

STATEMENT OF  
PEGGY E. GUSTAFSON  
OF MARYLAND, TO BE  
INSPECTOR GENERAL, DEPARTMENT OF COMMERCE

BEFORE THE  
COMMITTEE ON COMMERCE, SCIENCE, & TRANSPORTATION  
U.S. SENATE

MAY 10, 2016

Chairman Thune, Ranking Member Nelson, and Members of the Committee. It is an honor to be here today and to be under consideration to serve as Inspector General of the Department of Commerce.

I believe public service is a noble profession and it has been a privilege to serve as the Inspector General of the U.S. Small Business Administration (SBA) since October 2009. I am very excited about this new opportunity to serve at the Department of Commerce, which works to promote job creation, economic growth, sustainable development, and improved standards of living for Americans. I would like to take the next few minutes to introduce myself to you, and to explain why I believe my career in public service and tenure as SBA Inspector General has prepared me to take on the role of Inspector General at the Department of Commerce. But first, I would like to express my appreciation to this Committee for considering my nomination expeditiously. I also want to thank my husband, Doug Micheel, and my children, Patrick and Amy, for their love and their support, especially at this time as I seek the Committee's approval for becoming Inspector General at the Department of Commerce. If I may, I also want to thank my family for their continued support, especially those who are here with me today: my sister, Kelly, and her husband, John.

I was born and raised in Chicago, on the near north side. My family has a long history in law enforcement. My father was a sergeant in the Chicago Police Department and my sisters both continue to serve in law enforcement, with my older sister as a sergeant with the Chicago Police Department and my younger sister Jennifer as a Lieutenant in the Cook County Sheriff's Department. I attended Chicago public schools from kindergarten through high school and then had the privilege of attending Grinnell College in Iowa, receiving my bachelor's in political science in 1989, and Northwestern University in Chicago, where I earned my law degree. After law school I moved to Missouri and began my legal career as a judicial clerk for the Honorable Don Kennedy at the Missouri Court of Appeals in Kansas City.

From there, I spent six years in government serving the people of Jackson County, Missouri. First, I was an Assistant County Counselor, representing the county in civil litigation, including the defense of federal lawsuits filed by jail inmates, personal injury suits filed by persons alleging they were injured on county property, and representing the county in personnel actions. I then worked as an assistant county prosecutor, handling all stages of criminal prosecution for a

wide variety of cases, from drug cases to arson to white collar crime to murder. I also represented the county in cases when we sought to remove public officials from office for violations of conflict-of-interest and nepotism laws.

In 1999, I was asked to serve as General Counsel for the Missouri State Auditor. In this capacity, I handled many oversight responsibilities for state-level auditing activities. In addition to the traditional duties of a general counsel, such as advising the auditor and her staff on legal questions arising in the course of audits, I was an integral part of the management team of the office. I became very familiar with the “yellow book,” the government auditing standards promulgated by the Government Accountability Office, as well as the appropriate scope of the Auditor’s constitutional and statutory duties. I also became skilled at ensuring the auditors were provided access to the records necessary for them to perform their audits and report on any issues of waste, fraud or abuse of the taxpayers’ money.

After eight years in the auditor’s office, I was provided with the opportunity to serve as General Counsel in the office of Senator Claire McCaskill. In this capacity, I assisted the Senator in areas related to government oversight and federal financial management as well as on issues related to the Judiciary, Rules and Ethics Committees. It is in this role that I had an opportunity to become very familiar with the federal Inspector General community, most notably through my work as one of the key staffers who worked on the Inspector General Reform Act of 2008. I also worked extensively on the legislation which gave expanded authority and powers to the Special Inspector General for the Troubled Asset Relief Program. I would be remiss if I did not express my appreciation to my former boss, Senator McCaskill, for these opportunities.

In March 2009, the President nominated me to serve as the SBA Inspector General, and, following confirmation of my nomination by the U.S. Senate, I was sworn in on October 2, 2009. I am humbled to have been nominated a second time by the President. As Inspector General, I seized this opportunity to promote integrity and efficiency within the SBA, and I also have strived to make a positive impact within the Inspector General Community.

SBA was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation. The President elevated SBA to his Cabinet in 2012. Though the Department of Commerce is much more expansive in size and mission, SBA parallels some of its activities focusing on building America’s future and helping the United States compete in today’s global marketplace by providing assistance to small businesses across the nation through credit, contracting, and counseling programs. The SBA helps Americans start, build, and grow businesses. Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services to people throughout the United States, Puerto Rico, the U. S. Virgin Islands, and Guam.

With 12 bureaus and nearly 47,000 employees located in all 50 states and territories and more than 86 countries worldwide, the Department of Commerce is substantially more diverse in its critical programs that touch the lives of every American. However, in the realm of the Office of Inspector General, the mission and focus is the same—to promote economy, efficiency, and

effectiveness in the administration of, and to prevent and detect fraud and abuse in, such programs and operations of the establishment.

Since 2009, I have led an investigative and audit staff of approximately 100, and my office has provided effective oversight of SBA's programs, encompassing more than \$100 billion in guaranteed loans and nearly \$100 billion in Federal contracting dollars. In this time, we have averaged over an eight-fold return-on-investment to the taxpayer relative to our office budget and have issued 136 reports containing 747 recommendations for corrective action. We have promoted the suspension and debarment process within the SBA and have balanced the focus of our investigative resources to combat fraud in both the credit and the contracting programs.

Early in my tenure, I recognized the importance of an Office of Inspector General's Hotline operation. Not only does the Hotline provide a means for the public to report fraud, waste, and abuse, but it is also a lifeline to whistleblowers. At SBA Office of Inspector General, I've made the Hotline the heart of operations, serving as a principal tool in promoting the integrity, efficiency, and effectiveness of SBA programs. The Hotline receives and processes reports of fraud, waste, abuse, mismanagement, or misconduct involving SBA programs or employees—approximately 700 annually involving millions of dollars of Federal funds. I have worked with the Congress to direct additional resources toward our Hotline, and I have taken a number of actions to enhance its functionality. We elevated the Hotline to be under the purview of the Chief of Staff and implemented a comprehensive Hotline policy, which balanced the information needs of complainants with the operational needs of the office. Importantly, this policy has enhanced privacy protections for complainants and other interested persons. I also integrated our Hotline across multiple platforms, including the public website, a complaint tracking system, and an Integrated Voice Response system for telephone callers. If confirmed, I will ensure an effective and secure Hotline operation is available to those wanting to report fraud, waste, or abuse to the Department of Commerce Office of Inspector General. I also will ensure these complaints are processed in an efficient manner.

As noted, I have worked with the Congress to secure necessary resources to provide effective oversight over SBA programs and operations. I strive to keep the Congress and the Administrator fully and currently informed, dedicating a member of my immediate staff to communicate with the Congress. In these communications, my office has demonstrated fiscal responsibility and long term savings, which has resulted in an approximate 22 percent increase in budget authority from the beginning of my tenure to the present. We've increased investigative capacity while simultaneously pursuing reduced cost for full time equivalent positions. Specifically, we are utilizing unsworn law enforcement personnel to support the investigative efforts of our criminal investigators. Such personnel have significantly reduced costs to that of criminal investigators and have increased the investigative capacity of our traditional law enforcement resources.

I recognize technology acquisition and development pose significant challenges to Federal agencies. At SBA, I focused resources against such challenges, and one technology initiative is particularly noteworthy for being over budget and delayed in its delivery. I fully understand the critical role that Offices of Inspectors General have in overseeing such projects and the positive results that recommendations for corrective action can achieve. I am proud of my office's part in

ensuring taxpayer money was not squandered as SBA upgraded its Loan Management and Accounting System (LMAS), a project that was subject to significant Congressional scrutiny and vital to SBA operations. If confirmed, I am poised to provide leadership to ensure similar projects at the Department of Commerce receive scrutiny by the Office of Inspector General.

As SBA Inspector General, I have actively participated as a member and a leader on the Council of the Inspectors General on Integrity and Efficiency, otherwise known as CIGIE. I was elected by my peers to serve two consecutive terms as the Chair of CIGIE's Legislation Committee, and as such, served as a member of CIGIE's Executive Council for five years. In this leadership capacity, I endeavored to keep the Congress informed of the matters of most pressing interest to the Inspector General Community. I testified on several occasions on behalf of CIGIE, whereby legislative priorities to promote independence and to facilitate effective oversight were championed. I've also led several cross-cutting projects within CIGIE resulting in products, including CIGIE's Congressional Relations Handbook and a Program Fraud Civil Remedies Act Practitioners Guide.

I am proud of the reputation I have earned in the course of my career in public service, particularly as an Inspector General. I bring to each new position a strong commitment to earning and keeping the public trust, and to using taxpayer dollars wisely. At the same time, my teams have consistently been cited for being reasonable, fair, and honest with our stakeholders. I have always pushed those who work for, and with, me to go the extra mile when I feel that it is important to press harder and get to the root of a problem. Additionally, I believe that those of us in positions of oversight must demand of themselves the highest level of ethical activity, serving as a role model for all of those with whom we interact.

I believe my leadership abilities and style have had a positive impact at the SBA, and if confirmed, I believe I can create a culture of ownership and pride for those who work in the Office of Inspector General. With my executive team, I will ensure workplace policies are up-to-date and implement new policies where gaps may exist. Ensuring effective policies and procedures are in place and holding personnel accountable to the same standard is the foundation to a workplace that is considered fair and equitable. Though policies and procedures can be reviewed and implemented in reasonable time frames, the ensuing culture change begins to take root when the trust of staff is earned. I have led through changes of leadership at the SBA and also through changes of my own executive staff. If confirmed, I intend to be a steady hand during the change in Administration and also commit to providing steady, independent leadership within the Office of Inspector General.

Finally, if confirmed, I will focus resources on the areas of highest risk to the Department and also against areas identified as top management challenges. I also will make it a priority to maintain a good working relationship with this Committee, Congress as a whole, the Secretary, and others - but I also intend to exercise complete independence in regards to choosing and pursuing audits and investigations. I believe that I have the skills, knowledge, judgment, demeanor, and overall track record to serve as the Inspector General of the Department of Commerce.

Thank you for your consideration, and I look forward to your questions.