar allegations. As we have discussed previously with Committee staff, the whistleblower allegations we and the Treasury OIG received raised serious questions about the reliability of some of the information we had obtained from OFR. Because of these concerns and because the Treasury OIG was conducting an ongoing investigation into the same or similar allegations, we decided to terminate the engagement in July 2016 consistent with our protocols and practice. However, we agreed with Committee staff that, following the completion of the Treasury OIG's investigation, we would be in a better position to initiate a new engagement.

Chairman Wagner, Ranking Member Green, and members of the subcommittee, this concludes my statement for the record.

For further information about this statement, please contact Lawrence L. Evans, Jr., Managing Director, Financial Markets and Community Investment, at (202) 512-8678 or evansl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff that made key contributions to this testimony are Kay Kuhlman (Assistant Director), Tiffani Humble (Analyst in Charge), Robert Lowthian, Jessica Sandler, and Jennifer Schwartz.

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