

**STATEMENT OF THE INSPECTOR GENERAL-DESIGNATE
HOWARD J. KRONGARD
BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE**

Mr. Chairman and Members of the Committee:

I am honored to appear before you today as President Bush's nominee to be the Inspector General of the U. S. Department of State and the Broadcasting Board of Governors. I am very grateful to the President for his confidence in nominating me for this important position and for Secretary Rice's support. If confirmed, I look forward to working closely with members of the Committee, your staffs, and other Members of Congress to carry out the responsibilities of the Department's and the Board's Inspector General.

For a long time, I have aspired to do public service in this City, and I do have Washington blood in me. My Mother, Rita, who is looking toward her 94th birthday and is here today, was raised in Washington, not too far from where we sit today. She graduated from Business High School, took the Civil Service Exam, but then married my Father and moved to Baltimore where she has spent the past 70 + years. While I am at it, I would also like to introduce my son, Ken. Some of you may recall fondly Army General/Representative/Senator/Judge/Ambassador Kenneth Keating of New York. As Judge Keating on New York's highest court, I was his first

legal assistant and he was an early mentor and constant inspiration to me.

My son Ken is named after Ken Keating.

Mr. Chairman and members, it's quite clear to me that the Inspector General must provide the Secretary of State and Board, other Department principals, and the Congress with high quality, independent, and objective assessments of international programs and operations that are both relevant and timely. This is accomplished through audits, inspections, and investigations that are both cyclical and on an as-required basis.

The tragic events of September 11, 2001, have highlighted the importance of traditional and public diplomacy and the critical missions of the Department and the Broadcasting Board of Governors for creating more secure, democratic, and prosperous work for the benefit of the American people and the international community. In light of the significant international challenges that our nation is facing at this time, it is essential that the Department's and Board's programs and operations be as effective, efficient, and economical as possible. If confirmed, my mission as the Inspector General will be to pursue and work with the Department and Broadcasting Board of Governors to prevent, and where necessary, identify instances of waste, fraud, and mismanagement, wherever found.

Let me share with you some details of my professional career.

Although I have spent over 35 years in the private sector, I have never worked for a corporation. My time has been spent solely with professional partnerships - two major public accounting firms and two major law firms. I have nothing against corporations. However, I do believe that in structure and conduct, professional partnerships more closely resemble government than do private corporations. In particular, I would come to the Inspector General position with experience in the somewhat distinct tripartite reporting responsibility reserved for an Inspector General. In over 23 years as Counsel to Big 8 and Big 6 accounting firms, principally as General Counsel of Deloitte & Touche, I had a duty of loyalty and a reporting responsibility to the CEO. However, if there were something amiss or something that troubled me, I also had a duty of independence to report it to the Board of Directors. Similarly, there were direct assignments or requests from the Board as to which I would report to them. In addition, the owners of the business were not anonymous shareholders; they were my partners, people that I knew directly and to whom I owed a duty. I reported periodically to them as well regarding the legal affairs of the firm, and if things were not going right and were not being resolved, I independently advised them.

This experience is not unlike that which I would face, if confirmed, at the Department of State. I will have a duty of loyalty and to report directly to Secretary Rice, a person for whom I have the utmost respect and admiration. Nevertheless, I fully understand that the Inspector General was statutorily created and if I become aware of irregularity or wrongdoing, I have an independent duty to report to Congress. In addition, there will likely be specific requests or assignments from Congressional bodies as to which I will report directly to this and other Committees or chambers. And finally, the owners of Government are the citizens and taxpayers. I recognize my duty to them and the possibility that events could lead me to report to them.

In short, I think I understand the tripartite nature of the reporting responsibilities of an Inspector General and the need to deliver hard messages that hold people accountable for their actions. I commit to you to discharge those responsibilities to the very best of my abilities.

Since my retirement as General Counsel of Deloitte & Touche in 1996, I have served as Of Counsel to the international law firm of Freshfields Bruckhaus Deringer, a firm with 2,500 attorneys based in 28 offices worldwide. My principal responsibilities are to develop and oversee the firm's relationships with U.S. clients that it serves in Europe and Asia. I am also a member of the firm's China Practice Group.

I also have been a Public Governor of the Pacific Exchange, which acts as a self-regulatory organization for the Pacific Exchange and the Archipelago Exchange, the world's largest fully electronic stock exchange, and now that the Pacific Exchange has demutualized, I am also a Director of the parent company, PCX Holdings. Also, I am a member of both Audit Committees and the Regulatory Oversight Committee, a member of the Board of Directors of PCX Equities, Inc. and its Business Conduct Committee. I also serve as a member of the Board of Directors of the National Legal Center for the Public Interest in Washington, D.C., which was created in 1975 and is committed to fostering knowledge about law and the administration of justice. In 2003-2004, I served as a member of the Council on Foreign Relations Task Force on Non-Lethal Weapons.

Prior to my retirement in 1996, I was the General Counsel and a member of Deloitte Haskins & Sells and, following its combination with Touche Ross, General Counsel and member of the new firm, Deloitte & Touche. My responsibilities included active supervision of a large portfolio of litigation, setting strategy and conducting settlement negotiations in all major cases.

I supervised all legal aspects of the combination of Deloitte Haskins & Sells and Touche Ross -- which at that time was the second largest merger

of professional services firms ever done -- including negotiations, document preparation, regulatory and antitrust compliance, as well as international, insurance and intellectual property aspects in the formation and governance of the new firm. I administered a forty-person legal department, and I represented the Firm, its partners and employees in investigations, standard-setting and other interactions with the Securities and Exchange Commission, the Internal Revenue Service, the American Institute of Certified Public Accountants, and numerous other federal and state, public and private regulatory, professional and law enforcement entities.

During my service at the Firm, my duties included providing legal advice to over 100 U.S. offices and some 15,000 professionals in the performance of their services, providing advice and representation on all legal matters affecting a multi-billion dollar professional partnership, and advising and consulting on all aspects of the Firm's business as a regular or ex-officio member of its Board of Directors and its Management Committee and as advisor to its CEO. I believe as I stated before that this experience, in particular, prepared me for the professional objectivity and candor that the role of Inspector General demands and for the tripartite reporting relationship that it entails.

Prior to becoming General Counsel of Deloitte, I was from 1973 to 1986, Associate General Counsel of Peat Marwick Mitchell & Co., another major international accounting firm. Prior to that, I served as a lawyer with Cravath Swaine & Moore in New York City specializing in corporate finance, mergers and acquisitions, and Securities and Exchange Commission matters. From 1970 to 1972, I was resident in the firm's Paris office working on European mergers and financings.

Educationally, I am a product of the public school system in Baltimore, Maryland, and am a graduate of Princeton University and the Harvard Law School. I also attended Trinity Hall College, Cambridge University as a Frank Knox Fellow.

On the personal side, I am a long-time lacrosse player, having been a First Team All-American goalie and inducted into the National Lacrosse Hall of Fame. I am the only lacrosse player in the New York Sports Hall of Fame, and I currently serve as the U.S. representative to the International Lacrosse Federation. I might add that as a goalie, I am accustomed to having things thrown at me at high speed – perhaps another qualification for an Inspector General. I was born and raised in Baltimore, Maryland, am the proud father of two grown children and have resided in Montclair, New Jersey, for over 30 years.

I have had the opportunity to meet with Secretary Rice, Deputy Secretary Zoelick, Chairman Tomlinson, and other principal officials in the Department and Broadcasting Board of Governors. I also met with the senior staff of the Inspector General's office. I am most impressed with the team spirit that exists at State and the commitment to get things accomplished without regard to who gets the credit. I have also been provided with a wealth of information about the organization, mission, and priorities of the Department, the Broadcasting Board of Governors, and the Office of Inspector General. I have learned a lot about this organization and the major issues and challenges that I will face, if confirmed.

As I stated earlier and as you on the Committee know, the Office of Inspector General serves as an independent, objective reviewer and evaluator of operations and activities of the U.S. Department of State and the Broadcasting Board of Governors. The Office reports to the Secretary of State, the Broadcasting Board of Governors, and to the Congress, keeping each fully and promptly informed of significant developments, deficiencies and serious concerns. The Office reports suspected violations of federal criminal law to the Attorney General, working with that office and other law enforcement offices to investigate and prosecute criminal activity. The Office reviews the operation of more than 260 diplomatic and consular posts

worldwide, as well as international broadcasting installations, to determine if the Administration's diplomatic policy goals and objectives are being achieved and if the interests of the United States are being effectively represented. The Office of Inspector General also reviews proposed and enacted legislation and regulations with regard to their impact on the economy and efficiency of Department and Broadcasting Board of Governors operations.

The Office of Inspector General has identified five major management and performance challenges facing the Department on which I will focus, if confirmed. They are (1) the protection and security of the Department's and Board's people and facilities, (2) information and communications security, (3) financial management, (4) human resources, and (5) counterterrorism and border security. In doing so, I will be very aware of the Office's accountability to the Congress.

These are significant responsibilities that, if confirmed, I would take very seriously and would be honored to carry out. As well, it is my hope to develop a close working relationship with this Committee, your colleagues on other relevant committees, and your staffs.

Mr. Chairman, I want to thank you for the opportunity to appear before you today. I am indeed honored to be nominated for this most

important position. If reported favorably by your Committee and ultimately confirmed by the full Senate, I want to assure you that I will work very hard to fulfill all of the responsibilities of the Inspector General.

I would be pleased to answer any questions that you or other Members of the Committee may have.