

The JOURNAL OF PUBLIC INQUIRY

A PUBLICATION OF THE INSPECTORS GENERAL OF THE UNITED STATES

DEREK VANDER SCHAAF, A BEACON OF INTEGRITY AND A SYMBOL OF AGGRESSIVE VIGILANCE

ELAINE DONNELLY

LOCKHEED-EGYPT: An Investigation of Foreign Corrupt Practices Act Violations

Operation Mongoose Matches 'Em and Catches 'Em

Two Aspirins Are No Cure For Medical Fraud Headaches

Not Just Another Day at the Office: The Unique Business of the CIA Inspector General

Inspector General Says CIA Made Mistakes in Guatemala

The Tailhook Scandals

FDIC, Rose Law Firm Faulted By Agency Inspector General

FALL 1996

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The Journal of Public Inquiry is a publication of the Inspectors General of the United States. We are soliciting articles from participating professionals and scholars on topics important to the the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. Articles should be approximately 6 to 12 pages, doublespaced and should be submitted to Ms. Agapi Doulaveris, Assistant to the Editor, Office of the Inspector General, Social Security Administration, 6401 Security Blvd., Suite 300 Baltimore, MD 21235.

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Tribute to Derek Vander Schaaf

by Bill Price, Executive Assistant to the Inspector General, Department of Defense

Tribute from the Department of Defense (DOD) Inspector General (IG) Eleanor Hill was recently paid to Derek Vander Schaaf on the occasion of his retirement. I wanted to include that tribute as part of this Journal edition. The Journal is a fitting location inasmuch as Derek was one of the Journal's most important supporters during the time it moved from an idea to a reality.

I once introduced Derek by saying that I believed he was one of the most important IGs although he had never officially served in that position. He was the long term Deputy of the DOD Office of Inspector General (OIG) and served as Acting IG for long and highly distinguished periods.

Beyond the massive contribution that he made to the DOD OIG, he was an essential member of the IG community. He was a beacon of integrity and a symbol of aggressive vigilance. In a sea of impressible forces of compromise, he was the classic immovable object.

At key moments in my time as an IG I called upon him to help me find the path when I could no longer see it. He was a persistent moral compass for me and many others.

Although he has retired from Federal service and from the IG community, his presence remains as vivid as when we last spoke, and when I last received his help and advice. Maybe the greatest tribute I can pay him is, that although I will miss his regular company, his contribution to the development of myself and many others is complete. His unshakable message has become part of my daily activities and character. On behalf of our entire community, I thank him for that most important legacy.

David C. Williams

Editor

“... **W**e are honoring a man tonight who, in my view, proves beyond any doubt that public service is still an honorable, rewarding, and meaningful profession that can, should and does attract Americans of exceptional character and ability... Derek Vander Schaaf, in nearly every context, has been the heart and soul of this (DoD Inspector General) organization for many, many years.”

With those words of tribute from Ms. Eleanor Hill, the Inspector General, DoD, Derek J. Vander Schaaf, the Deputy Inspector General since December 1981, retired March 3, 1996. The “bark” of one of the Nation’s top “junkyard dogs” was immediately missed. Beginning with his service as a commissioned officer in Germany from 1963 to 1965, Vander Schaaf’s Government career spanned over 30 years. During 1965-1972, he served as a program/budget analyst with the Office of the Secretary of Defense. He went on to serve as a Senior Staff Member for the House Appropriations Defense Subcommittee (1972-1981) and then in the post of Deputy Inspector General.

Being present from the first formative days of the DoD IG, and continuing through its growth and development, he played a key role in shaping the structure, policies and culture of an agency with truly awesome responsibilities.



Derek Vander Schaaf, Deputy Inspector General, Department of Defense, retired March 3, 1996.

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Tribute to Derek Vander Schaaf (continued)

Oversight responsibilities alone encompassed activities of more than 15,000 auditors, criminal investigators and inspectors. Vander Schaaf and the IG organization achieved an extraordinary record of accomplishment in protecting the resources of the DoD from fraudulent and wasteful practices. He and the agency he led helped ensure that military personnel received safe, dependable equipment at fair and equitable prices. In achieving these results, Vander Schaaf was widely respected for having the integrity and courage to make the tough calls.

Since Vander Schaaf's appointment as Deputy Inspector General in December 1981 until his retirement this year, he helped build an organization with widely renowned audit and investigative capabilities. The results achieved by Vander Schaaf and the IG organization are impressive. Prior to 1982, not a single defense contractor has been convicted of fraud since World War II. Over the next 14 years, IG investigations resulted in criminal convictions of dozens of major defense contractors, as well as thousands of individuals and smaller firms. For the 14 years, criminal fines totaled a whopping \$3.4 billion! That's real dollars that have been deposited in the U.S. Treasury.

Equally impressive are the results achieved by Vander Schaaf and the IG organization from hundreds of audits. As a result of these audits, over \$20.8 billion of savings were achieved either through questioned costs disallowed or funds put to better use. The savings were agreed to by management and were documented through continuous, detailed follow-up effort.

Mr. Vander Schaaf's leadership helped achieve significant results in other areas as well. For example, he was a strong leader and supporter of the Voluntary Disclosure Program, which has recovered over \$302 million through voluntary disclosures by contractors. He was also one of the original proponents for the Defense Hotline Program

which has led to the recovery of more than \$270 million. The DoD Hotline is widely recognized as one of the best operations of its type in the Government.

Vander Schaaf often said carrying out IG responsibilities was a tough job and certainly not a job where one makes a lot of friends. For example, in addition to the investigations and audits, he was responsible for looking into misconduct by senior officials, both civilian and military. These investigations, such as the Tailhook affair which looked into allegations of misconduct by Navy officers, were often political bombshells.

Mr. Vander Schaaf was a frequent witness at key congressional hearings and a sought-after speaker at the Association of Government Accountants, the National Contract Management Association, the Defense Integrity Initiatives Best Practices Forum and other forums, where his candor and knowledge of Defense issues were prized.

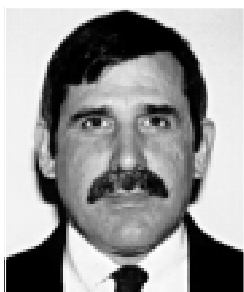
Mr. Vander Schaaf holds a B.A. degree in Political Science and Business Administration, University of South Dakota; M.A. degree in Public Administration, University of Massachusetts; and Honorary Doctor of Law, University of South Dakota. Among his many awards, Mr. Vander Schaaf has been twice recognized by the President by receiving awards for Meritorious Executive and Distinguished Executive. He is also a four-time recipient of the Defense Department's highest civilian award, the Distinguished Civilian Service Award.

Although Derek Vander Schaaf will not be missed by those who were investigated, put in jail, or otherwise had their careers shortened or affected in some way, those who worked for him, worked with him or knew his work, realized that Vander Schaaf was tough, objective, fair, and an exceptional leader. He was one of the most widely known and respected individuals in the defense, congressional and PCIE communities. He will be sorely missed. □

Profiles of ECIE Inspectors General

by Aletha L. Brown, Inspector General, Equal Employment Opportunity Commission

The Executive Council on Integrity and Efficiency (ECIE), established on May 11, 1992, by Executive Order 12805, is composed of statutory Inspectors General (IG) appointed by the heads of the entities they serve. The ECIE, like the President's Council on Integrity and Efficiency (PCIE), is charged with promoting integrity and efficiency and detecting and preventing fraud, waste and abuse in Federal programs and operations. These ECIE IGs provide leadership and service to a variety of large and small Federal entities.



Robert G. Andary

Robert G. Andary - Federal Labor Relations Authority (May 1995)

Prior to his appointment, Mr. Andary served as counsel to the IG and Director of Investigations for the Office of Inspector General at the Federal Communications Commission from 1992 to 1995. He also served as an attorney advisor in the Ethics Unit of the Administrative Law Division, Office of General Counsel, U.S. Department of Commerce from 1991 to 1992. Mr. Andary served as an Assistant U.S. Attorney for the District of Columbia, prosecuting Federal criminal cases in the Superior Court and the U.S. District Court in Washington D.C. He began his Federal career as a trial attorney in the Criminal Division of the U.S. Department of Justice, where he served in the Public Integrity and the General Crimes Sections for 1974 to 1983. Mr. Andary received his law degree from the University of Virginia School of Law in 1974, and a B.A. in American Government from Georgetown University in 1969. He is a member of the Bars of Virginia and the District of Columbia, and of the U.S. District Court for the District of Columbia. Mr. Andary resides in Washington, D.C. with his wife and daughter.



Jane E. Altenhofen

Jane E. Altenhofen - U.S. International Trade Commission (April 1989)

Ms. Altenhofen was Chief of the Program Operations Branch, in the OIG at the Federal Emergency Management Agency, prior to her appointment as IG in 1989. She also served for 11 years in various audit positions at the U.S. General Accounting Office, including international assignments with the Far East Branch, and the Office of Internal Audit in Washington, D.C. She is active in activities of the ECIE, including Co-coordinator of a PCIE/ECIE Senior Forum on Budget Issues in 1992, Management Forum on Strategic Planning in 1994, and assisted in planning the joint ECIE/PCIE conference in 1995. Among other activities, she has served previously on the Professional Development Committee and the Standards Subcommittee of the Audit Committee of the PCIE. Ms. Altenhofen has been a member of the Washington Chapter of the Institute of Internal Auditors since 1986 and is on the Board of Governors. At the international level, she is a member of the Government Relations Committee and has also served on the Internal Auditing Standards Board. Ms. Altenhofen received a BBA, cum laude, from Wichita State University in 1973 and a MPA from American University in 1982. She is a Certified Internal Auditor, a Certified Fraud Examiner, and a Certified Government Financial Manager.

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Thomas D. Blair

Thomas D. Blair - Smithsonian Institution (June 1990)

As IG, Mr. Blair is responsible for all audits and investigations of the Institution's programs and operations. Additionally, he is responsible for preventing and detecting fraud, waste, and abuse in the Institution's programs and operations. He formerly worked in several auditing positions with the Department of Veterans Affairs, the National Aeronautics and Space Administration, the General Accounting Office, the Department of Defense, the Department of the Army, and the Federal Deposit Insurance Corporation. Mr. Blair served as a United States Army officer, which included a tour of duty in Vietnam. Mr. Blair was born on April 8, 1946, in Plum Branch, South Carolina. He earned a Bachelor of Science in Business Administration (Accounting) from South Carolina State College in 1967 and a Master of Business Administration (Finance) from the University of Maryland in 1978. Mr. Blair became a Certified Internal Auditor in 1975 and a Certified Public Accountant in 1977 (Maryland). He is a member of the Association of Government Accountants and the American Institute of Certified Public Accountants. Mr. Blair has been married to Frances V. Veney since 1973. The couple and their two sons (Jason and Todd) reside in Centreville, Virginia. Mr. Blair currently serves as the Vice Chair of the ECIE.



Brent L. Bowen

Brent L. Bowen - Board of Governors of the Federal Reserve System (July 1987)

Mr. Bowen has worked at the Federal Reserve Board since September 1973 and previously held the positions of Assistant Controller, Chief of Program Analysis and Budgets, and senior program/budget analyst. His special assignments include coordinating the downsizing of Federal Reserve Board staff by 9 percent. He has received special awards from the Federal Reserve and the Federal Financial Institutions Examination Council. During 1971 and 1972, Mr. Bowen was a project manager and technical staff member at the General Research Corporation and the Research Analysis Corporation. His assignments included co-authorship of Handbook For Economic Analysis of Proposed Investments, and "Student Instructor Load Model". A graduate of the United States Air Force Academy (B.S. Engineering Management, 1965) and the University of Alaska (MBA, 1970), he spent the early years of his career in assignments with the U.S. Air Force in scientific and business computer management, quality control of satellite mission control complexes, and cost and economic analysis. He also served in the Air Force Intelligence Service as a reserve officer, retiring in 1988 as a lieutenant colonel. He was awarded several Air Force commendations and meritorious service medals and is also a graduate of the Industrial College of the Armed Forces' National Security Management program. A native of Utah, Mr. Bowen has lived in Virginia since 1970. He is married, has four children, and is active in his community and church as a coach, scout leader, "block captain", and religious advisor.



Aletha L. Brown

Aletha L. Brown - Equal Employment Opportunity Commission (July 1996)

Ms. Brown served as Acting IG from February 6, 1995, until her recent appointment. She joined EEOC in March 1990, as Special Assistant to the IG, became Assistant Inspector General for Audits and Inspections in June 1991, and was designated as Deputy IG in October 1994. A career Federal Government employee, Ms. Brown worked as an Evaluator with the General Accounting Office from 1979 through 1990. Her experience with GAO includes reviews of U.S. defense capability, security and international relations, information management and technology; and a staff assignment with the House Armed Services Committee. Ms. Brown has received several outstanding achievement and special commendation awards, including EEOC's Special Act Award and the Comptroller General's Equal Employment Opportunity Award. Ms. Brown graduated from the University of Maryland with a B.S. degree in Business Management, and from Central Michigan University with a M.A. degree in Administration. She is graduate of OPM's Women's Executive Leadership Program. She serves on the PCIE Professional Development Committee and Editorial Board of the *Journal of Public Inquiry*. Ms. Brown volunteers with local organizations including Hospice Care, enjoys theater, art, travel and gardening. A native Washingtonian, she resides with her daughter, LaTrecia, in southwest Washington, D.C.



Walker H. Feaster III

Walker H. Feaster III - Federal Communications Commission (March 1996)

Mr. Feaster brings more than 20 years of experience in program analysis and evaluation to his position. His Federal career spans almost 30 years, including experience as a Naval Officer and civilian employee of the U.S. Navy, and various management positions at the Federal Communications Commission. A native of Philadelphia, he received his undergraduate degree in Business Administration from Drexel University. He has also earned a Master of Science in Government from Southern Illinois University and an MBA from American University. As a resident of Arlington, Virginia, Mr. Feaster served as a Commissioner on the Transportation Commission and the Sports Commission. He and his wife, Susan, have a daughter, Nicole.



John E. Higgins, Jr.

John E. Higgins, Jr. - National Labor Relations Board (July 1994)

John Higgins is the Acting IG at the National Labor Relations Board. He has been with the NLRB since 1964 serving in numerous capacities including Deputy General Counsel, Board Member, and Solicitor. A graduate of Boston College (AB), Boston University (JD) and Cornell University (MS collective bargaining), Mr. Higgins is Public Co-Chair on the ABA Committee on Developing Labor Law and Vice President - Professional Development of the Association of Labor Relations Agencies. He is the author of two texts on NLRB practice and teaches two courses at Catholic University School of Law. Mr. Higgins is married, the father of three, and is active in Boy Scouts. He and his family reside in Chevy Chase, Maryland.

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Kenneth J. Hunter

Kenneth J. Hunter - U.S. Postal Service (August 1992)

Mr. Hunter is a career postal employee with extensive and varied postal experience. He began as a letter carrier in Fort Collins, Colorado in 1964. He became a postal inspector in 1969 and served in a number of assignments in Chicago until 1974 when he was transferred to a management position in the Inspection Service at headquarters in Washington, D.C. In 1979 he was named director of the Minneapolis Postal Data Center. While in Minneapolis, Mr. Hunter was very active in charitable organizations, and served as chairman of the Twin Cities Federal Executive Board. In 1988, he was appointed Associate Postmaster General. Mr. Hunter attended the University of Colorado and Colorado State University where he received a B.S. degree in mathematics. He completed the Senior Executive Program at Stanford University in 1981. He and his wife live in Vienna, Virginia, and are the parents of five sons and one daughter.



Edward Johns

Edward Johns - National Endowment for the Arts (March 1996)

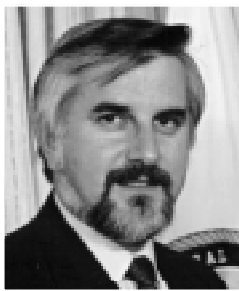
Mr. Johns began his government career as a computer programmer and systems analyst with the Treasury Department from 1966 to 1982. Changing job hats to match new credentials, Mr. Johns served the Department's OIG as an auditor (CPA) and computer audit specialist (CISA) until 1988, when he joined the National Endowment for the Arts Audit Division. He was appointed as IG in March 1996. A native of Hot Springs, Arkansas, Mr. Johns has a B.S. degree from the University of Arkansas and is married with three sons.



Edward Kelley

Edward Kelley - Federal Housing Finance Board (April 1995)

Mr. Kelley brings over 23 years of experience in managing and conducting audits and investigations in the Federal Government. Prior to being selected for the IG position, he served as the Deputy IG at the Federal Housing Finance Board; Assistant Inspector General for Special Audits and Investigations at the Federal Home Loan Bank Board; Audit Manager at the Federal Home Loan Bank Board; and an auditor at the General Accounting Office, where he began his Federal career. Throughout his career, Mr. Kelley has been the recipient of numerous awards, including the General Accounting Office's Meritorious Service Award. Mr. Kelley is a graduate of Alabama State University. He is active in church and community programs. His wife is an auditor and they have two daughters and a son.



Tony Kominoth

Tony Kominoth - Federal Maritime Commission (1989)

Mr. Kominoth first came to the Commission as a Transportation Analyst in 1968. After graduating from law school, he worked as an Attorney/Advisor in the Office of the General Counsel. From 1978 through 1986 he was the Deputy Director of the Commission's Bureau of Investigations where his responsibilities included managing the Commission's investigative program and exercising supervisory control over the Agency's various field offices. From 1986 to 1989 he held the position of Assistant Secretary. During part of this period he also performed the duties of a non-statutory IG. Mr. Kominoth was born in Wellington, New Zealand and moved to the United States in the early sixties. He attended the University of Maryland and graduated in 1968 with a B.S. degree from the College of Business and Public Administration, with a heavy emphasis on transportation issues. He subsequently attended the University of Baltimore School of Law and received his J.D. degree in 1974.



Lester J. Latney

Lester J. Latney - Corporation for Public Broadcasting (April 1989)

Mr. Latney joined the Corporation for Public Broadcasting's Office of Internal Audit in 1976, as a senior auditor. He progressed through the ranks and was appointed CPB's first IG in 1989. Prior to joining CPB, Mr. Latney was employed with the accounting firm of Touche Ross & Company. He received his bachelor's degree in accounting from Virginia State University and is a licensed CPA in Maryland. He is an avid golfer who also enjoys reading mystery novels. Mr. Latney resides in Hyattsville, Maryland with his wife.



A. Roy Lavik

A. Roy Lavik - Commodity Futures Trading Commission (1989)

Mr. Lavik has over 25 years of Federal experience, primarily in the area of anti-trust and regulatory law. He principally has held evaluation review positions at the Federal Trade Commission and the Federal Reserve Board with some experience at litigation. He prefers the former. Additionally, he has spent time in private practice doing corporate counseling. A Knoxville, Tennessee native, Mr. Lavik received undergraduate, law school, and graduate business school degrees from the University of Chicago. He is married and his daughter, eschewing her father's suspect subjects, is studying Materials Science in graduate school.



Charles C. Maddox

Charles C. Maddox - U.S. Peace Corps (January 1996)

Mr. Maddox began his law enforcement career as a military policeman with the United States Air Force in 1966, which included a 12-month tour of duty in Vietnam. Four years later, he was appointed as a Special Agent with the United States Secret Service, Washington Field Office. He later was assigned to the White House Presidential Protection Detail under Presidents Nixon, Ford and Carter, and was also assigned under President Reagan and Vice-President Bush during the 1980 presidential campaign. After leaving the Secret Service in 1981, he joined the OIG of the Department of Health and Human Services (DHHS). Prior to becoming the Peace Corps IG, Mr. Maddox held several positions within DHHS Office of Inspector General which included Director of Security and Protective Division; Chief of Inspectors, Criminal Investigative Division; and Regional Inspector General for the Washington Field Office. Mr. Maddox received a Bachelor of Arts degree in sociology from Virginia Union University, a Master of Arts degree in criminal justice from George Washington University, and a law degree from Northern Virginia Law School.



Lynne A. McFarland

Lynne A. McFarland - Federal Election Commission (February 1990)

Ms. McFarland has been a FEC employee since 1976, serving in various parts of the agency. She began her career in the Reports Analysis Division, reviewing statutory required reports of candidates for President, House, and Senate, along with political action committee filings. Prior to her selection as IG, she was a Program Analyst in the Office of Planning and Management. In that capacity, she aided in the preparation and monitoring of Commission budgets and management plans. She was also responsible for the evolution of the agency's Management Information System from a manual to a fully automated system. Ms. McFarland, a Maryland native, holds a B.S. degree in Sociology. She currently resides in Alexandria, Virginia with her husband and two sons, Ryan and Kyle.

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Wayne Robert Poll

Wayne Robert Poll - Pension Benefit Guaranty Corporation (April 1989)

Mr. Poll brings to the Pension Benefit Guaranty Corporation (PBGC) over 22 years of audit and managerial experience in accounting and general finance. PBGC, a self-financing government corporation, provides insurance for defined benefit pension plans and administers two insurance programs covering more than 42 million workers. From 1979 until his appointment as IG by the Secretary of Labor, Mr. Poll was senior auditor and Director of Internal Audit of PBGC. Previously, Mr. Poll worked for the United States General Accounting Office for 5 years. Mr. Poll received a B.B.A. and M.B.A. from George Washington University and is a Certified Information Systems Auditor. Mr. Poll served 2 years in the United States Army as a member of the Old Guard, and was assigned to the Tomb of the Unknown Soldier.



George T. Prosser

George T. Prosser - Tennessee Valley Authority Board (1994)

Mr. Prosser joined TVA in 1986 as an Investigative Department Manager in OIG. He was subsequently promoted to Assistant Inspector General for Investigations with responsibility for planning, staffing, and directing administrative and criminal investigations. In 1991, Mr. Prosser received the Paul R. Boucher Public Service Award as the outstanding OIG employee in the nation. Before joining TVA, Prosser was a 15-year veteran of the FBI where he served in St. Louis, Newark, Chattanooga, and Washington, D.C. While at the FBI, he was on loan for 4 years to Congress as an investigator for the U.S. House of Representatives, Committee on Appropriations. His last FBI assignment was in the Terrorism Section at FBI Headquarters. He was responsible for the FBI counter-terrorism planning and nuclear counter-terrorism program and was a liaison with the Armed Forces, Department of Energy, Nuclear Regulatory Commission, and Intelligence Community. Mr. Prosser was raised in Gallatin, Tennessee, and graduated from the University of Tennessee with a B.S. in accounting. He was a U.S. Army Artillery Officer and served in the U.S., Panama, and Vietnam. He received the Purple Heart and the Bronze Star for heroism. He and his wife, Nancy, have two sons, John and Tom, and live in Knoxville, Tennessee. He is a member of the Laurel Church of Christ.



Edouard Quatrevaux

Edouard Quatrevaux - Legal Services Corporation (September 1991)

Mr. Quatrevaux served 20 years in the U.S. Army, including two assignments as a company commander in Vietnam. While serving on the Army General Staff, he conceived and directed unit productivity studies that resulted in order-of-magnitude increases in the capability of Army logistical units. His final assignment was as IG of the Defense Department's Traffic Management Command. In 1983, he received the annual Army Operations Research/Systems Analysis Award, and has authored several articles for professional journals. Mr. Quatrevaux received a bachelor's degree from the University of New Orleans, and a M.B.A. from Tulane University.



Kelly A. Sisario

Kelly A. Sisario - National Archives and Records Administration (March 1996)
Ms. Sisario brings more than 12 years of experience in auditing at the State and local government level to her position. After graduating from Florida State University with a bachelor's degree in accounting, she worked for a public accounting firm in Tallahassee, Fla. Ms. Sisario began her government career with the State of Florida, first as an Internal Auditor with the Department of General Services, then with the Auditor General and finally with Department of Environmental Protection where she served as IG for 7 years. She began her Federal career 2 years ago by joining the Environmental Protection Agency, first in their Office of Administration and Resource Management and then in the Office of General Counsel. As an active member of the Institute of Internal Auditors (IIA), she served on the project management team for the IIA research report entitled "The Role of the Internal Auditor in Environmental Issues." Ms. Sisario is an avid equestrian and enjoys biking, hiking and scuba diving.



Lewis L. Small

Lewis L. Small - United States Government Printing Office (June 1990)
After receiving his LLB from the University of Baltimore, Mr. Small, a native of Washington, D.C., entered into a career with the Federal Bureau of Investigation (FBI) which spanned 21 years. Mr. Small served in Knoxville, Tennessee and Newark, New Jersey, before returning to Washington, D.C. where he served at Headquarters and the Washington Field Office. Mr. Small investigated and then directed domestic terrorism matters until 1984 when he was assigned as Liaison to the White House, where he was responsible for handling special inquiries relating to Presidential appointees. Mr. Small was also a Certified Police Instructor for the FBI and a guest lecturer at the FBI Academy, Quantico, Virginia on terrorism matters.



Hubert N. Sparks

Hubert N. Sparks - Appalachian Regional Commission (October 1989)
Mr. Sparks has 36 years of Government service, including 33 years with civilian Office of Inspectors General. Prior to his appointment as ARC's first IG, he spent 7 years at the OIG, Department of Veterans Affairs, where positions included Regional Manager; Division Director; and Director, Policy and Procedures. During his 20 years with the Department of Agriculture OIG, he held a wide variety of positions including Director, Foreign Operations Staff, responsible for worldwide audits and investigations of USDA programs. From May 1992 to October 1995, Mr. Sparks was the Vice Chair of the Executive Council on Integrity and Efficiency. He is a member of the PCIE Audit Committee. A native of Brooklyn, New York, Mr. Sparks received a B.B.A. from the City College of New York in 1959. He is a Certified Internal Auditor, a Certified Fraud Examiner, and a Certified Government Financial Manager. He is a member of the Association of Government Accountants, Institute of Internal Auditors, Association of Certified Fraud Examiners, and Intergovernmental Audit Forums. Prior to starting his OIG career in 1963, he served 2 years in the U.S. Army and spent parts of 3 years on fire control activities with the U.S. Forest Service in California.

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Profiles of ECIE Inspectors General (continued)



Thomas F. Stein

Thomas F. Stein - Consumer Product Safety Commission (1990)

Mr. Stein served as acting IG of CPSC prior to his appointment in 1990. Other positions at the Commission include both Director and Deputy Director of Internal Audit from 1979 through 1988; and Deputy Director, Office of Management Information from 1977 to 1979. Mr. Stein's experience also includes tours at the Department of Commerce as Deputy Director, Division of Planning and Evaluation (1973 - 1977); Economist (1970 - 1973); and Management Intern, (1967 -1970). He has a B.A. degree in business administration from Rutgers University and a MBA in management and finance from Pennsylvania State University. Mr. Stein served in the United States Navy and the United States Naval Reserve.



Eldon W. Stoehr

Eldon W. Stoehr - Farm Credit Administration (January 1989)

Mr. Stoehr served in FCA's Office of Examination from September 1981 until his appointment as the agency's first IG. He was originally a regional director and also served as the agency's chief examiner. Before joining FCA, Mr. Stoehr served as the first Legislative Auditor for the State of Minnesota from 1977 through 1981 and prior to that was the Auditor General of South Dakota for 8 years. Mr. Stoehr was the charter president of the National State Auditors Association, a former Chairman of the State Auditor Coordinating Committee and served on South Dakota's Board of Accountancy for 8 years. He served as Vice-chairman of the Mountain and Plains Regional Intergovernmental Audit Forum and the Midwest Regional Intergovernmental Audit Forum as well as on the executive committee of the National Intergovernmental Auditor Forum. He also held many leadership positions on committees of the National Association of State Auditors, Comptrollers and Treasurers and the National Council of State Legislatures.



H. Frank Thomas

H. Frank Thomas - National Credit Union Administration (September 1992)

Mr. Thomas brings more than 20 years Federal auditing experience with NCUA to his position. He began his career with NCUA in 1972 as a credit union examiner in Atlanta, Georgia, with later transfers to Columbia, South Carolina and Greensboro, North Carolina. Upon returning to the Atlanta regional office, he held various supervisory positions before being named Deputy Regional Director in 1987. In 1990, he transferred to the Austin, Texas regional office as Deputy Regional Director. Mr. Thomas received his bachelor's degree in banking and finance from the University of Georgia. He and his wife have a daughter.



***Fred E.
Weiderhold, Jr.***

Fred E. Weiderhold, Jr. - National Railroad Passenger Corporation /Amtrak (April 1989)

Mr. Weiderhold brings more than 20 years in management experience to the IG community. Upon graduation from the United States Military Academy, he was an artillery officer in the United States Army assigned to the 18th Airborne Corps. Upon leaving the military, he began work at Amtrak in manpower planning and served as one of the company's first EEO representatives. In subsequent assignments, he served in the law department as a claims administrator, and he represented the company in adjudicating policy and regulatory oversight issues with the Interstate Commerce Commission. He then served in government affairs as director of communications for 5 years, where he assisted in State and Federal liaison. Following a series of Congressional oversight hearings on labor-management relations, he became Amtrak's first Special Assistant to the Chairman for Employee Relations, conducting special investigations as employee ombudsman. Mr. Weiderhold left Amtrak and was employed with Pragma Consulting, a French management consulting concern, as Executive Vice President for United States operations. In 1989, he was asked by Amtrak's Chairman to return to Amtrak to establish its first OIG. He has been a guest lecturer on management and quality issues for the United States Courts and Federal Judicial Center.



Frederick J. Zirkel

Frederick J. Zirkel - Federal Trade Commission (June 1989)

Prior to his appointment, Mr. Zirkel served for 7 years as the FTC's Director of Budget and Finance. He came to FTC from the Civil Aeronautics Board, where he served as Deputy Comptroller from 1976 to 1982. Before joining the Federal service, he worked as Vice President of MACRO Systems, Inc., a systems consulting firm. Mr. Zirkel also worked for 5 years at a national accounting firm as a member of their auditing/tax staff. He received a B.S. in Accounting and Finance from the University of Kentucky, is a Certified Public Accountant, and has done graduate studies at George Washington University.

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Photographs were not provided for the following:

Sheldon L. Bernstein - National Endowment for the Humanities (April 1989)
Mr. Bernstein joined the Endowment as an auditor and served as Director of Audit from 1981 to 1989. Prior to his work at the Endowment, he was audit manager of a New York CPA firm. Mr. Bernstein is a CPA in the States of New York and Maryland, and is a member of the Association of Government Accountants and the American Institute of CPAs. He holds a BBA from Pace University and has completed graduate work at New York University and Long Island University. He and his wife have two daughters and a son.

Linda G. Sundro - National Science Foundation (May 1989)
Prior to her selection as the National Science Foundation's first IG, Ms. Sundro was Deputy IG at the Department of Commerce. Before joining the OIG community, she worked as an attorney in the Office of General Counsel at the Commerce Department during the Carter Administration, and for the securities industry.

Walter J. Stachnik - Securities and Exchange Commission (March 1989)
Mr. Stachnik joined the Commission in 1979. He previously held positions as Senior Management Analyst and Director of Internal Audit, working on program, administrative, and EDP matters. He also served on an extended detail to the Central Intelligence Agency. Prior to joining the Commission, he worked for the U.S. General Accounting Office, the accounting firm of Coopers & Lybrand, and the Mayor's Office of the City of Chicago. He also worked as an operating engineer in the construction industry. Mr. Stachnik received a Bachelor of Arts degree in interdisciplinary studies from the University of Wisconsin in 1971 and a Master's in Public Policy and Administration from the Robert M. LaFollette Institute of Public Affairs in Madison, Wisconsin in 1972. He is certified as a Public Accountant (State of Illinois) and Internal Auditor (Institute of Internal Auditors).

Peter A. Liehr - Panama Canal Commission (1989)
Mr. Liehr was born in Gruenberg, Germany in 1941 and emigrated to the United States in 1956. He graduated from California State University at Los Angeles with a B.S. degree in accounting. After working a short time with Travelers Insurance Company, he accepted an audit position with the U.S. Army Audit Agency in 1966. He held a variety of audit and supervisory positions with the Army Audit Agency in Texas, Germany and Colorado. After service with the Army Audit Agency, Mr. Liehr accepted a position with the U.S. Army Strategic Communications Command in the Canal Zone. He became Chief of Internal Review and established an internal audit function for the Command. In 1974, Mr. Liehr transferred to a position with the Office of General Auditor of the Panama Canal Company, which subsequently became the Panama Canal Commission. He became the Assistant General Auditor in 1977 and assisted in the transfer of commercial and government functions to the Government of Panama and the U.S. Army in 1979. Mr. Liehr also attended the Military Comptrollership Course and is a Certified Fraud Examiner. During his career with the Army agencies and the Panama Canal Commission, he has been the recipient of various awards for distinguished service. He is married to Eva Liehr from the Republic of Panama. They have a son and daughter. □

Dual Reporting: “Straddling the Barbed Wire Fence”

by Sherman M. Funk, Former Inspector General,
Department of State and Arms Control and Disarmament Agency



*Sherman M. Funk, Former
Inspector General, Department
of State and Arms Control and
Disarmament Agency*

It was in the spring of 1982, I believe, when the Education Committee of the President’s Council on Integrity and Efficiency

launched a series of workshops where Inspectors General and staff could meet to kick around subjects of mutual interest. A number of IGs remained from the Carter Administration, but most of us were relatively unbloodied Reagan appointees, still negotiating a perilous learning curve. We welcomed all the help we could get, even—perhaps especially—from colleagues in the same boat, climbing the same curve.

I volunteered to host the first workshop, and was asked to come up with a meaty topic. The host part was easy; I had a superb staff which could handle the requisite logistics without raising a sweat. The topic part was even easier. After all, there was but one subject which drew all of the IGs together in shared uncertainty, frustration, puzzlement, satisfaction, and terror: dual reporting. And so, I invited the IG community to attend and participate in the initial PCIE workshop, which was to focus on dual reporting. There is an unwritten rule in Washington that workshops must have a catchy title. I labeled mine, “Straddling the Barbed Wire Fence.”

It was already clear to us by then that very little of P.L. 95-452, the Inspector General Act of 1978, generated as much concern, and triggered as many raw emotions among the IGs and in their agencies than the provisions of the Act which collectively mandate the dual reporting responsibilities of the IGs. The relevant language in the Act is simple. Briefly, it says only that an IG (1) reports directly to the agency head and deputy; (2) must keep the Congress “fully informed and currently informed;” (3) must report twice each year to the Congress on major problems, abuses, and deficiencies identified during the previous six months, together with the recommendations for corrective action; and finally, (4) may send special reports to the Congress about particularly serious or flagrant problems, and the agency head must pass them on to the Congress within

seven days. (This last is known as the “Seven Day Letter.”) Agency heads may comment on the semiannual and special letters but may not change them. It all sounds simple. The trouble is that, in practice, compliance with these mandates is not at all simple.

Some of the problem is definitional. What, for example, does the law mean when it instructs the IGs to keep the Congress “fully and currently informed?” Can this be satisfied by the semiannual reports alone? Not if “currently” is given a literal interpretation; the semiannuals seldom reach the Hill less than 3 months after the most recent events they relate. Perhaps the Seven Day Letters are the answer; by their very nature, they describe a current deficiency worthy of congressional attention. However, few IGs have used this mechanism and, when they did, the results (to put it kindly) were mixed. Seven Day Letters, in any case, are a form of last resort, to be sent only when jawboning an agency head has proved futile. The abiding fear of any IG who considers such a letter is that, after the agency head forwards it to the Hill, it will vanish into a void, a declaration of war to which nobody responds. Such an outcome would, forever after, undercut the perceived strength of that IG. A Seven Day Letter, therefore, is best used not as a document but as a deterrent, as an implicit threat, as a hole card which, if called, may elicit a prompt reaction from the Hill.

The most effective IG effort on the congressional side of dual reporting is testimony in hearings. Properly done, this indeed provides full and current information to the Hill. It also provides a painful test of candor, knowledge of program operations, and courage. Which IG has not sat at a table next to an Assistant Secretary or Assistant Administrator and, after that official gives a glowing picture of a particular program or operation, has had to follow with a blunt assessment of the actuality, as determined by an audit, inspection, and/or investigation? And the IG is always excruciatingly aware, as this harsh and contradictory portrait is presented, that while the Members and Committee staffers will return to their offices after the hearing and address new subjects, he or she will have to go back to the agency with that same official and continue working closely on the same program.

It is not all surprising that some agency heads take a dim view of their IGs maintaining direct relations with the

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Hill. Inevitably, they suspect that the IGs, anxious to shore up these relations, will “fink” to the Congress about sensitive matters which the agency heads would much prefer be confined within their own shops, or even within their front offices. This explains why many agency heads are reluctant to have their IGs participate in regular staff meetings, or otherwise be routinely privy to current sensitive issues. The excuse generally given is that the IG should not be involved in “policy deliberations;” the real reason is a fear that the IG may talk too much on the Hill.

(I relearned this the hard way when I moved to State in 1987, as the department’s first independent IG. Perhaps because foreign affairs are not meat and drink to most voters and Members of Congress, State traditionally has a hard time on the Hill, so the department is therefore very antsy about its congressional relations. Shortly after my arrival, George Shultz asked me to explain my role and proposed *modus operandi* at one of our regular meetings of the senior staff. The latter, aware that the secretary had vehemently opposed the legislation which created my new job, and acutely aware of rumors that some IGs were loose cannons on the Hill, heard me out in stony-faced quiet. When I finished, someone asked me to discuss in more detail how I planned to work with the Congress. I did so, and returned to my seat amid a silence which had become tangibly hostile. Then Mr. Shultz, who is not a demonstrative person, stood up, walked over to me, placed a hand on my shoulder and told the group that he regarded me as a full working member of his management team, that I had his complete support and trust, and that he firmly expected everyone in the room to be no less supportive and trustful. Instantly, the atmosphere changed and I knew that my job would be “do-able.”)

Ironically, some in Congress tend to assume that the IGs are co-opted by their agency heads, and thus are not a reliable source of objective information.¹ This attitude is exacerbated by IGs who, for whatever reason (and it usually is inertia rather than a conscious desire to remain aloof from the Hill), choose not to seek occasional meetings with the Committee/Subcommittee chairs, Ranking Minority Members, and senior Hill staffers. If they are not a perceived presence on the Hill, the assumption will be, however unfairly, that they are neither independent nor aggressive.

Some IGs may try to attract congressional attention by overly elaborate and/or self-aggrandizing Semiannual reports. This is a lose/lose game. If their reports are actually read on the Hill, itself improbable, the attention they attract almost certainly will be negative, compounded by equally or greater negative reactions in their own agencies.

An unspoken but important player in the relations between the IGs and Congress, and to a lesser degree between the IGs and their agencies is the Office of Management and Budget (OMB). Here too, the IGs must walk a narrow line, careful to avoid trespassing on OMB’s budgetary responsibilities but just as careful to avoid any implication that they take their marching orders from OMB regarding their statutory mission. As Presidential appointees, the IGs must support the President’s budget. Period. The time to fight what they may regard as an unjustifiably restrictive budget is first within their own agencies, up to the agency head if necessary, and then at their OMB hearing. If they fail in both places, some IGs believe that dual reporting sanctions taking their fight to the Hill... initially via furtive pleas to Appropriations staffers or later, making it clear during Appropriations hearings (if by no more than figurative winks and nods) that they don’t really mean what they are presenting. This demeans them. If IGs accept the President’s commission hanging on their walls, they accept the President’s budget. Again, period.

On the other hand, if IGs are asked to testify at, say, a program hearing not part of the appropriations process, they must be committed to honest brokerage. Their testimony, including responses to questions, must reflect their independent status, even if they attack a program which they know is an Administration favorite. That is what the IG Act, and dual reporting, are all about. That is why the wire is barbed.

IGs have one of the best jobs in the Federal government. Certainly, it is one of the toughest and most challenging. And no challenge is fraught with more difficulty than managing their relationship with agency heads and the Congress. If this is done with sufficient common sense, an understanding of the relative priorities of each, a healthy dose of good humor, unremitting homework, support by professionally competent staff and, above all, solid and reflexive integrity, the barbed wire may cut occasionally but it won’t disable. □

¹ Some IGs find this view not unwelcome, because Members who feel that way are unlikely to flood them with request for independent reviews, a matter of growing concern to OIGs whose work plans are already increasingly constricted by legislated audits, a downsized staff, and tighter budgets.

Not Just Another Day at the Office: The Unique Business of the CIA Inspector General

by Frederick P. Hitz, Inspector General, Central Intelligence Agency



*Frederick P. Hitz, Inspector General,
Central Intelligence Agency*

The Central Intelligence Agency (CIA) Inspector General (IG) has the same general statutory mission to detect fraud, waste, and abuse as do other IGs. However, the job does involve some rather unique investigative issues and problems. Other IGs also conduct investigations to determine what went wrong in a particular departmental program or operation. However, the nature of CIA intelligence activities, their national security context and complexity, and the large measure of judgment required of the officers and employees who engage in those activities pose particular challenges to our efforts to review and evaluate them.

In an effort to illustrate these challenges, this article provides unclassified summaries of two of the several major investigations we have conducted since 1994. The two we have selected concern the Ames espionage case and Agency activities in Guatemala. These summaries discuss the special questions that had to be addressed and the efforts we made to ensure the facts were correct.

Much of what follows may appear to be no different from the difficulties that IGs routinely encounter in their investigative work. However, it must all be considered in light of the additional burdens we face that are imposed by the requirements of the national security classification system, the statutory obligations imposed upon the CIA IG to protect intelligence sources and methods, and the peculiarities of a clandestine espionage organization with far-flung outposts.

Investigation of the Ames Espionage Case

On February 21, 1994, Aldrich H. Ames, a 30-year employee of the CIA, and his Colombian-born wife, Rosario, were arrested and charged with espionage on behalf of the Soviet intelligence services. Ames's espionage activities directly resulted in the compromise and death of a large number of CIA intelligence sources, in 1985 and 1986,

and in the compromise of a wide variety of CIA and other intelligence operations.

Origins of OIG Review--Almost immediately after the Ames's arrest, serious concerns were voiced by the Senate Select Committee on Intelligence (SSCI) and the House Permanent Select Committee on Intelligence (HPSCI) about the length and nature of the CIA's counterintelligence (CI) investigation of Ames and the period of time that he remained undetected. A February 23, 1994, letter from the Chairman and Vice Chairman of the SSCI asked that we address what happened and whether changes in existing security procedures at the Agency were needed. On March 10, 1994, Director of Central Intelligence (DCI), R. James Woolsey, advised senior Agency management that he had asked me to undertake a "three-phase investigation" into issues raised by the Ames case and instructed Agency components to cooperate fully with our investigation.

Scope of Review and Process--We formed a team of six investigators and support personnel, referred to as the IG CI Team, to review the Ames case. By the time of the Ames's plea agreement in late April, the IG CI Team had been expanded to include 11 investigators, 2 intelligence assistants, and 1 secretary. All Agency components were tasked to provide copies of all documents and materials pertinent to Ames and his wife; communications with the Department of Justice (DoJ), the Federal Bureau of Investigation (FBI), and other Federal agencies regarding the CI investigation of Ames; coordination between the Agency and the FBI in the United States and abroad, including materials relating to the FBI's allegations of lack of cooperation by the Agency in CI investigations; and internal correspondence between the Agency's CI Center (CIC) (which had been primarily responsible for the CI investigation) and all other components regarding the CI investigation that led to the identification of Ames.

The documents that were collected were reviewed, indexed, recorded, and organized by subject and issue. FBI and Agency CIC interview reports, as well as IG interview reports, and the transcripts of FBI, CIC, Damage Assessment Team (which was reviewing the overall damage caused by Ames), and IG CI Team debriefings of Ames and his wife also were collected, catalogued and distributed. Many documents that were collected, and others that were produced by the IG CI Team, were scanned electronically

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into a computer data base to facilitate their retrieval and cross-referencing in the course of our research. An extensive library of relevant documents was created and maintained by the research assistants who worked with the team. By the conclusion of the investigation, these documents were organized into over 85 three-inch volumes and four safe drawers, and consisted of approximately 45,000 pages of material.

The IG CI Team also was supplemented with specialists as necessary. A retired senior Agency operations officer was engaged as an independent contractor to prepare comprehensive summaries of the multiple CI and security reports and studies that had been completed by the Executive branch and Congress in the previous 10 years. A psychologist from the Agency's medical component was detailed to the IG on a full-time basis and given access to all relevant materials for purposes of preparing a complete psychological profile of Ames.

More than 300 persons were interviewed at least once. Many individuals were interviewed in more than one session, some three or four, and a few five or more times. The average individual interview session was 3 hours in length and the longest interviews, extending over four to five sessions, consumed over 20 hours in total duration. All current Agency employees who were interviewed were administered an oath or were asked to produce sworn statements in cable or memorandum form.

Persons interviewed included present and former DCIs and Deputy DCIs, other senior CIA management officials, senior FBI officials and a number of FBI Special Agents, and DoJ representatives. Members of the IG CI Team traveled overseas and domestically to interview present and former Agency personnel. Throughout late June, July, and early August 1994, members of the IG CI Team were present during the debriefings of Ames by the Intelligence Community's Damage Assessment Team (DAT) and submitted questions to the debriefers as appropriate. In early August, Ames was interviewed directly by the IG CI Team for 3 days and the psychologist who was detailed to the IG participated in DAT interviews of Rosario and Ames's first wife.

Special Coordination Issues--Initially, the three-phase approach described in the DCI's March 1994 memorandum required that we refrain from investigative actions that would risk complicating the ongoing criminal prosecution of the Ameses. At the time our investigation began, DoJ was proceeding on the assumption that the Ameses would have to be put on trial, and we were concerned that IG interviews could complicate or interfere with the prosecution. Thus, at the outset, we limited our efforts to collecting and reviewing documents and conducting interviews that did not involve how the case against Ames was developed, but concerned only general CI and security policies, procedures, and practices from 1983 to 1991. We also agreed to coordinate our interviews with DoJ to ensure that we did not inadvertently create additional statements of potential government witnesses. The limit concerning the scope of our interviews was lifted

after the plea agreement was reached with the Ameses in late April. DoJ was afforded the opportunity thereafter to review the list of subjects we planned to interview in order to avoid interference with other potential criminal investigations. Coordination with DoJ was accomplished expeditiously throughout the 7 months of the investigation and did not inhibit the progress of our investigation in any significant manner.

Nature of the Issues--Our investigation focused on CIA CI and security policies and the conduct of CIA personnel, and did not describe or evaluate in any detail the actions of personnel from, or the policies of, any other department or agency. In developing the investigation, the IG CI Team addressed a series of questions in some detail. Among others, these included:

What were Ames' strengths, weaknesses, and vulnerabilities? How, when, and why did Ames engage in his espionage activities on behalf of the Soviets?

How was Ames chosen for positions that provided him with access to sensitive information? What did managers know regarding Ames' vulnerabilities and the suspicions about Ames? Was action taken to restrict his access after he became a suspect?

Who was responsible for the CI investigation that led to Ames and was it managed properly? Why did it require 9 years? How were indications of substantial changes in Ames' financial situation handled?

Had Agency use of polygraphs and background investigations been sufficient? Were Ames' polygraphs and background investigations handled properly?

Was the Ames CI investigation coordinated properly with the FBI? Were CIA personnel who conducted the CI investigation properly qualified by training and experience? Were sufficient resources and management attention devoted to the Ames CI investigation?

Did a senior Agency official warn Ames that he was the subject of a counterintelligence investigation, as had been reported by some employees?

Findings--In the end, we concluded that the issues in the Ames case related to accountability, both individual and managerial. Although a very damaging spy was eventually caught, the course to his unmasking could have been more rapid and direct had sufficient and more appropriate resources been dedicated to the task. While those few Agency personnel who were engaged in the CI investigation did the best they could given their limited number and experience, our investigation concluded that the intelligence losses of 1985-86 were not pursued as vigorously or thoroughly as the severity of those losses merited. We also found that an earlier and more comprehensive evaluation of Ames' record of performance and on-the-job behavior might well have prevented him from having been placed in the sensitive positions from which he was able to betray the Soviet cases he did in 1985 and 1986. A number of recommendations for personnel actions and systemic improvements were included in our Report of Investigation and adopted by the DCI.

Guatemala Investigation

Origins--On January 27, 1995, just after our investigations staff was returning to a normal pace following the Ames case, we found ourselves involved in an investigation into allegations relating to CIA ties to a Guatemalan military official who was reportedly involved in the death of U.S. citizen Michael DeVine and the disappearance of Efrain Bamaca, a Guatemalan insurgent espoused to a U.S. citizen. The investigation was expanded in February 1995 based upon a letter from the SSCI that raised additional issues. In March 1995, Congressman Robert Torricelli, a member of HPSCI, made public allegations about CIA activities in Guatemala that resulted in a substantial further expansion of the investigation. Finally, on March 30, 1995, President Clinton directed the Intelligence Oversight Board (IOB) to conduct a government-wide review, relying as much as possible on the relevant departmental IGs, of all allegations surrounding the 1990 death of DeVine, the 1992 disappearance of Bamaca, and any related matters. As a result, on April 7, 1995, the IOB issued Terms of Reference for the Presidentially-directed review to the IGs at the CIA, Department of State, Department of Defense, and Department of Justice.

Additional Issues--In addition to the questions about the fates of DeVine and Bamaca, the IOB's Terms of Reference requested that CIA's IG determine what intelligence was available to CIA regarding ten U.S. citizens and a Guatemalan anthropologist who had suffered human rights abuses in Guatemala since 1985. The IOB Terms of Reference also included the question of whether or not intelligence support for the Government of Guatemala was consistent with applicable Presidential directives and decisions since 1984. This required a review of Agency spending in Guatemala, including allegations that CIA funding was secretly increased in December 1990 and October 1994 to offset cuts in military support that were required by changes in U.S. Government policies. Although not included in the Terms of Reference, an August 18, 1995 IOB memorandum to the CIA IG requested a review of all CIA relationships since January 1984 with Guatemalans against whom allegations of human rights abuses had been made. An additional area of inquiry was whether CIA had utilized its intelligence collection resources appropriately and placed sufficient emphasis on collection regarding human rights violations.

An ongoing related case into alleged human rights abuse by an Agency contact in Guatemala was folded into the mix of Guatemala-related issues, and in May 1995, Congressman Torricelli made an additional allegation concerning CIA knowledge of narcotics trafficking in Guatemala. Finally, at the request of the IOB, an inquiry also was conducted into allegations that CIA was concealing information from IG, IOB, and Congressional investigators by sending documents to former employees.

Organizing the Effort--Because of the complex nature and scope of the issues that were presented in connection with the Agency's activities in Guatemala, a two-phased approach was used to address the subjects of this investiga-

tion. The first phase of the investigation initially involved two investigators who began in January 1995 to review files and interview knowledgeable employees. By early May, the effort had expanded to an investigative team of 17 investigators and associated support personnel.

During this phase, more than 56,000 pages of materials were reviewed and over 200 interviews were conducted. Those interviewed included present and former DCIs and Deputy DCIs and other present and former senior Agency officials, as well as present and former Ambassadors and other personnel of other departments and agencies. Regulations and guidance for the collection and handling of information relating to human rights abuses, reporting to Congress and Ambassadors, asset payment policies and practices, and asset validations were reviewed. Relevant records of the intelligence oversight committees were requested and reviewed insofar as they were available. Present and former members of the oversight committee staffs were interviewed. National Security Council, Department of Justice, State Department, and Department of Defense personnel in the U.S. and at the Embassy in Guatemala were also interviewed, as were Mrs. DeVine and the private investigator she had hired originally to investigate the DeVine killing.

Following the July 15, 1995 completion of the first phase of the OIG investigation, a new team of 10 investigators and 2 support personnel was formed to undertake the investigation's second phase. This portion involved what CIA knew about the various human rights victims, the funding issues, and allegations of human rights abuse by Guatemalans with whom CIA had relationships. Investigators in this phase reviewed several hundred thousand pages of material and interviewed a wide variety of Agency and non-Agency employees.

Findings--The first phase resulted in five Reports of Investigation and an overview volume. No evidence was found to indicate that Agency personnel had advance knowledge of any plans or intent to kill DeVine or in any way directed, participated in, or condoned the DeVine killing. Nor was any evidence found to indicate that Agency personnel in any way planned, directed, participated in, or condoned the capture, possible torture, and subsequent disappearance of Bamaca. However, a number of issues came to light during this investigation relating to Agency practices, procedures, and notification requirements that resulted in a range of administrative and personnel actions by the DCI.

Four additional Reports of Investigation were completed during the second phase of the investigation. Again, no information was developed that indicated Agency employees were involved in any of the alleged wrongdoing. However, a number of recommendations were made and acted upon in order to improve Agency practices and procedures.

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Conclusion

I believe our efforts in the Ames and Guatemala investigations resulted in a balanced and fair presentation of the various facts associated with the issues that they addressed. I also believe that our conclusions and recommendations in these cases were appropriate. Although there were differences of opinion regarding the appropriate standards of professionalism that should have been observed by Agency personnel in each instance, we did not encounter serious disagreement on the salient facts that we had found in either investigation and Agency management responded positively to most of our recommendations and suggestions.

Clearly, investigations such as these are difficult and enormously draining undertakings in terms of both organizational and personal energy and resources. In the end, we had to make painful judgments about the reasonableness of

activities that were conducted years earlier based on information available to the relevant personnel at the time. This required a fine balance between unfair second-guessing of inherently risky operational decisions and the carefully considered belief that personnel had not met the standards of judgment and professionalism that the Agency has a right to expect. Because of the nature and complexity of the subjects of our investigations and the consequences that stem from them, we put a premium on objectivity, intelligence, experience, and maturity in our personnel, nearly all of whom are chosen from the ranks of professional officers serving throughout the Agency. That emphasis in our selection of IG personnel, along with our insistence on attention to detail and thoroughness in our investigative work has served us well in identifying weaknesses and areas for improvement that will, in the long, run, strengthen the Agency and its ability to perform its vital function.□

Operation Mongoose Matches ‘Em and Catches ‘Em: How Computer Matches Improve DoD’s Internal Controls

Alvin Tucker, Deputy Chief Financial Officer, Department of Defense

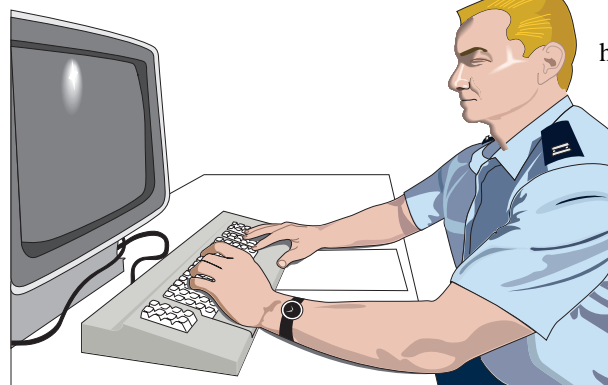


Alvin Tucker, Deputy Chief Financial Officer, Department of Defense

The Problem

Because fraud robs millions of dollars from public and private organizations each year, increasing the integrity of financial systems is one of the Department of Defense’s (DoD) top priorities. The September 1995, issue of the *Journal of Accountancy* presented some enlightening fraud facts that were gathered from a survey of 3,000 large and midsized companies and clearly emphasized the need for tighter computer systems controls. (See Figure 1.)

To address this problem, many Federal agencies are intensifying efforts to safeguard the taxpayer dollars that have been entrusted to them. DoD is taking aggressive action to protect the financial assets they control. Operation Mongoose is one of the major programs within DoD that is focused on reducing vulnerabilities to fraudulent intrusions.



fraud. Data matches from multiple sources, including the Social Security Administration, the Department of Veterans Affairs, the Office of Personnel Management and the Railroad Retirement Board, are used to identify potentially fraudulent payments to individuals and contractors from the DoD pay systems. The data matching process starts with the identification of fraud indicator templates by subject matter experts from the program’s functional areas. The Defense Manpower Data Center (DMDC) then performs computer data matches involving literally millions of systems transactions. Questionable observations are passed to the DoDIG for further examination or appropriate criminal investigation. (Figure 3 shows process interactions.) To date, this process has identified millions in suspect personnel and vendor payments that require further investigation by the DoDIG.

Operation Mongoose currently has five major program areas under review: Retired Pay, Civilian Pay, Military Pay, Vendor Pay and Transportation Pay. The Defense Manpower Data Center is developing protocols that will allow the Mongoose team to electronically match data from several computer systems and data bases to detect fraud in these program areas. Although only partially implemented, these procedures

One Solution

Operation Mongoose is the Department of Defense’s fraud detection and prevention unit that was established to minimize fraudulent attacks against Department of Defense financial assets. This initiative, started in June 1994, is jointly sponsored by the Under Secretary of Defense, Comptroller, and the Department of Defense, Inspector General (DoDIG). The Defense Finance and Accounting Service (DFAS) serves as Program Manager, while technical support to the initiative is provided by the Defense Manpower Data Center (DMDC), the Under Secretary of Defense, Reserve Affairs, and the Department of the Treasury, United States Secret Service. (Figure 2 shows roles and responsibilities of activities involved in this initiative.)

This team effort utilizes state-of-the art computer technology and data matching techniques to detect and deter

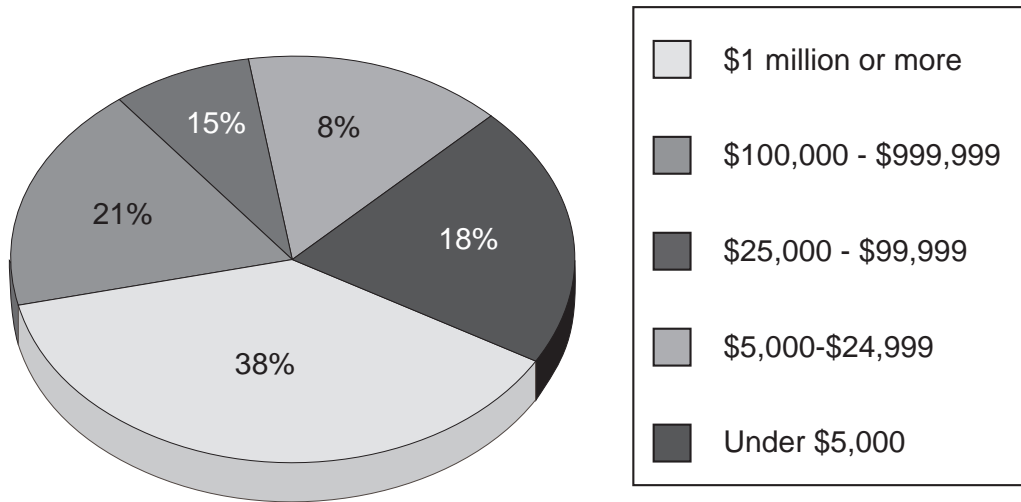
and protocols translate into sizable savings for DoD. But, savings are a by-product, not the objective. DoD believes it is more important to focus on expanding its formal fraud detection systems and protocols so that the most modern technology available can be used to better secure our payment systems.

To increase the integrity of retired pay accounts, an automated process that matches and certifies actual death data with annuitant claims is used. DFAS along with the Secret Service then conducts face-to-face interviews with U.S. Military retirees and annuitants who live outside the continental United States. Interviews are conducted in locations where statistical data for several evaluation criteria show significant deviations from the norm. For example, countries or territories with a high percentage of

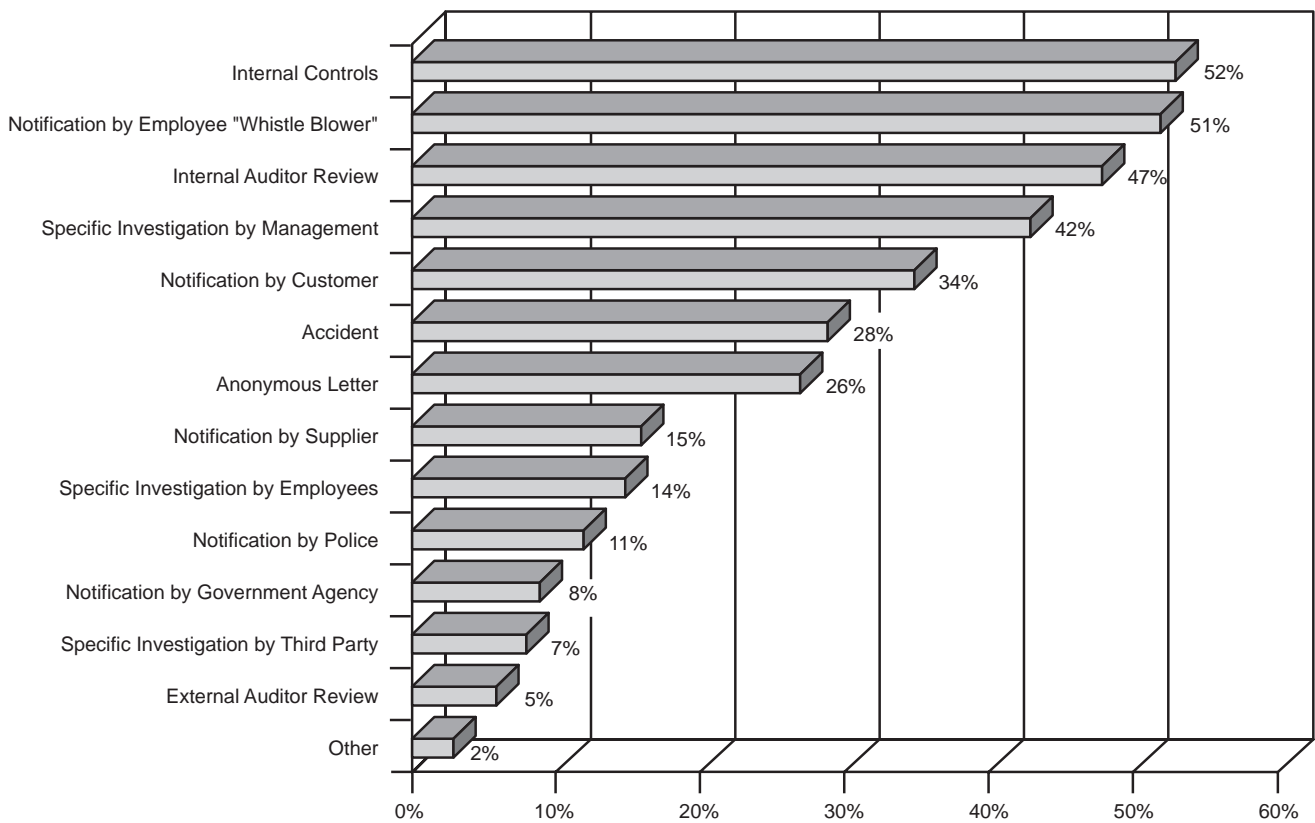
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Figure 1. Combating Fraud: Know the Facts

The Cost of Fraud



How are Frauds Discovered



Source: KPMG Peat Marwick
Journal of Accountancy, Sep 95

retirees over age 72, or countries that either do not report or are slow in reporting death notifications to the United States might be selected for retiree and annuitant verifications.

Retiree and annuitant verifications are also planned for the continental United States. However, because of the size of the retiree population within the states (approximately 2 million), another approach must be used to conduct verifications. The strategic plan for the stateside interviews is currently under development. The Omnibus Budget Reconciliation Action of 1993 requires States to allow redisclosure of death data to Federal benefit paying agencies. The data received as a result of this legislation will reduce the complexity of stateside retiree and annuitant verifications.

To increase the effectiveness of the interview process, the Mongoose team developed an electronic collection instrument, which contains automated interview forms, retiree and annuitant pay profiles and other payroll informa-

tion for each payee. This instrument was developed after the initial verifications in the Philippines were completed and was used during interviews in Guam, Puerto Rico, Spain, Italy and Germany. The electronic collection instrument will also be used in the Japan and Korea verifications that are scheduled to begin this month.

The scope of the retired pay verifications has grown considerably since the first trip to the Philippines in fall of 1994. In addition to collecting information on the retirees and annuitants, we also provide a number of customer service type activities, such as initiating pay changes, answering benefit related questions and renewing retired service member and dependent identification cards. The Social Security Administration and the Department of Veterans Affairs are partnering with us in this endeavor. Both agencies participated in the Spain and Italy verifications and they will also participate in future efforts.

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Figure 2. Operation Mongoose Information Flow for Matching Process

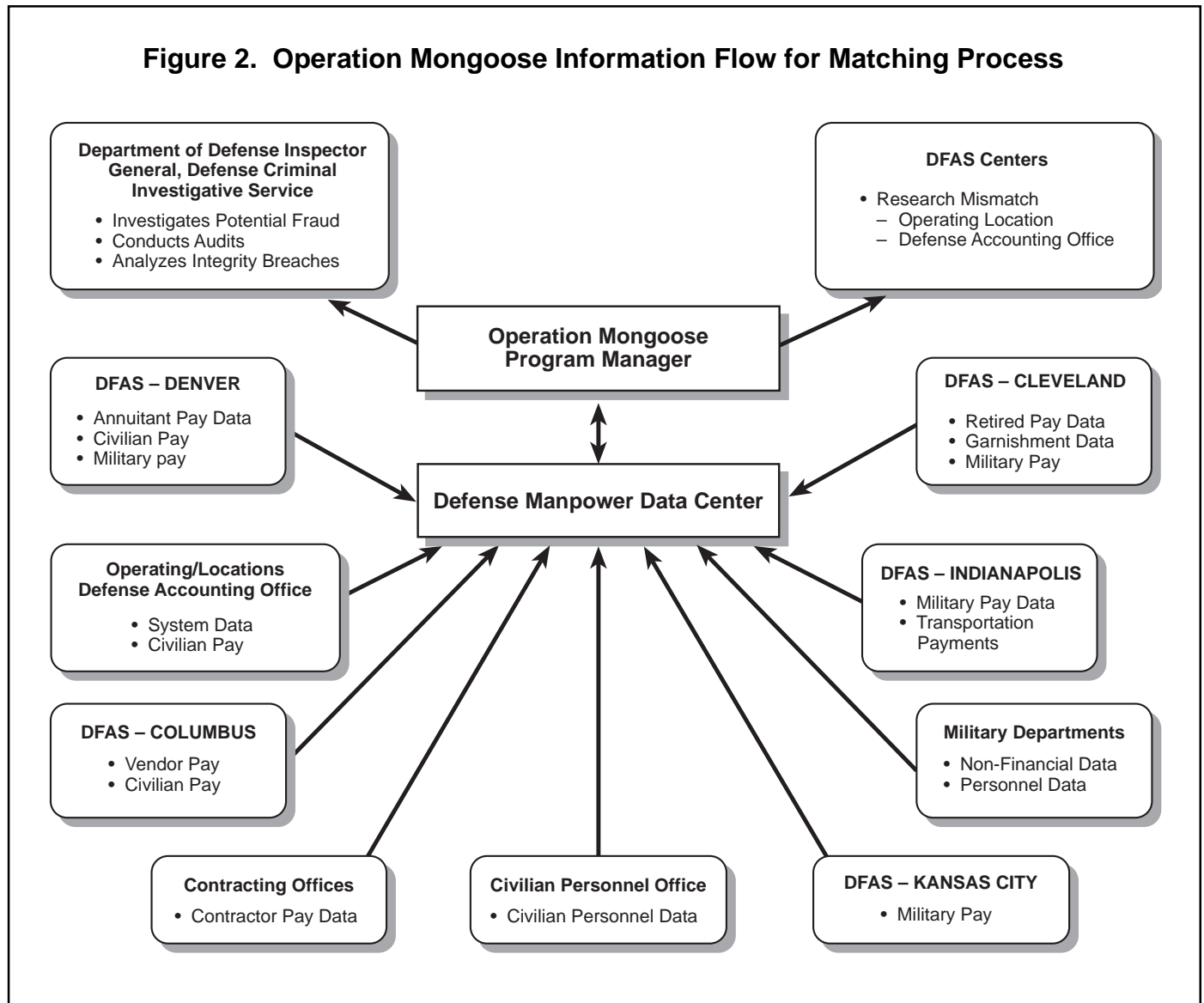
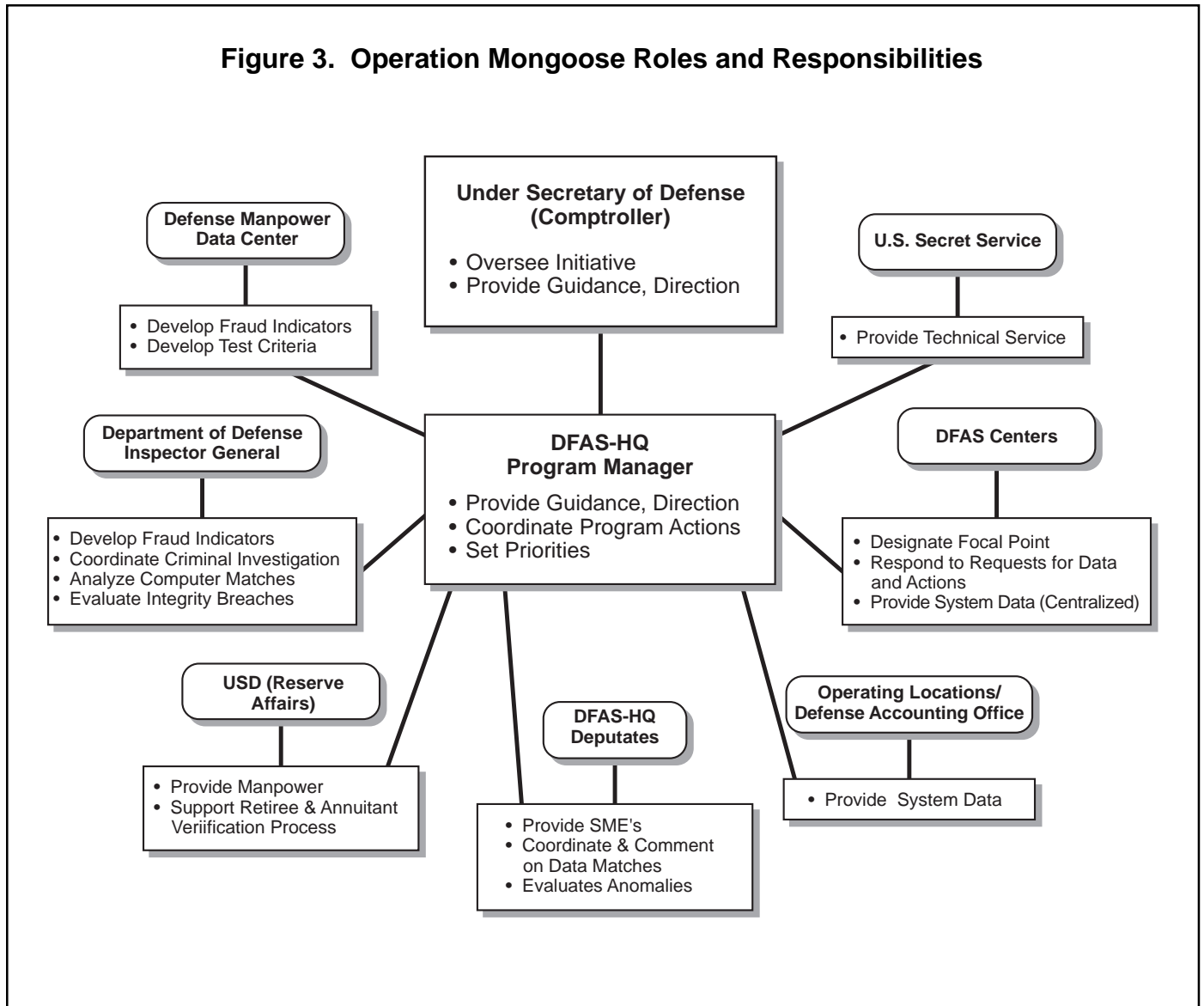


Figure 3. Operation Mongoose Roles and Responsibilities



To pinpoint potential fraud in the vendor pay area, vendor pay systems are matched with contracting and disbursing systems to find discrepancies. The data in those systems is bumped against several fraud indicators and a number of data integrity checks. The abnormalities that surface from those matches are passed to the Mongoose team. Analysts perform comprehensive reviews of the entire contract payment process for each item that is referred to them. To ensure proper payment, they look at the contract, the invoice and the actual payment to see if they match. When they don't, the case is turned over to the appropriate agency for investigation. This process has proven to be very effective. Two unusually large vendor pay cases are currently under investigation.

The civilian pay data matches have also exposed a variety of fraudulent payments. Mongoose has uncovered ghost accounts, fraudulent incentive awards, personnel receiving payments from more than one payroll office,

personnel receiving illegal active and severance pays, and personnel receiving improper dual compensation offsets for active civilian and military retired pays. Of the more than 300 cases that are currently under investigation, several cases have been prosecuted and over \$60,000 has been recovered. More importantly, these findings have led to the identification and correction of major internal control and systemic weaknesses within the DoD civilian pay systems.

Military pay accounts are also under close scrutiny. Data matches in this area are being expanded to include Reserve and Guard Forces. Mongoose is currently concentrating research on two military entitlement pays: (1) Bachelor Allowance for Quarters/Variable Housing Allowance (BAQ/VHA) and; (2) Special and Incentive Pays. Data matches have revealed that there are a number of military personnel that are living in Government housing and receiving BAQ/VHA. Matches have also disclosed personnel who are receiving special pay, such as scuba,

jump or Explosive Ordinance Disposal (EOD) pay, but are not assigned to specialty pay billets.

The most recent addition to the Mongoose data matching analytical effort is transportation pay. Subject matter experts met and developed both freight and personal property fraud indicators for this area in February 1996. Although protocols for this area are still under development, transportation pay analysts have already forged a relationship with the National Motor Freight Transportation Association and received Standard Carrier Alpha Code data that will be used in data matches. In addition, preliminary data matches have produced hundreds of potentially fraudulent transportation payments that require further research.

Continuous process improvement is one of the cornerstones of the Mongoose effort. The business principles that are used to design the data matches and other business practices are frequently reviewed and refined to ensure that they are effective, efficient and therefore reduce the number of cases that are generated for research. The progress that has been made as a result of these reviews has been substantial.

Other actions are underway that will spur the progress of this initiative.

- The President's Council on Integrity and Efficiency (PCIE) and Chief Financial Officer's (CFO) Council sponsored a joint-agency fraud conference in May 1996 that provided information on computer matching initiatives currently in progress across the public and private sectors. That symposium facilitated interactions between Federal agencies that fostered more and better computer matching alliances.
- A tracking system has been developed that (1) tracks all cases that are under review or investigation and provides status on them;

(2) produces standard reports; (3) tracks all costs and savings associated with each case; and, (4) aids in preventing fraud through benefits derived from information sharing and lessons learned, as well as dynamic interrogation capabilities.

- Consolidation of DoD finance systems will also greatly reduce pay system vulnerabilities. Two systems that are fully operational and an integral part of the Mongoose Operation are the Defense Retiree and Annuitant System which houses over 2 million accounts, and the Defense Debt Management System which standardized the collection of debts from military and civilian personnel not on active payrolls, as well as contractor payments. By 1997, the Defense Civilian Payroll System will replace 27 payroll systems. Military pay systems will have been reduced from 22 to 2 by 1999. And, the Defense Transportation Payment System, when fully implemented, will standardize all DoD transportation payments.

After only 2 years of existence, the Mongoose team has made significant progress in improving the integrity of DoD's pay systems and reducing their vulnerability to fraud. Tens of millions of financial transactions have been bumped against each other to detect potential cases of fraud or abuse. Those computer matches have generated hundreds of cases for DoDIG investigation, as well as several cases for criminal prosecution. Because of this initiative, millions of dollars are being saved, thousands of dollars have been recovered, and business processes and pay systems will be improved. Although there are several fraud prevention efforts within DoD, I rank Operation Mongoose as one of the front-runners in identifying potential weaknesses in underlying controls that make it much harder for would-be culprits to intrude or abuse financial pay systems. □



Two Aspirins Are No Cure For Medical Fraud Headaches

by William T. Merriman, Deputy Inspector General, Department of Veterans Affairs

The United States will spend more than \$1 trillion for public and private health care this year. The Department of Justice estimates that up to 10 percent of that amount will be siphoned off by fraud and abuse. Since the Department of Veterans Affairs (VA) is one of the primary health care providers in the Nation, the potential for fraud is a major concern and priority of the VA Office of Inspector General (OIG).

The VA is the largest Government health care provider in the country. Through its system of 172 hospitals, 376 out-patient clinics, 133 nursing homes, 39 domiciliaries, and 202 readjustment counseling centers, VA serves almost 3 million veterans annually involving 25 million episodes of patient care. VA spends approximately \$17 billion a year on health care and employs over 200,000 staff that are dedicated to providing quality patient care.

To help ensure that our Nation's veterans receive quality and reasonably priced patient care, the VA OIG has established a comprehensive and coordinated effort aimed at providing a health care environment that is protected against fraud, waste and abuse. In an organization as large and diverse as VA's health care system, this is a formidable challenge. The OIG has taken on this challenge and effort to identify and prosecute fraudulent activities and recover funds, which has been met with success. The following examples of fraudulent activities relating to VA health care illustrate the diversity and magnitude of this challenge.

In the context of VA OIG oversight efforts, medical care fraud encompasses both criminal activity directly associated with providing patient care and criminal activity that impacts on VA's health care system, as well as VA as a whole. The following examples represent both areas. These examples are not intended to depict an organization that is plagued with corruption. In fact, just the opposite is true. VA is a well managed and efficient organization that puts veterans first. However, as with any large component of Government, fraud affects VA's health care operations.

In a time of budgetary constraint, every dollar lost to fraud takes on added significance, as it translates into a

dollar less for veterans' health care. While the financial loss to VA and the Government as a result of fraud can be significant, the impact that fraud can have on the quality of patient care provided to our nation's veterans is our more impassioned concern.

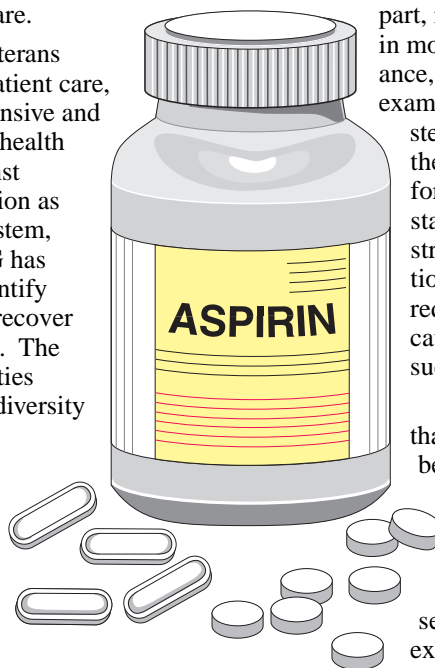
Product Substitution

Among the worst examples of fraud against the Government and, in our case, against the men and women who have served their country, involve suppliers who furnish substandard products. When contract negotiators set forth specific requirements for items the Department procures, they expect the supplier to comply with the terms of the contract. I need to point out that VA, for the most part, is buying commercial products like those found in most hospitals or health care institutions. Compliance, therefore, should not be problematic. As an example, VA contracted for crutches with stainless steel cuffs of a specific tensile strength to support the weight of patients who relied on the crutches for mobility. The supplier used a metal other than stainless steel, knowingly with substantially less strength than called for in the contract specifications. Because of the failure to follow contract requirements, the cuffs broke and patients fell, causing injury. The supplier was prosecuted successfully.

In another case, an investigation discovered that a supplier falsified certifications that certain bed liners and pajamas were fire retardant when, in fact, they were not. This case resulted in a criminal conviction.

In addition to criminal convictions, confirmed product substitution cases can have serious financial impact on the supplier. For example, a contractor agreed to a \$600,000 civil settlement for providing substandard saline solution, which is one of the most widely used intravenous items in our hospitals. In a more recent case that culminated earlier this year, a contractor paid \$6.4 million to settle charges that it sold VA medical centers foreign made products from non-conforming countries instead of American made products required under the terms of the contract.

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Contractor Overcharges

Within the last 2 years, we have recovered tens of millions of dollars from contractors who have overcharged the VA for medical supplies and equipment. VA-administered Federal Supply Schedule contracts contain a most favored customer clause. In instances where VA is not getting the most favored price, the contractor should disclose it during contract negotiations, including the reasons for the pricing differences. If this does not occur, the difference between the most favored customer price and the price actually charged to the VA may be recovered from the contractor.

We have found that the most effective manner in pursuing these types of cases is through a joint effort using staff from our investigative, contract review, and counselors to the IG offices, and by coordinating with VA's offices of general counsel and acquisition and material management. By effectively bringing to bear the expertise of the staffs of these offices, the Government is better able to ensure that it utilizes all means to bring these cases to completion successfully.

During the first half of Fiscal Year 1996, we have recovered about \$22 million using this coordinate approach. We return a considerable portion of this recovery to the VA Supply Fund and they use it to purchase more medical supplies and equipment for VA hospitals.

Bribery/Kickback

With over 200,000 health care related employees, VA unfortunately has some individuals who have exploited their positions for gain. The usual fraudulent bribery/kickback scheme occurs when an employee aids in directing a contract to a specific vendor in return for money or other items of value.

Fraud cases involving bribery and/or kickback schemes can adversely affect VA in many ways. These cases have the potential to result in the procurement process being circumvented due to an employee not caring about getting the best price for the work to be accomplished, ensuring proper performance of the work, or for the caliber of the product to be supplied. These cases may also prohibit other honest and responsible contractors from being awarded the contract.

Although these actions may not directly affect the care rendered to patients, they potentially drive up the overall cost of health care. For instance, a recently concluded undercover operation identified corrupt VA employees at one VA hospital. These employees accepted bribes in excess of \$100,000 in return for awarding contracts that should have gone to other low bid competitor contractors. The investigation resulted in the prosecution of the VA employees and the contractors.

Drug Diversion

Controlled substances and high-priced pharmaceuticals diverted from VA stocks have substantial black market value. For controlled substances, the market may be found in the illicit drug traffic that exists throughout the United States. For example, a tablet of Dilaudid that costs the VA approximately 30 cents, sells "on the street" for \$25-\$45. Unfortunately, with prices as high as this, there are going to be dishonest employees willing to steal and divert VA drugs for personal use or sale.

For some high-priced pharmaceuticals, however, the outside market is often commercial retail drug stores and other establishments that, to increase profit, engage in the receipt and distribution of stolen property. In a recent case, for example, drug thefts from VA facilities in different parts of the country eventually were funneled to a large retail pharmacy operation. In a short period of time, VA employees who were stealing drugs from the VA received approximately \$250,000. This figure represents just a fraction of the value of the drugs stolen.

While the VA has been responsive to recommendations for improvements to its programs by increasing the security for its drug inventories through a number of initiatives, such as computerized tracking of stocks and a just-in-time inventory system, drug diversion continues to be a major focus and concern of the VA OIG and the Department.

Fee Basis

At times, VA may be unable to provide required services at its medical centers. This may be due to eligible veterans residing in areas too distant from a medical center to access VA services easily. In these situations, VA allows outside practitioners to provide the required service and bill the Department for services rendered. The classic fraudulent activity in the fee basis program is billing for services not provided. As an example of such fraud, consider the practitioner who charged VA for extensive home visits for a veteran at a time when the veteran was, in fact, receiving treatment as an in-patient in a VA medical center. In other situations, practitioners continue to bill VA for home or office visits even after the veteran has died.

Impersonation

VA provides, for the most part, free medical care to most of the veterans who use its system. We find that non-veterans attempt to assume the identities of veterans to receive medical attention for existing problems, or in attempts to obtain medications for self-gratification or resale. We recently found where an individual successfully impersonated a veteran and received the equivalent of as much as \$300,000 in medical services. Since some of VA's medical care is directed at poor and elderly veterans, it is not very difficult for these non-veteran criminal impersonators to illegally obtain and use the identifications of their veteran victims.

Workers Compensation Fraud

A growing concern to Congress, and various Federal departments and agencies, is the mounting costs associated with workers compensation for job-related injuries to employees. For VA, the annual charge back by the Department of Labor is approximately \$145 million, the third largest in the Government. Most costs relate to VA health care workers and are borne by VA's health care appropriation.

While most of the payments are necessary to provide income to employees during times when they cannot work because of a job-related injury, some are made as a result of fraudulent certifications by employees that they are incapacitated and are not working. Unfortunately for the Government, the relative ease in securing payments under false pretenses has given recipients a sense of security in their continued acceptance of these payments, even though, these employees could return to work, if only in a limited capacity.

Under new procedures implemented last year, all VA medical centers are now responsible for a portion of the payments made to their employees as part of workers' compensation. These dollars are taken from the medical care appropriations given to each medical center and, thus, cannot be used for the care of patients. In concert with the Veterans Health Administration (VHA), VA OIG has initiated a unique program at selected medical centers geared to investigating indicators of workers compensation fraud. The VHA supplies staff and pays the salaries of individuals who are recruited by OIG to conduct undercover investigations relating to the worker's compensation program.

In one pilot program, involving the offices of United States Attorneys for two judicial districts, investigations have resulted in criminal prosecutions of VA employees who have certified that they are not working, and have not worked, during the period of receipt of payments. Some of these individuals are operating their own businesses and making substantial incomes. Recent audit work indicates that this problem may be widespread and as much as 25 percent of those currently receiving workers compensation in VA may be eligible to return to work.

Conclusion

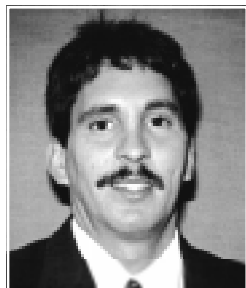
In the past 2 years, we have found that the greatest increase in fraudulent activity has been in the health care area, a trend noted generally by those departments and agencies of the Federal Government involved in health care issues. As resources continue to decrease, we are faced with the painful choices of which types of investigations and audits we will pursue. For us, the decision has been made easier because of the primary and long-established reason for VA's existence: To care for him who has borne the battle and for his widow and his orphan. In short, a primary goal of the VA OIG is to create a work environment throughout VA that is safe and protected against fraud and other illegal activities, so that we may all be in a better position to better serve our Nation's veterans.

The VA OIG will continue to take the steps necessary to identify and deter fraud in the largest health care system in the Federal Government. When fraud is identified, we will pursue criminal conviction to the fullest extent of the law. □



Lockheed-Egypt: An Investigation of Foreign Corrupt Practices Act Violations

by Chris Amato, Special Agent, Investigative Operations Directorate (Arlington, Virginia), Office of Inspector General, Department of Defense



Chris Amato, Special Agent, Investigative Operations Directorate (Arlington, Virginia), Office of Inspector General, Department of Defense

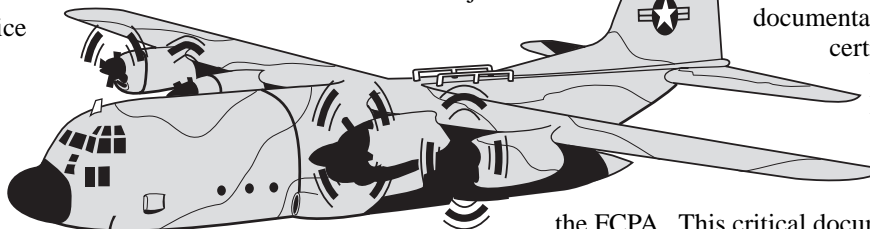
In August 1995, Suleiman Nassar, former Lockheed Corporation Vice President and Federal fugitive, appeared in U.S. District Court in Atlanta and pled guilty to violating the Foreign Corrupt Practices Act (FCPA), the U.S. foreign anti-bribery law. Nassar's plea followed a year of hiding in his native homeland of Syria, and came on the heels of a guilty plea by his former employer, Lockheed, also to a violation of the FCPA. The pleas by Lockheed, Nassar and another Lockheed executive were the result of a 3-year investigation conducted by the Defense Criminal Investigative Service (DCIS) and prosecuted by the U.S. Attorney's Office in Atlanta.

The case focused on the 1989 contract between Lockheed and Egypt calling for the sale of three C-130 aircraft for approximately \$79 million. The investigation uncovered payments by Lockheed to its Egyptian consultant, Dr. Leila Takla, in exchange for her assistance in making the sale. The contract, which was funded by U.S. taxpayer money through the Defense Security Assistance Agency (DSAA) Foreign Military Financing (FMF) program, required Lockheed to certify that no consultant fees were being paid out of FMF grant money. The DCIS was alerted to a possible violation when DSAA, during a routine review, discovered Lockheed had an agreement to pay a \$1.8 million commission to Dr. Takla. This information conflicted with Lockheed's previous certification to the contrary. Once DSAA discovered the agreement, Lockheed canceled its consultant arrangement, but subsequently wired \$1 million to Dr. Takla's Swiss account in consideration of the earlier agreement.

The investigation began with the review of a massive amount of records subpoenaed from Lockheed. The review took months to complete but ultimately led the prosecution

team to bolster its belief that there was substantial evidence of not just a false certification to DoD, but also potential violations of the FCPA. The prosecution team, consisting of a DCIS investigator, an auditor from the Defense Contract Audit Agency, and prosecutors from the U.S. Attorney's Office, had learned through various sources that Dr. Takla was a member of the Egyptian Parliament seated on the Foreign Affairs Committee at the time of the payments.

The next stage of the investigation focused on activities overseas. Among the witness interviews and various other tasks to complete while in Egypt, two objectives were paramount. The first objective was to secure a qualified Egyptian official who could testify authoritatively in U.S. Court that payments of commissions on FMF-funded contracts without the prior approval of the Egyptian Government were prohibited by Egyptian regulations. The second major objective was to obtain authenticated documentation from Egypt certifying Dr. Takla was, in fact, a Parliament member and thus a foreign official as required under the FCPA.



This critical document was ultimately obtained after a frustrating year long wait, only days before trial.

The prosecution team completed a Mutual Legal Assistance Treaty Request asking Switzerland to provide Dr. Takla's bank records. When Dr. Takla filed her opposition to the request, the Swiss Central Authority froze more than \$1 million in the account. This money was viewed by the U.S. as rightfully belonging to the Department of Defense in the form of FMF funds. In Switzerland, videotape depositions were taken of witnesses and, at one point in time when it was learned there might be more documents at Lockheed's office in Geneva, a Swiss magistrate granted search authority. Only at the last minute when documents were produced was the search called off.

The work overseas and in the United States led to the drafting of an 85-page summary of the case. On June 22, 1994, Lockheed and two executives were indicted on violations including the FCPA.

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Lockheed-Egypt (continued)

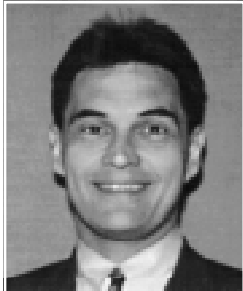
Following his indictment, Nassar failed to appear in Atlanta and was declared a fugitive. Nassar was eventually located through a variety of investigative techniques including the use of a mail cover, pen register, credit checks, and assistance from Interpol. It was learned Nassar had returned to his native Syria, but since there was no extradition agreement between Syria and the United States, other means had to be found to bring Nassar to Atlanta. A check with the Financial Crimes Enforcement Network (FinCEN) disclosed various assets of the Nassar family, including two homes in the Washington, D.C. area. Upon visiting the homes, the investigator learned the properties were not only for sale, but one was scheduled to close within a week. It was also learned that at this time Nassar was liquidating his Lockheed pension and savings. These activities strongly indicated Nassar had no intention of ever facing charges. Court orders froze Nassar's assets valued at close to \$1 million. Material witness arrest warrants were issued for Nassar's wife and daughter living in Switzerland.

On the eve of trial, Lockheed agreed to plead guilty to one count of conspiracy to violate the FCPA and pay \$24.8 million in criminal and civil fines. This represented the highest fine and penalty ever recovered under the bribery provision of the FCPA. All attention now focused on Nassar who remained in Syria.

The prosecution team met with Syrian officials who opted to jail Nassar with the possibility of trying him in the Syrian criminal justice system. Nassar, locked up and assets frozen, formally requested he be allowed to return to the United States to face charges. Nassar remained in Syrian prison for the next several months until his release in July. Escorted by agents of the State Department and DCIS from Damascus through Frankfurt, Germany, Nassar arrived in Atlanta where he was fined \$125,000 and sentenced to 18 months of imprisonment, a first ever for an individual on a FCPA violation. Nassar is currently serving his sentence at the Federal prison in Cumberland, Maryland. □

Tailhook: Investigative Challenges and Lessons

by Thomas J. Bonnar, Director for Program Review, Defense Criminal Investigative Service, Office of Inspector General, Department of Defense



Thomas J. Bonnar, Director for Program Review, Defense Criminal Investigative Service, Office of Inspector General, Department of Defense

Introduction

Federal Office of Inspectors General are occasionally faced with the challenge of large scale

investigations where the issues are highly unusual, the political interest is urgent, and media scrutiny is intense. Such investigations can place a significant burden on an agency by stretching already scarce investigative and administrative support resources. The Department of Defense OIG investigation of the 1991 Tailhook Symposium is an example of just such a demanding investigation.

Background

The Tailhook Association, a private organization dedicated to the support of naval aviation, derives its name from the hook that catches an arresting cable as a fixed wing aircraft lands on the deck of an aircraft carrier. The Tailhook Association membership consists primarily of active duty, Reserve and retired Navy and Marine Corps aviators as well as defense aerospace industry contractor representatives.

The first "Tailhook" gathering was held in 1956 as a small reunion of naval aviators. Over the years, as the Tailhook Association membership substantially increased, the scope of the annual conventions also grew to the point at which they were attended by thousands of people. Frequently high level military and government leaders were invited to attend as guest speakers. The annual gatherings provided a forum for recognizing special achievement in naval aviation and for the professional exchange of ideas and information among naval aviators, military and civilian government leaders, and aerospace industry executives and technical representatives.

As the membership and scope of the conventions increased over the years, so did official Navy support to the Tailhook Association. The Navy openly encouraged officers to attend the annual gatherings, and increasingly

provided support through the use of naval aircraft for transportation and by allowing military personnel to handle administrative matters.

Though the official agenda of annual Tailhook conventions has been educational and professional, the unofficial social and party aspects of the convention have been the major attraction for many attendees. Over time the gatherings took on an increasingly bawdy tradition, especially among active duty Navy and Marine Corps junior officers. Incidents of rowdiness at conventions in the mid-1980's led some Navy leaders and Tailhook Association members to express concerns that some naval aviation officers viewed the annual conference as an opportunity to act indiscriminately, without fear of censure or retribution, in matters of public drunkenness and sexual conduct. Despite these reported incidents and the expressed concerns by a few high ranking Navy officers and Tailhook Association members, apparently neither the Navy nor the Association took any significant actions to control increasingly outrageous behavior.

In September 1991, the Tailhook Association held its 35th annual symposium, "Tailhook 91," at the Las Vegas Hilton Hotel. An estimated 4,000 to 5,000 people attended, including the Secretary of the Navy, the Chief of Naval Operations, and a large number of active duty and Reserve flag rank officers. Following the convention, a female Navy lieutenant reported that she had been indecently assaulted by a large crowd of drunken men. The assault occurred in a public hallway adjacent to the many hospital-ity suites hosted by various aviation squadrons.

The allegations led to two Navy inquiries conducted between October 1991 and April 1992. The Naval Investigative Service conducted a criminal investigation directed at identifying the persons who had committed the first reported assault and other assaults that subsequently came to light. Concurrently, the Naval Inspector General conducted an administrative inquiry focusing primarily on the Navy relationship with the Tailhook Association and the personal conduct of officers at Tailhook 91.

In May 1992, the Navy inquiries came under scrutiny by the news media and by Navy and DoD leaders who questioned the adequacy and scope of the Navy investigations. Specific questions were raised concerning (1) why

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the criminal investigation was limited to the assaults and not expanded to examine other criminal conduct that came to light; (2) whether the administrative investigation adequately examined the accountability of Navy leadership to prevent and address the actions at Tailhook 91; (3) why there was an apparent reluctance to interview admirals who had attended Tailhook 91; (4) whether there were mismanagement and improper influence by the Navy chain of command in directing the investigations; and (5) why a key interview was missing from a final report of investigation.

In light of these concerns, on June 18, 1992, the Secretary of the Navy requested the DOD Inspector General to reexamine the entire matter.

DOD OIG Investigation

The tasks confronting the DOD OIG initially appeared to be overwhelming. The investigation would need to address a variety of criminal and administrative issues. The investigative team would need to quickly review and digest over 2,000 pages of Navy investigative reports. There was a need for the investigation to proceed and be completed quickly in response to the mounting concerns in the Pentagon and increasing media and congressional interest.

The DOD OIG faced many of the same difficult challenges that confronted the Navy investigators. Witnesses, victims, subjects and suspects were literally located around the world—many of them deployed at sea aboard aircraft carriers. Witness recollections were expected to be sketchy. The Tailhook 91 attendees left Las Vegas a full 9 months before the DOD OIG became involved. Most of the assaults and other inappropriate acts occurred in very crowded and poorly lighted conditions. Many of the witnesses had been drinking heavily, in some cases continuously, over a 3-day period. All these factors combined to present a formidable investigative task. The likelihood that victims might be able to positively identify assailants appeared remote. Most of the men in the crowded hallways were dressed similarly, often in shorts and T-shirts, and they had the military look of naval aviators. As a group, they were young, physically fit, clean-shaven with short hair, and predominantly Caucasian. It was also expected that the investigators would encounter a lack of candor, if not outright hostility from many of the officers who, as naval aviators, had a strong sense of group identity and loyalty. Also, many officers resented the repeated investigations of Tailhook 91.

The DOD OIG took a very deliberate approach to the investigation. The first step was to review and analyze the entire Navy investigative file. This was accomplished by a small group of senior level investigators who defined the intended goals of the investigation, determined the resources needed, and established responsibilities.

The DOD OIG investigation went beyond the single issue of identifying the persons who committed assaults to include issues of general misconduct and the failure of

Navy leadership. In practical terms, the investigative effort was divided into two major areas. The first task was to review the adequacy of the Navy investigations and examine the role of senior Navy leadership in those investigations. The other major task, requiring the greatest commitment of resources, was to identify the events of Tailhook 91; describe why they occurred; and, of course, attempt to identify individuals who committed indecent assaults and other specific violations of the Uniform Code of Military Justice (UCMJ). The overall task was made all the more challenging because of the need to balance administrative and criminal investigative objectives.

The DOD OIG investigative team consisted of more than 50 investigators. Approximately 40 special agent criminal investigators were drawn from the Office of Assistant Inspector General for Investigations, Defense Criminal Investigative Service (DCIS). Another dozen administrative investigators came from the Office of Assistant Inspector General for Departmental Inquiries. The investigators were supported by scores of clerical and administrative employees drawn from throughout the OIG, but in large measure from the Office of Assistant Inspector General for Administration and Information Management. That component supported the investigation in many essential ways, including providing computer hardware, software and specialized programming; special travel arrangements, mail, records and information management services, editing, and printing services.

The unique circumstances required that teams of investigators travel to military installations and other locations where large numbers of Tailhook attendees had been identified. Rather than approach the case by following specific investigative leads in a strictly logical progression, the Tailhook Task Force, as it came to be known, found it necessary to conduct large numbers of interviews dictated mainly by the geographic dispersion of witnesses and related travel and logistical constraints. This made the need for timely, complete and accurate analysis of information all the more critical. A variety of computer applications greatly enhanced the investigators' ability to analyze large amounts of data in a timely, efficient and effective way.

The Tailhook Task Force completed the major portion of the investigative work between July 1992 and December 1992. Almost all of that investigative effort was accomplished by keeping the investigative team in an almost constant travel status. Significant follow-up investigation continued until the fall of 1993. The Tailhook Task Force completed almost 4,000 detailed interviews at more than 100 locations around the world, including military installations throughout the United States, in Japan and the Middle East, aboard three aircraft carriers and even in the White House. The total DoD IG investigative and support effort expended on the Tailhook case was well in excess of 30 workyears.

Some specific strategies, tactics and lessons learned by the DoD IG Tailhook Task Force include:

Early Planning and Coordination Are Essential

It is absolutely essential that all investigators have an appreciation for the “big picture.” Allow enough time to provide a comprehensive briefing to the investigative team on investigative goals, objectives, policies and procedures.

Establish a permanent headquarters staff, with sufficient numbers of dedicated investigative, clerical and other support personnel. Clearly define the headquarters staff responsibilities to establish and maintain an accurate filing system, coordinate resources, analyze incoming reports, and disseminate investigative and administrative information and assignments to the investigators in the field.

Delegate Willingly

Use other organizations to your benefit. For example, the DOD OIG tasked the Navy and Marine Corps to identify and locate all active duty and Reserve officers who attended Tailhook 91. The DOD OIG also requested Navy and Marine Corps support in terms of providing legal counsel and by making logistical arrangements for the investigators.

Technology is a Wonderful Tool

The Tailhook Task Force made extensive use of computers to manipulate the extremely large quantity of information. For example, computer applications were used to conduct a variety of investigative analyses, to track and prioritize investigative leads, and to track interviews completed.

Perhaps most crucial to the investigative effort was the use of a text search and retrieval software program to analyze and research investigative reports. This software allowed investigators in the field to quickly review all investigative reports as they prepared for interviews. Frequently, this preparation identified key information or questions that could be addressed in subsequent interviews. The system was also used extensively to compare differing witness accounts of the same events, conduct research for the DOD OIG’s published reports regarding Tailhook, “clear” officers who had no apparent culpability, prepare for military judicial and administrative hearings, and respond to requests for access to documents under the Freedom of Information Act.

The value of the text search and retrieval tool is dependant on having it frequently updated with the most current information. This requires a well organized and closely monitored system to ensure that all investigators prepare their reports timely and consistently. Each investigative team must expeditiously forward these investigative reports to headquarters in order that the updated information can be distributed to and used by other teams of investigators.

Standardization is a Key

Although unusual investigations require innovative approaches, it is important that the entire investigative team understand and consistently use standardized procedures. Nowhere is this more important than in the area of report writing. All investigators must use standard terminology, acronyms and precise spellings if the text search and retrieval software described above is to be used to its maximum benefit for record retrieval and data analysis.

Stay Flexible and Communicate

Anticipate and adjust as necessary the resources needed to complete the investigation. Don’t underestimate the task.

Keep the investigative teams informed. This includes the overall goals of the investigation as well as providing the team with timely updates on investigative developments and realistic assessments of the investigative tasks. In addition to headquarters communication, encourage investigative teams in the field to communicate and coordinate directly and frequently with each other to ensure that important investigative leads are covered efficiently and effectively.

Tailhook has come to represent a watershed event in the military. The events of Tailhook 91 have had the resultant effect of significantly expanding the roles of women in the military. All of the Military Services have reevaluated the way in which they deal with the issue of sexual harassment. Even today, newspapers continue to mention Tailhook in the context of new allegations of sexual misconduct and in continuing repercussions for some career military officers.

Tailhook has also resulted in some recommended changes in the investigative arena--in both the Navy investigative organizations and the DOD OIG. Perhaps the experience of the DOD OIG in conducting the Tailhook investigation may be of benefit to other organizations confronted with cases of a similar nature or magnitude. □



Nuclear Safety and Whistleblowers

by Leo Norton, Acting Inspector General, Nuclear Regulatory Commission

The protection of the public health and safety is the reason for the existence of the Nuclear Regulatory Commission (NRC). The NRC was established as an independent Federal agency pursuant to the Energy Reorganization Act of 1974 which abolished the Atomic Energy Commission (AEC). The NRC was assigned the regulatory functions of the AEC pertaining to the commercial, industrial, medical and institutional uses of nuclear materials.

To carry out its duty to protect the public health and safety, the NRC's primary activities are: establishing standards and regulations; reviewing applications and issuing licenses for the use of nuclear materials; and, inspecting facilities where nuclear materials are used in order to determine compliance with safety regulations and license requirements. The NRC employs about 3200 personnel to oversee the operations of 113 licensed nuclear power plants and approximately 8500 other licensees who use nuclear materials for such matters as research, radiography and medical treatment.

The NRC Office of the Inspector General was established in April 1989 as a result of the 1988 amendment to the Inspector General Act of 1978. David C. Williams arrived at the NRC as the first Presidentially appointed Inspector General in December 1989.

The NRC had long opposed the extension of the IG Act to the agency as being unnecessary and inappropriate for an independent, regulatory agency. In 1987, then NRC Chairman Lando Zech testified in a Senate hearing:

“[I]t is difficult for us to see how providing the Commission with an Inspector General subject to Presidential appointment and removal would better assure effectiveness, efficiency, and integrity in the NRC's operations.”

Against this background of agency opposition to the creation of an OIG, it was initially difficult for many agency managers to accept that OIG investigations and audits could make highly significant contributions to the NRC's public health and safety mission. At the current time, however, approximately three-fourths of the OIG special agents are involved in investigations bearing upon how the agency performs its safety role.

OIG investigations into safety-related issues have disclosed such matters as:

The NRC's failure over a 10-year period to investigate and act on reported problems with a fire barrier material used to protect electrical cables necessary to ensure the safe shutdown of a nuclear reactor. This defective material was installed in about 80 of the Nation's nuclear plants. OIG investigated and reported on this matter in 1993; however, a complete resolution has not been achieved despite intense agency and industry efforts. Until a technical resolution is agreed upon, manned fire watches are on the lookout for fires which might damage the cables.

OIG discovered that at a northeast U.S. nuclear plant, the licensee for about 20 years had been violating its agency approved specifications in the manner in which it unloaded nuclear fuel from the reactor. NRC staff had permitted this to go on because they were not aware of the requirements imposed on the licensee by the agency. After the OIG report was issued and intense interest from Congress and the media, the NRC has formed several task forces to examine its failures and its expectations of inspection personnel. All three reactors at this site have been shut down indefinitely.

In the aftermath of the Three Mile Island (TMI) accident in 1979, the NRC imposed numerous new requirements on new and existing nuclear power plants. Among these, the NRC directed that every plant had to develop a computer program which could be used to predict what would happen to the reactor in the event of a loss of coolant accident (LOCA - the TMI event). In December 1995, allegations arose that a different northeastern U.S. operator had misled the NRC and operated in spite of a defective LOCA computer program. NRC technical evaluation and inspection showed that the alleged defects existed, and the power generating limits of the plant were significantly lowered. The OIG investigation developed considerable evidence concerning an intentional violation by the licensee

(continued on page 36)

and, more importantly, uncovered significant flaws in the NRC license amendment process. The necessary corrective actions are being undertaken.

Each of these serious safety concerns was brought to light only through the efforts of employees in the nuclear industry. Thus, I believe that NRC OIG's greatest contribution to public health and safety has been our work regarding the agency's handling of whistleblower complaints.

As I previously mentioned, the NRC has responsibility for regulating and inspecting the operations of 113 nuclear power plants and about 8500 other licensees. The magnitude of the licensed activities is so great that the NRC can only inspect a small fraction of them, and the NRC must rely on licensee and contractor employees to report safety concerns. If nuclear industry employees are retaliated against by their employers, a significant source of safety concerns will be lost, and the public health and safety will be jeopardized. In 1993, then NRC Chairman Ivan Selin acknowledged in a Senate hearing:

“The NRC receives more than 800 allegations a year, many of which raise valid issues of which the NRC would otherwise not be aware.”

Section 210 (now 211) of the Energy Reorganization Act of 1974 divides the responsibility for handling retaliation allegations between the NRC and the Department of Labor (DOL). The NRC has the duty to ensure that licensees and others do not participate in the harassment and intimidation (H&I) of persons who raise safety concerns. The DOL has the responsibility for directing appropriate compensation for H&I violations.

Beginning in the early 1990's, OIG received a number of complaints about the inadequacy of NRC and DOL efforts to provide protection for nuclear industry employees who were terminated or suffered other harassment after raising health and safety concerns. OIG initiated an inspection effort in 1992 to understand the nature of the complaints and the magnitude of the problems. We found that over a 4-1/2 year period, the NRC had received 609 retaliation complaints, but the NRC initiated only 44 investigations and issued 7 enforcement actions.

During an OIG inspection, nuclear workers told us of various retaliatory actions for having raised safety concerns such as: being fired, receiving death threats from co-workers, being demoted, being burned in effigy, and receiving work assignments that increased the employee's level of radiation exposure. In addition to issuing our report of findings, Inspector General Williams testified to the results of our work in July 1993 before the Senate Subcommittee on Clean Air and Nuclear Regulation.

In response to the OIG report and the congressional hearings, the NRC formed a high-level task force to reassess the NRC's program for protecting allegeders against retaliation. The task force report, issued in January 1994, acknowledged the deficiencies found by OIG and concluded that “the NRC had not taken sufficient steps... to create and promote an environment... in which employees feel free to raise concerns without fearing retaliation.” The task force made 47 specific recommendations to improve the program for protecting whistleblowers against retaliation.

As all members of the OIG community realize, one cannot assume a problem has been corrected because it has been identified. Therefore, in February of this year, we decided to determine the success of the recommendations made by the NRC's whistleblower task force. We found that less than half of the 47 recommendations had been fully implemented (full implementation had been scheduled for December 1995). Only 3 of 11 recommendations which senior agency management identified as high priority had been fully implemented.

Following the issuance of our report in March 1996, the agency has stepped up its efforts and full implementation is expected in the summer of this year.

In conclusion, my experience convinces me that OIGs can and should perform a critical function in protecting the public health and safety. We must make sure that our agencies address safety issues in a thorough and timely fashion without undue outside influences. Especially important is to protect the pipeline for safety allegations. All people, but especially those employed in the regulated industry, must have confidence to bring safety deficiencies to the government's attention without fear of reprisals. □

Book Review: The Age of Inspectors General

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Vol. 56, No.1, pp.105-106

Commentary Author: James F. Hoobler

By Alfred M. Zuck, executive director of the National Association of Schools of Public Affairs and Administration

Paul Light, *Monitoring Government: Inspectors General and the Search for Accountability*. (Washington, DC: Brookings, 1993), 274 pp.; \$29.95 hardcover, \$ 11.95 paper.

The one federal government-wide growth industry in the 1980s was the audit and investigation program of the Offices of the Inspectors General (IG). In a period in which total federal employment increased only marginally, the staff of the Inspectors General increased almost one-fourth. By 1989, the Department of Education had a ratio of IG staff to total agency staff of 1:14. The amazing growth of this segment of the federal government certainly is one which deserves attention and analysis. That is precisely what Paul C. Light has done in *Monitoring Government: Inspectors General and the Search for Accountability*. This book is the first in-depth examination of the evolution of the concept of inspector general and its transformation into one of the significant efforts to enhance accountability of federal government officials and programs.

The search for accountability, which is used as a subtitle of the book, is an important theme that permeates the book. A major strength of *Monitoring Government* is the comparison of three aspects of accountability: compliance accountability, performance accountability and capacity-based accountability and the reasons for the adoption of compliance accountability as *modus operandi* of the Offices of the Inspectors General. All major forces converged on the desirability of compliance monitoring in preference to performance monitoring or institutional monitoring following the enactment of the IG Act in 1978. The Congress was interested in utilizing the IGs as a resource for obtaining information on agency operations to assist in congressional oversight activities. The President, and OMB as the President's management arm, was interested in pursuing the political agenda of identifying fraud, waste and abuse in Federal programs. Moreover, as Light points out, compliance monitoring is less difficult and less costly than the alternative approaches of performance monitoring or institutional monitoring. Another factor, however not emphasized, is the culture and tradition of the audit and investigation fields, which were transferred to create the Offices of Inspectors General. The tradition and

culture of audit and investigation staff is one of post audit of adherence to implementing prescribed rules and regulations, the traditional bureaucratic paradigm. Light's research base for his analysis of the legislative history, organization, and staffing of the Offices of Inspectors General and their working relationships with agency heads, the Congress, and the Office of Management and Budget is extensive. His access to unpublished reports and sources complements the extensive survey data. The data produced by this research are very useful and establish benchmarks against which future analysis and evaluation can proceed. The analysis is enriched by the use of the scandal in the Department of Housing and Urban Development as a case study. Interestingly, rather than a success story, it demonstrates the extent to which neither the agency head nor the Congress was listening to the IG and using his reports for corrective action. The one weakness in the research design and database is the absence of data and evaluation of the OIGs by program managers, the individuals most directly affected by their audit and investigation activities. While the major focus of *Monitoring Government* is an institutional analysis of the OIGs, the ultimate assessment of the impact of OIGs will need to include the assessment of program operating officials and program outcomes, which the author freely acknowledges and addresses in the final chapters.

While the major portion of the book is devoted to a fascinating and well-documented institutional history of the IGs from the enactment of the IG Act in 1978 to the beginning of the 1990s, Light devotes two important chapters to measuring the impact of IGs and the future of the IG concept.

After a review of the results of the IGs in statistical terms; (e.g, dollars saved or put to better use and number of indictments and convictions achieved), Light raises the critical issue of the need to focus on program performance. He goes further and raises the question as to whether IGs have been doing the wrong job by putting too much emphasis on compliance and not enough on performance and capacity building. These are key questions which need to be raised and given considerable attention by the public administration community. They have particular significance in the current debate about the relevance of the traditional bureaucratic paradigm of the Weberian model. In both the public and private sectors, the current management literature and debate relate to efforts to overcome the bureaucratic gridlock of hierarchical organization, the

(continued on page 38)

Book Review (continued)

division of labor into discrete tasks, rigid rules and regulations (i.e., command and control systems). The compliance monitoring approach of IGs utilizes the Weberian model. It does not accommodate concepts of increased employee discretion, empowerment, entrepreneurship, group performance, horizontal organizations, customer orientation, or outcomes assessment which are called by some the post-bureaucratic paradigm. Recognizing that the public sector has not yet adopted, and may not adopt, what may evolve into a new paradigm, the movement is likely to be in that direction.

Another aspect of the accountability issue which needs to be addressed is the continuing diminution of the authority and responsibility of program managers for program outcomes. The establishment of the IGs was another of the continuing steps taken by the Congress and the executive branch to disaggregate management functions into separate organizations and officials (IG, chief financial officers, etc.), adding additional layers of reviewers, monitors, second guessers. Rather than integrating and consolidating management authority in the hands of program managers to enhance their authority to deliver program service, the management functions and authorities have been disaggregated and assigned to new officials and organizations thereby complicating the capacity of managers to manage. The public administration community needs to begin to focus on management integration as a step toward achieving positive program outcomes.

Without addressing the possible impact of a post-bureaucratic paradigm, Light suggests that the IGs should focus more on improving government performance and rebuilding administrative capacity. He goes so far as to suggest that the IGs may be the safe harbor for assigning the task of program analysis and design. It is true that OMB has not provided any reasonable assurance that it has the capacity for rebuilding the government's institutional memory or perhaps more importantly, the capacity to design new management approaches to improving the delivery of government programs and services. The suggestion that the IGs may play this role rests on the premise that they are less subject to the political pressures for short-term solutions rather than long-term institutional effectiveness. Recognizing the theoretical possibility of less political influence, the culture of the IG community, and the nature of staffing in terms of skills and experience would need to change substantially. Skills in policy analysis, program evaluation and program management experience would seem to be necessary. The OIGs are a most unlikely organization to find these skills or if found, to nurture them.

Paul Light's *Monitoring Government: Inspectors General and the Search for Accountability* is a major contribution to the literature on accountability in government. It makes significant recommendations for the future role of Inspectors General which need to be included in the emerging debate on alternative approaches to improving the delivery of government programs.

Response By James F. Hoobler, Ph.D.

U.S. Small Business Administration
Washington, D.C. 20416
March 20, 1996

Dr. David H. Rosenbloom
Editor in Chief/PAR
The American University
School of Public Affairs
4400 Massachusetts Avenue, N.W.
Washington, D.C. 20016-8070

Dear Dr. Rosenbloom:

While I do not often engage in formal rebuttals of positions taken in professional journals, I feel compelled to bring an important matter to your attention as the *Public Administration Review's* (PAR) Editor in Chief. The purpose of my letter is to respond to Mr. Al Zuck's comments, "The Age of Inspectors General," set forth in PAR's January/February 1996 issue. As you will recall, Mr. Zuck's comments on the inspector general community were made in the context of his book review of the Paul Light's *Monitoring Government: Inspectors General and the Search for Accountability*.

Let me begin by saying that I think it is unfortunate that a professional journal of PAR's stature would print such a review without substantiating the author's claims. In my opinion, Mr. Zuck, as a public affairs/administration professional, has a dual responsibility: (1) as Executive Director of the National Association of Schools of Public Affairs and Administration, he should be educating future leaders of our country as to what is really happening in the administration and management of our Federal Government, and (2) as a reviewer for PAR, he should be expected to verify his facts before taking a position as ill-informed as he has on the role and value of the Government's cadre of inspectors general (IGs). I believe he has failed on both counts. I will defer to Paul Light on Mr. Zuck's assessment of his book, but I cannot ignore his uncalled for comments on the Federal Government's IGs and the inspector general community.

For the record, you should know that the Federal IGs greeted Mr. Light's book openly in 1993 and, in fact, invited him to speak at their Annapolis conference. Moreover, the community accepted Light's observations in the professional spirit that they were offered and took appropriate action to reinvent itself. In January 1994, at meetings of the President's Council on Integrity and Efficiency (PCIE) and Executive Council on Integrity and Efficiency, the Federal Government's IGs adopted the enclosed *Vision Statement*

and *Statement of Reinvention Principles*. Shortly thereafter, many Offices of Inspector General (OIGs) conducted formal assessments of their efficiency and effectiveness by surveying program operating officials and documenting the OIG's program impact, as perceived by program managers. By doing so, the community has already fulfilled Mr. Zuck's desire to query program operating officials as to the impact of OIGs in their host departments and agencies. Moreover, if Mr. Zuck's had bothered to ask, he would have discovered that the IGs have clearly moved away from the Weberian model's compliance auditing and directed more of their oversight effort towards performance auditing, systems inspections and program assessments.

Mr. Zuck laments what he perceives as "...continuing diminution of the authority and responsibility of program managers for program outcomes." He offers the establishment of the IGs and the Chief Financial Officers (CFOs) as evidence of the legislative and executive branches' efforts "... to disaggregate [*sic*] management functions into separate organizations and officials...adding additional layers of reviewers, monitors, second guessers." He further argues:

"Rather than integrating and consolidating management authorities in the hands of program managers to enhance their authority to deliver program service, the management functions and authorities have been disaggregated [*sic*] and assigned to new officials and organizations thereby complicating the capacity of managers to manage. The public administration community needs to begin to focus on management integration as a positive step toward achieving positive program outcomes."

Mr. Zuck's views are not supported by the facts. Federal program managers have not been rendered impotent by either the IGs or the CFOs. Notwithstanding the Inspector General and Chief Financial Officer Acts, program managers have retained all of their responsibilities and authorities. It is true, however, that they are now being held more accountable for their decisions due to the fine work of the IGs and CFOs. I would argue, therefore, that legitimate oversight of our public institutions and their managers is a far cry from "second guessing" as suggested by Mr. Zuck. Neither IGs, CFOs, nor GAO reviewers have the power to require program managers to alter their behavior and to manage for results; all any of these oversight professionals can do is to document problems of fraud, waste, and abuse for the consideration of program managers and their respective department and agency heads. And, of course, they are expected to keep the President and the Congress fully informed of what they have found and to convey management's response to their recommendations.

I am surprised that Mr. Zuck failed to mention the Government Performance and Results Act (GPRA). This recent and significant piece of legislation affords every program manager a formal opportunity to articulate his/her policy goals and objectives and to share supporting strategies and performance plans with the Congress and the general public. In short, it does not appear that the Congress is trying to strip away program officials' management functions or authorities. On the contrary, the Congress is doing its best to encourage Federal program managers to do

precisely what Mr. Zuck wants —manage their responsibilities and share their performance. Moreover, I should hasten to add that the GPRA does not even mention a role for either the IGs or the CFOs.

Finally, Mr. Zuck takes issue with Paul Light's suggestion that the inspector general community focus more on improving government performance and rebuilding administrative capacity, as well as engaging in program analysis and design. Again, Mr. Light can fend for himself; however, my reading of his text suggests he was arguing for the IGs to play more of a consultative role with their host departments and agencies in the formulation and implementation of programs. Indeed, that is what the administration's reinvention initiative is all about. I assure you that none of my colleagues have any desire to compromise their independence under law by taking over the responsibilities of program managers, but it would be irresponsible for the IGs not to advise our customers, both management and the Congress, of ways in which programs can be improved. In fact, this is precisely what we have pledged to do in the above referenced *Vision Statement and Statement of Reinvention Principles*.

Like Mr. Zuck, I, too, would question Paul Light's suggestion that IGs should take over program analysis and design; these functions clearly belong to policy officials and program managers and must remain so. I do, however, take issue with Mr. Zuck's assertion that OIGs lack appropriate analytical skills to provide relevant program oversight. I would strongly recommend that he investigate the current staff capabilities of the OIGs in the Federal Government before passing judgment on skills and experience resident in the inspector general community. Comments like the following are unfounded and unwarranted for publication in a professional journal like PAR.

"Recognizing the theoretical possibility of less political influence, the culture of the IG community, and the nature of staffing in terms of skills and experience would have to change substantially. Skills in policy analysis, program evaluation and program management would seem to be necessary. The OIGs are a most unlikely organization to find these skills or, if found, to nurture them."

As the current chair of the PCIE's Committee on Inspection and Evaluation, I must challenge Mr. Zuck's observations and judgments. In an effort to educate him on the level and breadth of "skills and experience" currently being used within the inspector general community, I am also enclosing copies of the PCIE's evaluation standards issued in 1993 and a July 1995 *Survey of Inspection and Evaluation Units in the Inspector General Community*. I trust these materials will assist Mr. Zuck's participation "...in the emerging debate on alternative approaches to improving the delivery of governmental programs."

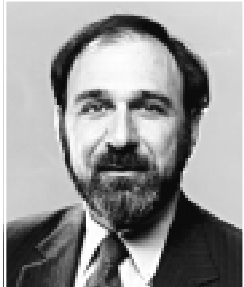
Thank you for the opportunity to express my concerns,
Sincerely,

James F. Hoobler, Ph.D.,
Inspector General



An American Yankee Visits the Pharaoh's Court: An International Experience in Fighting Corruption

by Stuart C. Gilman, Special Assistant to the Director, U.S. Office of Government Ethics



Stuart C. Gilman, Special Assistant to the Director U.S. Office of Government Ethics

The Context of Corruption

The stability of the government of Egypt is one of the keys to peace in the Middle East. For many Americans the challenges confronting Egypt are the terrorism of Muslim extremists, maintaining the peace with Israel, entrenched poverty and/or extreme overpopulation. A critical factor, which seldom makes this list, is widespread corruption. In fact, corruption is the underlying cause of many of the problems identified above.

Many Americans also feel that corruption in “underdeveloped countries” is not only expected but part of the culture. Bribery, illicit gifts and influence peddling are simply viewed as part of the values in those sections of the world. Belying this, the delegates to the *International Conference on Ethics in Government*¹ uniformly emphasized the debilitating effect of corruption on their societies. Representing more than 50 countries, the delegates stressed their broad commitment to eliminating corruption. They acknowledged the unevenness of enforcement, but believed that fundamental democratic change and economic growth can only occur when they succeeded in dampening the pernicious effects of this evil.²

One of the major addresses at the conference was delivered by Ahmed Abdel Rahman the Director of the Egyptian Administrative Control Authority (ACA). He discussed the need for training and consultation for the ACA with the Director of the U.S. Office of Government Ethics (OGE), Stephen D. Potts.

Soon after this, the Office of Government Ethics was invited by both the Egyptian government and our Ambassador to Egypt to send a delegation to Egypt. The invitation was met with a great deal of anticipation and excitement on our part. Our Ambassador requested that the Director of OGE send a group to “work with the Administrative Control Authority (ACA), a newly enhanced agency with broad responsibility for controlling corruption.” The work was to include identifying common areas of interest and concern between the two agencies, and providing training and consultation on the technical aspects of ethics rules, regulations and enforcement.

The Inspectors General of the Agency for International Development and the Department of Commerce supported the travel and the Egyptian government hosted us while we were in Egypt. When we departed Thanksgiving weekend, the five of us³ did not know what the week of training and consultation would bring. We were especially concerned about the level of sophistication and technical understanding of our colleagues at the ACA. Would concepts such as conflicts of interest, recusals, trusts, administrative sanctions or financial disclosure make any sense translated either in Arabic or into this very different culture?

The Administrative Control Authority of Egypt

The ACA was created to combat administrative and criminal corruption throughout the country. It has 15 offices throughout Egypt and is the responsible *control*⁴ entity for the government at the national, governorate (state) and local level. It is also responsible for examining these same issues for the vast array of government corporations and organizations. The ACA combines the functions of the

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¹ This conference was sponsored by the United States Information Agency and the Office of Government Ethics in November, 1994. Copies of the proceedings are available from U.S.I.A. or from the author at the U.S. Office of Government Ethics.

² For a more detailed discussion on the cultural dynamics of global values and their relationship to corruption see S.C. Gilman and C. Lewis, “Public Service Ethics: A Global Dialogue,” *Public Administration Review*, Oct./Nov., 1996.

³ The delegation was comprised of the Director of OGE, the Designated Agency Ethics Official from the Department of Commerce, an Associate General Counsel from OGE, OGE’s Associate Director for Program Assistance and Review and myself.

⁴ The concept of “control authority” is roughly equivalent to Roman oversight authority in the United States.

IGs, with more limited functions like an ethics office (OGE) and whistle-blowing authorities (like the Office of Special Counsel and the FBI).

The Authority's five overall objectives are: 1) guaranteeing the achievement of specific organizational goals; 2) guaranteeing greater discipline in the administration of programs; 3) resisting deviations from standard practices in administration and auditing; 4) assisting government officials in carrying out their functions; and 5) being active problem-solvers within the government.

Mr. Rahman, the head of the ACA, was appointed directly by President Mubarak. He is a highly respected former army general. From the limited view which we had, his leadership has taken a small, somewhat ineffective organization and has changed it into a significant force within Egypt. He has done this with a variety of creative management techniques, a sharp and well-defined mission, and a bulldog determination to eradicate corruption. His strategy has been twofold: first, to aggressively root out the most blatant forms of corruption, and second, to ensure the integrity of his own organization.

It appeared to us that even with all of this commitment, Director Rahman is a practical administrator. He fully admits and understands the enormity of his task. Egypt is a country with severe poverty and population problems. These problems are simply exacerbated when corruption is thrown into an already volatile mix. Many Federal agencies also have concerns about Egypt, the second largest recipient of U.S. aid. Rahman also readily admits that the ACA has limitations, often driven by limitations in resources and personnel. He has had to make difficult choices.

Rooting Out Corruption

Even with the limited capacity of the ACA, they showed us an astonishing record of success. In many respects, the activities of the ACA are similar to those of the IG and ethics communities in the U.S. (See Table 1).

As the categories in Table 1 demonstrate, the ACA receives assignments not only from the national executive but also from state executives. As important, additional assignments originate from the more than 22,000 com-

| Requirements by State Sector | Number | % Completed in 93/94 |
|---|---------------|-----------------------------|
| Assignments by the Prime Minister | 22 | 100% |
| Assignments by Ministers and Governors | 442 | 83% |
| Investigative Requirements by Investigating Authorities | 227 | 100% |
| Complaints submitted by citizens | 22,138 | 92% (examined) |
| Illegal Gain Cases | 95 | 85% |
| Inquiries about candidates for top management posts | 4947 | 96% |
| Investigations of those who are to receive state medals | 60 | 96% |
| Total Activities | 27,865 | 93% |

⁵ The data in both Tables 1 and 2 were provided by Director Ahmed Abdel Rahman at the International Conference on Ethics in Government, Washington, DC in November, 1994.

| Table 2. Analytical Breakdown of Operations for the Administrative Control Authority of Egypt | |
|--|--|
| Major Goals | Activities and Results |
| Preventive Control | Cancelling and correcting (11) tenders and agreements valued at 1.038 billion Egyptian Pounds ⁶ |
| Discipline of Public Servants | <ul style="list-style-type: none"> * 96 Dismissals of Public Servants * 256 Administrative Punishments * 97 Transfers for misbehavior * 616 Referrals of public servants to the prosecutor |
| Public Funds Restored to the State | <ul style="list-style-type: none"> * Realized: £111.031 million Egyptian * Expected: £54.841 million Egyptian * Preserved: £35.199 million Egyptian * Expected return as a result of criminal prosecutions - £148.167 million Egyptian |

⁶ The current exchange rate is 3.1 Egyptian pounds to one American dollar, so this savings is approximately \$330 million.

plaints submitted by citizens. Given the number of administrative and criminal referrals and the recovery of dollar amounts, the system appears to be fairly successful, at least on the surface. Table 2, with categories remarkably similar to those used by many IGs, gives a fairly reasonable snapshot of the monetary accomplishments of the ACA.

However, several questions remain about the meaningfulness of the numbers. As impressive as the record is, what is its relationship to the actual level of crimes, misappropriations and ethics violations? An even larger question can be raised about the materiality of the violations: Was the ACA getting the “big fish” or simply inflating the numbers by netting minnows? In a sense, these are the same nagging questions which haunt our own enforcement communities in the U.S.

Ensuring the Integrity of the ACA

The question of “who guards the guardians?” is almost as old as antiquity. It is a question that the leadership of the ACA has had to answer. Finding this answer is especially difficult in the context of hiring and keeping professional investigators and auditors at salaries which are often only a fraction of the compensation of the comparable private

sector job. There are approximately 600 professional ACA staff and almost double that number in support staff. The professional salaries are held down by the Egyptian parliament. Although the salaries may be nominal, ACA leadership has found other ways to support their professional staff -- and with the support of the Parliament!

For example, because of the expense of vehicles in Egypt, each of the professional “members” is provided with a car and a driver. In addition, the ACA has its own facilities for maintaining and repairing these autos, including a machine shop and body repair. They have a small apparel sales facility to ensure the professional dress of their members. They have food services, which provide meals to employees -- and families at significant discounts. The kitchen and the bakery on the premises provide meals for the members, as well as for (us) their guests. The bakery was especially memorable! They even use one floor of the building as guest quarters -- which is where the delegation from OGE stayed.

The main ACA headquarters is a modern, 14-story building in Heliopolis, one of the largest suburbs of Cairo. It provides many of the amenities and conveniences which

(continued on page 44)

we often take for granted: comfortable office space and a parking garage attached to the building. In addition, the ACA has a fitness center in the building, its own security and it even houses the fire department for the neighborhood.

Professional support for members (that is, the professional staff) is also significant. As examples, the ACA houses state of the art computers to help in audits and a photography and video group to provide support for undercover operations. They use a variety of investigative mechanisms and audits. They do not carry firearms. And although they can perform arrests with a warrant from a magistrate, if they think violence is likely they will request help from the police.

The emphasis on professionalism and professional support has bred an esprit de corps and commitment on the part of ACA professionals. The pride they take in their organization and the sense of fully supporting their mission were present in every conversation we had with them. These professionals are not “pollyannas.” They recognize the massive struggle they are up against and how pervasive corruption is in Egypt. They are pragmatists, who are trying to form an effective strategy to combat the forces of corruption while recognizing the political limitations (e.g., the courts) and realizing that it is impossible to do everything at once.

Observations and the Consulting Experience

What is impressive about the ACA leadership is the almost unquenchable desire to learn new techniques and refine old ones in capturing and facilitating the IG/ethics function. There is a broad commitment among the leadership to develop a strong training ethic within the organization. On a personal level, the ACA is one of the most accomplished “learning organizations” I have ever seen. For example, they require senior managers to develop trilingual skills in Arabic, English and French and have actually created a language lab in their facility, so that employees can fulfill this requirement. They hire instructors from the American University in Cairo and expect supervisors and managers to participate weekly. Senior staff meetings are regularly held in either English or French. One reason for this effort is that much of the information the ACA receives on enforcement techniques and methods comes in those two languages.

The purposes of our lectures and consultations were to provide insight into our Standards of Conduct (and adminis-

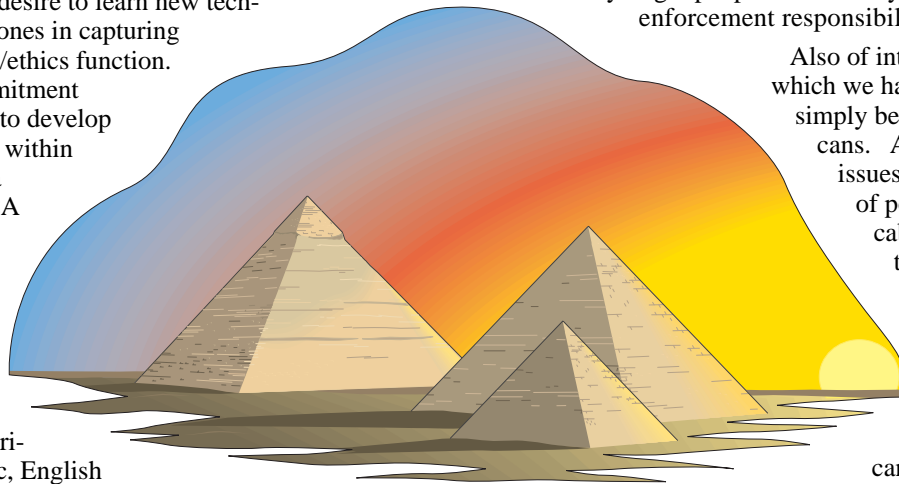
trative enforcement), financial disclosure and training. One of the frustrations for the Egyptians is the slowness and ineffectiveness of their judicial process. We provided a model of an effective set of administrative rules and procedures which would more likely get the “bad guys” out of the system. We also covered the auditing of financial disclosure statements and our financial disclosure system. We stressed especially how the system can be monitored and used to identify financial elements of corruption. The Egyptians were also very interested in the methods we used to train civil servants and how these could be fitted into their overall efforts to prevent corruption.

Although Egypt does have some parallel systems, many are less than effective. For instance, the financial disclosure system is not public and officials file disclosure forms every 5 years. And, although there are administrative remedies, agencies are very limited in any unilateral action against corrupt employees. There is little or no training, and many members of the ACA were curious about how to develop effective training tools and courses.

What impressed the American delegation most was the knowledge our “students” already possessed. Contrary to our initial fears, the supervisors and managers who attended our training sessions exhibited a substantial knowledge of the concepts and enforcement problems in ethics. They demonstrated this knowledge through insightful and penetrating questions which often focused on obstacles that we have still not resolved in the U.S., such as “What do you do if a senior level official refuses to file a financial disclosure upon leaving office?” “How do you get people in authority to support those with enforcement responsibilities?”

Also of interest were the issues which we had taken for granted simply because we are Americans. An example of these issues include the separation of powers. We assume that cabinet secretaries are in the executive branch. Yet in many countries, like Egypt, they are both legislative and executive. This kind of distinction can potentially play havoc to a uniform set of rules.

The ACA leadership often contrasted their experiences with our own. For example, our Egyptian colleagues were surprised at how extensive the responsibility and authority of the ethics offices (OGE, IGs and OSC) are. They were especially intrigued with certain American systems. These included the existence of an ethics office in the Executive Office of the President; that the President and Vice-President have to file financial disclosure forms; and that they are available to the public!



Also of interest were the similarities with our own system. Their major problem was how to get prosecutors to take cases and follow through with criminal prosecution. This is a difficulty, we assured them, that we all share.

Summary

The opportunity to work side by side with our ACA colleagues in Egypt has given me an entirely new perspective on our work in the United States. Although there are remarkable similarities in the types of offenses, enforcement problems and administrative issues, the degree and intensity of corruption the ACA in Egypt faces is vastly greater. For this reason, all the members of our group uniformly

admired the ACA leadership's commitment and desire to do a more effective job. The ACA, like many similar organizations around the world, needs the support, technical help and encouragement of other anti-corruption agencies.

The internationalizing of anti-corruption efforts, including agreements such as the recent Inter-American Anti-corruption Convention, reminds us of how much we can learn from each other. This experience was also a reminder of how small the world has become and how much all societies have in common, both in terms of our problems and our promise. Only through the sharing of anti-corruption ideas, structures and techniques can we hope to control the last, worst enemy of democracy: political corruption. □

Notes

