

A Progress Report to the President

Fiscal Year 2006

President's Council on Integrity and Efficiency



Executive Council on Integrity and Efficiency



President's Council on Integrity and Efficiency Executive Council on Integrity and Efficiency

Results in Brief

In fiscal year 2006, more than 11,800 employees at 62 federal Offices of Inspector General conducted audits, inspections, evaluations, and investigations of federal programs and operations. These activities help promote economy, efficiency, and effectiveness in government operations and help detect and deter waste, fraud, and abuse. OIG activities resulted in:

- ◆ \$9.9 billion in potential savings from audit recommendations,
- ◆ \$6.8 billion in investigative recoveries,
- ◆ 6,500 indictments and criminal informations,
- ◆ 8,400 successful prosecutions,
- ◆ 950 successful civil actions,
- ◆ 7,300 suspensions or debarments,
- ◆ 4,200 personnel actions,
- ◆ 201,000 hotline complaints processed,
- ◆ 6,500 audit, inspection, and evaluation reports issued, and
- ◆ 24,100 investigations closed.

This report was prepared by the Department of Justice Office of the Inspector General. Copies of this publication may be obtained by contacting (202) 616-4550. It also is available on the Inspectors General website at www.ignet.gov.

FOREWORD

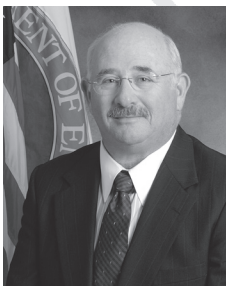
The members of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) are pleased to present *A Progress Report to the President, Fiscal Year 2006*. The Report summarizes the fiscal year (FY) 2006 accomplishments and activities of the Office of Inspector General community and identifies the most significant management challenges facing the federal government.

Twenty-eight years after the passage of the *Inspector General Act of 1978 (IG Act)*, the OIG community continues to build on its past success, resulting in increased economy and efficiency across federal programs and operations. During FY 2006, the IGs placed greater emphasis on efforts to prevent rather than simply detect agency operational problems. Towards this end, we proactively identified the most serious management and performance challenges facing our respective agencies and the federal government. These include:

- ◆ Homeland Security and Terrorism
- ◆ Information Technology Management and Security
- ◆ Financial Management and Performance
- ◆ Human Capital Management
- ◆ Procurement and Grant Management
- ◆ Performance Management and Accountability

We intend to work closely in FY 2007 with agency management, Congress, and others to address these and other key management issues. In terms of performance, during FY 2006, the OIG community identified more than \$9.9 billion in potential savings and obtained \$6.8 billion in investigative fines, settlements, and recoveries. In pursuing our mission, we issued more than 6,500 audit and inspection reports, conducted more than 24,100 investigations, and processed more than 201,000 hotline complaints. In addition to the positive monetary impact, our collective efforts resulted in 8,400 successful criminal prosecutions and approximately 4,200 personnel actions.

More specific information on the activities of individual OIGs is available on the websites maintained by each office, or through the OIG community's shared website at www.ignet.gov. The members of the PCIE and the ECIE remain committed to ensuring that federal government operations are efficient and effective, reflecting the best interests of the American people.



A handwritten signature in black ink that reads 'Greg Friedman'.

Gregory H. Friedman
Vice Chair
President's Council on
Integrity and Efficiency



A handwritten signature in black ink that reads 'Barry R. Snyder'.

Barry R. Snyder
Vice Chair
Executive Council on
Integrity and Efficiency

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The Inspector General Community

Inspector General Act

The IG Act created Offices of Inspector General (OIG) in 12 Cabinet-level departments and agencies. The IG Act established the Inspectors General heading these offices as Presidentially-appointed, Senate-confirmed officials selected on the basis of their professional qualifications. The IG Act consolidated each agency's audit and investigative functions under an OIG for that agency. In most cases, these functions had been fragmented among the very offices audited or investigated. OIGs also received dual reporting responsibility — both to the head of their agencies and to Congress through a semiannual reporting system. Further, the IG Act contains provisions that give OIGs operational and administrative independence within their agencies.

OIGs have established their effectiveness and contributed to improving economy, accountability, and oversight of government management. As a reflection of this success, Congress has amended the IG Act several times since 1978, progressively broadening the authority of the Inspectors General and extending the statute to cover more federal agencies. The largest single extension was the 1988 amendment that, in addition to creating more Presidentially-appointed Inspectors General, established OIGs in certain independent regulatory agencies and government corporations. This latter group of Inspectors General has most of the same authorities as the Presidentially-appointed Inspectors General, but they are appointed by their respective agencies. Today, 62¹ agencies have statutorily-authorized Inspectors General (29 Presidentially-appointed).

Inspectors General Appointments

Inspectors General are selected on the basis of personal integrity and expertise in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. The Inspectors General serving at Cabinet-level departments and major agencies are nominated by the President and confirmed by the Senate. They can be removed only by the President, who must communicate the reasons for any such removal to both Houses of Congress. Inspectors General serving at designated federal entities and certain federal commissions, independent corporations or boards, and special offices are appointed by the heads of those entities. They can be removed by the entity head, who also must notify Congress of the reasons for removal.

Mission and Roles of the Inspectors General

OIGs have several critical roles. They identify waste, fraud, and abuse in their agencies' programs and recommend actions to address their findings — both systemically and on a case-by-case basis. They report their findings and accomplishments to their agencies, Congress, and the public through reports on specific audits, investigations, and evaluations, as well as through their semiannual reports. They also promote initiatives to improve integrity, accountability, and excellence in government.

Specifically, within their agencies OIGs:

- ◆ Conduct or oversee audits, investigations, inspections, and evaluations of their agencies' programs;

¹ The ECIE recently added five statutory OIGs to its membership. These OIGs are highlighted in Appendix B. Any statistical information from these offices will be included in the Annual Report for FY 2007.

- ◆ Review existing or proposed laws and regulations to determine their effect on the economy, efficiency, and integrity of programs;
- ◆ Sponsor or lead initiatives that seek to identify systemic means of addressing weaknesses that leave federal programs vulnerable to waste, fraud, and abuse; and
- ◆ Inform their agency heads and Congress of program-related problems and the progress of corrective actions.

The OIGs' roles and responsibilities include the following:

Audits: The IG Act mandates that each OIG be responsible for auditing programs and activities of its agency and for overseeing and reviewing related audit work performed by outside parties. During FY 2006, OIGs issued more than 6,000 audit reports. The IG Act requires that OIG audits conform to the "Government Auditing Standards," published by the Comptroller General of the United States (often referred to as the Yellow Book). These standards embody the principle that auditors must possess the necessary competence, integrity, objectivity, and independence to effectively carry out their work. In 2006, the Advisory Council on Government Auditing Standards, appointed by the Comptroller General, proposed revisions to these standards. These revisions have been provided to interested parties for review and comment, and the Government Accountability Office anticipates finalizing the auditing standards in the spring of 2007.

Investigations: OIGs are authorized to investigate criminal matters and civil or administrative wrongdoing involving their agencies' programs and operations. During FY 2006, OIGs completed more than 24,000 investigations. The most frequent subjects of OIG investigations included benefit recipients, contractors, grantees, and federal employees. In 2003, the *Homeland Security Act* granted statutory law enforcement powers to Presidentially-appointed OIGs that, within their jurisdiction, are equal to those of other federal law

enforcement agencies. Exercise of these authorities in criminal investigations is subject to Department of Justice guidelines and is coordinated with the Federal Bureau of Investigation (FBI) and other law enforcement agencies. Similar to the Yellow Book standards for audits, the PCIE and ECIE have developed guidelines for OIG investigations that help ensure their professional quality and integrity.

Inspections and Evaluations: Although the IG Act does not require OIGs to establish inspection and evaluation components, the statute provides authority for the offices to conduct analytical reviews that may be methodologically distinct from audits or investigations. Accordingly, many OIGs have created inspection and evaluation units to conduct broad reviews, program evaluations, and focused inspections that analyze the effectiveness of agency activities. The PCIE and the ECIE have issued quality standards for the conduct and reporting of OIG inspections and evaluations. During FY 2006, OIGs issued more than 500 inspection and evaluation reports.

OIG Hotlines: Most OIGs operate hotlines that receive complaints of fraud, waste, and abuse in their respective agencies. Many of the hotlines involve dedicated, toll-free telephone lines, the existence of which is publicized among agency employees, private sector participants in the agency's programs, and the public. Hotlines may receive complaints such as allegations of misconduct or mismanagement by federal and contractor employees, abuse of authority, misuse of federal funds, grant fraud, contract fraud, and healthcare fraud. OIG criminal cases and civil or administrative actions often are generated by hotline complaints. During FY 2006, OIGs processed more than 201,000 complaints and allegations received through their hotlines. Appendix B at the end of this report provides OIG hotline information.

Improving Agency Operations: OIGs are aware of the need to maintain independence both in fact and appearance within their respective agencies. However, they also contribute to initiatives that improve agency operations. Most OIGs seek out and incorporate

the input of agency leadership when developing operational and strategic plans. OIGs often participate as observers in agency-led projects that address critical agency issues. When it does not compromise their independence or subsequent ability to evaluate a program, OIG personnel also may provide technical advice to their agencies on issues such as computer security, financial management, agency contracting, and law enforcement programs.

Inspector General Semiannual Reports: The IG Act requires that each OIG report to Congress semiannually about its activities and accomplishments.

Semiannual reports have become a centerpiece of the OIGs' dual-reporting responsibilities. The IG Act specifies that the reports must be submitted initially to the OIG's agency head, who must transmit them with the agency's management report to Congress. By law, the completed reports become publicly available once they are sent to Congress. The IG Act establishes an extensive array of categories in which information must be reported in the semiannual report, such as Significant Problems, Abuses, and Deficiencies; Matters Referred to Prosecutive Authorities; Refusal to Provide Information; and Significant Revised Management Decisions.

Overview of the PCIE and the ECIE

Background and Mission

The PCIE was created by Executive Order (E.O.) 12301 (March 26, 1981) and later updated and expanded by E.O. 12625 in 1988 and E.O. 12805 in 1992. E.O. 12805 created the ECIE. The mission of the PCIE and the ECIE is to: 1) identify, review, and discuss areas of weaknesses and vulnerability to fraud, waste, and abuse in federal programs and operations; 2) develop plans for coordinated, government-wide activities that address these problems; and 3) promote economy and efficiency in federal programs and operations.

Leadership

In FY 2006, Clay Johnson, III, Deputy Director for Management at the Office of Management and Budget (OMB), chaired both the PCIE and the ECIE (Councils).

The vice-chairs of the PCIE and the ECIE are chosen by the chair from among the members of the PCIE and the ECIE. The vice-chairs provide executive direction to their respective councils and manage the day-to-day Councils' activities. During FY 2006, Gregory H. Friedman, Inspector General, Department of Energy, served as vice-chair of the PCIE, and Barry R. Snyder, Inspector General, Board of Governors of the Federal Reserve System, served as vice-chair of the ECIE.

An Executive Council — composed of the vice-chairs of the PCIE and the ECIE, the chairs of the PCIE committees, and an at-large ECIE member — is the leadership body for the PCIE and the ECIE. The Executive Council is responsible for:

- ◆ Maintaining external relationships and communications on behalf of the OIG community;

- ◆ Long-term planning and continuity of leadership for the PCIE and the ECIE; and
- ◆ Compiling and distributing information on common priorities of the PCIE and the ECIE's membership.

Membership of the PCIE and the ECIE

Inspectors General who are appointed by the President subject to Senate confirmation are members of the PCIE. Civilian statutory Inspectors General not represented on the PCIE (who are appointed by their agency head) are members of the ECIE. To facilitate policy coordination and collaboration between the two groups, the PCIE vice-chair serves as an *ex officio* member of the ECIE, and the ECIE vice-chair is an *ex officio* member of the PCIE.

The following are *ex officio* members of both the PCIE and the ECIE: Controller of OMB's Office of Federal Financial Management, Special Counsel of the Office of Special Counsel, Director of the Office of Government Ethics, Deputy Director of Office of Personnel Management, and Assistant Director of the FBI's Criminal Investigative Division.

Appendix B at the end of this report provides a current list of all PCIE and ECIE members.

Roles and Activities of the PCIE and the ECIE

The PCIE and the ECIE reach across agency boundaries to provide government-wide coordination of and focus on the activities of the OIGs. Among the functions they perform are:

- ◆ Providing a forum in which the OIG community discusses government-wide issues and addresses shared concerns;

- ◆ Developing uniform standards for conducting audit, investigative, and inspection and evaluation activities of OIGs;
- ◆ Sponsoring and operating training programs to support the professional and management development of OIG auditors, investigators, and evaluators; and
- ◆ Conducting or advocating projects that address issues of common concern or interest among OIGs.

The PCIE and the ECIE are the OIG community's counterparts to similar groups representing other federal communities, such as Chief Financial Officers, Chief Information Officers, and Federal Acquisition Councils. Designated PCIE members regularly attend the meetings of these other groups as observers and inform PCIE and ECIE membership about relevant issues and initiatives.

PCIE Committees, Working Groups, and Roundtables

In FY 2006, the PCIE and the ECIE maintained six standing committees that provide leadership for activities in their respective areas and coordinated much of the project-related work conducted under the Councils' auspices. The membership of these committees is composed of PCIE and ECIE OIGs. The committee chairs are selected by the PCIE membership through periodic elections.

Several of the committees have established working groups with a broader membership to discuss policy matters and to conduct specific projects under the committee's leadership. In addition, several forums and roundtables affiliated with the Councils address specialized issues of widespread interest within the OIG community that do not fit readily within the committee structure.

The following section highlights the FY 2006 activities of the committees and their affiliated groups. Some of these activities represent the continuation or completion of work initiated in prior years.

COMMITTEES

Audit Committee

The Audit Committee provides leadership to and serves as a resource for the federal audit community. The Committee sponsors and coordinates audits that address multi-agency or government-wide issues, develops and maintains professional standards for OIG audit activities, and provides oversight for the Inspector General Auditor Training Institute (IGATI). The Committee works closely with the Federal Audit Executive Council and other professional organizations. John P. Higgins, Jr., Inspector General, Department of Education (ED), chairs the Committee.

FY 2006 activities included:

- ◆ **Government Auditing Standards:** The Committee supported the Government Accountability Office (GAO) in its efforts to update the "Government Auditing Standards." The proposed changes address audit quality assurance, non-audit services, internal control deficiencies, financial statement restatements, audit documentation, appropriateness and sufficiency of evidence in a performance audit, and professional requirements. GAO anticipates finalizing the auditing standards in spring 2007.
- ◆ **FISMA Framework:** The Committee approved the *Federal Information Security Management Act* (FISMA) framework, which will enhance the consistency, comparability, and completeness of annual independent evaluations of agencies' information security programs and practices. The FISMA framework provides individual OIGs with the flexibility to implement a program that is appropriate to the size and complexity of its agency. The framework is available on the Inspectors General website at www.ignet.gov/pande/audit1.html#guide.
- ◆ **Inspector General Auditor Training Institute:** The Committee oversees IGATI to ensure that it provides quality training to meet the needs of the OIG audit community. In FY 2006, IGATI offered 67 training sessions to more than 1,200 students.
- ◆ **National Single Audit Sampling Project:** The Committee is leading a joint effort by the OIGs and independent auditors to review the quality of audits performed under the *Single Audit Act*. During FY 2006, the group completed quality control reviews on 208 randomly selected audits. The final report will be issued in FY 2007.

Federal Audit Executive Council

The Federal Audit Executive Council (FAEC) discusses and coordinates issues affecting the federal audit community with special emphasis on audit policy and operations of common interest to FAEC members. FAEC is composed of senior audit officials from the PCIE and the ECIE. Helen Lew, Assistant Inspector General for Audit, ED, chairs the Council. Highlights for FY 2006 included:

- ◆ **Peer Review Training:** FAEC provided a half-day training on the “PCIE/ECIE’s Guide for Conducting External Peer Reviews of the Audit Operations of Offices of Inspector General.” Participants earned 4 hours of continuing professional education.
- ◆ **IGATI Curriculum Review Board:** FAEC created the IGATI Curriculum Review Board to ensure that classes offered by IGATI meet the audit community’s training needs. At least once every 3 years, the Board evaluates all classes and recommends ways to improve them. In 2006, the Board evaluated 11 classes.
- ◆ **Financial Statement Audit Network:** The Financial Statement Audit Network, a subgroup of FAEC, organized and hosted the fourth annual GAO/PCIE Roundtable. More than 200 participants attended the event, which included speakers from the Department of Justice (DOJ), Office of Management and Budget (OMB), GAO, Federal Accounting Standards Advisory Board, and Chief Financial Officer and OIG communities. The Network also worked with OMB to update Bulletin No. 06-03, “Audit Requirements for Federal Financial Statements.”
- ◆ **Annual Conference:** FAEC hosted its annual conference in Charlottesville, Virginia. Speakers throughout the federal government discussed a wide range of topics affecting the OIG community, including Hurricane Katrina, information security, cyber crimes, emerging human resource issues, generally accepted government auditing standards, congressional initiatives, legal matters, the OIG institutes, and pay-for-performance. More than 100 participants earned 14 hours of continuing professional education.

Investigations Committee

The Investigations Committee is responsible for advising the OIG community on issues involving investigative functions, establishing OIG investigative guidelines, and promoting best practices among OIG investigators. During FY 2006, the Committee was chaired by Patrick P. O’Carroll, Jr., Inspector General, Social Security Administration (SSA). FY 2006 activities included:

- ◆ **IG Criminal Investigator Academy:** The Committee oversees the IG Criminal Investigator Academy (IGCIA), which provides quality and cost-effective training for the OIG investigative community. As part of this effort, the Committee has pursued the establishment of a solid business model and funding mechanism for IGCIA and the creation of a permanent curriculum review group to review and refine IGCIA’s basic training programs.
- ◆ **Revision of the Peer Review Guide:** The Committee revised the “Investigation Peer Review Guide,” which outlines standards and guidance for conducting Quality Assessment Reviews of OIG investigative operations. These independent external reviews ensure that general and qualitative standards adopted by individual OIGs comply with PCIE requirements.
- ◆ **Best Practices:** The Committee identified “best practices” within the OIG investigations community to make them readily available to all OIGs for reference and use. Some of the identified best practices involved management development programs, evidence handling procedures, training systems, and case progress review guides.
- ◆ **National Procurement Fraud Task Force:** The Department of Justice (DOJ) established the National Procurement Fraud Task Force to promote the prevention, early detection, and prosecution of procurement fraud. The Committee coordinates the work of the OIGs, DOJ, FBI, and other law enforcement agencies on the Task Force. OIGs chair and participate on substantive subcommittees of the Task Force in areas such as information sharing, grant fraud, legislation, and private sector relations.

Inspection and Evaluation Committee

The Inspection and Evaluation (I&E) Committee coordinates and shares effective practices among the OIGs that have I&E components. The Committee also coordinates joint I&E projects and identifies opportunities for training to sharpen the analytic and administrative skills of OIG inspectors and evaluators. The Committee is supported by the I&E Roundtable, composed of the assistant Inspectors General or heads of inspection and evaluation units within the OIGs. During FY 2006, the Committee was chaired by Johnnie E. Frazier, Inspector General, Department of Commerce (DOC). FY 2006 activities included the following:

- ◆ **IG's Guide to Evaluating Agency Emergency Preparedness:** The Committee recently issued "An IG's Guide to Evaluating Agency Emergency Preparedness," which highlights federal laws, regulations, guidance, checklists and resources, and best practices related to OIG reviews of agencies' emergency preparedness. This guide represents the collaborative expertise of 17 OIGs that conducted work in this critical area.
- ◆ **Federal Employees' Compensation Act Project:** Through the I&E and Audit Committees, the Departments of Commerce and Labor (DOL) OIGs are leading efforts to coordinate *Federal Employees' Compensation Act* (FECA) audits, inspections, evaluations, and investigations. Initial results include a half-day symposium presented in March 2006 entitled "FECA Program: Building a Coordinated Approach to FECA-Related Work," and issuance of a FECA Protocol, effective July 1, 2006, to provide a more coordinated approach for conducting FECA-related OIG activities. The protocol is available on the Internet at www.oig.dol.gov/fecasymposium.htm. Other OIGs also have begun or completed reviews of the workers' compensation program in their agencies.
- ◆ **I&E Training:** The Committee has been seeking alternative ways to help meet the training needs of the I&E community. In FY 2006, the Committee 1) identified a number of courses that are of

particular interest to I&E offices, 2) continued to facilitate course development, and 3) explored a number of innovative approaches to better leverage limited training resources.

- ◆ **I&E Community Outreach:** The Committee assisted federal, state, local, and international OIGs with their efforts to establish or expand I&E units.

Human Resources Committee

The Human Resources Committee seeks opportunities to improve training methods, enhance the development and professionalism of OIG staff, and establish training to meet continuing educational requirements. During FY 2006, Earl E. Devaney, Inspector General, Department of Interior (DOI), assumed the Committee chair. FY 2006 activities included the following:

- ◆ **Inspector General E-Learning:** Inspector General E-Learning (IGEL) is the PCIE/ECIE online learning initiative that provides continuing professional development to members of the OIG community. IGEL was recognized at the Perspectives Conference (an international conference sponsored by the e-learning vendor) as the first government-wide e-government learning initiative with structured programs. During FY 2006, IGEL learning programs were developed for key occupations within the OIG community and organized around a new career development model that identifies competencies in leadership, management, team skills, and occupational mastery.
- ◆ **Leadership Development Academy:** In partnership with the Federal Executive Institute, the Leadership Development Academy was developed to provide leadership training in the OIG community. The training addresses many of the PCIE core competencies in leadership, management, and team skills and addresses all Senior Executive Service Core Qualifications.
- ◆ **Inspector General Training Institutes:** The Committee worked with both the Audit and Investigations Committees to rebuild the institutes for investigations, audit, and leadership and management. SSA

OIG developed training for investigators, the Department of the Treasury OIG developed training for auditors, and DOI OIG established leadership and management training.

Legislation Committee

The Legislation Committee serves as the central coordinating point for legislative issues affecting the OIG community. Using newsletters and legislative tracking systems, the Committee keeps the OIGs informed on significant legislation and policy issues within the Legislative and Executive branches. During FY 2006, the Committee was chaired by J. Russell George, Inspector General, Treasury Inspector General for Tax Administration. FY 2006 activities included the following:

- ◆ **Reviewing Legislation:** The Committee reviewed the status of numerous bills introduced in Congress that would affect OIG authorities or reporting requirements. In addition, the Committee reviewed and reported on the status of bills introduced in the aftermath of Hurricane Katrina that would have impacted the OIG community.
- ◆ **Examining the *Improving Government Accountability Act*:** The Committee played an integral role in coordinating PCIE and ECIE efforts to assist Congress in its examination of proposed legislation, including H.R. 2489, the *Improving Government Accountability Act*, which focused on OIG authorities and operations. At the request of the Senate Committee on Homeland Security and Governmental Affairs, the Committee worked closely with GAO to review the provisions of H.R. 2489.

Integrity Committee

The Integrity Committee receives and reviews allegations of non-criminal misconduct by Inspectors General and certain senior members of their staff. The Committee ensures that complaints against Inspectors General receive a thorough and timely review, and, where appropriate, that the cases are investigated. The

Committee consists of the Director of the Office of Government Ethics; Special Counsel of the United States; Inspectors General from the Office of Personnel and Management, DOI, and Securities and Exchange Commission; and the Assistant Director of the FBI's Criminal Investigative Division. During FY 2006, the Committee was chaired by James H. Burrus, Assistant Director, Criminal Investigative Division, FBI.

During FY 2006, the Committee received and reviewed 36 new allegations, initiated 2 investigations, and closed 25 cases, some of which had been received during prior years. The most common allegations included failure to investigate, faulty investigations, abuse of authority, mismanagement, lack of professionalism, misuse of government resources, impartiality, travel abuse, and prohibitive personnel practices. Of the closed cases, 15 were deemed to be outside the Committee's purview and were referred elsewhere for consideration, 8 were determined to be unsubstantiated, and 2 resulted in administrative closure. The cases remaining at the end of the reporting period were in various stages of the Committee's process.

WORKING GROUPS AND ROUNDTABLES

Information Technology Roundtable and Advisory Council

The Information Technology (IT) Roundtable provides a forum for PCIE and ECIE members to share knowledge, methods, and techniques to improve the effectiveness of their audit, investigative, inspection, and evaluation activities and develop a common perspective on the OIG community's role in government-wide IT operations. Because the Roundtable has been called on at an ever-increasing rate to assess, opine, or recommend actions related to IT issues, a smaller, more focused group, the PCIE IT Roundtable Advisory Council (Advisory Council), was created to plan for and respond to more detailed requests from OIGs. The Advisory Council includes representatives from each OIG discipline (audit, inspections, and investigations), Chief Information Officers Council, and the Informa-

tion Security and Privacy Advisory Board. During FY 2006, both the IT Roundtable and Advisory Council were chaired by John P. Higgins, Jr., Inspector General, ED. FY 2006 activities included the following:

- ◆ **IT Forums:** The IT Roundtable hosted a number of events that included cross-disciplinary presentations, including collaborating with DOJ to host the Cyber Summit, which explored cyber security issues that affect the OIG community. The Roundtable also hosted the OIG Data-Mining Symposium 2006, which showcased proactive data-mining techniques to identify fraud, management control weaknesses, and systemic trends.
- ◆ **Quality Standards for Investigations:** The IT Roundtable established a working group to strengthen the OIG community's computer forensics practices and ensure that existing Quality Standards for Investigations are met. The working group developed computer forensics questions for inclusion in the OIG Qualitative Assessment Review process. This peer review process then can assess OIG computer forensics programs and capabilities based on existing Quality Standards for Investigations.
- ◆ **Protecting Sensitive Information:** The IT Roundtable published "Federal Agencies' Efforts to Protect Sensitive Information, A Report to the Office of Management and Budget," on behalf of the PCIE and the ECIE. The report consolidated FY 2006 OIG assessments of their respective departments' and agencies' status in meeting the requirements of OMB Memorandum M-06-16, "Protection of Sensitive Agency Information."

Homeland Security Roundtable

In June 2005, the PCIE and ECIE established the Homeland Security Roundtable. The Roundtable supports the OIG community's efforts to keep the nation safe by sharing information, identifying best practices, and working with other government entities and external organizations. During FY 2006, the Homeland Security Roundtable was chaired by

Richard L. Skinner, Inspector General, Department of Homeland Security (DHS).

Shortly after the Roundtable's first meeting in July 2005, Hurricane Katrina struck the Gulf Coast. The Roundtable became the natural vehicle to coordinate the OIGs' hurricane recovery oversight, and subsequent efforts were made to review disaster assistance programs. One year after three major hurricanes swept through the Gulf States in 2005, record amounts of federal funds have been made available for recovery — \$87.75 billion as of September 30, 2006. Ongoing oversight of this massive recovery effort by the OIGs continues to provide valuable lessons for future recovery efforts. As of September 30, 2006, OIGs from 22 departments and agencies have committed 480 full-time personnel to recovery oversight and have coordinated their efforts through the Roundtable.

At the end of FY 2006, the Roundtable initiated efforts to focus on its original intent: coordinating efforts to review the performance of agency programs and operations that impact homeland security. The disaster assistance efforts continue under the Roundtable's Disaster Assistance Working Group, which is chaired by Matt Jadacki, Deputy Inspector General for Disaster Assistance Oversight, DHS OIG.

Misconduct in Research Working Group

The Misconduct in Research Working Group was formed in response to the Office of Science and Technology Policy's proposed federal policy on Research Misconduct to Protect the Integrity of the Research Record, and provides an OIG forum comprising agencies that fund research. The Working Group leads federal OIGs in addressing the problems of research misconduct through the dissemination of effective investigative policies and practices. In addition, the Working Group seeks to ensure that international research efforts conform to the highest research standards and advocates for the development of uniform techniques for investigating allegations of research misconduct. During FY 2006, the Working

Group was chaired by Christine C. Boesz, Inspector General, National Science Foundation.

In FY 2006, the Working Group provided guidance to member OIGs on: 1) effective auditing of agency implementation of the Office of Science and

Technology Policy's proposed federal policy, 2) the development of new Misconduct in Research policies, 3) the adoption of compliance elements in the federal organizational sentencing guidelines, 4) an assessment of research misconduct cases for indications of fraud, and 5) the utility and use of software for detecting plagiarism.

OIG Dollar Savings and Criminal Prosecutions

The information on the following pages has been compiled from data reported by members of the OIG community. Taken together, these statistics offer an objective measure of the collective, government-wide impact of OIGs. We have placed these productivity indicators in an overall context by providing a 5-year running total for each reporting category.

To streamline the report, we are listing a combined PCIE and ECIE number for each category. The statistical performance of an individual OIG can be found in its semiannual reports, which are available on its website. (Links to individual OIG websites are located in Appendix B.) The data in this section generally correspond to equivalent categories in individual OIGs' semiannual reports. However, due to data limitations, OIG reporting practices, and the way this report analyzes results generated by cooperative or interagency projects, some variations exist between the summary data and the collective totals of OIGs' semiannual reports.

Audit-Related Accomplishments

Section 5 of the IG Act establishes a uniform set of statistical categories under which OIGs must report the results of their audit activities. The categories below correspond to the IG Act's categories. The

total accomplishments also include results associated with audits performed by the Defense Contract Audit Agency (DCAA) under agreements with OIGs and agencies. Due to reporting processes, the results of audits performed by DCAA and corresponding management decisions may be reported by more than one OIG.

Recommendations that Funds be Put to Better Use

The IG Act defines a recommendation that funds be put to better use as follows:

a recommendation by the Office [of Inspector General] that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) de-obligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; (5) avoidance of unnecessary expenditures noted in pre-award reviews of contractor or grant agreements; or (6) any other savings which are specifically identified.

Recommendations that Funds be Put to Better Use		
Reporting Year	Recommendations that Funds be Put to Better Use	Amount of Recommendations Agreed to by Management ¹
FY 2002	\$ 15,153,564,400	\$ 64,899,592,469
FY 2003	26,458,286,927	11,334,893,561
FY 2004	14,938,468,879	12,503,502,362
FY 2005	13,851,596,950	15,708,882,069
FY 2006	16,434,386,326	9,982,235,555
FYs 2002-2006	\$ 86,836,303,482	\$ 114,429,106,016

¹ The amounts in this column may exceed the amounts in the preceding column because either management agreed to a higher dollar amount than an OIG recommended or it includes recommendations issued in previous reporting periods that were accepted in the current fiscal year.

Questioned Costs

The IG Act defines a questioned cost as:

a cost that is questioned by the Office [of Inspector General] because of (1) an alleged violation or provision of law, regulation, contract, grant, or cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Financial Statements

OIGs closely monitor government financial management through audits of financial statements

required by the *Chief Financial Officers Act* (CFO Act) and the *Accountability of Tax Dollars Act* (ATD Act), which mandates that OIGs conduct financial statement audits for the 24 CFO agencies and 75 ATD agencies. Twenty-three PCIE agencies and 1 ECIE agency make up the 24 CFO agencies, and 20 ECIE and 2 PCIE agencies are included in the ATD agencies. The positive trends related to these audits include:

- ◆ Between FYs 1996 and 2006, unqualified audit opinions for the 24 CFO Act agencies rose from 6 to 18.
- ◆ From FYs 2001 to 2006, audit-reported material weaknesses decreased from 57 to 41.
- ◆ For the second straight year, every major federal agency issued their audited financial statements on November 15, 2006, just 45 days after the end of FY 2006.

Questioned Costs		
Reporting Year	Amount of Questioned Costs	Amount of Recommendations Agreed to by Management ¹
FY 2002	\$ 3,007,702,351	\$ 2,419,882,927
FY 2003	3,112,677,749	1,989,689,586
FY 2004	4,429,644,538	2,063,504,412
FY 2005	4,353,684,456	4,458,011,519
FY 2006	5,334,641,555	3,955,711,372
FYs 2002-2006	\$ 20,238,350,649	\$ 14,886,799,816

¹ The amounts in this column may exceed the amounts in the preceding column because either management agreed to a higher dollar amount than an OIG recommended or it includes recommendations issued in previous reporting periods that were accepted in the current fiscal year.

Investigations-Related Accomplishments

The categories used in this report reflect the broad range of accomplishments generated by the OIGs' investigative components. Unlike the specific reporting categories for audit reports, the IG Act did not create a uniform system for recording the results of investigative activities. The OIGs, though, have developed a relatively uniform set of performance indicators for their semiannual reports that include most of the data presented in this section.

Investigative work often involves several law enforcement agencies working the same case. OIGs typically conduct cases with other OIGs, federal law enforcement agencies, and state or local law enforcement entities. These investigative statistics have been compiled using a methodology that attempted to eliminate duplicate reporting by multiple OIGs. Therefore, these consolidated statistics differ from the collective totals for the equivalent categories in individual OIG semiannual reports. The joint OIG investigations statistics include investigations that are worked jointly with other federal OIGs.

Criminal Prosecutions

A prosecution is included in this chart when, as the result of OIG activities, its subject is convicted in federal, state, local, or foreign government venues, under the Uniform Code of Military Justice, or is accepted for a pretrial diversion agreement by the Department of Justice.

Criminal Prosecutions			
Reporting Year	OIG Investigations	Joint OIG Investigations	Total
FY 2002	10,459	231	10,690
FY 2003	6,051	557	6,608
FY 2004	5,928	547	6,475
FY 2005	6,626	1,077	7,703
FY 2006	7,370	1,040	8,410
FYs 2002-2006	36,434	3,452	39,886

Indictments and Criminal Informations

The totals reported in this category include criminal indictments and informations filed in federal, state, local, or foreign courts or under the Uniform Code of Military Justice, resulting from cases in which an OIG had an active investigative role.

Indictments and Criminal Informations			
Reporting Year	OIG Investigations	Joint OIG Investigations	Total
FY 2002	5,262	507	5,769
FY 2003	6,010	816	6,826
FY 2004	5,583	648	6,231
FY 2005	5,676	1,171	6,847
FY 2006	5,686	828	6,514
FYs 2002-2006	28,217	3,970	32,187

Successful Civil Actions

This table includes civil actions successfully resolved in matters arising from OIG investigations, audits, inspections and evaluations through legal or legal-related actions other than criminal prosecution. They include:

- ◆ Civil judgments or forfeitures in favor of the United States in federal, state, local, or foreign government legal systems;
- ◆ Settlements negotiated by a governmental authority prior to or following the filing of a formal civil complaint; and
- ◆ Settlements or agreements in cases governed by the *Program Fraud Civil Remedies Act* or other agency-specific civil litigation authority.

Successful Civil Actions			
Reporting Year	OIG Investigations	Joint OIG Investigations	Total
FY 2002	567	6	573
FY 2003	598	55	653
FY 2004	549	45	594
FY 2005	453	98	551
FY 2006	839	108	947
FYs 2002-2006	3,006	312	3,318

Suspensions and Debarments

Suspension and debarment actions include proceedings by federal agencies to suspend, debar, or exclude parties from contracts, grants, loans, and other forms of financial or non-financial transactions with the government based on findings produced by the OIGs.

Suspensions and Debarments			
Reporting Year	OIG Investigations	Joint OIG Investigations	Total
FY 2002	7,668	16	7,684
FY 2003	7,510	97	7,607
FY 2004	4,891	154	5,045
FY 2005	9,715	203	9,918
FY 2006	7,125	138	7,263
FYs 2002-2006	36,909	608	37,517

Personnel Actions

Personnel actions include reprimands, suspensions, demotions, or terminations of federal, state, or local government employees, or of federal contractors and grantees, as the result of OIG activities.

Personnel Actions			
Reporting Year	OIG Investigations	Joint OIG Investigations	Total
FY 2002	1,622	2	1,624
FY 2003	1,988	11	1,999
FY 2004	1,954	35	1,989
FY 2005	2,686	133	2,819
FY 2006	4,092	82	4,174
FYs 2002-2006	12,342	263	12,605

Investigative Receivables and Recoveries

Investigative receivables and recoveries reflect the total dollar value of the following matters:

- ◆ **Criminal cases:** The amount of restitution, criminal fines, and special assessments resulting from successful criminal prosecutions in cases where an OIG had an active investigative role.
- ◆ **Civil cases:** The amount of damages, penalties, settlements, and forfeitures resulting from successful civil actions during the reporting period that were based on OIG activities.
- ◆ **Voluntary repayments:** The amount paid voluntarily, or as the result of an agency's administrative processes, by the subject of an investigation in which an OIG has an active role, or the value of government property recovered by an OIG during such an investigation before prosecutorial action is taken.

Joint Investigations with Other Federal Investigative Offices

This category reflects the percentage of investigations in which OIGs had an active investigative role with other federal investigative organizations (not including other OIGs).

In FY 2006, 26 of the 29 PCIE OIGs reported conducting joint investigations. Of these, 8 OIGs indicated that 10 percent or fewer of their cases were joint, 16 stated that joint cases comprised between 10 to 50 percent of their investigations, and 2 OIGs conducted more than 50 percent of their cases jointly. The highest portion of joint cases reported by a PCIE OIG was 61 percent.

Among the ECIE OIGs, 10 of 28 offices reported conducting joint cases, compared with 5 in the prior year. Of the 10 offices that reported conducting joint cases, 5 indicated that 10 percent or fewer of their cases were joint, 4 stated that joint cases comprised between 10 to 50 percent of their investigations, and 1 conducted 100 percent of its cases jointly.

Investigative Receivables and Recoveries			
Reporting Year	OIG Investigations	Joint OIG Investigations	Total
FY 2002	\$ 4,608,962,268	\$ 16,177,145	\$ 4,625,139,413
FY 2003	3,264,413,948	1,203,628,314	4,468,042,262
FY 2004	2,587,322,748	895,715,469	3,483,038,217
FY 2005	2,777,558,301	1,483,062,002	4,260,620,303
FY 2006	3,348,177,094	3,434,571,754	6,782,748,848
FYs 2002-2006	\$ 16,586,434,359	\$ 7,033,154,684	\$ 23,619,589,043

Top Management Challenges Facing Our Nation

The *Reports Consolidation Act of 2000* requires the Inspector General of each federal agency to describe the most serious management and performance challenges facing their agency. The Act also requires that OIGs assess their agency's progress in addressing these challenges. Annually, the PCIE and ECIE identify and report the top management challenges in our Annual Report to the President. The identified challenges highlight high-risk activities and performance issues that impact agency operations or strategic goals. The challenges may require immediate management attention and may result in the loss of billions of taxpayer funds if not remedied.

During FY 2006, the OIG community identified six challenges as the most significant management challenges facing their agencies: 1) Homeland Security and Disaster Preparedness, 2) Information Technology Management and Security, 3) Financial Management and Performance, 4) Human Capital Management, 5) Performance Management and Accountability, and 6) Procurement and Grant Management. The FY 2006 challenges closely parallel the President's Management Agenda (PMA) and Government Accountability Office's (GAO) "High-Risk" list.

**Agency Management Challenges Most Frequently
Identified by OIGs as of January 2007**

AGENCY	HOMELAND SECURITY/ DISASTER PREPAREDNESS	INFORMATION TECHNOLOGY MANAGEMENT AND SECURITY	FINANCIAL MANAGEMENT AND PERFORMANCE	HUMAN CAPITAL MANAGEMENT	PERFORMANCE MANAGEMENT AND ACCOUNTABILITY	PROCUREMENT AND GRANT MANAGEMENT
ARC			X			X
CFTC		X				
CNCS		X	X	X	X	X
CPSC		X		X	X	
DHS	X	X	X	X	X	X
DOC	X	X	X		X	X
DOD	X	X	X	X		X
DOE	X	X			X	X
DOI		X	X			X
DOJ	X	X	X			X
DOL	X	X	X		X	X
DOS	X	X	X	X		
DOT	X	X	X		X	X
ED		X	X	X	X	X
EEOC				X		
EPA	X	X		X	X	X
FCA		X	X	X		
FCC		X	X			X
FDIC	X	X		X		X
FEC		X		X		
FHFB				X		
FLRA		X	X	X	X	
FMC		X			X	
FTC		X				
GSA	X	X		X		X
HHS	X	X			X	X
HUD			X		X	
ITC		X	X			
LSC		X		X	X	X
NASA		X	X	X	X	X
NEA		X	X			X
NEH		X	X	X	X	
NLRB	X	X			X	X
NRC		X	X	X		
NSF		X	X	X	X	X
OPM	X		X	X	X	
PBGC	X	X	X			X
Peace Corps		X	X	X	X	X
RRB		X	X			
SBA		X	X	X		X
SEC		X	X	X		
SSA	X	X	X	X	X	
TIGTA		X	X	X	X	X
Treasury	X	X			X	
USAID		X	X	X	X	X
USDA	X	X	X			
USPS	X			X		
VA		X	X			X

The following summarizes the management challenges and the results of OIG reviews.

Homeland Security and Disaster Preparedness

One of the most critical challenges facing the federal government is combating terrorism. In this regard, federal agencies, individually and collectively, have implemented numerous initiatives focusing on potential terrorist threats. Initiatives underway include border security, transportation security, identity theft protection, limiting bioterrorism threats, export controls and nonproliferation of weapons of mass destruction, and infrastructure protection. OIG reviews have focused on these critical areas, identified vulnerabilities, and provided important recommendations for corrective action.

Information Technology Management and Security

The federal government relies on approximately 11,000 information systems to manage its programs and operations and carry out its critical missions. In FY 2006, the federal IT budget totaled \$63.4 billion. Over \$4 billion of the federal agencies' IT budget was for security-related programs. Since 2000, the PCIE has identified IT as a significant management challenge for federal agencies, and IT currently is the primary challenge at a number of agencies. OIG work has identified the following common IT challenges: lack of management controls, insufficient planning and oversight, lack of certification and accreditations of information systems, and inadequate technical controls. OIG reviews also identified vulnerabilities in handling personally identifiable information or classified data. In addition, OIG reviews have found problems with limited operational controls that have resulted in failed IT projects costing hundreds of millions of taxpayer dollars.

Federal agencies have implemented various actions to address the concerns identified. However, the federal government needs to continue to strengthen its IT investment controls and enhance its computer security

to ensure that current and future IT systems are not compromised.

Financial Management and Performance

Federal agencies continue to face challenges providing timely, accurate, and useful financial information and managing for results. While agencies are making significant progress issuing audited financial statements in a timely manner and receiving unqualified opinions on these financial statements, attaining a clean opinion alone does not necessarily equate to reliable and sound financial operations. For example, agencies continue to address erroneous and improper payments, and OIGs remain committed to recommending possible solutions and sharing best practices to help their agencies correct the underlying causes. Taking systematic and proactive measures to develop and implement appropriate, cost-effective internal controls was a continuing management challenge in FY 2006. In addition, better budget and performance integration has become even more critical for results-oriented management and efficient allocation of scarce resources among competing needs. The OIG community remains committed to helping improve financial audits and has been working with the Office of Management and Budget to develop processes and procedures to ensure timely audit opinions, help agencies produce useful financial information, and improve agency financial and internal control systems.

Human Capital Management

Ensuring a competent, well-trained, and motivated workforce remains a critical challenge across government. In fact, strategic management of human capital was the first of five initiatives in the PMA and was included on GAO's government-wide "High Risk" list. The human capital challenge continues to intensify as employees in key positions increasingly become eligible to retire, are lost through attrition, or migrate to other business opportunities. OIG audits and evaluations have assessed areas such as recruiting, workforce planning, delivery of training, and employee

turnover. This work has resulted in constructive recommendations aimed at helping agencies address their human capital issues through workforce skills and competency assessments, workforce restructuring, benchmarking against other federal or private sector organizations, innovative recruitment and hiring approaches, improved training opportunities and techniques, and adoption of appropriate workplace tools.

Performance Management and Accountability

The *Government Performance and Results Act* (GPRA) of 1993 and the PMA call for reliable performance data in order for agencies to make informed decisions and achieve the maximum public benefit. The PMA's five areas of management weaknesses across government are: 1) Strategic Management of Human Capital, 2) Competitive Sourcing, 3) Improved Financial Management, 4) Expanded Electronic Government (E-Gov), and 5) Budget and Performance Integration. PMA also requires agencies to establish and measure the results-oriented goals through the Program Assessment Rating Tool initiative, which assesses the strengths and weaknesses of the various programs. OIG reviews found that performance measures were ambiguous or not quantifiable, and in some instances, there was no correlation between the measured activities and the agencies' actions. OIGs also found that agencies had insufficient management controls and procedures in place to validate performance. As a result, OIGs have made recommendations to strengthen these controls and procedures in order to validate performance.

Procurement and Grant Management

Procurement, contracts, and grants historically have been areas subject to fraud and waste throughout the government, and effectively managing them is a continuing challenge. As we have reported over the years, audits and investigations across the OIG community continue to uncover lax contractor oversight in federal procurements. A significant portion of the OIG-reported questioned costs and recommendations that funds be put to better use are the result of poor contractor oversight and fraudulent billing schemes. Additionally, OIG investigative work continues to confirm the vulnerability of programs to general contract fraud and embezzlement and has resulted in the recovery of billions of dollars.

Grant management oversight also warrants continued emphasis. For example, audits of grants at one agency revealed a potential savings of \$1.6 million. Recent audits at a number of federal agencies also have highlighted concerns with interagency procurement services performed through fee-for-service organizations. Finally, the government continues to emphasize the competitive sourcing initiative, which fosters competition between federal and private sources for certain tasks that are readily available in the commercial marketplace. With this emphasis on "market-based" government, as well as the need for stronger contract and grant oversight, the OIGs' independent assessment of agency contracting activities and infrastructure takes on added importance.

A Compendium of OIG Activities in FY 2006

OIGs play a critical role in ensuring the accountability of government agencies by conducting audits, investigations, and evaluations. This compendium includes only a small sample of the work OIGs have completed during this reporting period. It focuses on issues that reflect the current priorities of the federal government and the OIG community. Additional information regarding the performance of individual OIGs is published in their semiannual reports, which are available on the individual websites. (Links to individual OIG websites are located in Appendix B.)

Examples of OIG audits, investigations, and inspections and evaluations presented in the following sections are grouped by four categories:

- ◆ OIGs Help Protect the Nation Against Terrorism
- ◆ OIGs Detect and Deter Waste, Fraud, and Abuse
- ◆ OIGs Improve the Efficiency and Effectiveness of Government Programs
- ◆ Joint OIG Projects

OIGs Help Protect the Nation Against Terrorism

Since the terrorism attacks against the United States on September 11, 2001, the federal government has implemented or strengthened various programs designed to protect the nation and its assets and operations. These programs cover a wide range of areas and activities, including transportation safety, emergency management, bioterrorism threats, export controls, and infrastructure protection. In 2006, OIGs issued more than 130 audits and reviews that focused on helping improve the programs and operations that protect the nation against terrorism and helping ensure they have appropriate controls in place, are effectively and efficiently managed, and are accountable for their results. Below are examples of work performed by the OIG community to help protect the nation against terrorism.

The Department of Homeland Security (DHS) OIG reviewed DHS's Homeland Security Information Network, a computer-based counterterrorism communications system connecting all 50 states, 5 territories, Washington, D.C., and 53 major urban areas. The OIG determined that the Network is not effective for allowing federal, state, and local governments to securely share information on suspicious activities and terrorism threats. The OIG recommended that DHS clarify and communicate the Network's mission, define the intelligence data flow model for the Network, provide procedures and training, and identify performance metrics for measuring its effectiveness. In response to the OIG's recommendations, DHS developed a strategic framework, including an approach for mapping the Network's capabilities to DHS's strategic plan, and established an implementation plan that includes providing users with Network training, technical support materials, and increased involvement in defining requirements.

The Department of Energy (DOE) OIG reviewed the National Nuclear Security Administration's Design Basis Threat (DBT) analysis. DBT attempts to identify the credible threats to highly sensitive and classified DOE assets and operations. The OIG determined that the National Nuclear Security Administration experienced delays implementing upgrades to meet DBT requirements and had not fully evaluated the effectiveness of interim upgrades. Additionally, DOE had not completed comprehensive inspections of the security environment at all its sites that have special nuclear material. The National Nuclear Security Administration concurred with the OIGs findings and DOE agreed that future security inspections will place special emphasis on the implementation of DBT.

The Department of Justice OIG evaluated the Federal Bureau of Prisons' efforts to prevent terrorists and other high-risk inmates from using the mail to continue or encourage criminal or terrorist activities. The OIG found that the Bureau of Prisons did not adequately read the mail or listen to the telephone calls, visitor communications, or cellblock conversations of terrorists and high-risk inmates; did not have sufficient resources to translate inmate communications in foreign languages; and lacked staff adequately trained in intelligence analysis techniques to properly assess terrorism communications. As a result of the OIG review, the Bureau of Prisons agreed to improve its monitoring of mail of high risk inmates and tighten controls over other communications of high-risk inmates.

The Amtrak OIG organized surveillance and counter-surveillance training for investigations personnel and police officers from the Amtrak Police Department. The training resulted in the creation of a Surveillance and Counter-Surveillance team, which is designed to detect potential terrorism involving Amtrak facilities

and provide increased anti-terrorism capabilities during heightened alerts.

The Department of Health and Human Services (HHS) OIG reviewed 15 universities' compliance with regulations of select dangerous agents, such as Ebola and smallpox viruses, which could pose a severe threat to public health and safety if misused as a result of an inadvertent, terrorist, or other criminal act. The OIG found that 11 universities had weaknesses in at least one of the following control areas: accountability for select agents, restricted access to select agents, security plans, training, and emergency response plans. The OIG provided restricted reports to the universities and recommended that the Centers for Disease Control and Prevention, which regulates how HHS-designated select agents are managed, resolve the recommendations cited in the reports. The Centers for Disease Control and Prevention responded that the recommendations were being implemented.

The Department of Defense (DoD) OIG evaluated DoD's Defense Installation Vulnerability Assessments, which involve DoD policies, organizations, and processes associated with the protection of critical infrastructure, including non-DoD assets, in the U.S. and overseas. DoD agreed with the OIG's recommendations to standardize definitions; increase emphasis on mission-critical, non-DoD assets; and establish a defense field activity responsible for integrating concepts, reorganizing standards, and scheduling assessments.

The Nuclear Regulatory Commission (NRC) OIG evaluated the proposed National Source Tracking System, a web-based system that will contain comprehensive information on high-risk radioactive sources. The review concluded that the Tracking System may be inadequate because the supporting analysis was based on unreliable data and may not account for all byproduct material that represents a risk to security and public health and safety. The OIG recommended that NRC: a) conduct a regulatory analysis to ensure that the full range of eligible

radioactive materials are included in the decision-making about the scope of the Tracking System and b) validate existing data to ensure that reliable information is used in the regulatory analysis. In response, NRC agreed to validate the data and negotiate with the OIG on the scope of the regulatory analysis.

The Department of State (DOS) OIG inspected the Office of the Coordinator for Counterterrorism, which seeks to create partnerships with multi-lateral and non-government organizations and foreign governments to advance the counterterrorism objectives and national security of the United States. The OIG found that the Office had too often been viewed as marginal on the global war on terrorism. The OIG recommended that the Office strengthen contract administration and funds management and clearly define and strengthen its oversight role in the Antiterrorism Assistance Program, which provides counterterrorism training to foreign law enforcement agencies and supports counterterrorism projects. In response, DOS initiated a quarterly review process of Antiterrorism Assistance Program initiatives and assigned a financial specialist to monitor the Program's allotment.

The Department of Transportation (DOT) OIG issued a classified report on the physical security of Federal Aviation Administration facilities and DOT's headquarters building. Both DOT and the Federal Aviation Administration agreed with the OIG's recommendations to strengthen existing access controls and accelerate and complete security upgrades on its facilities.

The Department of the Treasury OIG reviewed the Office of the Comptroller of the Currency's enforcement of the *Bank Secrecy Act*, which requires banks to maintain programs for preventing, detecting, and reporting transactions indicative of criminal acts such as terrorism financing. The OIG found that the Office did not take formal enforcement action against a large national bank for significant *Bank Secrecy Act* violations. In response to the OIG report, the Office has taken measures to strengthen its enforcement of the *Bank Secrecy Act*.

OIGs Detect and Deter Waste, Fraud, and Abuse

OIGs seek to detect and deter waste, fraud, and abuse in agency programs and operations. As evidenced by the examples below, OIGs have made a significant contribution in these areas to the performance and accountability of federal agencies. During the past year, OIGs issued more than 3,800 audits and reviews and made recommendations for corrective actions that addressed areas of vulnerability in agency programs and operations.

The Department of Veterans Affairs (VA) OIG

audited the VA's fiduciary program and identified several opportunities to better protect the incomes and estates of beneficiaries who are unable to handle their financial matters. The audit estimated that \$435 million in benefits payments and estates for more than 8,900 beneficiaries were at risk for misuse because of inadequate oversight. VA agreed with the OIG's recommendations to conduct field examinations with beneficiaries to assess their environment and usage of funds, use surety bonds, and require program staff to focus on key fraud indicators identified by the audit and report fraud to the OIG.

The Social Security Administration (SSA) OIG

performed an audit to identify individuals receiving benefits inappropriately under multiple Social Security numbers. The OIG analyzed records for approximately 54 million beneficiaries and identified 221 individuals receiving benefits inappropriately under at least 2 different Social Security numbers. The OIG identified over \$6 million in overpayments related to individuals with multiple Social Security numbers. Many cases appeared to involve fraud, and the OIG is assessing these cases for potential criminal or civil action. SSA agreed with the OIG's recommendation to continue to work together to assess overpayments where appropriate.

The Tennessee Valley Authority (TVA) OIG

completed eight pre-award audits of cost proposals

submitted by companies for construction, modification, supplemental maintenance services, archaeological services, design, and installation of hydrated lime injection systems and hydro-generator services. OIG audits identified \$8.1 million in potential savings opportunities for TVA. In addition, the OIG completed 14 contract compliance audits and identified \$5.6 million in ineligible and unsupported costs. TVA has or is planning to use the results of the OIG's findings to negotiate better contract terms.

The Department of Education (ED) OIG conducted an inspection of the grant application process for the Reading First program — a \$5 billion program aimed at helping children successfully read by the end of the third grade. The OIG found that ED officials obscured the statutory requirements of the law, acted in contravention of General Accountability Office standards for internal controls, and took actions that called into question whether they violated prohibitions concerning federal direction or control over curriculum. ED agreed with the OIG's recommendations and has initiated a review of all approved applications and replaced the program's management. ED also plans to review all publicly disseminated materials to ensure accuracy and impartiality and develop internal controls to ensure that programs are managed in compliance with applicable laws and regulations.

The Department of Housing and Urban

Development (HUD) OIG audited the Section 8 Housing Choice Voucher program, which assists low-income families, the elderly, and the disabled in affording safe and sanitary housing in the private market. The OIG found significant administrative non-compliance and improper payments, along with major issues related to the living conditions of residents. The OIG inspected 856 units and found that 73 percent did not meet minimum housing quality standards, and 40 percent of the failed units had serious deficiencies. HUD agreed with the OIG's recommendation to stop

housing assistance payments for units that did not meet its standards.

The Federal Deposit Insurance Corporation (FDIC) OIG investigated former executives of a Miami-based bank who were responsible for questionable loan swaps that allowed the bank to hide \$22 million in losses. As a result of the investigation, the bank's former chairman of the board and chief executive officer were found guilty of bank and securities fraud and sentenced to 30 years' incarceration to be followed by 5 years' supervised release. Two other bank officials pleaded guilty and were each sentenced to 28 months' incarceration and 2 years' supervised release.

The Corporation for National and Community Service (CNCS) OIG substantiated allegations that officials of two companies engaged in bid rigging in an effort to secure more than \$12 million in CNCS contracts. As a result of the OIG review, CNCS rejected the bids from the firms and debarred three individuals involved in the scheme. In addition, CNCS acted on the OIG's recommendation to implement the *Program Fraud Civil Remedies Act*, which provides federal agencies with an administrative means to recoup federal funds less than \$150,000 that was unlawfully obtained by persons through false claims or false statements.

The Department of Commerce (DOC) OIG developed evidence concerning an international telemarketing scheme in which participants posing as DOC employees contacted citizens, awarded an alleged prize in a fake DOC-administered lottery, and solicited purported "fees" necessary to release the victims' supposed winnings. Identified victims sent more than \$4 million to individuals involved in the scheme. The joint OIG and FBI investigation resulted in more than 20 arrests, indictments, and guilty pleas by perpetrators of the scheme.

The Environmental Protection Agency (EPA) OIG found that EPA's existing contracts for responding to natural disasters worked as intended and allowed the agency to quickly respond to Hurricane Katrina. However, the OIG recommended that EPA improve

how it reviews contractor invoices to help prevent it from paying duplicate, unallowable, and unreasonable costs after determining that EPA absorbed more than \$180,000 in overcharges. EPA agreed with the OIG's recommendations and has initiated action to recoup the amount of overcharges.

The National Science Foundation (NSF) OIG audited a support contractor for the U.S. Antarctic Program, which is responsible for the coordination and support of America's scientific research efforts in Antarctica. The OIG questioned \$55.5 million in costs claimed by the contractor from FY 2000 through 2004. As a result, the contractor was cited for failing to adhere to its federally disclosed accounting practices. In addition, NSF initiated more rigorous reviews of the contractor's vouchers and is reengineering its process for monitoring all contracts.

The Federal Communications Commission (FCC) OIG determined that the Schools and Libraries Support Mechanism of the Universal Service Fund, which is funded by charges on consumers' telephone bills, is an area of high risk for fraud, waste, and abuse. The OIG found several instances where funding recipients did not comply with program requirements and identified \$11.5 million in potential funding recoveries. In response to the OIG report, FCC agreed to implement a plan to recover funds.

The Office of Personnel Management OIG investigated a doctor who ordered large quantities of medications used to treat Hepatitis C, provided the medications to patients to self-administer at home, and then billed the Federal Employees Health Benefits Program and private insurers as if the injections were administered in the office. The doctor, who defrauded insurers of \$10 million, was convicted of 44 counts of fraud.

The Consumer Product Safety Commission (CPSC) OIG audited CPSC's travel charge card program and found a flaw in the system used to track delinquent payments. The OIG also determined that CPSC employees often were unaware of their responsibilities under the travel card program. As a result, CPSC

agreed to improve the current tracking system and is more actively reviewing travel card payments made by its employees.

The Peace Corps OIG is investigating more than 1,300 Peace Corps claims — with expenditures of approximately \$11 million annually — under the *Federal Employees' Compensation Act* to determine if there was a widespread problem of fraud, waste, or abuse. The Act was established to provide workers' compensation for certain federal employees in unusually hazardous jobs. The OIG recommended that the Peace Corps ensure that initial claims are closely scrutinized before the claims are accepted and sent for review, remind all Peace Corps *Federal Employees' Compensation Act* claimants of their obligations to report any changes to their disability status, and conduct additional research on claims with high potential for fraud — such as those with no or low medical costs but high compensatory benefits. The Peace Corps has begun implementing the recommendations and already has achieved significant and swift results that produced millions in cost savings.

The Government Printing Office (GPO) OIG conducted fraud investigations in Office of Workers' Compensation Programs that could lead to an estimated cost savings of \$6.17 million (\$617,000 annually) during the next 10 years. As an example, an OIG investigation, which found that a former GPO employee was deceased but still received Office of Workers' Compensation Program benefits, resulted in \$36,000 in annual savings.

The Railroad Retirement Board (RRB) OIG is investigating more than 50 cases in which disability annuitants are failing to accurately report self-employment income. The OIG estimates that these annuitants are defrauding RRB programs by more than \$3 million. The OIG has obtained 12 convictions and 1 civil judgment from these fraud cases, resulting in potential recoveries of \$1 million. RRB responded to the findings in the investigations by revising application forms and informational documents to include additional information on reporting responsibilities.

The Small Business Administration OIG substantiated allegations that a loan agent and four individuals submitted false and fraudulent documents, artificially inflated bank deposits, and used loan proceeds to fund required equity injections when applying for loans. As a result of the OIG investigation, the five individuals were convicted and collectively sentenced to 9½ years' incarceration and ordered to pay nearly \$19 million in restitution.

The Department of Health and Human Services OIG substantiated allegations that a pharmacy benefits manager arranged kickbacks for referrals of Federal Employees Health Benefits Program, Medicare+Choice, and Indian Health Service program business. As a result of the investigation, the manager agreed to repay the government \$137.5 million and enter into a 5-year Corporate Integrity Agreement that focuses on reviewing contracts and other arrangements for potential kickback violations.

The Department of Defense (DoD) OIG conducted an investigation that found a billing agency in the Philippines inflated medical provider bills for DoD personnel by more than 230 percent and established a supplemental insurance plan that improperly waived beneficiary cost shares. The U.S. Attorney's Office used results from the investigation, showing \$2.4 million in overcharges, to indict the company and its former President. The OIG recommended that TRICARE, the managed health care program for the uniformed services, strengthen controls over third party billing agencies and more aggressively use its sanctioning authority.

The U.S. Agency for International Development (USAID) OIG investigated a U.S.-based firm and found that the firm overcharged USAID on three overseas development contracts. One contract involved a program to encourage financial institutions to increase credit to small businesses in developing countries. The two others involved economic assistance programs in post-war Bosnia-Herzegovina. The firm created a subsidiary, which then billed USAID for training materials without adequate cost justification. Additionally, the firm charged USAID its agreed profit

rate, along with the profit charged by its subsidiary, resulting in a total overpayment of more than \$500,000. The firm agreed to pay \$1.2 million to settle the claims.

The Department of Education OIG investigated a former Georgia Superintendent of Education and her co-conspirators who funneled more than \$500,000 in federal education dollars into the Superintendent's failed 2002 gubernatorial campaign. The former Superintendent was sentenced to 8 years' incarceration and ordered to pay restitution of more than \$414,000. The co-conspirators received sentences up to 8 years' incarceration and were ordered to pay restitution of more than \$382,000.

The Federal Deposit Insurance Corporation OIG substantiated allegations that a former FDIC intern fraudulently obtained the names, dates of birth, and social security numbers of more than 5,000 employees, and then conspired to open accounts and obtain

loans using FDIC employees' names. The intern was sentenced to 60 months' incarceration and ordered to make restitution totaling more than \$630,000. FDIC contracted with a credit reporting bureau to provide fraud protection to all FDIC employees whose credit had been jeopardized.

The National Labor Relations Board (NLRB) OIG audited NLRB information technology procurement actions and concluded that NLRB inappropriately used sole source and time-and-materials contracts, incorrectly used General Services Administration schedules, and obligated \$758,875 in funds to the wrong fiscal year. In response to the OIG's recommendations, NLRB corrected the \$758,875 improper obligation, revised the warrant manual regarding sole source authorization levels, instituted procedures to ensure that determinations and findings are prepared, and clarified procedures regarding internal controls and contract administration.

OIGs Improve the Efficiency and Effectiveness of Government Programs

Since the IG Act was established in 1978, OIGs have monitored the efficiency and effectiveness of government programs. Every year, OIGs make problem-solving recommendations to improve program management. During the past fiscal year, more than 1,300 OIG audits and reviews identified inefficient and ineffective government programs and operations and recommended performance and management improvements. Below are examples of such work performed by the OIG community.

The Treasury Inspector General for Tax Administration reviewed efforts by the Internal Revenue Service (IRS) to take action against individuals and entities that do not file tax forms. Currently, IRS does not have a comprehensive, national non-filer strategy or an executive who is charged with overseeing the efforts of IRS's four business divisions to address non-filers. IRS agreed with the OIG's recommendations to establish a Non-filer Program Office, implement management control systems, and provide accountability for all IRS non-filer efforts.

The Department of State OIG inspected U.S.-funded rule-of-law programs in Iraq. The OIG identified approximately \$400 million being spent by multiple federal agencies for rule-of-law programs. The OIG defined rule-of-law as including the entire legal complex of a modern state, from a constitution and legislature to courts, judges, police, prisons, due process procedures, a commercial code, and anticorruption mechanisms. The OIG found that effective rule-of-law strategies are essential for the functioning of a democracy and are central to protecting the rights and liberties of individuals. One of its recommendations was that the U.S. Embassy in Baghdad design and implement a strategic plan that includes outcomes, benchmarks, and measures for these programs. Other recommendations,

which were adopted by the U.S. Embassy in Baghdad, were designed to increase coordination and effectiveness of the programs.

The Department of Homeland Security (DHS) OIG conducted a comprehensive review of the Federal Emergency Management Agency's (FEMA) authorities, plans and procedures, organizational structure, and resources. The OIG recommended that FEMA provide necessary financial, technical, and staff support; clarify how DHS headquarters, FEMA, and other DHS components will implement the National Response Plan; address improvements to FEMA's infrastructure; build relationships with states in concert with the Preparedness Directorate and DHS' Public Affairs; and modify how FEMA manages disaster assistance. FEMA agreed with the OIG's recommendations.

The Department of Justice OIG examined the FBI's handling and oversight of one of its highest paid counterintelligence assets who allegedly passed classified U.S. government information to the People's Republic of China without FBI authorization and had a longtime intimate relationship with her FBI handler. The OIG found that the FBI was aware of numerous serious counterintelligence issues concerning the asset but did little or nothing to resolve them. The OIG recommended that the FBI create a separate section in the asset file to document red flags and other counterintelligence concerns, require a more thorough periodic background reinvestigation for long term assets, require alternate case agents to frequently meet with assets, and fully implement its policy regarding counterintelligence polygraph examinations. The FBI agreed with the OIG's recommendations and stated that it has taken steps to correct deficiencies in its China Program and improve asset handling and counterintelligence procedures.

The General Services Administration (GSA) OIG is conducting a performance review of approximately 255 contracts valued at \$741 million that GSA awarded on behalf of FEMA. The review is part of the OIG community's aggressive review of agencies' response efforts to the Gulf Coast hurricane disasters. GSA expects to issue its report in FY 2007.

The U.S. Department of Agriculture (USDA) OIG concluded that the Animal and Plant Health Inspection Service had made progress in developing plans to respond to an outbreak of highly pathogenic avian influenza on a large commercial poultry operation, but USDA had not developed a comprehensive approach for surveillance and monitoring of avian influenza in domestic poultry. USDA agreed with the OIG's recommendations to improve the program.

The Department of Veterans Affairs (VA) OIG conducted a criminal investigation with the FBI and the Montgomery County, Maryland, Police Department relating to the theft of an employee's personally owned computer, which contained personal information on millions of veterans and active duty military personnel. As a result, two individuals responsible for the theft have been arrested and convicted for this burglary, and FBI forensic analysis confirmed that there was no evidence that VA data had been compromised following the burglary. The OIG's administrative investigation identified numerous issues regarding VA policies and procedures for protecting sensitive data. In response, VA has taken administrative action against the individuals involved in the inappropriate and untimely handling of the notification of the theft of this data, implemented a daily process for reporting security breaches to VA's Security Operations Center, issued appropriate new policies, and instituted a large-scale campaign of background checks of employees.

The Department of Labor OIG reviewed the process available to the public to report complaints of hazardous conditions in coal mines. The OIG found that delays in assessing complaints and initiating inspections may have subjected miners to prolonged hazardous conditions.

Specifically, the OIG estimated that nearly one-third of complaints filed with Mine Safety and Health Administration's (MSHA) headquarters and 15 percent of those filed with the districts took two or more days before an inspection was initiated. The OIG identified several necessary improvements, which MSHA agreed to implement.

The Department of Transportation OIG audited the Federal Highway Administration's efforts to identify and release federal funds kept idle on transportation projects. The OIG found \$258 million in unneeded funds in 14 states and estimated that states nationwide could release unneeded federal funds of between \$440 million and \$775 million. In response, the Federal Highway Administration worked with the states to review inactive obligations and release a total of \$757 million in idle federal funds for use on active transportation projects.

The U.S. Postal Service (USPS) OIG reviewed the usage rate of USPS's Biohazard Detection System, which is designed to detect the presence of anthrax in the mail. The OIG found that, despite USPS policy that requires one System test for every hour of operation, testing occurred continuously at certain times. The OIG concluded that over-testing could cost nearly \$80 million in operational expenses during the life of the system. The OIG recommended that USPS reemphasize already established manual procedures for efficient usage for the short term and implement a valid technological solution for the long term. USPS agreed with the recommendations and planned to provide upgrades to the System that would reduce operational costs by \$22 million annually.

The National Aeronautics and Space Administration (NASA) OIG conducted an audit to determine whether management of the Space Shuttle Program's Problem Reporting and Corrective Action process was effective in tracking problems and their root causes, documenting corrective actions, and providing a source of data that NASA can use both to learn from and prevent problem occurrences. NASA agreed to implement the OIG's recommendations to improve the

accuracy and completeness of the Problem Reporting and Corrective Action information and increase its value as a management tool.

The Federal Election Commission (FEC) OIG audited FEC's public disclosure program for federal campaign finance information. The OIG found that disclosure differences exist among reporting entities due to a variety of factors that are inherently part of the campaign finance disclosure process, but made various recommendations to improve the program. FEC agreed with the OIG's recommendation to strengthen the current system of campaign finance disclosure.

The Department of Energy OIG concluded that the National Nuclear Security Administration (NNSA) might not achieve the first production unit for the W76 warhead system refurbishment within the established scope, schedule, and cost parameters as detailed in the project plan. The OIG reported that a failure to complete the refurbishment within the established schedule and scope could have a direct effect on production decisions, impact NNSA's ability to manage project costs, and affect overall national security goals of the refurbishment effort. In response, NNSA proposed to re-baseline the milestones to meet the expected production dates.

The Department of the Interior (DOI) OIG evaluated the effectiveness of DOI's participation in the Modified Waters Delivery to Everglades National Park project — a critical component in achieving environmental restoration in the South Florida Everglades. The OIG concluded that DOI did not develop and communicate a comprehensive, unified restoration strategy or define its role. These oversights contributed to the project being 8 years behind schedule and having a projected price tag approaching \$400 million — nearly 5 times its original estimate. DOI agreed with the OIG's recommendations to improve its participation, hire a new Assistant Deputy Secretary to lead its South Florida ecosystem restoration projects, and begin development of a project plan.

The Department of Labor (DOL) OIG audited a settlement agreement that DOL's Wage and Hour Division signed with a national retail chain after the chain was cited for numerous child labor violations. The OIG found serious breakdowns in the Wage and Hour Division's process for negotiating, developing, and approving the settlement agreement, which resulted in significant concessions to the retail chain. Also, DOL's Solicitor was not consulted during the negotiation process, and significant portions of the agreement were written by the national chain's lawyers. As a result of the OIG audit, the Wage and Hour Division agreed to implement recommendations to develop written procedures for settlement agreements with employers.

The Corporation for Public Broadcasting (CPB) OIG reviewed allegations that the Chairman of CPB's Board of Directors and senior executives made personnel and contract funding decisions based on political ideology. The OIG report led to the Chairman's resignation and efforts by CPB to revise procurement and personnel management policies, including enhancing internal controls.

The Social Security Administration (SSA) OIG estimated that SSA overpaid beneficiaries \$3.2 billion in improper payments to disabled beneficiaries. The OIG found that if SSA had used information already available in its records, it would have determined that many individuals receiving disability benefits had returned to work and were no longer disabled. SSA agreed with the OIG's recommendation to take timely action on information that disabled beneficiaries may be working.

The National Archives and Records Administration (NARA) OIG found that a NARA contract to acquire Information Technology Support Services included three modifications totaling \$4.4 million, although the work to be performed by the contractor was unchanged. As a result, NARA incurred more than \$4.4 million in expenses that should have been absorbed by the contractor. NARA concurred with the

OIG's findings and took action to remove \$3.2 million of the modification amount.

The U.S. Agency for International Development (USAID) OIG audited funds appropriated for displaced individuals in Afghanistan. The OIG determined that only \$600,000 of the \$10 million appropriated for FY 2004 had been used to provide shelter materials and basic necessities for displaced persons in Kabul. Additionally, none of the \$5 million appropriated for FY 2005 had been transferred or spent. USAID agreed with the OIG's recommendations to ensure that the remaining \$14.4 million in unspent funds were used for its intended purposes.

The Equal Employment Opportunity Commission (EEOC) OIG evaluated the National Contact Center, a pilot program that provides the public with 24-hour access to EEOC and information about equal employment rights and responsibilities. The OIG found that the Contact Center had the potential to make a significant contribution to EEOC but is not effective as presently operated. The OIG report recommended that EEOC continue with the Contact Center only if significant changes are made to improve call volume, optimize customer satisfaction and operational efficiencies, measure on-going performance, and ensure readiness for the future. In light of the report, the Senate Appropriations Committee recommended eliminating funding for the Contact Center.

Joint OIG Projects

In addition to the work that OIGs conduct within and relating to their own agencies, they also promote integrity, accountability, and excellence in governance through joint activities with OIGs and outside agencies. During the past fiscal year, OIGs performed many interagency and joint OIG audits, inspections, and investigations. Below are examples of this work.

Hurricane Katrina

In the aftermath of Hurricane Katrina, the federal government allocated more than \$87 billion toward disaster relief, recovery, and rebuilding efforts in areas hit by the devastating hurricane. The entire OIG community quickly responded to the disaster by providing much-needed support in a variety of ways — from volunteering 300 special agents to assist with the law enforcement efforts, to OIG staff volunteering in the clean-up process and manning waste, fraud, and abuse hotlines, to auditors, program analysts, and investigators providing assurances that funds appropriated for disaster relief programs were being spent in an effective, efficient, and economical manner.

As of September 30, 2006, agencies under review by OIGs had issued more than 8,400 contracts with a total value exceeding \$12 billion. To help provide oversight for these expenditures, OIGs have audited and reviewed 348 contracts and identified \$80.9 million in taxpayer funds that could be put to better use. An additional 487 contract audits are ongoing. Below are examples of the work conducted jointly by OIGs.

OIG investigative teams deployed to each of the Federal Emergency Management Agency (FEMA) joint field offices in Alabama, Mississippi, Louisiana, Texas, and Florida continue investigating allegations of fraud, waste, and abuse. Since the hurricane relief and recovery process was initiated, federal OIGs have opened 1,756 cases that have resulted in 439

indictments, 407 arrests, and 255 convictions. As of September 30, 2006, the Hurricane Fraud Hotline received 22,647 contacts or allegations of fraud, waste, and abuse.

The Government Accountability Office and Department of Homeland Security (DHS) OIGs

performed a joint audit of DHS's purchase card contracts used after hurricanes in the Gulf Region. The OIGs determined that a weak control environment and breakdowns in key controls exposed DHS to fraud and abuse in its use of the purchase card. As a result, DHS agreed to establish new cardholder procedures.

A joint investigation by the Departments of Treasury and Homeland Security OIGs, along with the Washington, D.C., Metro Area Fraud Task Force, U.S. Postal Service, and U.S. Secret Service, led to the guilty plea of a civilian to bank fraud, mail fraud, and money laundering. Investigators determined that the civilian defrauded FEMA of more than \$100,000 in relief funds intended for victims of Hurricanes Katrina and Rita. The civilian faces between 84 and 105 months' incarceration.

Other Joint Projects

The Department of State OIG and Special Inspector General for Iraq Reconstruction collaborated on a survey of anticorruption programs in Iraq. The survey included an inventory of U.S. government funding for anticorruption programs in Iraq and an analysis of the U.S. Embassy in Baghdad's anticorruption working group. The OIG recommended that the Embassy strengthen its Iraqi anticorruption programs and provide support and guidance for Iraqi efforts to design and establish a training facility for anticorruption personnel from Iraq's Board of Supreme Audit, Commission on Public Integrity, and Inspectors General.

OIGs from the Departments of Commerce, Defense, Energy, Homeland Security, and State and the Central Intelligence Agency jointly evaluated the effectiveness of U.S. controls on exports of defense-related items and dual use goods and technology — items that have both civilian and military applications — to China. The interagency review identified areas needing improvement to promote a more effective system of controls over exports to China. Areas for improvement included coordination within the federal licensing agencies, documentation of license reviews, export licensing and enforcement policies and procedures, follow-up on license conditions, and end use checks. Each participating OIG issued a report, and the interagency report summarizing the work of the joint OIG effort and follow-up on previous recommendations will be issued in 2007.

OIGs from the U.S. Department of Agriculture (USDA) and Environmental Protection Agency (EPA) reviewed efforts by the Chesapeake Bay Program — which is administered by EPA to lead and coordinate restoration of the Chesapeake Bay — in achieving nutrient and sediment reduction goals for the Chesapeake Bay. The OIGs determined that, at the current rate of progress, the watershed will remain impaired for decades. EPA must improve coordination and collaboration with its bay partners and the agricultural community to better reduce nutrients and sediment entering the Chesapeake Bay watershed. The OIGs also found that USDA, a critical bay partner at the federal level, could significantly assist EPA in implementing the needed conservation practices within the agricultural community, which is a major contributor of nutrients and sediment to the Bay. However, USDA has not coordinated a Department-wide strategy or policy to address its commitment as a Bay partner. Both EPA and USDA agreed with the OIGs' recommendations.

In response to a Congressional request, **OIGs from the Departments of Agriculture, Commerce, State, and Treasury; the Small Business Administration; and the U.S. Agency for International Development** are working together to review how their respective agencies are coordinating trade promotion activities

and helping U.S. companies expand exports. The OIGs will release their reports during the coming year.

A multi-agency investigation by the **Department of the Interior OIG**, FBI, and IRS led to the guilty plea of a former congressional staffer who was involved in allegations that a lobbyist defrauded the U.S. government and certain Indian tribes of millions of dollars. Investigators found that the lobbyist and others improperly provided valuable items to a congressman and members of the congressman's staff, including the former congressional staffer, in return for official actions to benefit the lobbyist's clients.

A joint investigation by the **Department of Defense and National Aeronautics and Space Administration (NASA) OIGs** and the Department of Justice uncovered a scheme by a contractor to improperly use competitors' information to procure contracts for launch services worth billions of dollars from the Air Force and NASA. The investigation resulted in the contractor paying the government \$615 million to resolve criminal and civil allegations — a record recovery for both DoD and NASA in government procurement fraud.

A joint investigation by the **Departments of Interior and Education OIGs**, along with the FBI, led to the guilty plea and sentencing of a former Director of the American Samoa's Department of Education. The investigation determined that the former Director accepted cash and goods in exchange for fraudulently awarding contracts. The former Director was sentenced to 30 months' incarceration and ordered to pay \$61,000 in restitution.

A joint investigation that included OIGs from the Departments of Commerce, Interior, and Transportation determined that a subcontractor offered bribes to a Philadelphia city official to obtain a minority business certificate. The certificate was used by the subcontractor to qualify for work on a construction grant awarded to the City of Philadelphia. The subcontractor was convicted of bribery and submitting a false tax return, sentenced to 5 years'

incarceration, and ordered to pay a \$6,200 criminal fine and \$31,852 in restitution. In addition, the subcontractor and his company were debarred for 3 years.

OIGs from the Departments of Commerce, Housing and Urban Development, and Agriculture jointly investigated an Economic Development Administration (Commerce) program funding the construction of

water towers for municipalities around the country. The investigation revealed that substandard parts and equipment were used in tanks built by the contractor and the contractor conspired with an engineering firm to generate false tests indicating that the tanks met contract specifications despite structural deficiencies. The investigation resulted in a civil settlement, including payment of \$1.75 million to the government, and warranties for necessary repairs valued at \$250,000.

Appendix A: Acronyms and Abbreviations

ARC	Appalachian Regional Commission	HHS	Department of Health and Human Services
CFTS	Commodity Futures Trading Commission	HUD	Department of Housing and Urban Development
CNCS	Corporation for National and Community Service	IG	Inspectors General
CPB	Corporation for Public Broadcasting	IG Act	<i>Inspector General Act of 1978</i>
CPSC	Consumer Product Safety Commission	IRS	Internal Revenue Service
DCAA	Defense Contract Audit Agency	IT	Information Technology
DHS	Department of Homeland Security	ITC	U.S. International Trade Commission
DOC	Department of Commerce	LSC	Legal Services Corporation
DoD	Department of Defense	NARA	National Archives and Records Administration
DOE	Department of Energy	NASA	National Aeronautics and Space Administration
DOI	Department of the Interior	NEA	National Endowment for the Arts
DOJ	Department of Justice	NEH	National Endowment for the Humanities
DOL	Department of Labor	NLRB	National Labor Relations Board
DOS	Department of State and Broadcasting Board of Governors	NRC	Nuclear Regulatory Commission
DOT	Department of Transportation	NSF	National Science Foundation
ECIE	Executive Council on Integrity and Efficiency	OIG	Office of Inspector General
ED	Department of Education	OMB	Office of Management and Budget
EEOC	Equal Employment Opportunity Commission	OPM	Office of Personnel Management
EPA	Environmental Protection Agency	PCIE	President's Council on Integrity and Efficiency
FBI	Federal Bureau of Investigation	RRB	Railroad Retirement Board
FCA	Farm Credit Administration	SBA	Small Business Administration
FCC	Federal Communications Commission	SEC	Securities and Exchange Commission
FDIC	Federal Deposit Insurance Corporation	SSA	Social Security Administration
FEC	Federal Election Commission	TIGTA	Treasury Inspector General for Tax Administration
FEMA	Federal Emergency Management Agency	Treasury	Department of the Treasury
FHFB	Federal Housing Finance Board	TVA	Tennessee Valley Authority
FLRA	Federal Labor Relations Authority	USAID	U.S. Agency for International Development
FTC	Federal Trade Commission	USDA	U.S. Department of Agriculture
FY	Fiscal Year	USPS	U.S. Postal Service
GAO	Government Accountability Office	VA	Department of Veterans Affairs
GPO	Government Printing Office		
GSA	General Services Administration		

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Hotline Healthcare fraud (202) 418-3300

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Lives Lost in the Line of Duty

PCIE and ECIE members pay tribute to all the dedicated OIG employees who lost their lives while performing their official duties either as part of an OIG or a predecessor agency. We salute their service to the IG community and appreciate their sacrifice.

U.S. Agency for International Development

Robert Hebb, Auditor

Charles Hega, Auditor

Oscar C. Holder, Foreign Service Officer, Program Inspector

Sidney B. Jacques, Foreign Service Officer, Program Inspector

William Stanford, Auditor

Department of Housing and Urban Development

Paul Broxterman, Special Agent

Abdon Cabello, Special Agent

Department of Justice

William "Buddy" Sentner III, Special Agent

U.S. Postal Service

Greg R. Boss, Special Agent



President's Council on
Integrity and Efficiency

Executive Council on
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