

Congress of the United States
Washington, DC 20515

June 29, 2021

The Honorable Thomas W. Harker
Acting Secretary of the Navy
1000 Navy Pentagon
Washington, D.C. 20350

Dear Acting Secretary Harker:

We write to express our grave concerns about the Navy's ongoing efforts to dramatically reduce the size and budget of the Naval Audit Service (NAS), particularly in light of the fact that the Navy failed to consult adequately with Congress or fully consider the ramifications of these cuts. Unfortunately, the Navy is causing irreversible damage to the ability of NAS to protect taxpayer funds through oversight.

NAS's budget is a tiny fraction of the Navy's overall expenditures. Between fiscal years 2015 and 2020, NAS had an average annual budget of \$45 million—less than 0.0003% of the Navy's overall \$207.9 billion budget for fiscal year 2021.¹

According to public reports and the Navy's fiscal year 2022 budget request, the Navy intends to reduce the NAS budget over the next two fiscal years by about 70% and downsize its personnel strength from about 290 people to just 85.² After these cuts, the NAS workforce would be less than a quarter of the size of other military services' audit agencies. We understand that the Navy is encouraging NAS employees to retire early or risk being reassigned to alternative positions, which has resulted in the resignation of approximately 75 NAS personnel this fiscal year alone.

You have previously stated that the Navy's rationale for downsizing NAS was its concern "about the size and cost of organizations that perform a variety of overlapping audits, inspections, and investigations," such as those conducted by NAS, the Department of Defense (DOD) Office of Inspector General, and the Naval Criminal Investigative Service.³

¹ Department of the Navy, Naval Audit Service, *Fiscal Year 2020 Annual Report* (Nov. 9, 2020) (online at <https://assets.documentcloud.org/documents/20526520/navaud-annual-report-2020.pdf>); Department of the Navy, *DON Budget Card* (May 2021) (online at www.secnav.navy.mil/fmc/fmb/Documents/22pres/DON_Budget_Card.pdf).

² *Navy Looking to Slash the Budget of Its Internal Oversight Office*, Navy Times (Feb. 23, 2021) (online at www.navytimes.com/news/your-navy/2021/02/23/navy-looking-to-slash-the-budget-of-its-internal-oversight-office/); *The Navy Wants to Throw Its Internal Auditor Overboard*, Project on Government Oversight (Mar. 31, 2021) (online at www.pogo.org/investigation/2021/03/the-navy-wants-to-throw-its-internal-auditor-overboard/); Department of the Navy, *Fiscal Year (FY) 2022 Budget Estimates: Operation and Maintenance* (May 2021) (online at www.secnav.navy.mil/fmc/fmb/Documents/22pres/OMN_Book.pdf).

³ Letter from Acting Secretary Thomas W. Harker, Department of the Navy, to Rep. Elaine G. Luria (Mar. 22, 2021).

We have serious reservations about your stated justification for pursuing these cuts, as well as the Navy's apparent failure to examine whether downsizing NAS will do lasting harm to the Navy's ability to conduct effective oversight of its expenditures and operations. This oversight capability is especially critical considering the possible expansion of the fleet and the Navy's history with failed acquisitions and major cost overruns.

The Navy's cuts to NAS are apparently not informed by a complete and thorough DOD analysis. In late 2020, DOD sponsored a study "to identify potential opportunities to streamline processes" across its audit, investigation, inspection, and oversight agencies. However, in a June 2021 information paper provided to several of our offices, the Navy conceded that the DOD study is not expected to be complete until September 2021.⁴

The same information paper cited the recommendations of an entity known internally as the "Reform Oversight Council," which reportedly recommended "that NAS right-sizing was appropriate based on its planned audits, historical workloads of completed audits, and the assessing and realigning of resources to meet DON [Department of the Navy] oversight requirements."⁵ However, the Navy has not produced the Council's underlying analyses or findings to our Committees, despite several requests since February 2021 for information related to the Navy's proposed cuts to NAS.⁶

We are also concerned that the Navy has not been transparent with Congress about its ongoing reductions to NAS. During your June 15 testimony before the Committee on Armed Services, you stated, "We are not eliminating any of the jobs or getting rid of those people, we're simply moving them to other elements within our oversight organizations."⁷ The June 2021 information paper provided to our Committees similarly stated that the Navy "intends to retain its [the NAS's] talented workforce and redirect the skillset to support enterprise-wide oversight and audit remediation efforts, where possible."⁸

However, in a memorandum to NAS dated less than a month earlier, Acting Assistant Secretary of the Navy for Manpower and Reserve Affairs Catherine Kessmeier wrote to NAS personnel that those affected by the Navy's efforts to downsize NAS would be matched "against all DON vacancies, for which they were qualified"—not just to positions at other oversight entities as you asserted in your June testimony.⁹ We have also obtained information to suggest

⁴ Department of the Navy, *Audit Oversight, Monitoring, and Remediation* (June 2021).

⁵ *Id.*

⁶ See, e.g., Letter from Acting Secretary Thomas W. Harker, Department of the Navy, to Rep. Elaine G. Luria (Mar. 22, 2021); Letter from Chairman Stephen F. Lynch, Subcommittee on National Security, Committee on Oversight and Reform, et. al., to Acting Secretary Thomas W. Harker, Department of the Navy (May 27, 2021) (online at <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/2021-05-27.SFL%20et%20al.%20to%20Harker-Navy%20re%20NAS%20Budget%20Reduction.pdf>).

⁷ House Armed Services Committee, *Hearing on Department of the Navy Fiscal Year 2022 Budget Request* (June 15, 2021) (online at <https://armedservices.house.gov/hearings?ID=A0C361D6-51C0-48A2-95E7-269B80E69D83>).

⁸ Department of the Navy, *Audit Oversight, Monitoring, and Remediation* (June 2021).

⁹ Memorandum from Acting Assistant Secretary of the Navy for Manpower and Reserve Affairs Catherine Kessmeier to Naval Audit Services Employees, *Implementation of a Civilian Placement Process* (May 18, 2021).

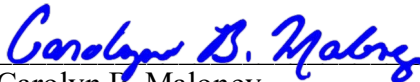
that NAS personnel have been provided with a list of Navy entities to which they could be reassigned—including several offices that do not perform oversight functions, in contravention of your June 15 testimony.

The Navy's hasty attempts to downsize NAS have already resulted in the exodus of dozens of talented and experienced oversight professionals, which will likely have lasting and damaging impacts on the agency's ability to do its critical audit and investigations work. As the Committees of jurisdiction for the Department of Defense and the responsible stewardship of U.S. taxpayer dollars, we urge you to immediately suspend all ongoing and proposed future NAS staffing and funding reductions, pending additional consultation with Congress.


Please provide confirmation by July 6, 2021, that the Navy will suspend these reductions. In addition, please produce the documents responsive to the May 27, 2021, letter from Chairman Lynch, Congresswoman Luria, Congressman Peters, and Congresswoman Jacobs by July 13, 2021.¹⁰

If you have any questions regarding this request, please contact Committee on Oversight and Reform staff at (202) 225-5051, Committee on Armed Services staff at (202) 225-4151, or Committee on Appropriations staff at (202) 225-2771.

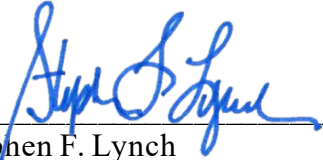
Sincerely,




Carolyn B. Maloney
Chairwoman
Committee on Oversight and Reform



Adam Smith
Chairman
Committee on Armed Services

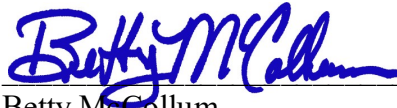


Stephen F. Lynch
Chairman
Subcommittee on National Security
Committee on Oversight and Reform



John Garamendi
Chairman
Subcommittee on Readiness
Committee on Armed Services

¹⁰ Letter from Chairman Stephen F. Lynch, Subcommittee on National Security, Committee on Oversight and Reform, et. al., to Acting Secretary Thomas W. Harker, Department of the Navy (May 27, 2021) (online at <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/2021-05-27.SFL%20et%20al.%20to%20Harker-Navy%20re%20NAS%20Budget%20Reduction.pdf>).



Betty McCollum
Chair
Subcommittee on Defense
Committee on Appropriations



Elaine G. Luria
Member of Congress



Sara Jacobs
Member of Congress



Scott Peters
Member of Congress



Jackie Speier
Member of Congress

Enclosure

cc: The Honorable James Comer, Ranking Member
Committee on Oversight and Reform

The Honorable Mike Rogers, Ranking Member
Committee on Armed Services

The Honorable Glenn Grothman, Ranking Member
Subcommittee on National Security
Committee on Oversight and Reform

The Honorable Doug Lamborn, Ranking Member
Subcommittee on Readiness
Committee on Armed Services

The Honorable Ken Calvert, Ranking Member
Subcommittee on Defense
Committee on Appropriations

Responding to Committees' Document Requests

1. In complying with this request, produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. Produce all documents that you have a legal right to obtain, that you have a right to copy, or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party.
2. Requested documents, and all documents reasonably related to the requested documents, should not be destroyed, altered, removed, transferred, or otherwise made inaccessible to the Committees.
3. In the event that any entity, organization, or individual denoted in this request is or has been known by any name other than that herein denoted, including alternate spellings or transliterations of any names, the request shall be read also to include that alternative identification.
4. The Committees' preference is to receive documents in electronic form (i.e., CD, memory stick, thumb drive, or secure file transfer) in lieu of paper productions.
5. Documents produced in electronic format should be organized, identified, and indexed electronically.
6. Electronic document productions should be prepared according to the following standards:
 - a. The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - b. Document numbers in the load file should match document Bates numbers and TIF file names.
 - c. If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - d. All electronic documents produced to the Committees should include the following fields of metadata specific to each document, and no modifications should be made to the original metadata:

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH, PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE, SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM, CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE, DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,

INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION,
BEGATTACH.

7. Documents produced to the Committees should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, zip file, box, or folder is produced, each should contain an index describing its contents.
8. Documents produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.
9. When you produce documents, you should identify the paragraph(s) or request(s) in the Committees' letter to which the documents respond.
10. The fact that any other person or entity also possesses non-identical or identical copies of the same documents shall not be a basis to withhold any information.
11. The pendency of or potential for litigation shall not be a basis to withhold any information.
12. In accordance with 5 U.S.C. § 552(d), the Freedom of Information Act (FOIA) and any statutory exemptions to FOIA shall not be a basis for withholding any information.
13. Pursuant to 5 U.S.C. § 552a(b)(9), the Privacy Act shall not be a basis for withholding information.
14. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
15. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) every privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author, addressee, and any other recipient(s); (e) the relationship of the author and addressee to each other; and (f) the basis for the privilege(s) asserted.
16. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (by date, author, subject, and recipients), and explain the circumstances under which the document ceased to be in your possession, custody, or control.
17. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, produce all documents that would be responsive as if the date or other descriptive detail were correct.

18. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data, or information not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.
19. All documents shall be Bates-stamped sequentially and produced sequentially.
21. Upon completion of the production, submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control that reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committees.

Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, data, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone call, meeting or other inter-office or intra-office communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape, or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, mail, releases, electronic message including email (desktop or mobile device), text message, instant message, MMS or SMS message, message application, or otherwise.

3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information that might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neutral genders.
4. The term “including” shall be construed broadly to mean “including, but not limited to.”
5. The term “Company” means the named legal entity as well as any units, firms, partnerships, associations, corporations, limited liability companies, trusts, subsidiaries, affiliates, divisions, departments, branches, joint ventures, proprietorships, syndicates, or other legal, business or government entities over which the named legal entity exercises control or in which the named entity has any ownership whatsoever.
6. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual’s complete name and title; (b) the individual’s business or personal address and phone number; and (c) any and all known aliases.
7. The terms “relating to” and “referring or relating to,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is pertinent to that subject in any manner whatsoever.
8. The term “involving”, with respect to any given subject, means sending, receiving, or being copied (CC or BCC), or being the subject matter on any documents or communications described in the request.
9. The term “employee” means any past or present agent, borrowed employee, casual employee, consultant, contractor, de facto employee, detailee, fellow, independent contractor, intern, joint adventurer, loaned employee, officer, part-time employee, permanent employee, provisional employee, special government employee, subcontractor, or any other type of service provider.
10. The term “individual” means all natural persons and all persons or entities acting on their behalf.