

**A PROGRESS REPORT TO
THE PRESIDENT**

Fiscal Year 1995

President's Council on Integrity and Efficiency

Executive Council on Integrity and Efficiency

Foreword

We are proud to present the third joint annual report of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). This report highlights the accomplishments of the Inspectors General (IGs) during Fiscal Year (FY) 1995.

The impact of the combined Councils in dollars alone was impressive during the year. Based on recommendations from the IGs, agency managers agreed to change their spending plans for \$10.4 billion, which they can now put to better use. Also as a result of IG recommendations, managers agreed to cancel, or seek reimbursement of, \$2.3 billion in questioned costs.

IG investigations recovered \$1.5 billion from companies and people who had defrauded the Government. In addition, investigative work resulted in 14,122 successful prosecutions of wrongdoers and 4,234 debarments, exclusions, and suspensions of firms or individuals doing business with the Government.

The narrative of the report emphasizes two principal themes: how the IGs serve as "agents of positive change" and how they make effective use of "multidisciplinary teams." Areas in which PCIE and ECIE members served as agents of positive change ranged from disaster assistance and health care programs, to safety and security concerns, science and technology, and financial matters. IGs from both Councils used multidisciplinary teams for projects dealing with, for example, housing and food stamp programs, and nonconforming or unapproved parts for equipment, as well as schemes to defraud the Government.

These efforts demonstrate how the IGs are not merely riding the train of "Reinventing Government," but are also helping to stoke the engine. At the same time, the IGs remain vigilant in fulfilling their statutory mandate to prevent and detect fraud, waste, and abuse.

We would like to thank the IG at the Department of Agriculture for the prompt and professional coordination of this year's report.

June Gibbs Brown
Vice Chair
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**REPORT OF THE
PRESIDENT'S COUNCIL
ON INTEGRITY AND
EFFICIENCY**

Introduction

The President's Council on Integrity and Efficiency

The President's Council on Integrity and Efficiency (PCIE) is an interagency committee charged with promoting integrity and effectiveness in Federal programs. The PCIE is chaired by the Deputy Director for Management of the Office of Management and Budget (OMB) and is composed principally of the 28 Presidentially appointed/Senate confirmed (PAS) Inspectors General (IGs). The following officials are also members of the PCIE:

- the Vice Chairperson of the Executive Council on Integrity and Efficiency (ECIE);
- the Controller of the Office of Federal Financial Management at the OMB;
- the Assistant Director of the Criminal Investigative Division of the Federal Bureau of Investigation (FBI);
- the Director of the Office of Government Ethics;
- the Special Counsel of the Office of Special Counsel; and
- the Deputy Director of the Office of Personnel Management (OPM).

The PCIE is focused on two primary objectives: mounting collaborative efforts to address integrity, economy, and effectiveness issues that transcend individual Federal agencies; and increasing the professionalism and effectiveness of IG personnel throughout the Government.

The PCIE was established by Executive order in 1981. The Executive order was revised and reissued in 1992 to reflect changes that had been made in the Inspector General Act of 1978 (IG Act), as amended. The PCIE membership was expanded to include additional PAS IGs; and the ECIE, consisting principally of the competitively appointed IGs at designated Federal entities, was established. The PCIE and the ECIE share the same overall mission and objectives.

The Fiscal Year 1995 PCIE Annual Progress Report to the President

Under the original and revised Executive orders, the Chairperson of the PCIE has an obligation to report to the President on the activities of the PCIE. Since 1981, the Chairperson has met that obligation through issuance of PCIE progress reports.

This PCIE progress report focuses on two main areas of accomplishment in the narrative section. The first theme is that of IGs being "agents of positive change," with Government accountability as the underlying emphasis. Also highlighted are Office of Inspector General (OIG) projects conducted by multidisciplinary teams (i.e., teams combining auditors, investigators, inspectors, and/or evaluators, as well as others in some cases), and the benefits of this approach to the agency as well as the OIG staff. Such efforts reflect a continuing commitment by the IGs to improve program management in their agencies while at the same time fulfilling their legislative

mandate to prevent and detect fraud, waste, and abuse. During FY 1995, PCIE members typically employed multidisciplinary teams in about 12 percent of their work, ranging from very seldom to one-third of the time.

The report also includes summary statistical sections on audits and inspections, as well as investigations. Overall (including audits performed for the IGs by the Defense Contract Audit Agency (DCAA)), in FY 1995, IG audits and inspections resulted in:

- more than \$26 billion in recommendations that funds be put to better use; and
- nearly \$6 billion in questioned costs.

In acting on IG audit and inspection recommendations, as well as DCAA recommendations in audits performed for the IGs, agency managers:

- agreed with more than \$10 billion in recommendations that funds be put to better use; and
- disallowed nearly \$2.3 billion of questioned costs.

Summary statistics related to investigations are also presented by individual IGs. Overall, in FY 1995, IG investigations led to:

- 4,041 successful prosecutions;
- 4,197 debarments, exclusions, and suspensions of persons or firms doing business with the Federal Government;
- 2,217 personnel actions involving Federal employees; and
- more than \$1.2 billion in investigative recoveries.

At the conclusion of the PCIE report, a list of current PCIE members and their addresses, as well as hotline numbers, is provided.

The report was compiled from narratives, statistics, and other information submitted by the membership of the PCIE.

PCIE Committee Accomplishments

The PCIE, in conjunction with the ECIE, maintains committees to examine important issues in improving the effectiveness of the OIGs and in fighting fraud, waste, and abuse across the Federal agencies. The following entries highlight the Fiscal Year 1995 activities of the PCIE committees.

Audit Committee (*Chair: Valerie Lau, Inspector General, Department of the Treasury*)

The Audit Committee issued a report entitled "Implementing the Electronic Benefits Transfer (EBT) System - A Report on the Current Status of Control Systems" consolidating findings from previous OIG work that can affect nationwide implementation of EBT. Some of the cross-cutting issues addressed include data retention and security areas such as user identification and safeguards over EBT cards. Recommendations covered strengthening controls over access to EBT systems, improved controls over inventories of unissued cards and other safeguards to prevent improper use of issued cards. The Federal EBT Task Force found that overall the report was a very positive effort and commended the PCIE and the OIGs involved for their work. The Task Force indicated agreement on most of the recommendations and invited the PCIE to have a representative on the Task Force Policy group and the EBT career executive group.

The USDA IG took the lead for this coordinated effort and was assisted by the IGs for DOD, DoED, HHS, DOL, TREAS, VA, OPM, RRB, and SSA.

Investigations Committee (*Chair: Charles Masten, Inspector General, Department of Labor*)

During FY 1995, the PCIE Investigations Committee was successful in securing an agreement with the DOJ and the FBI to enter into a pilot project with seven Inspectors General to grant blanket deputation of law enforcement authority to OIG Special Agents. Previously, OIG Special Agents had generally received these deputations on a "case by case" basis, with the OIGs having to submit a request to DOJ for deputation for each individual agent on each individual case. The pilot project allowed the participating OIGs to have a "blanket deputation" to be administered by the IG, who would regularly report on deputations usage to the DOJ. The pilot program cut down on administrative workload and enhanced investigative effectiveness -- while maintaining appropriate oversight of the use of law enforcement authorities by OIG Special Agents.

The basic law enforcement authorities for which OIG Special Agents were deputized include: executing warrants for an arrest; executing search warrants; seizing evidence; carrying firearms; and making arrests, without warrants, for any violation committed in the presence of the Special Agent. The seven agencies involved in this program are the: DOL, HUD, STATE, DOT, VA, SSA, and SBA.

Integrity Committee (*Chair: William J. Esposito, Assistant Director, Criminal Investigative Division, Federal Bureau of Investigation*)

On March 22, 1996 the President signed Executive Order 12993, "Administrative Allegations Against Inspectors General." The order empowers the FBI to investigate certain non-criminal

allegations against IGs and their staff. It also defines the legal authority for the PCIE to review allegations and investigative reports regarding IGs and their staff. This order is an important step forward in formalizing and improving the existing system for reviewing allegations against IGs.

During Fiscal Year '96, the Integrity Committee will focus on formalizing the implementing procedures for the Executive Order. The Integrity Committee will also work on providing integrity-related training to the Inspector General community.

This will, of course, be in addition to the Committee's role in reviewing allegations against IGs and their senior staff. In Fiscal Year 1995, the Committee met five times, opening 26 cases and bringing 28 cases to closure. The Integrity Committee expects to see a marked increase in new cases during Fiscal Year 1996 due to the visibility of the Executive Order.

IG Performance Measures Task Force (*Co-Chairs: John Layton, Inspector General, Department of Energy and June Gibbs Brown, Inspector General, Department of Health and Human Services*)

The task force culminated its work by drafting a brochure entitled "PCIE/OIG Guidance on Goals and Performance Measures." This brochure is intended to be used or modified by individual OIGs as a guide in developing their own goals and performance measures. The brochure is based on an analysis of the 3-5 top goals established by each of the individual OIGs for the next 12-24 months. The task force analyzed the goals, considering similarities and singularities of the individual offices, and developed a composite of goals that were both process and outcome-oriented.

For example, the report lists "Focus OIG operations on major agency issues and programs to promote economy, efficiency, and effectiveness, and thereby have a positive impact on the agency's program and operations" as a general outcome oriented goal. Possible measures for that goal then might include "OIG monetary/non-monetary program improvement recommendations implemented by management."

Professional Development Committee (*Chair: David Williams, Inspector General, Social Security Administration*)

The committee conducts half day training seminars for OIG staff. These "Forums" are always well attended and provide training opportunities on a variety of topics in the audit, investigations, and inspections fields. There were six Forums during FY 1995, including "Blinded by the Light -- Fraud Detection in Cyberspace," which showcased emerging computer investigative techniques; and "The Unified Field Theory of Management," which described how existing management related initiatives and legislation (such as audits of financial statements, the National Performance Review, and the Government Performance and Results Act) build into a unified approach to effective Federal management.

The committee also began publication of *The Journal of Public Inquiry*, a semiannual magazine featuring articles of interest to the Inspector General community. The second issue was well underway by the end of the year. Articles include "Let me Task Your Wares: Acquisition Reform" and "Reinventing the Hotline -- Using the Power of the Internet."

Finally, the Committee conducted a survey of in-house training available within the PCIE community. The survey results indicated that many OIGs were eager to share their training with other OIGs. The Committee arranged for training opportunities to be announced via IGnet.

Legislation Committee (*Jeffrey Rush, Inspector General, Agency for International Development*)

The Committee keeps the IGs informed on pending legislation affecting the IG community. When requested, representatives from the Committee attend or participate in Congressional hearings, coordinate with OMB, and prepare responses or comments for PCIE consideration on pending legislation.

Issues coming before the committee in the last year have included: working with the Subcommittee on Government Management, Information and Technology to prepare for the committee's August 1, 1995 hearing on IG Act implementation; and engaging OMB in discussions on how best to address the OIGs in application of the Paperwork Reduction Act.

OIG Work in FY 1995

As a result of the Vice President's National Performance Review (NPR), the Inspectors General crafted a vision statement which says: "We are agents of positive change striving for continuous improvement in our agencies' management and program operations, and in our own offices." One of the specific avenues the IGs have explored to improve their own operations and effectiveness--with positive results--has been the increased use of multidisciplinary teams in performing reviews. This section highlights examples which demonstrate the OIGs' commitment to being agents of positive change and employing multidisciplinary teams to their best advantage.

Agency for International Development

Agents of Positive Change

Reengineering of the U.S. Agency for International Development (USAID)

The IG was a ready partner in assisting the Agency in engaging in an intensive reform effort, unparalleled in its history. When the Vice President of the United States selected USAID as one of only two agencies to be a "reinvention laboratory" under the NPR, the Administrator identified a general framework for major reform of the U.S. development assistance program.

OIG efforts have contributed to reform measures which are underway. Two of these efforts are summarized below.

- *Program Performance Information for Strategic Management Systems (PRISM)*--In an attempt to enhance USAID's ability to measure progress in terms of program results, the Agency initiated the implementation of an agencywide system, PRISM, for monitoring and reporting on program performance in 1991. A series of audits on the implementation of PRISM showed that USAID's missions have made considerable progress in meeting the requirements for measuring results, although the Agency still needs to ensure that specific quantifiable indicators are established and that reporting systems are in place to evaluate progress through measuring project results.
- *Information System Plan (ISP)*--USAID is undertaking a new and aggressive effort to change the way it manages its data and information, as described in the ISP. A primary tenet of ISP is that corporate data will be managed at the Agency level. The OIG has been working with Agency management in this effort by reviewing the ISP's management control systems as these systems are being developed. OIG audits to determine the accuracy of the data to be transferred into the corporate data base identified systemic weaknesses that, if not corrected, would negatively impact the integrity of the corporate data base. In addition, the OIG performed an audit of the Agency's systems development efforts that identified potential data compatibility problems that could undermine the very foundation of the ISP's systems integration concept.

Multidisciplinary Teams

USAID Assistance for the Haitian Presidential Election

Recently, some concerns were raised about the use of U.S. funding to help assure a smooth electoral process in Haiti. A team consisting of auditors from two headquarters divisions, including a certified public accountant from the Financial Audit Division and an experienced performance audit manager from the Headquarters Liaison and Coordination Division, was assembled to conduct an on-site review of financial transfers to the Haitian Presidential Election Council.

The team also worked in close conjunction with a team of auditors from the U.S. General Accounting Office (GAO), further broadening the expertise involved in the exercise. Briefings with the Agency, at which all team members were present before arrival in Haiti, also contributed to the pooling of information.

The team was subsequently able to review several problem areas where accountability was lacking, while also keeping the deficiencies in perspective so as to not jeopardize the overall assistance effort.

Department of Agriculture

Agents of Positive Change

Electronic Benefits Transfer

In 1993, Vice President Gore's Report of the NPR, *From Red Tape to Results*, called for the rapid development of a nationwide system to deliver Government benefits electronically. At least 12 Federal and State benefit programs could use electronic benefits transfer (EBT) to replace paper delivery methods. These include food assistance programs under the Department of Agriculture (USDA) and cash benefit programs under the Department of Defense, Department of Education, Department of Health and Human Services, Department of Labor, Department of Veterans Affairs, Office of Personnel Management, Railroad Retirement Board, and Social Security Administration. The PCIE designated the USDA OIG as the lead agency to consolidate findings and identify concerns related to the nationwide development of EBT. The OIG report brought to the forefront issues that needed to be addressed before EBT goes nationwide. The OIG is continuing to work in a coordinated review effort with the PCIE and Federal EBT Task Force as EBT systems are planned and brought on-line at the national and State level. The PCIE has designated the USDA OIG to coordinate review of EBT systems at the State level and the Department of the Treasury OIG to coordinate review of EBT systems at the Federal level.

Joint Investigations Prove Successful

Current congressional and public debate about welfare reform has focused national attention on the Food Stamp Program (FSP) and its vulnerability to fraud and abuse. The OIG continues to

concentrate substantial investigative resources to uncover fraud in the FSP. As part of the OIG commitment to ensure that food stamps get to the people who really need them, the OIG ran "Operation Checkout," an intensified nationwide enforcement action involving multiple joint operations with local, State, and Federal law enforcement agencies. Over a 7-week period, this operation brought to fruition 106 indictments, arrests, and convictions related to over \$22 million in FSP fraud. The OIG will continue with similar operations in order to restore and preserve the integrity of the FSP.

Financial Statement Audits

The USDA OIG has established a close working relationship with financial managers in the Department as a result of OIG financial statement audits. The OIG provides technical advice to the Department through OIG participation on the USDA Financial Statement Coordinating Committee. The committee addresses issues related to financial statement presentation, preparation, and accounting standards. The OIG provides technical guidance in such areas as credit reform, elimination entries, overview and supplemental information, and accounting standards. The OIG has worked closely with the Department to identify deficiencies in existing financial systems and propose possible solutions. For example, as a result of OIG's initial audit of the USDA consolidated financial statements, the OIG identified material internal control weaknesses and deviations from accounting standards in USDA financial systems. To correct these weaknesses, the Department initiated the Financial Information System Vision and Strategy project to implement a single integrated financial management system designed to meet all standards. The OIG has been involved in the project from the beginning either by serving on various project working groups or conducting special reviews in areas such as security. OIG involvement in this project has mutually benefited the OIG and the Department through development of a system that will enhance the reliability and the auditability of financial information.

Multidisciplinary Teams

Multidisciplinary Teams Identify Ineligible and Questionable Stores Authorized to Accept Food Stamps

Because of continuing reports about stores violating requirements for participating in the FSP, the OIG performed a nationwide sweep of authorized stores to determine if they met USDA's eligibility criteria. Experience has shown that stores not meeting the criteria are often prone to traffick in food stamps, paying cash for less than the face value of the stamps and then receiving full value for the stamps when deposited at their bank. Seventy teams, each consisting of an auditor and investigator, visited 5,162 stores during May and June 1995 in 7 locations: Washington, D.C.; St. Louis, Missouri; Alameda County, California; and selected areas in Cook County, Illinois; New York City, Borough of Manhattan; Dade County, Florida; and Dallas and Tarrant Counties, Texas.

The OIG found that 857 of the stores visited were clearly not eligible to participate in the FSP because they had little or no staple foods, were out of business, did not exist, or had more than 1 assigned authorization number. The OIG questioned the eligibility of another 450 stores

because they had limited inventories of staple food items or because their inventories did not appear to support their food stamp redemptions. Since then, the OIG has participated with USDA's program personnel to carry out a similar sweep of 2,100 stores in Los Angeles, California. Other similar sweeps are planned for additional locations around the country. To date, USDA has withdrawn the authorizations of 1,400 stores.

Department of Commerce

Agents of Positive Change

National Telecommunications and Information Administration (NTIA) and National Institute of Standards and Technology (NIST)

In light of concerns about the abilities of the NTIA and NIST programs to properly administer substantial additional funds and grants, the Department of Commerce OIG conducted reviews of their grant approval processes. One review looked at NTIA's implementation of the Telecommunications and Information Infrastructure Assistance Program, raising concerns about the lack of award processing guidelines, the proposal evaluation process, the selection criteria, and potential conflicts of interest. Another review disclosed that NIST's Advanced Technology Program needed to improve the documentation of its selection criteria. In both instances, after being informed of the OIG concerns, agency officials took prompt actions to get the programs on the right track.

Also, under a cooperative arrangement with NIST, the OIG conducted a series of accounting system surveys of selected recipients of the Manufacturing Extension Partnership program. The surveys found that most of the grantees had some problems with their financial management systems. Almost without exception, the recipients agreed with the OIG findings and took actions to implement the recommendations. The joint NIST-OIG initiative has proven beneficial to all parties by promoting:

- Speedy correction of financial management deficiencies and financial reporting errors,
- on-site training on Federal cost principles and financial requirements for first-time recipients, and
- early identification of weak recipients and termination of those with insufficient resources to meet matching share requirements.

Multidisciplinary Teams

Year 2000 Census

An example of a formal multidisciplinary effort involved a recent assessment of the Census Bureau's readiness for the 2000 decennial census. The OIG decided that reviewing this massive, complex undertaking required a special team with staff from various offices and disciplines.

Because of the cross-cutting nature of the effort, the Deputy Inspector General served as Project Director. The Project Manager and two team members were information technology experts from the OIG's Office of Systems Evaluation. The other team member was a program analyst from the Office of Audits with extensive knowledge of Census Bureau issues. In addition, the project had a panel of three high-level advisors--the Assistant Inspector General for Systems Evaluation, the Deputy Assistant Inspector General for Auditing, and an Office of Audits division director who is an economist with considerable experience with Census issues.

The team members and advisors conferred frequently throughout the review and reporting process, attending periodic meetings, consulting when questions arose, reviewing report drafts, and meeting with Census Bureau officials to explain the review results. These results, which identified weaknesses in the Bureau's planning process and organizational structure, were presented in a report to the Bureau and in testimony before the Congress. Because of the extensive involvement of top officials and staff with varied expertise from throughout the OIG, the office was able to produce a report that did justice to the complexity and significance of its subject while also ensuring that it represented the views of all concerned OIG units.

Corporation for National and Community Service

Agents of Positive Change

The Corporation for National and Community Service (CNCS) OIG concentrates on risks related to the Corporation's newly established AmeriCorps programs and strives to involve CNCS management to the extent possible. The CNCS OIG redirected its audit plan to include surveys of grantees in their initial year of receiving AmeriCorps funding to determine their capability to comply with Federal fiscal accounting and reporting requirements and to safeguard Federal funds. The OIG began these reviews in the belief that it is more effective to assess the vulnerability of grantee systems, and prevent the loss of Federal funds, than to try to recover misspent funds after a grant has been terminated. Overall, the OIG concluded that the reviews are an important risk assessment mechanism and CNCS management concurs. The OIG is currently conducting several reviews that were specifically requested by Corporation officials.

An outgrowth of OIG efforts to involve CNCS management was the utilization of joint OIG/management teams for audit followup. For example, an audit of AmeriCorps grantee City Year of Boston found significant deficiencies related to fiscal oversight, and that during FYs 1993 and 1994, City Year's accounting system and financial management controls did not meet Federal standards. A team composed of OIG and CNCS management officials made audit followup visits in January and September 1995 to assess the grantee's progress in correcting deficiencies reported in the audit and resolving other issues identified during the audit. These team visits revealed that significant progress was made in installing a new financial management system and in correcting many of the deficiencies reported. CNCS management was an active participant in encouraging required corrective actions by the grantee.

Multidisciplinary Teams

Audit and Investigation of the ACORN Housing Corporation

Because of concerns raised by members of Congress and in the press that ACORN Housing Corporation (AHC), a Corporation grantee, was inappropriately engaging in lobbying and protests, Corporation management asked the OIG to examine certain activities and financial records relating to the CNCS AmeriCorps grant to AHC. The audit included interviews of AHC's project staff and AmeriCorps members. Because of the sensitivity, the number of interviews required, and the tight timeframes for completion, the OIG utilized experienced investigators, well trained in interview techniques, to conduct these interviews. These investigators also assisted the auditors in examining a significant volume of travel vouchers to address specific audit concerns. Investigator involvement contributed significantly to the quality and response time for the audit.

As a direct result of investigators participating in this audit, the OIG received hotline complaints that eventually led to a separate investigation of AHC's activities. Both the audit and investigation culminated in the termination of the AHC grant, and in testimony by CNCS management and the OIG before Congress. The testimony reflected a cooperative approach to assess and terminate a grant in which Federal dollars were misused.

Department of Defense

Agents of Positive Change

Identification of Faulty Gearboxes Basis of \$88 Million Settlement With DoD Contractor

An investigation by the Department of Defense (DoD) OIG, Army, and Navy criminal investigators found that a Defense contractor sold faulty gearboxes that were used in the Navy F/A-18 aircraft and the Army multiple launch rocket system. The contractor falsely certified to the DoD that the gearboxes were fully inspected when, in fact, many required inspections were not performed. The contractor also admitted to routinely not performing required inspections and tests, knowingly falsifying quality records, selling defective parts to the Government, using faulty test equipment, and making unauthorized repairs without advising the Government. Over 100 gearboxes were subjected to teardown and inspection during the investigation; all failed inspection and each contained numerous defective components. Over 100 aborted F/A-18 missions, several in-flight fires, and loss of an F/A-18 during the Persian Gulf War were attributable to the faulty gearboxes. The investigation resulted in the contractor pleading guilty and being ordered to pay an \$18.5 million criminal fine.

In addition, a DoD OIG audit team supported the Department of Justice (DOJ) negotiations to settle the civil suit against the contractor for supplying defective parts. The auditors provided the analytical support that was the basis of an \$88 million settlement, the largest single payment by a Defense contractor caught selling substandard products to the Department. The auditors estimated the Government incurred costs of \$90.6 million as a result of the defects. The estimates were based on analyses of over 2,000 pages of contractor monthly costs of production reports

covering 1988 through 1994. The DOJ attorneys used the OIG estimates to negotiate the civil settlement and the auditors actively supported the DOJ attorneys in negotiations with the contractor, presenting the cost accounting concepts used to develop the Government's estimates. Because of the investigation, and the later audit support, the Department was able to detect and remove seriously defective and potentially life threatening equipment from its inventory, thus saving millions of dollars in potential repairs and replacement of equipment while ensuring the effective operation and safety of vital military hardware and personnel.

Fraudulent Medical Billings

The Department avoided paying millions of dollars in false medical claims because of a successful investigation by DoD OIG criminal investigators of fraudulent medical billings to the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). The investigation revealed a pervasive scheme in which customers were lured through the use of diagnostic vans and aggressive telephone solicitations. Patients were promised medical tests and examinations for little or no cost. The patients assigned all rights to insurance payments to the defendants' laboratories and clinics. False claims for inflated or unrendered services were then submitted to CHAMPUS and other Federal and private medical programs in amounts estimated at almost \$1 billion. The court issued fines, penalties, and forfeiture orders to various individuals that totaled almost \$94 million.

Multidisciplinary Teams

Operation Mongoose

Operation Mongoose is a Deputy Secretary of Defense-approved project to develop and operate a fraud detection and prevention unit to minimize fraud attacks against the financial assets of DoD. The project is staffed by auditors, criminal investigators, program analysts, and financial managers from the Defense Finance and Accounting Service, the Defense Manpower Data Center, and the OIG. The Under Secretary of Defense (Comptroller) provides executive oversight and direction.

In the area of payments to retirees, the team worked with the OIG criminal investigators and the U.S. Secret Service to verify the identity of current retirement payment recipients in overseas locations. In a recent visit to Puerto Rico, an initial estimate of the savings from the verification effort was established at \$350,000 with potentially another \$8 million for deceased annuitants. Other Operation Mongoose efforts identified duplicate vendor payments, erroneous payroll payments, and questionable transportation payments.

At the joint request of the IG and the Comptroller of the Department of Defense, the PCIE and the Chief Financial Officers Council jointly sponsored a conference on using computers to detect and prevent fraud against Government programs. The conference brought together the most knowledgeable personnel from the audit, information systems, investigative, legal, and financial communities. The conference results will help promote further interagency automated fraud detection projects and followup measures.

Department of Education

Agents of Positive Change

Audit Efforts

The Department of Education (ED) OIG's focus on providing timely, critical advice to address high-risk, high-priority areas yielded important findings and recommendations in postsecondary education during FY 1995. The OIG reported that accrediting agencies, which are required by law to assess the quality of vocational training programs, have made little progress in establishing and implementing performance standards to measure student achievement. As a result, there is no assurance that the billions of dollars in loans and grants that are spent annually on vocational training are effectively used to provide the skills necessary for students to obtain gainful employment. The OIG provided the Department with recommendations for corrective measures to address this critical situation.

In May 1995, the OIG hosted a planning conference that focused on ways to assure that the Department's assets are safeguarded as guaranty agencies leave the Federal Family Education Loan program and the Department's shift to direct lending increases. During the conference, the OIG invited ED staff members, congressional staff, and a representative from the National Council of Higher Education Loan Programs to assist in identifying areas of audit for FYs 1996-97. The participants identified a number of issues that are being incorporated in the OIG workplan.

Investigative Efforts

In the last year, three investigations--involving a truck-driver training school in Texas, a Boston trade school official, and the owner of a business college in Puerto Rico--resulted in a total of more than \$2.4 million in criminal and civil seizures. Another case, involving a training corporation in Pompano Beach, Florida, resulted in summary judgments totaling \$13 million. In this case, an OIG investigation developed evidence that the corporation failed to make required refunds to lenders when students dropped out of or withdrew from its programs, thereby inflating the amounts paid to lenders by the Department of Education when the students subsequently defaulted. Summary judgments of nearly \$9.5 million were entered against the corporation for failure to implement regulations for institutional refunds and repayments, and against the corporation's former owners for more than \$3.5 million for unjust enrichment. The judgment against the corporation allows it to credit any amount recovered by the Government from the corporation's owners.

Multidisciplinary Teams

A joint audit/investigative team out of Dallas and Austin, Texas, was formed to address the issues surrounding a school whose owner was suspected of masterminding a scheme to defraud the Department of Education of approximately \$2.6 million. Auditors and agents coordinated the planning of the investigation to maximize their individual contributions. They jointly planned and

executed a search warrant for evidence; designed and implemented a plan for extensive document analysis; located and interviewed numerous witnesses; and worked with the special prosecutor and assistant U.S. attorney to collect and present sufficient evidence to a Federal grand jury to result in indictments.

The team's efforts resulted in the seizure of over \$2.2 million in assets and the indictment of the school's owner, its secretary/treasurer/financial aid director and 7 corporations on 43 counts of mail fraud, conspiracy to defraud the U.S. Government, obstructing a Federal audit, false statements, money laundering, aiding and abetting, conspiracy to defraud the Government with respect to claims, and false claims against the United States. The school entered a plea of guilty to charges of obstructing a Federal audit and aiding and abetting, and agreed to pay a fine of \$100,000 and make restitution of \$1.2 million.

Department of Energy

Agents of Positive Change

During FY 1995, the Department of Energy (DOE) OIG prepared to successfully execute an audit of DOE's consolidated financial statements. This required development of a strategic plan; the establishment of a multiregion organizational structure with concomitant shifts in audit resources; the training of some 120 auditors; establishing an effective working relationship with the Department's Chief Financial Officer and staff; the development of audit programs for 14 accounts; the establishment of a cooperative audit strategy with management and operating contractors' internal auditors; and initiating accounts and automated data processing (ADP) system reviews at DOE field and headquarters locations.

The following is a list of OIG results accomplished during FY 1995 which have given DOE opportunities for positive change.

- DOE revised its program approach to site characterization at Yucca Mountain as a result of OIG audit recommendations. The revision reflects DOE's awareness of cost and schedule risks under the current program.
- As a result of an OIG audit, DOE management initiated corrective measures to ensure costs equal benefits in changes to the Hanford Site Characterization Program.
- An OIG audit found that Department management systems for controlling cost overruns on work-for-others projects at Los Alamos National Laboratory needed strengthening.
- An audit recommended that the Department incorporate management techniques and performance measurement mechanisms in its cooperative research and development agreements.
- An inspection helped to increase management's awareness that the Western Area Power Administration did not publicly advertise or solicit bids from other companies before

awarding power purchase contracts under a program that averages more than \$250 million per year.

- An audit identified for management \$12 million that could be saved over 5 years and an additional \$1.2 million that could be saved annually through improvements to the Department's Commercial Laboratory Quality Assurance Evaluation Program.
- Greater emphasis is being placed on cases of criminal or civil violations of U.S. laws. Cases with the best potential for successful prosecution were given priority in the assignment of resources. As a result, the Office of Investigations increased to 68 percent the number of cases presented for prosecution being accepted. The previous 4-year average of cases presented for prosecution being accepted was 44 percent.

Environmental Protection Agency

Agents of Positive Change

- An audit found that the Environmental Protection Agency (EPA) had serious problems meeting environmental, safety, and health regulations at its laboratories, placing the health and safety of EPA employees and their surrounding environment at risk. Agency actions in response include establishing a team to assist managers in correcting these problems, and updating senior managers on the status of corrective actions.
- In the Superfund program, EPA agreed to review, update, and apply current cost factors used for remedial study, design, and action at hazardous waste sites. An OIG audit had found that EPA used outdated cost factors which may have substantially underestimated response costs and budgets for cleaning up Superfund sites. EPA also plans to correct the incompatibility of management information systems, improving managers' ability to monitor the Superfund program.
- An audit found that EPA often executed Economy Act Interagency Agreements rather than using its own procurement process, without adequately considering the costs, because it was easier to do so. Also, EPA did not bill other Federal agencies for indirect costs related to performing work or furnishing materials as required, at a potential loss to EPA of \$5 million to \$23 million for the period examined. The Agency has agreed to take corrective actions to include establishing indirect cost rates and requiring independent Government cost estimates.
- An audit found that through improved contract competition and oversight, contract costs could be potentially reduced by \$55 million. EPA has issued policies and procedures to improve its subcontracting practices, and is drafting policies to reduce the amount and clarify the conditions for use of equipment that can be provided to contractors.

Multidisciplinary Teams

- An OIG team of auditors, attorneys, and engineering assistance staff responded to allegations of EPA malfeasance and punitive harassment in enforcement actions against an oil and gas supplier. This team effort enabled a comprehensive review of the technical, legal, and programmatic aspects of the case.
- An OIG engineering assistance staff member joined with investigators in reviewing a referral from a regional office regarding a construction grants project. The team uncovered evidence of violations of the Clean Water Act, inaccurate final construction drawings, inferior construction practices, and potential false claims. The team presented a case against an engineering firm, a construction contractor, and former grantee officials to Department of Justice attorneys for prosecutive action.
- A joint team combining OIG investigators and auditors completed a case involving an individual who had committed felony theft from a nonprofit organization receiving Federal, State, and private grant funds to monitor activities at Superfund sites. The individual was convicted and sentenced to jail.
- A joint OIG audit and investigation determined that an EPA contractor had failed to disclose a quotation for pollution liability insurance during the negotiation and award of a multiyear EPA Superfund contract. However, the contractor continued to receive payments from EPA for pollution self-insurance even after the contractor purchased pollution liability insurance. Under a civil settlement agreement, the contractor agreed to pay the Government \$2.8 million plus interest over 3 years.

Federal Deposit Insurance Corporation

Agents of Positive Change

- An OIG audit served to focus Federal Deposit Insurance Corporation (FDIC) management's attention on unresolved issues related to the FDIC's implementation of the cross-guaranty provision of the Federal Deposit Insurance Act. This provision allows FDIC to assess surviving commonly controlled banks for the losses incurred by the deposit insurance funds from the failure of a related bank. However, after 5 years of having this authority, responsible FDIC divisions had not resolved whether this provision should be applied to chain bank activities and to banks removed from common ownership just before the failure of a related bank. As a result of the OIG audit, the responsible FDIC divisions will collectively decide these policy issues.
- The OIG issued a memorandum to the Transition Committee summarizing significant conditions contained in audits of the conversion of Federal Savings and Loan Insurance Corporation (FSLIC) assets to FDIC asset management and financial information systems. The Transition Committee is charged with overseeing the transfer to FDIC of certain functions, records, and assets in liquidation as of the sunset of the Resolution Trust

Corporation (RTC). The memorandum illustrated problems that occurred when FDIC assumed FSLIC assets and contained recommendations stemming from this experience which could substantively enhance the Transition Committee's efforts to ensure an orderly transfer to FDIC of RTC's assets at its sunset.

Government Accountability

- When bank examinations detect safety and soundness concerns, FDIC obtains a commitment from bank management to take corrective action. To ensure that bank management honors this commitment, the agency has established a program of quarterly reporting by banks and subsequent on-site followup. The OIG audited the agency's process for ensuring bank compliance with supervisory and enforcement actions. The OIG found the agency's on-site visits to be very effective as a followup tool, but consistent use was not made of the quarterly reports. To improve the timeliness and effectiveness of the followup process, agency management agreed to a more consistent and active use of the banks' quarterly reports. This action will serve to improve accountability regarding supervisory and enforcement actions on the part of the banks and the FDIC.

Multidisciplinary Teams

- In 1995, at the request of the FDIC Chairman and the Congress, the OIG completed an investigation into alleged conflicts of interest by an FDIC contract law firm. The investigation, which was coordinated with an Office of Independent Counsel and another OIG, utilized the knowledge and experience of OIG investigators, auditors, and legal staff to investigate the allegations. The investigators conducted interviews, took sworn statements, and subpoenaed records. The auditors reviewed fee bills and compliance with policies and procedures. The legal staff identified ethics criteria, conducted a qualitative review of the law firm's legal services to the FDIC, and served as liaison with the Office of Independent Counsel and the Congress. The OIG was able to complete the investigation more quickly using this multidisciplinary team approach. Further, the team was able to combine the investigative evidence and audit findings into one report so that Federal prosecutors, Congress, and FDIC management had to review only one OIG document prior to deciding on the appropriate course of action for the law firm.

Federal Emergency Management Agency

Agents of Positive Change

Audit Division

During FY 1995, the Audit Division for the Federal Emergency Management Agency (FEMA) OIG continued to work closely with Agency personnel. The audit staff provided technical assistance, advice, and support to several working groups involved in major initiatives that will improve FEMA programs and operations. Some of the working groups that the audit staff assisted included the following.

- The working groups for developing and implementing the new National Emergency Management Information System.
- The working group for developing and implementing the new Integrated Financial Management Information System.
- The Information Resources Board, which provides oversight and guidance for all information technology efforts.

In addition, audit staff served on emergency response teams that respond to Presidentially declared disasters and worked closely with FEMA management in closing out old disasters.

Investigations Division

Immediately following the Northridge, California, earthquake, OIG investigators were on the scene to proactively organize a multiagency task force to address fraud against FEMA and other disaster assistance agencies. OIG investigators met with representatives of the U.S. attorney's office to coordinate arrest warrants and indictments, and participated in a press conference along with representatives from other Federal law enforcement agencies. The investigators also presented fraud awareness briefings to program personnel, and distributed hotline posters encouraging the reporting of fraud.

As a result of this effort, in excess of 4,100 hotline complaints have been received, resulting in the arrest and indictment of 44 individuals. In addition, \$16.5 million has been identified in questionable grants which have been placed in debt collection process with \$7 million collected thus far.

General Services Administration

Agents of Positive Change

Advisory Reinvention Options

The President, the Congress, and the American public have challenged the Executive Branch to reinvent itself into a leaner, more efficient Government. In response, the OIG completed a comprehensive analysis of the General Services Administration's (GSA) major programs and activities to complement the agency's effort to identify savings and reengineering opportunities. The OIG brought its most experienced and knowledgeable auditors together to prepare a special "fast track" report on the promising possibilities that exist for boldly restructuring GSA's operations, including privatization, delegation to other agencies, and streamlining of existing programs. The report identified potential annual governmentwide savings of \$1.6 billion.

Multidisciplinary Teams

Pursuing Procurement Fraud

The GSA OIG uses an interdisciplinary approach to vigorously pursue high-potential procurement fraud cases, including defective pricing and price reduction cases, against GSA contractors. Early involvement by OIG investigators, auditors, and attorneys--with their specialized disciplines--has enabled the OIG to more expeditiously review and refer to the contracting officers those matters more appropriate for administrative action, which allows the OIG to focus its collective efforts on pursuing fraud cases. With this interdisciplinary approach, the OIG has accelerated the evidence collection process and improved the Government's position when seeking criminal and civil remedies. In FY 1995, the OIG, using a multidisciplinary approach, referred 20 cases to DOJ for action under the civil False Claims Act. Additionally, in FY 1995, DOJ together with the OIG entered into agreements with GSA contractors resulting in more than \$9 million in Government contracts-related civil fraud recoveries.

Department of Health and Human Services

Agents of Positive Change and Multidisciplinary Teams

Operation Restore Trust

The single best example of the Department of Health and Human Services (HHS) OIG commitment to promoting positive change and the use of multidisciplinary teams was the implementation of Operation Restore Trust (ORT). Announced by the President on May 3, 1995, ORT is a 2-year partnership of Federal and State agencies working together to protect the health care trust funds more effectively through shared intelligence and coordinated enforcement, and to enhance the quality of care for the programs' beneficiaries. In this joint project, OIG is working with the Health Care Financing Administration (HCFA) and the Administration on Aging (AoA) to prevent and detect fraud and abuse in three rapidly growing sectors of the health care industry: home health agencies, nursing facilities, and durable medical equipment suppliers. The project initially targeted five States which together account for 40 percent of the Nations' Medicare and Medicaid beneficiaries.

As the project's coordinator, OIG assembled teams that include investigators from its Office of Investigations and the States' Medicaid Fraud Control Units; auditors and evaluators from both OIG and HCFA; quality assurance specialists from the State surveyors and durable medical equipment regional coordinators; State long-term care ombudsmen through AoA; and prosecutors from the Department of Justice and the State attorneys general. These teams are conducting financial audits of providers, criminal investigations and referrals to Federal and State prosecutors, civil and administrative sanctions and recovery actions, and surveys and inspections of nursing facilities. The collective experience of these teams also will be used to recommend to HCFA and the Congress program adjustments to prevent future fraud and to reduce waste and abuse.

The OIG also enlisted the support and participation of the public and the industries that the initiative targeted. A hotline was established to receive allegations of fraud and abuse on a confidential basis. To further educate the public and health care providers, OIG continued its practice of issuing special fraud alerts to identify and describe fraudulent and abusive health care practices. Moreover, a voluntary disclosure program was initiated on a pilot basis under the auspices of ORT. Through this pilot program, OIG and DOJ established procedures whereby home health and nursing home suppliers and providers in the five States may come forward with full disclosure of potential fraud and abuse.

The ORT began with 135 investigations that met the parameters of the project. By the end of the fiscal year, 84 other investigations had been initiated, for a total of 219 cases involving more than 760 subjects. Fifty-three are joint investigations with other law enforcement agencies, including the Federal Bureau of Investigation, the United States Postal Service, the Railroad Retirement Board OIG, the Defense Criminal Investigation Service, and State attorneys general offices.

By the end of the fiscal year, OIG had obtained 20 criminal convictions, 8 civil judgments and 7 indictments in cases that were a direct result of the ORT initiative. In addition, OIG collected a total of more than \$31.9 million in fines, recoveries, settlements, and civil monetary penalties during this same period. The first two exclusions of ORT providers from the Medicare and Medicaid programs for convictions of health care fraud were processed.

The OIG released 13 final inspection reports under ORT in FY 1995 covering such issues as home health agencies, Medicaid estate recoveries, nutrition payments, and payments for incontinence supplies and wound care supplies. Also during this period, OIG issued 8 final audit reports on home health agency eligibility and cost reports, skilled nursing facilities, and hospice eligibility. Based on the results of these completed reviews as well as others ongoing, OIG has identified millions of dollars in Medicare overpayments which HCFA is in the process of recouping. This process has also produced multiple recommendations that will continue to save the Medicare trust fund millions of dollars in the future.

Federal/State Partnership for Joint Audits

In FY 1993, OIG formed partnerships with State auditors and evaluators, as well as staff at HCFA to identify opportunities for curbing Medicaid costs and to produce savings at both the Federal and State levels. The OIG has shared the methods and results of its Medicare and Medicaid projects to provide State auditors with leads for cost savers. To date, OIG has established partnerships with nine States and is working with another seven States to form partnerships.

The joint effort is producing promising results. In June 1995, the National State Auditors Association, using OIG audit approaches and guidelines, completed an eight State partnership audit of the Medicaid prescription drug program. State audits of Medicaid laboratory services have identified potential State and Federal recoveries of \$9 million.

Department of Housing And Urban Development

Agents of Positive Change

Operation Safe Home

The Department of Housing and Urban Development (HUD) OIG continued to serve as an "agent of positive change" during FY 1995 through Operation Safe Home, a campaign initiated in February 1994 to combat crime affecting HUD housing. The following activities were some of those performed under the Safe Home umbrella.

Violent Crime Prevention Initiatives

- In HUD developments and surrounding schools in Detroit, Michigan, the OIG coordinated the Bureau of Alcohol, Tobacco, and Firearms' (BATF) Project Reach-Out and the Gang Resistance Education and Training, both of which are community policing programs.
- In Atlanta, Georgia, the OIG continued its participation in the Drug Abuse Resistance Education Program at Cook Elementary School, the third location in the City funded under a DOJ Weed and Seed grant. All three locations are immediately adjacent to public housing properties.

Witness Relocation Efforts

- At the request of the gang investigator in the district attorney's office, a witness who provided testimony about gang members operating in public housing developments was relocated. The gang members were convicted on drug charges.
- At the request of the FBI and the U.S attorney's office, a witness and her family were relocated when the witness received a death threat after providing testimony related to drugs and violent crime in a HUD-assisted complex.
- A witness who provided information concerning a gang suspected of shootings and cocaine trafficking around assisted housing developments was relocated.

Combatting Equity Skimming in FHA Insured Multifamily Housing

The multifamily equity skimming aspect of Operation Safe Home combines aggressive, affirmative litigation with proactive initiatives to stop owners and management agents from diverting much needed funding away from rental housing projects to their personal use. Through the combined efforts of the Offices of Inspector General, Housing, and General Counsel, equity skimming cases are being developed and presented to U.S. attorneys for affirmative litigation,

balancing the most effective combination of criminal prosecution, civil suits, and out-of-court settlements, and keeping in mind the best interests of the residents and HUD.

Considering the previous lack of enforcement in this area, accomplishments under Operation Safe Home have been very significant. Since the inception of Operation Safe Home, 39 civil settlements and judgments totaling in excess of \$30 million have been completed.

Reinvention of HUD

The OIG has been an active participant in and advisor to departmental and Congressional efforts to redesign HUD's program delivery structure. The OIG's specific efforts have included the following.

- Issuance of a December 1994 report on *Opportunities for Terminating, Consolidating, and Restructuring HUD Programs*.
- Advice and counsel to the Secretary and his principal staff on the development of HUD's *Reinvention Blueprint* proposal and corresponding legislative specifications.
- Continuing identification of opportunities--above and beyond those included in the *Reinvention Blueprint*--for HUD to absorb budget cuts by eliminating statutory functions not essential to the Department's core mission.
- Continuing focus on HUD's progress against management problems, including analysis of how areas are impacted by reinvention proposals.
- Support and testimony for congressional oversight committee hearings on HUD problems and reinvention needs.

Department of the Interior

Agents of Positive Change and Multidisciplinary Teams

- Based on audit findings that questioned claimed contractor costs totaling over \$3 million, Department of the Interior (DOI) OIG investigators opened fraud investigations for inflated claims for goods and services. By coordinating their efforts, OIG auditors and investigators, through examinations of extensive financial and contractual data, documented the questionable claim and identified fictitious and fraudulent billings by the contractor. The documentation developed by the team was critical in the referrals to authorities for pursuing civil recoveries and criminal prosecution.
- In a hotline allegation of procurement irregularities, OIG auditors and investigators found weak controls in the award and administration of a contract and potentially fraudulent billing practices. The results of the team's inquiry were provided to the respective bureau, which

strengthened internal controls and decided not to renew the contract options. The joint effort resulted in the contractor's claim of over \$200,000 being disallowed.

- Over a 5-month period, an OIG auditor provided technical assistance to the Indian Self Determination Negotiated Rulemaking Committee. The Committee was established pursuant to the Indian Self-Determination Act Amendments of 1994 (Public Law 103-413), which significantly enhanced Indian participation in the planning, conduct, and administration of programs operated by the Departments of the Interior and Health and Human Services for the benefit of Indians. The Committee was established to provide a means for tribes to participate in advising the Secretaries on the development of proposed regulations to implement the Act. DOI representatives to the Committee asked OIG to participate in workgroups established to address areas of financial, procurement, and property management; programmatic reports and data requirements, and conflicts of interest. OIG's participation in these areas was requested because of its familiarity with tribal administration of Federal programs obtained through its role as the cognizant Federal agency for indirect cost negotiations and audits of tribal organizations.
- Over a 6-month period, an OIG auditor participated as a full-time member on a National Park Service project team that had been assembled by the Park Service to correct financial accounting system weaknesses and deficiencies that were previously reported by OIG. In addition to the OIG auditor, the team was composed of systems analysts, programmers, accountants, and financial managers from within the Park Service and a staff member from the Department's Office of Policy, Management, and Budget. As part of its objective, the team developed a corrective action plan that outlined: (1) The specific financial system tools that would be required for correcting known problems and for preventing additional problems in the financial accounting and reporting system; (2) actions needed for making corrections in these systems; and (3) needed resources and timeframes for accomplishing corrective actions. OIG's participation on this team was requested because of its knowledge of and familiarity with problems with the Park Service's financial accounting systems.

Department of Justice

Agents of Positive Change

- At the request of the Deputy Attorney General, the DOJ OIG performed a special review of the effect of the U.S. Marshals Service (USMS) reorganization plan on seized assets management. Although the review identified potential benefits from the reorganization, including streamlined management, empowered employees, measurable performance plans, and improved customer service, it also found that the reorganization could result in insufficient staff levels, loss of program expertise, and reduced oversight of the seized assets program. Subsequently, USMS management agreed to, among other things, retain its current positions in seized assets functions, hire additional personnel to perform seized asset functions, and perform annual program reviews of each seized asset district. Fulfillment of these commitments will address the major concerns raised in the OIG review.

- Inspectors participated in the Immigration and Naturalization Service (INS) Growth Management Working Group by providing technical assistance to INS personnel based on insights developed through an inspection of INS' ability to manage the large influx of new border patrol agents requested in FY 1996.
- The Audit Division continues to work with Department management to address new and potentially complex issues associated with INS' effort to implement concurrently 12 major automation initiatives. There are at least six contracts, totaling almost \$525 million, involved in this project with life cycle costs estimated to exceed \$1 billion. At the Attorney General's suggestion, the INS Commissioner is working with the OIG and the Justice Management Division to monitor the effective use of INS' automation resources to identify and avoid potential problems in the implementation of these major procurement and automation issues.

Multidisciplinary Teams

- The Violent Crime Control and Law Enforcement Act of 1994 (Crime Act) substantially increased the number and dollar amounts of DOJ law enforcement grants to communities across the country. The OIG has committed its resources, personnel, and diverse capabilities to improving the operation of the grant programs created by the Crime Act. Specifically, OIG auditors, inspectors, investigators, and senior managers have worked with the Police Hiring Supplemental Program Task Force, the Office of Justice Programs, the Office of Community Oriented Policing Services, and the Associate Attorney General's Crime Act Implementation Group. The partnership was based on a common desire to assure that these programs be as well run and fiscally secure as possible.
- Members of the Investigative Division and Office of General Counsel have worked with the Office of Investigative Agency Policies to develop uniform DOJ policies on use of crises management resources, conduct of post-shooting reviews, uses of deadly force, disclosure of impeachment information relating to Government witnesses in criminal trials, and other issues.

Department of Labor

Agents of Positive Change

Mine Safety

During this reporting period, the OIG at the Department of Labor (DOL) continued to place a high priority on the investigation of unscrupulous DOL employees and others who fail to properly exercise their official responsibilities in exchange for personal gain. Particular attention has been directed to alleged corruption by Mine Safety and Health Administration (MSHA) Inspectors. MSHA is responsible for ensuring the safety of all the Nation's mines. MSHA develops and promulgates safety and health standards, ensures compliance with such standards, assesses civil penalties for violations, and investigates mine accidents. Most of the MSHA corruption investigations involved allegations that inspectors extorted money from mine owners

or accepted money or other items of value in exchange for not properly performing their official inspection duties.

These MSHA integrity investigations are part of an OIG initiative which, since 1986, has resulted in the conviction and/or removal from employment of 14 Federal and 2 State mine inspectors. These results demonstrate the OIG and MSHA commitment to ensure that nothing but the highest integrity in such inspection programs is acceptable. They also serve as a warning to those individuals willing to disregard their official responsibilities in favor of personal gain that they will be sought out and prosecuted for their actions.

As a direct result of these investigations, MSHA has requested OIG assistance in improving its integrity program by studying the policies and procedures of other regulatory agencies at the Federal, State, and local levels. In addition, the OIG is assisting MSHA management in the development of a special ethics training program to be provided to all Federal mine inspectors. Recently, the OIG created an instructional videotape outlining the issue of ethics for mine inspectors.

Job Corps

Another area to which the OIG has devoted significant resources is the Job Corps Program. This program is authorized under the Job Training Partnership Act and funded at almost \$1 billion per year. The Job Corps Program is a residential education and training program to assist disadvantaged youth to become more employable and productive citizens.

During this reporting period, the OIG issued several audit reports on different aspects of this program including: student outcomes, center conditions and environment, and the implementation of Job Corps' "Zero Tolerance for Violence and Drugs Policy."

The OIG also worked extensively with the Department and the Congress on several initiatives to ensure improvements in program performance. For example, OIG and Job Corps senior management met to discuss the need for changes in the management and oversight of the program and to agree on the necessary course of action. Among the areas considered were the need to: 1) Refine Job Corps' performance measurement system; 2) improve poor performing centers; 3) improve contracting procedures; and 4) improve screening and recruitment of participants.

In addition, the Inspector General testified before several Congressional committees on some of the issues that have been identified through OIG audits as hindering Job Corps' overall performance. In particular, the IG testified that the performance of most Job Corps Centers remains constant from year to year and that the lowest ranked centers are virtually always the same without any measurable improvements. The audit recommended that the issue of poor performing centers and of necessary center repairs (estimated by Job Corps to total some \$400 million) be addressed before the program is expanded with additional expensive centers, as proposed by the Administration.

National Aeronautics and Space Administration

Agents of Positive Change and Multidisciplinary Teams

Over \$1.2 Million Recovered and More Than \$3.5 Million in Costs Avoided

An OIG investigation into alleged defective pricing involving a leasing arrangement for a supercomputer resulted in the recovery of over \$1.2 million and a cost avoidance of more than \$3.5 million. A DCAA audit found that a contractor did not inform NASA negotiators that it was planning to buy and then assign the computer equipment to a subcontractor. The DCAA audit found that the contractor received excessive profits because the interest rate it quoted to the Government was higher than that charged by the subcontractor.

NASA officials calculated the damages to the Agency as \$2.9 million including overpayments, interest, and penalties. A modification was made to the contract which resulted in a recovery of over \$1.2 million in overpayments and interest. Future payments were scheduled at the lower interest rate, which resulted in an estimated \$1 million cost avoidance by contract end.

The former vice president of the company was indicted by a Federal Grand Jury. The indictment charged that he was responsible for causing the company to withhold accurate cost and pricing data from NASA. It charged him with 10 counts of fraudulently causing the contractor to bill costs to and obtain payment from NASA, 9 counts of mail fraud, and 2 counts of filing false statements. He was suspended from contracting with the Government pending resolution of the charges.

Following a jury trial, the vice president was found guilty on all 21 counts in the indictment. An agreement was reached between the contractor and NASA under the terms of which the company agreed to pay the agency an additional \$2.2 million to settle the remaining issues in the case. The agreement also recognized that the contractor had implemented actions to preclude a recurrence of the mischarging.

The former vice president was sentenced to 18 months in prison, fined \$1,100, and placed on probation for 3 years following his release from prison. The official was also debarred for 3 years.

Over \$173,000 in Lobbying Costs Disallowed

Following an OIG investigation, a NASA Center concurred in an OIG recommendation and disallowed over \$173,000 in costs that had been billed by a contractor to pay for lobbying expenses. The investigation disclosed that the Center had disallowed similar costs for the previous 2 years based on the findings of a DCAA audit.

Nuclear Regulatory Commission

Agents of Positive Change

- The Nuclear Regulatory Commission (NRC) had previously initiated a review of the 10 Code of Federal Regulations 2.206 petition process to assess its effectiveness and credibility, as well as its comprehension by the general public. The petition process allows any individual to file a request to modify, suspend, or revoke a license. The OIG reviewed several recurring issues raised during the staff's assessment and its implementation of enhancements to address these issues. The OIG recommended that NRC clarify to the public what a petitioner can reasonably expect under the Federal regulations.
- The Vice President's NPR challenged Federal agencies to examine their functions to identify opportunities for improving operating efficiency and reducing budget expenditures. In support of this request, NRC established a steering committee to recommend opportunities for organizational improvement. The OIG was asked to assist this committee, and while doing so, drew from a large body of previous OIG work to arrive at several suggestions to improve organizational efficiency by eliminating potential duplicate functions and layers of management.
- OIG received information that the NRC failed to investigate allegations of wrongdoing and harassment and intimidation (H&I) at the South Texas Project nuclear plant (STP). These allegations were provided to the NRC before issuance of a full-power operating license to STP. The OIG investigation determined that the NRC did not adequately pursue numerous allegations of wrongdoing and H&I and maintained no documentation concerning how these allegations were handled or closed.
- The OIG investigated allegations that an employee at the Idaho National Engineering Laboratory submitted falsified friction test results to the NRC. From this investigation, OIG concluded that the test results and other documents, submitted as part of an NRC research contract, were falsified. The employee was charged with seven counts of making false statements in violation of Title 18, United States Code, Section 1001. As a result of this investigation, the Commission asked the NRC staff to address the broader ramifications of this case as to what type of test documentation should be required.
- The OIG investigated the disappearance of computer memory chips from individual computers throughout the NRC. The OIG identified an NRC contractor employee who stole numerous pieces of NRC computer equipment. The OIG conducted a separate review to learn and subsequently explain to the Commission why these thefts were not detected by the NRC.

Office of Personnel Management

Agents of Positive Change

OIG Takes a Lead Role Within the Office of Personnel Management (OPM) in Implementing Administrative Remedies for Benefits Fraud Cases

OPM serves a large, diverse, and worldwide customer population. Its retirement programs cover most current Federal employees and pay benefits to over 2 million annuitants. The Federal Employees Health Benefits Program (FEHBP) provides coverage to approximately 8 million employees, annuitants, and their families. Because of the nature of these programs, most of the individual financial transactions involving OPM funds--in the form of annuity payments and health insurance claims--do not entail large sums. However, on an annual basis they amount collectively to nearly \$50 billion, disbursed to millions of recipients. These precise characteristics also make the payments particularly susceptible to fraud. For example, various studies by industry groups and the GAO concerning insurance payments to health care providers have placed the overall rate of fraud nationally as high as 10 to 12 percent of the total dollar amount of claims.

While even a much lower rate of fraud applied to OPM programs would reflect a very large diversion of funds, OPM has not been aggressive in identifying losses and pursuing their recovery. To a great extent, this reflects the inadequacy of the legal remedies which were available to address these problems. The false claims, false statements, and mail fraud statutes, while nominally applicable, were seldom invoked because of the high burden of proof in criminal actions and the fact that in many cases the amounts in question did not reach prosecutorial thresholds. The OIG has taken the lead within OPM in identifying means through which the problems of fraud could be addressed and has been working actively to implement them. The OIG recognized that most instances of benefits-related fraud could not be appropriately handled within the Federal judicial system, but that sanctions authorities were, or could be made, available to permit such matters to be addressed administratively. As a result, beginning in May 1993, OIG has been operating a debarment program which removes from participation in the FEHBP those health care providers who have acted improperly with regard to other Federal programs. To date, the Administrative Sanctions Branch of the OIG has issued over 4,000 debarment orders. A beneficial collateral effect of these orders has been to induce those providers whose debarments were predicated on defaulted health education loans to repay their indebtedness in order to be reinstated to participation in Federal programs. In the 2 years during which OIG's debarment program has been in operation, the collection of such defaulted loans has increased 1,000 percent. In addition, OIG is seeking congressional action to expand the scope of these administrative remedies to include financial sanctions for fraud committed against FEHBP. Further, the OIG has been instrumental in motivating OPM's development of regulations to implement the Program Fraud Civil Remedies Act. The OIG's role in the regulatory framework would be closely limited to investigative activity, but it is anticipated that the availability of civil remedies would enhance the OIG's effectiveness because the agency would have the tangible ability to enforce penalties for proven violations.

Office of Quality Management and Innovation Coordinates Organizational Assessment and Resulting Followup Initiative

As a result of a 1995 agencywide organizational assessment survey, the Office of Quality Management and Innovation coordinated actions to address the resulting issues and themes that were developed. Followup actions included employee interviews, assessment discussions, and team meetings. The review has resulted in several recommendations and suggestions to management including a timeline to address all themes and/or issues which were identified as opportunities for improvement. These improvements within the OIG are expected to result in improved services to the OIG's customers.

Multidisciplinary Teams

Auditors and Investigators Working Together on Questionable FEHBP Rates

As a direct result of cooperation between the OIG Office of Investigations and the Office of Audits with the U.S. attorney's office, during the last 5 years OPM has recovered over \$28 million from health maintenance organizations (HMOs) participating in the FEHBP. The recoveries have resulted from HMO overcharges that were based on incorrectly certified information used to compute their annual health insurance premium rates.

For example, in FY 1995 OPM conducted an investigation of an HMO in Virginia Beach, Virginia. The case involved erroneous rate certifications that were used to establish FEHBP rates that the Government paid the company for health benefit services. At the completion of an audit involving contract years 1989, 1990, and 1991, the auditors asked the investigators to review their findings and determine if there was merit in asking the U.S. attorney's office to consider civil prosecution of the health carrier. After several meetings between the audit and investigative staffs, the case was presented to an assistant U.S. attorney (AUSA). The AUSA accepted the case and requested that the OIG assist his office in the investigation and subsequent settlement negotiations with the carrier. In September 1995, a verbal agreement was reached which resulted in the carrier paying \$7 million to the Government. The AUSA, at the time of settlement, commended the audit and investigative staffs at OPM for their joint efforts in preparing the original referral, assisting in the investigation, and their participation in the subsequent settlement negotiations.

Office of Special Counsel

Agents of Positive Change and Multidisciplinary Teams

In FY 1994, the Office of Special Counsel (OSC) reported the trial of a pilot project that was based upon the use of multidisciplinary teams of investigators and attorneys to handle cases from the inception of a full field investigation through final disposition of a matter. The results of this approach have been so positive that OSC has implemented the pilot project on a permanent basis.

Under this new approach, OSC has established four multidisciplinary teams of attorneys and investigators. Cases are assigned to one of the four teams, with one attorney and one investigator taking primary responsibility for each case. They jointly plan case strategy, assess evidence, and whenever possible, pursue a mutually agreeable negotiated settlement. When it is necessary to file an action with the MSPB for purposes of corrective or disciplinary action, both the attorney and investigator play an integral part in the litigation effort.

During the time OSC has used this new approach to its work, the agency has achieved a record number of favorable actions (i.e., corrective actions, disciplinary actions, and other systemic actions such as training). In FY 1995, OSC obtained 175 favorable actions, which represents a 28.6-percent increase over the 136 favorable actions obtained in FY 1994. It should be noted that FY 1994, which was the first year OSC used its new approach, represented a 35-percent increase in the number of favorable actions obtained compared to the prior year. Of particular importance in FY 1995, 120 favorable actions, or 68.5 percent of the total, were obtained in whistleblower reprisal cases, compared with 58 percent in FY 1994.

Railroad Retirement Board

Agents of Positive Change

During FY 1995, the Railroad Retirement Board (RRB) OIG continued its efforts to monitor, evaluate, and address important areas that require change in RRB programs and operations. In January 1995, the OIG provided recommendations to the RRB's Board members for revising the agency's organizational structure and reengineering its field offices by significantly reducing the number of locations.

The Board members formed a Reinvention Task Force to evaluate the OIG's recommendations. The group rejected the OIG's proposals for consolidating the existing 22 bureaus into 5 and reducing the number of field service offices from 86 to 10. In June 1995, the task force issued its findings that proposed smaller reductions for the field service and a minor consolidation of the RRB's organizational structure. The task force also recommended studying the use of additional technology in its service delivery methods as recommended by the OIG. The Board has approved a majority of the task force's 34 recommendations for improvement, and plans for implementation are currently being developed.

In September 1995, the OIG provided the Board members with additional rationale for consolidating the RRB's organizational structure into five bureaus and for radically reducing the number of field offices. The OIG also recommended that the Board members initiate a change in the organizational culture of the agency by eliminating the current micromanagement and delegating decision making to lower levels.

Multidisciplinary Teams

- The OIG received hotline complaints from several rail workers who indicated that some railroad employers were refusing to submit payroll contributions and employer taxes to the RRB, even though the agency had issued decisions deeming these employers to be covered under the Railroad Retirement Act and Railroad Unemployment Insurance Act. The complaints alleged that the employers had submitted fraudulent reports to the RRB stating they had no employees. An OIG team composed of audit and investigative staff determined that the employers did, in fact, have employees, based on information from other Federal entities and private sources.

The OIG expects this project will result in significant financial benefits for the RRB. One investigation has identified over \$1.5 million in funds owed to the agency by an individual who owns and operates four rail carriers.

- The OIG is utilizing a joint team of investigators and auditors to expedite the processing of suspected Medicare fraud cases. In many instances, the OIG team identifies providers who establish shell billing offices in the Medicare Part B billing jurisdiction which has the highest utilization level and reimbursement rates. Providers submit claims in that jurisdiction, misrepresenting the point of sale. These cases typically involve complex financial situations in which OIG auditors track the flow of payments made to the suspected providers and develop supporting documentation. Through the analysis of various assets, the OIG auditors are able to identify individuals and companies involved in fraudulent Medicare billings.

Resolution Trust Corporation

Agents of Positive Change and Multidisciplinary Teams

The Resolution Trust Corporation (RTC) reached its sunset on December 31, 1995, and the RTC OIG was merged with the FDIC OIG.

Civil Suit Filed as a Result of Alleged Bid Rigging Scheme

Based on a joint project undertaken by the OIG's Offices of Audit and Investigation, RTC filed a civil suit in the District Court of Arizona seeking \$20 million in actual damages and \$60 million in punitive damages from three corporations and five individuals, all of whom were involved in RTC's sale of WESAV Mortgage Corporation, a wholly owned subsidiary of Western Savings and Loan, FA (Federal Association), located in Phoenix, Arizona. WESAV was established in 1987 by Western Savings for the purpose of originating and servicing mortgages.

The project was initiated when the OIG's Office of Investigation received a complaint that proceeds from the sale of WESAV were significantly less than expected. The Office of Investigation requested audit assistance in reviewing the bid and sale documents. OIG auditors and investigators reviewed and analyzed thousands of documents related to the operation and sale of WESAV and jointly conducted nearly 100 interviews in completing the project. The skills and expertise that each of the disciplines--audit and investigations--brought to the project culminated in findings that could result in significant monetary recoveries for RTC.

The Office of Audit issued a report in September 1994 focusing on the events and circumstances surrounding the (1) acceptance and approval of the winning bid, (2) operations of WESAV during the sales process, (3) closing of the sales transaction, (4) payment of broker fees, and (5) approval of the sales agreement.

The report recommended that RTC recover a total of \$16 million from its sales broker and financial advisor and \$2 million from the purchaser of WESAV. In the report, OIG auditors stated that RTC's representatives did not adequately perform their duties during the sales process. The broker incorrectly calculated the bids and recommended a bid that was about \$14.2 million less than the highest bid. For its part, the financial advisor did not adequately evaluate the bids and misrepresented to RTC that the recommended bid was \$42.1 million, not the actual amount of \$25.4 million. Other actions taken and mistakes made by RTC personnel, the subsidiary's executives, and RTC's advisors in closing the transaction also caused RTC to receive less than it should have from the purchaser.

Prompted by the OIG audit and investigative findings, the suit filed by RTC alleges that the purchasers and RTC's sales broker conspired to rig the bidding process to favor the eventual successful bidder. The suit also alleges that the defendants manipulated the operations of the company before the sale, to the financial detriment of RTC and to the advantage of the purchaser. Finally, the suit alleges that the figures used in closing the transaction were fraudulently manipulated, causing additional losses to RTC.

Small Business Administration

Agents of Positive Change

Tax Verification Program Yields Results

As the result of a series of investigations in early 1991 involving submission of false tax information with Small Business Administration (SBA) loan applications, the OIG proposed a program in which applicants' tax return information would be verified by the IRS before loan approval. In October 1994, SBA began verifying tax return data submitted by all loan applicants.

In FY 1995, approximately \$17 million in potential loans was denied because of significant tax information discrepancies. Since the problem first surfaced in 1991, 53 individuals have been indicted on criminal charges: 42 have been adjudicated guilty, 1 indictment was dismissed in negotiation of a spouse's guilty plea, and 10 others have not yet gone to trial.

Loan Packager Reform Proposals Being Developed

A problem identified by the OIG is the lack of effective regulations governing the business practices of loan packagers. Packagers have been indicted recently for fraudulently charging fees for "preparation of SBA loan applications" that were never submitted to any SBA-participating lender, for concealing the receipt of a 15-percent ownership interest in a small business as a fee for preparation of the loan package, and for claiming bogus post-disaster business losses in dozens of economic-injury loan applications. The OIG has, subsequently, developed recommendations governing the regulation of loan packagers. The agency is now in the process of promulgating regulations to register loan packagers and brokers and to establish regulations governing fees paid for assistance in obtaining SBA loans.

Close Cooperation Between the OIG's Auditing Division and the Office of Minority Enterprise Development Strengthens Program

SBA OIG's Auditing Division and the Office of Minority Enterprise Development (OMED) have worked together over the past year to strengthen the SBA's Section 8(a) program. Instead of relying solely on formal audit reports of program deficiencies, the OIG is now working directly with OMED early in the life of policy and programmatic decisions that have a bearing on program effectiveness and integrity. As a result, OIG recommendations and ideas are being considered in a more timely and effective way.

Examples of constructive results include OMED's expanded efforts to terminate and graduate Section 8(a) firms no longer eligible for the program, improved monitoring of the competitive business mix of Section 8 (a) firms, and OMED's early involvement of OIG in the formulation of policy initiatives and proposed regulations.

Inspection and Evaluation Division Provides Recommendations to the Surety Bond Guarantee Program

The OIG's Inspection and Evaluation Division examined the Surety Bond Guarantee Program and made recommendations for assisting contractors to become bondable on their own. The OIG also developed a method for calculating SBA bond loss rates in a manner that would make them more comparable to the loss rates published by the private surety industry. Finally, the OIG recommended steps for correcting problems in measuring the program's performance in graduating contractors, controlling losses, and making recoveries on defaulted bonds. The OIG is working closely with senior SBA officials to implement these measures.

Social Security Administration

The Social Security Administration (SSA) became an independent agency on March 31, 1995, and at the same time, the SSA OIG was created. The OIG conducts audits, evaluations, and investigations that address a number of programmatic activities, including: financial management, examination of the use of computer profiling, and SSA's customer service. Most significantly, the OIG found that SSA underpaid at least \$159 million to at least 80,000 beneficiaries who receive retirement and survivors insurance benefits.

Agents of Positive Change

Evaluations

- *Social Security Client Satisfaction*--The HHS OIG conducted annual client satisfaction surveys of Social Security beneficiaries since 1987. The 1995 survey, conducted by the SSA OIG, indicates that 79 percent of the respondents rate service as good or very good. This is a slight improvement over last year, and the last four ratings indicate a leveling off after a decline from earlier years. Ratings from non-English speaking clients have steadily risen over the years, to 84 percent this year. As in previous years, disabled clients' ratings continue to lower the overall satisfaction ratings. Staff job performance and courtesy continue to promote satisfaction, while service delays continue to lower individual satisfaction ratings.
- *Monitoring Social Security's Customer Service*--This inspection provided SSA with information to help SSA achieve its goal, world-class service status. The OIG contacted six organizations recognized as the best in the business for monitoring the quality of customer service. The organizations advised that setting standards, identifying and addressing causes of customer dissatisfaction, and monitoring employee satisfaction are critical aspects in monitoring customer service. Based on this information, SSA identified the conclusions of the report as a good example of meeting the terms of Executive Order 12862, "Setting Customer Service Standards."

Multidisciplinary Teams

Task Forces and Study Groups

- *SSA Fraud and Abuse Tactical Plans*--The Office of Investigations (OI) worked with the SSA Deputy Commissioner for Finance, Assessment, and Management (DCFAM) in defining issues and assigning responsibility for a number of fraud-related tactical plans proposed by DCFAM.
- *Duplicate Social Security Number (SSN) Cards by Telephone*--The OI worked with SSA's Office of Program Evaluation and Communication staff in providing fraud prevention advice to the task force developing a pilot project to issue replacement SSN cards by telephone.

- *Customer Satisfaction for FY 1996 Government Performance and Results Act (GPRA) Annual Performance Plan*--Members of the OIG staff presented data from the annual SSA client satisfaction survey correlating improved service with improved customer satisfaction. This intercomponent team is designed to predict expected improvements in customer satisfaction for FY 1996 GPRA annual performance plan measures.
- *Electronic Benefits Transfer (EBT) Risk Management Advisory Forum*--The OIG has provided advice to OMB relating to internal controls and other audit and investigative concerns which should be included in the EBT prototype system. Discussions have centered around fraud prevention techniques and audit and investigative responsibilities. The OMB EBT Task Force is looking to the OIG to provide leadership in meeting the goals of the NPR.

Department of State

Agents of Positive Change

In its endeavor to act as an agent for positive change and to encourage accountability, the OIG at the Department of State has served as a resource for the Department's Strategic Management Initiative (SMI). The SMI, which is part of the Department's reinvention efforts and participation in the NPR, was tasked to develop "targeted, selective, disciplined, and realistic" goals to position the Department for a continuous leadership role in the 21st century.

OIG personnel have participated in the SMI working group tasked with examining ways to reduce employee workload and the task force to implement the Secretary of State's SMI decisions, provided suggestions on ways to cut costs and streamline operations, and helped to identify solutions to the management challenges facing the Department. OIG representatives have participated as advisers and consultants on SMI teams such as the Advisory Group to the Steering Committee on Reengineering Logistics; the Information Technology Team User Group to address SMI recommendations related to information resource management; and working groups devoted to overseas staffing, personnel classification and compensation, budget formulation, and program planning.

Other OIG assistance efforts included:

- Working with Bureau of Consular Affairs managers to encourage OPM to establish a retirement annuity fraud prevention program in Panama, which is projected to save \$3 million annually (OIG received assurances from OPM that similar corrective actions in other countries could result in additional pension savings);
- establishing a Moscow Oversight Team to provide OIG oversight of the design and construction of a chancery at Embassy Moscow and to ensure that potential weaknesses are identified and corrective action taken as the project proceeds; and
- recommending that the Department establish a fee-for-service system for overseas health units, which could save as much as \$13 million annually, and begin recovery of overseas

hospitalization costs from employees' insurance companies which, if fully implemented, should allow the Department to recover \$420,000 to \$795,000 per year.

Multidisciplinary Teams

- The Office of Security Oversight is, by its nature, multidisciplinary, being responsible for both audits and inspections of Department security policies, standards, and programs. Security oversight inspections often include at least one auditor, and both audit and inspection teams are staffed with detailees from various security and intelligence agencies. OIG inspectors have worked with security inspectors to expand the reach of post inspections to include security aspects.
- The Special Operations Review Team is staffed by auditors, supplemented by inspectors, investigators, attorneys, program analysts, and other professional experts, on a case-by-case basis, as necessary to address specific Department problems requiring quick assessment and resolution. During a 1995 review that resulted in changes to Department medical protocols, for example, the team included a U.S. Navy physician and an OIG attorney.

Department of Transportation

Agents of Positive Change and Multidisciplinary Teams

OIG Removes Suspected Unapproved Parts From the Spare Parts Inventories of the Nation's Airlines

Multidisciplinary teams played a key role in OIG's response to the problem of suspected unapproved parts (SUPs), commonly known as bogus parts, for aircraft in the commercial aviation industry. As FY 1991 began, OIG was investigating only a few cases involving SUPs. Those investigations suggested a problem of some magnitude, one which potentially could impact the safety of air travel both in the United States and abroad. OIG called the SUPs issue to the attention of the Federal Aviation Administration (FAA). FAA was unwilling to acknowledge SUPs as a safety problem and responded very slowly to several OIG-initiated requests for action.

OIG took action immediately to evaluate the size and scope of the suspected SUPs problem and formed multidisciplinary teams composed of staff from its audit, inspections and evaluations, and investigations divisions. These teams: (i) audited the FAA's own parts bins and found 39 percent of the parts sampled were SUPs; (ii) reviewed oversight of foreign-manufactured parts and found FAA was not engaging in any inspections overseas; (iii) examined the approval process for parts manufacturers and found no reliable information to ascertain whether parts had the necessary approvals, and high error rates in what information did exist; (iv) examined domestic and foreign repair stations and found 43 percent of the parts sampled were SUPs, and of that group, 95 percent of the parts obtained from brokers (as opposed to those from manufacturers) were SUPs; and (v) found no system existed at FAA to ensure knowledge of aircraft problems did not fall into a "black hole" and FAA's Service Difficulty Reports were incomplete and omissions of information were high as 98 percent. OIG's investigations division found bogus parts were

being brokered into and out of the United States and virtually around the world, including parts in foreign locations with bogus data plates, bogus identity numbers, and bogus FAA certifications. As a result of this work, OIG confirmed SUPs as a significant problem in the commercial aviation industry and established it as the top priority for the OIG.

OIG developed a fraud-awareness training program which included examples of the bogus parts which OIG agents had seized through the execution of search warrants. The training program was presented to the airlines, FAA personnel, and special agents from other Federal law enforcement entities. Because of this proactive effort, OIG's caseload for SUPs jumped from a few dozen to more than 250. OIG coordinated with other Federal agencies (including the FBI, Defense Criminal Investigative Service, and U.S. Customs Service) during investigations of cases involving SUPs and stolen parts, and with U.S. attorneys' offices during prosecution of those cases. OIG's oversight actions raised the visibility of SUPs with the Federal judiciary. Throughout the past 5 years since bogus parts cases have been targeted, the sentences and fines have become stiffer as more Federal judges have encountered bogus parts perpetrators and take a dim view of compromising the safety of flight. The OIG has even reached the unfortunate milestone of having prosecuted some bogus parts repeat offenders. Because of the OIG's efforts, the issue achieved national visibility, and Senate hearings addressed the OIG's work and the problem. For OIG's contributions to the field of aviation, the Inspector General received industry-wide recognition as 1995 Aerospace Laureate for Government/Military, and the OIG received the 1992 Aerospace Laurel Citation.

Other Federal agencies responded to OIG's SUPs initiatives, as well. For example, FAA formed a SUPs task force to pursue the issue, and the U.S. Coast Guard examined its aircraft parts inventories for SUPs, purged suspected parts, and referred numerous cases to OIG for investigation.

SUPs investigations have found defective parts in every area of aviation from general aviation in which a fatal crash was attributed to an unapproved part to an investigation which found that defective parts had been supplied to the defense group responsible for maintaining Air Force One.

Department of the Treasury

Agents of Positive Change

Working in Partnership With the Department

Financial Management

The Department of the Treasury (Treasury) is pivotal to attaining the objectives of the Chief Financial Officers Act and the requirements of the Government Management and Reform Act (GMRA). The Treasury collects over 97 percent of the \$1.3 trillion in Government revenues and carries over 99 percent of the current \$4.97 trillion national debt. The Treasury also acts as the primary disbursing agent for 80 percent of the \$1.5 trillion in Government outlays. Therefore, the need for the Department of the Treasury to issue a departmentwide financial statement for

fiscal yearend 1996 is one of its highest priorities. The Treasury 1996 consolidated financial statement is instrumental if the 1997 governmentwide audit mandated by GMRA is to be a success.

The OIG is advising the Department in meeting this goal. The OIG participates in both the Department's Financial Statement Task Force and the Governmentwide Audited Financial Statement Task Force planning the 1997 audit. This year the OIG was responsible for auditing the financial statements of three Department bureaus: the U.S. Customs Service; BATF; and the U.S. Secret Service. The OIG has been working in partnership with these bureaus to help them improve their financial systems so they may obtain favorable opinions on their audit statements.

Performance and Results

In addition to the important work under the GMRA, the OIG has begun a multiyear effort working with the Department to implement the GPRA mandates. The OIG is working with customers "up front" on GPRA. The OIG is performing annual reviews of the implementation of GPRA as it is phased in, sharing criteria and guidelines that the OIG will be using in reviews of the Department's performance in this area *before* the OIG performs the reviews. Instead of performing an after-the-fact review of missteps, the OIG will use this proactive approach to help the Department navigate the GPRA process and provide it with positive timely feedback on what is working and what is not.

Multidisciplinary Teams

The OIG has had several successes working with multidisciplinary teams both within and outside the Department. For example, several incidents occurred in 1995 where the security of the White House was compromised, including the crash of a private plane on the White House South lawn. To address these incidents, the administration established a multifaceted panel to review White House security protocol. The team was made up of experts from Treasury (including an OIG member), DoD, and prominent citizens from the private sector. The White House Security Panel made important recommendations to improve White House security and the protection of the President and his family.

Also, the OIG had successes within the OIG using the multidisciplinary approach. As an example, a team of auditors and investigators scrutinized allegations of contract fraud involving an international firm doing business with the U.S. Mint. The complicated investigation required close coordination by the team, which used innovative audit and investigative techniques to review contract files and personal financial records while carefully weighing the implications of pertinent national and international law. The result was that the Treasury obtained \$1.2 million in civil recoveries from the contractor and the firm was debarred from doing business with the Government for 18 months.

United States Information Agency

Agents of Positive Change

OIG has repeated success in working with United States Information Agency (USIA) management to correct problems identified during its audit work. For example, OIG audited the effectiveness of program operations and allowability of costs claimed by the National Council for International Visitors (National Council). OIG's audit served as a catalyst to resolve long-standing management and financial issues between the National Council and USIA. OIG found that USIA had not developed criteria to determine which community-based international visitor councils should receive subgrants from the National Council, and in what amounts. Consequently, it was difficult to assess the benefits USIA derived from those subgrants. In addition, OIG questioned \$239,000 of the National Council's claimed costs as being unallowable or unsupported. USIA officials agreed with OIG's program recommendations. Additionally, USIA's contracting officer is resolving financial issues.

Multidisciplinary Teams

OIG's Office of Inspections is responsible for conducting inspections of all USIA programs and operations. The Office uses multidisciplinary teams consisting of foreign service officers and auditors. Foreign service officers have knowledge of programmatic issues from various overseas assignments. Auditors can provide financial management expertise.

OIG has had numerous successes in using multidisciplinary teams to find significant programmatic and financial deficiencies. One example was the inspection of USIA's operations in Mexico. From a programmatic standpoint, OIG found that resources could be realigned to enhance the post's capacity to cover American-Mexican border issues. From a financial standpoint, OIG found that four positions were not needed and recommended their abolishment for an annual savings of approximately \$159,000.

Department of Veterans Affairs

Agents of Positive Change

Several Department of Veterans Affairs (VA) OIG audits reports issued during FY 1995 focused on Government accountability, with recommendations made for changes to VA operations to better utilize existing resources and reduce costs. In the area of health care, three nationwide reviews resulted in recommendations for establishing an improved allocation process for physician staffing to better utilize about 2,000 full-time physicians with associated costs of over \$180 million; realigning surgical resources costing an estimated \$119 million to better match surgical workload; and adopting Medicare fee schedules for payment of fee-basis care provided to veterans, with cost reductions estimated to be \$33 million annually. Two audits of veterans benefits programs concluded that VA could save about \$8 million by self-insuring against title

defects on foreclosed home loans instead of purchasing title insurance and could avoid mortgage interest costs of almost \$7 million by improved use of interest cutoff dates. A review of the administration of the Servicemen's and Veterans' Group Life Insurance Program concluded that the program costs of the current insurer used by VA could be reduced by about \$5 million annually. In the procurement area, a review of operating supplies at eight VA medical centers identified approximately \$12.8 million in excess supplies that needed to be used before future purchases were made and an audit of VA's medical supply acquisition and distribution systems provided several recommendations to use VA's vast buying power in centralized contracting. A third procurement audit identified opportunities to increase sharing and reduce costs by approximately \$3 million through the utilization of Medicare rates for contracting.

The VA OIG's annual audit of VA's consolidated financial statements continues to be a catalyst for positive change in enhancing financial reporting and accountability in the Department of Veterans Affairs. VA OIG auditors work closely with VA's Chief Financial Officer (CFO) on a day-to-day basis to identify accounting control weaknesses and determine appropriate corrective actions. During FY 1995, the OIG completed its fourth financial statement audit and issued 12 management letters and advisory reports to provide Department managers additional observations and advice based on ongoing audit work. This coordinated effort has resulted in correction of three of the five material internal control weaknesses initially identified in OIG's first financial statement audit. OIG and CFO staff also worked together to reduce the elapsed time to complete the annual financial statement audit.

Multidisciplinary Teams

OIG investigators and VA police officers from three large VA medical centers in the Northeast are part of a special unit, the Specialized Investigations Regional Task Force (SIRTF), established to investigate allegations of drug diversion, sales of controlled substances, possession of firearms, and other criminal activities at the medical centers. During FY 1995, the SIRTF disclosed a "drug supermarket" operating outside a VA regional office which housed a methadone maintenance clinic. In a joint operation with the Drug Enforcement Administration (DEA), 10 individuals were arrested and charged with drug trafficking. In another case conducted jointly by the SIRTF and the DEA, 23 individuals were arrested and charged with illegal sale and/or possession of narcotics.

A multidisciplinary team approach is used for some OIG reviews conducted to address allegations received through the Inspector General Hotline. During FY 1995, review staff from the Hotline and Special Inquiries Division, auditors from the Office of Audit, and an attorney from the Office of Counselor participated in a review to address an allegation involving VA employees' involvement with a nonprofit corporation. The review found that the employees were responsible for award and administration of a contract with the nonprofit corporation and were working for and receiving compensation from the corporation.

Audits and Inspections-- Summaries of Statistical Accomplishments

The greatest part of OIG resources is devoted to audits. OIGs conduct audits using their own staff; they also supervise, coordinate, or review audits performed by other Federal auditors, State and local government auditors, and independent public accounting firms under contract to the Federal Government or auditee.

Inspections are akin to policy and program evaluations and are designed to support the overall mission of the OIGs to promote economy, efficiency, and effectiveness in program administration. Inspections differ from audits in their relatively shorter timeframes, their flexible methodologies, and their use of multidisciplinary teams.

The following tables demonstrate the impact of OIG audits and inspections. The tables summarize key statistical accomplishments reported in the individual IG semiannual reports to the Congress for the 6-month periods ending March 31 and September 30, 1995. The statistical accomplishments relate to recommendations that funds be put to better use; management decisions on recommendations that funds be put to better use; questioned costs; and management decisions on questioned costs.

Recommendations That Funds Be Put to Better Use

The IG Act defines a recommendation that funds be put to better use as "a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendations, including (A) reductions in outlays; (B) deobligations of funds from programs or operations; (C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (D) costs not incurred by implementing recommended improvements related to the operation of the establishment, a contractor, or grantee; (E) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or (F) any other savings which are specifically identified." During FY 1995, OIG audits and inspections recommended that more than \$18 billion be put to better use. In conjunction with DCAA, OIGs recommended that a total of more than \$26 billion be put to better use (Table I.)

Table I. Recommendations That Funds Be Put To Better Use			
Agency	OIG	DCAA¹	Total
Agency for International Development (AID)	\$201,555,157	--	\$201,555,157
Agriculture (USDA)	248,248,823	\$1,147,604	249,396,427
Department of Commerce (DOC)	45,010,864	2,993,773	48,004,637
Defense (DoD)	6,831,661,000	7,655,433,664	14,487,094,664
Education (ED)	7,928,000	--	7,928,000
Energy (DOE)	649,733,719	--	649,733,719
Environmental Protection Agency (EPA)	145,266,287	184,863,310	330,129,597
Federal Deposit Insurance Corporation (FDIC)	1,850,000 ²	--	1,850,000 ²
Federal Emergency Mgt. Agency (FEMA)	8,203,988	--	8,203,988
General Services Administration (GSA)	202,386,876	7,682,271	210,069,147
Health and Human Services (HHS)	6,172,551,000	--	6,172,551,000
Housing and Urban Development (HUD)	17,567,000	174,000	17,741,000
Interior (DOI)	258,847,145 ³	2,515,714	261,362,859 ³
Justice (DOJ)	10,830,458	--	10,830,458
Labor (DOL)	43,710,479	--	43,710,479
National Aeronautics and Space Admin. (NASA)	592,000,000	4,000,000	596,000,000
Nuclear Regulatory Commission (NRC)	336,406	121,664	458,070
Office of Personnel Management (OPM)	112,685,000	--	112,685,000
Resolution Trust Corporation (RTC)	62,093,000	--	62,093,000
Small Business Administration (SBA)	33,846,473 ⁴	--	33,846,473 ⁴
Social Security Administration	36,860,000 ⁵	--	36,860,000 ⁵
Department of State (State)	19,113,337	--	19,113,337
Transportation (DOT)	1,222,819,000	308,186,000	1,531,005,000
Treasury (TREAS)	1,100,928,000 ⁶	83,982,000	1,184,910,000 ⁶
United States Information Agency (USIA)	525,206	--	525,206
Veterans Affairs (VA)	390,500,000 ⁷	13,000,000	403,500,000 ⁷
Total	18,417,057,218	8,264,100,000	26,681,157,218

¹Includes audits performed for the OIGs by DCAA. DCAA is a DoD Agency that provides independent audit and financial advisory services to DoD components and offers contract audit services to other Federal agencies.

²Two audits with Recommendations That Funds Be Put to Better Use are being prorated over 10 semiannual periods in the amounts of \$625,000 and \$300,000 per period respectively. The prorated amounts total \$1,850,000 for both semiannual periods during FY 1995.

³Includes \$10,481,770 for Indirect Cost Proposals Negotiated by OIG.

⁴Includes cost avoidances in the amount of \$4,053,030 resulting from Investigations Division's activities.

⁵On March 31, 1995, SSA became an independent agency. All data reported is for the last half of the fiscal year.

⁶Includes \$1,085,516,000 from audits performed by the Internal Revenue Service (IRS) Inspection Service.

⁷Also includes \$2.2 million savings associated with investigations closed during FY 1995.

Management Decisions on Recommendations That Funds Be Put to Better Use

Table II reports on the status of FY 1995 management decisions on OIG audit and inspection recommendations that funds be put to better use. Agency managers agreed with more than \$10 billion in recommendations that funds be put to better use.

Table II. Management Decisions on Recommendations That Funds Be Put to Better Use					
Agency	No Management Decision Start FY 1995	Recommendations Issued in FY 1995*	Recommendations Agreed to by Management**	Recommendations Not Agreed to by Management	No Management Decision End FY 1995
AID	\$3,620,516	\$201,555,157	\$202,942,364	\$1,933,309	\$300,000
USDA	3,342,873,875	249,396,427	414,578,972	117,061,357	3,062,415,005
DOC	57,479,811	47,841,377	24,761,963	10,542,181	70,900,887
DoD***	15,170,997,000	14,487,094,664	3,613,752,000	5,576,419,000	21,076,587,000
ED	308,671,000	7,928,000	175,667,000	79,777,000	62,661,000
DOE	577,380,897	649,733,719	523,380,624	443,264,010	260,166,160 ¹
EPA	27,005,199	330,129,597	17,987,199	15,758,463	206,760,850
FDIC	--	1,850,000 ²	1,850,000 ²	--	--
FEMA	3,904,098	8,203,988	1,058,092	5,317,844	5,732,150
GSA	106,662,279	146,162,210	200,211,467	14,328,931	38,284,093
HHS	2,616,403,000	6,172,551,000	1,659,809,000	470,718,000	6,658,427,000
HUD	3,596,000	17,741,000	14,572,000	2,621,000	4,144,000
DOI	739,888,981	261,362,859	567,157,017	94,132,379	339,962,444
DOJ	24,508	10,830,458	10,854,966	--	--
DOL	47,632,856	109,700	109,700	--	43,710,479 ³
NASA	--	592,000,000	540,900,000	28,600,000	22,500,000
NRC	--	458,070	458,070	--	--
OPM	4,400,000	112,685,000	108,880,000	8,205,000	--
RTC	--	62,093,000	62,093,000	--	--
SBA	127,459	29,793,443	4,055,847	--	25,865,055
SSA****	--	35,560,000	1,860,000	35,000,000	--
State	24,119,255	19,113,337	20,321,492	2,560,000	20,351,100
DOT	61,300,000	1,222,810,000	892,398,000	127,397,000	265,597,000
TREAS	142,119,000	1,184,909,000 ⁴	1,121,996,000 ⁴	179,846,000	25,186,000
USIA	1,326,763	525,206	1,704,195	147,774	--
VA	41,700,000	401,300,000	100,500,000	23,200,000	319,300,000
Total	23,281,232,497	26,253,737,212	10,283,858,968	7,236,829,248	32,508,850,223

*Total is less than Table I total because some agencies limit tracking of final action to certain classes of recommendations.

**Management's estimate of the impact of an OIG recommendation may differ from the OIG valuation. This is the total of funds that management expects to be able to better use because management decided to implement audit and inspection recommendations.

***Data in first, third, fourth, and fifth columns include dollar amounts from DCAA audits performed for other Federal agencies. The DCAA management information system does not separately track final action by agency.

****On March 31, 1995, SSA became an independent agency. All data reported is for the last half of the fiscal year.

¹Includes sums for which management decisions on the savings were deferred.

²Two audits with Recommendations That Funds Be Put to Better Use are being prorated over 10 semiannual periods in the amounts of \$625,000 and \$300,000 per period respectively. The prorated amounts total \$1,850,000 for both semiannual periods during FY 1995.

³An adjustment of \$3,812,677 was made during the reporting period.

⁴Includes \$1,085,516,000 from audits performed by the IRS Inspection Service.

Questioned Costs

The IG Act defines a questioned cost as "a cost that is questioned by the Office because of (A) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable."

Agency	OIG	DCAA¹	Total
AID	\$53,021,363	\$162,121	\$53,183,484
USDA	1,791,933,488	--	1,791,933,488
CNCS	234,000	--	234,000
DOC	14,043,942	16,321	14,060,263
DoD	421,000	2,604,124,186	2,604,545,186
ED	246,813,000	--	246,813,000
DOE	6,428,226	--	6,428,226
EPA	108,717,564	11,035,195	119,752,759
FDIC	26,079,181	--	26,079,181
FEMA	32,696,295	--	32,696,295
GSA	25,209,426	--	25,209,426
HHS	403,507,000	282,000	403,789,000
HUD	35,013,000 ²	407,000	35,420,000 ²
DOI	16,570,583	353,788	16,924,371
DOJ	2,467,088	--	2,467,088
DOL	11,593,440	--	11,593,440
NASA	3,000,000	41,000,000	44,000,000
NRC	--	117,496	117,496
OPM	77,891,641	--	77,891,641
RTC	100,091,000	--	100,091,000
SBA	1,252,201	--	1,252,201
SSA	35,077,000 ³	--	35,077,000 ³
State	238,426	2,921,893	3,160,319
DOT	113,508,000	67,247,000	180,755,000
TREAS	2,936,000	4,433,000	7,368,000
USIA	4,575,314	--	4,575,314
VA	8,900,000	200,000	9,100,000
Total	3,122,218,178	2,732,300,000	5,854,517,178

¹Includes audits performed for the OIGs by DCAA. DCAA is a DoD Agency that provides independent contract audit and financial advisory services to DoD components and offers contract audit services to other Federal agencies.

²As part of the Operation Safe Home Multifamily Equity Skimming efforts, HUD performed audits and reviews. This number includes the amount of Operation Safe Home results not included in issued audit reports. Reviews which were not issued audit reports resulted in 15 cases settled for \$4,189,000.

³Includes \$77,000 related to the Audit of the Administrative Costs Claimed by the State of Rhode Island and Providence Plantations Disability Determination Service and \$35 million in SSA Field Office Visitor Workload. On March 31, 1995, SSA became an independent agency. All data reported is for the last half of the fiscal year.

Management Decisions on Questioned Costs

Table IV reports on the status of FY 1995 management decisions to disallow costs questioned by OIGs. Agency managers agreed with approximately \$2.3 billion in questioned costs.

Table IV. Management Decisions on Questioned Costs					
Agency	No Management Decision Start FY 1995	Recommendations Issued FY 1995*	Disallowances Agreed to by Management**	Disallowances Not Agreed to by Management	No Management Decision End FY 1995
AID	\$41,095,251	\$53,183,484	\$9,952,861	\$30,604,047	\$21,773,694
USDA	920,318,055	1,791,933,488	72,111,776	14,715,274	2,628,251,972
CNCS	23,000	234,000	1,000	15,000	241,000
DOC	9,158,681	14,060,263	3,094,770	7,802,611	12,339,918
DoD***	9,269,364,000	2,604,545,186	1,041,840,000	529,145,000	10,431,100,000
ED	365,354,000	246,813,000	37,873,000	72,373,000	500,098,000
DOE	9,888,435	6,428,226	472,389	487,865	15,125,528
EPA	372,390,987	119,752,759	120,203,691	165,505,594	206,434,461
FDIC	--	26,079,181	26,028,236	50,945	--
FEMA	18,966,493	32,696,295	11,212,284	15,822,185	24,628,319
GSA	3,155,511	28,842,562	20,874,549	6,894,246	5,596,761
HHS	659,904,000	403,789,000	681,216,000	37,294,000	345,183,000
HUD	61,131,000	35,420,000 ¹	43,826,000 ¹	19,473,000	33,252,000
DOI	75,157,173	16,924,371	21,533,889	14,936,630	55,611,025
DOJ	1,945,516	2,467,088	3,995,396	--	417,208
DOL	34,875,322	11,593,440	12,576,827	12,296,120	22,374,240
NASA	--	3,000,000	1,000,000	600,000	1,400,000
NRC	164,173	117,496	248,458	--	33,211
OPM	5,054,471	77,891,641	44,404,379	3,550,043	34,991,690
RRB	150,000	--	--	150,000	--
RTC	37,807,000	100,091,000	93,690,000 ²	23,265,000	21,278,000
SBA	1,477,150	1,252,201	179,540	349,000	2,200,811
SSA****	--	77,000	--	--	77,000
State	9,584,373	238,426	616,017 ³	--	3,034,059 ³
DOT	96,642,000	180,755,000	17,602,000	68,994,000	192,023,000
TREAS	6,778,000	7,368,000	2,297,000	3,620,000	8,229,000
USIA	4,335,512	4,575,314	503,337	3,126,001	5,281,488
VA	29,900,000	9,100,000	8,700,000	9,600,000	20,700,000
Total	12,034,620,103	5,779,228,421	2,276,053,399	1,040,669,561	14,591,675,385

*Total is less than Table III total because some agencies limit tracking of final action to certain classes of recommendations.

**Management's estimate of the amount that should be disallowed because of OIG recommendations may differ from the amount questioned by the OIG. This is the total of costs disallowed by management because management decided to implement audit and inspection recommendations.

***Data in first, third, fourth, and fifth columns include dollar amounts from DCAA audits performed for other Federal agencies. The DCAA management information system does not separately track final action by agency.

****On March 31, 1995, SSA became an independent agency. Data reported is for the last half of the fiscal year.

¹As part of Operation Safe Home Multifamily Equity Skimming efforts, HUD performed audits and reviews. This number includes the amount of Operation Safe Home results not included in issued audit reports. Reviews which were not issued audit reports resulted in 15 cases settled for \$4,189,000.

²RTC disallowed more than was initially recommended.

³Questioned costs of \$6,172,723 are under formal judicial appeal.

Investigations-- Summaries of Statistical Accomplishments

The IG Act requires IGs to provide policy direction for and to conduct, supervise, and coordinate investigations relating to their agencies' programs and operations. The OIG investigations cover a full range of criminal and administrative issues.

The following tables illustrate the results obtained through OIG investigations in FY 1995. They summarize the statistical accomplishments reported by the individual Inspectors General in their semiannual reports to the Congress as of March 31 and September 30, 1995. The accomplishments--successful prosecutions, administrative sanctions, and investigative recoveries--include the results of joint investigations. (On average, in FY 1995, OIGs conducted just under 7 percent of their investigations with other OIGs and more than 19 percent with non-OIG investigative agencies.)

Successful Prosecutions

The OIG investigations of contractors, program participants, and Government employees can lead to criminal and/or civil prosecutions. Those prosecutions result in convictions that carry penalties such as prison terms, fines, settlements, and recoveries to the Government. During FY 1995, OIGs working independently, or with other Federal and non-Federal investigative agencies, obtained 4,041 successful prosecutions, including pretrial diversions (Table V). In the 15 years since the PCIE was established, OIG investigations have resulted in 62,777 successful prosecutions.

Table V. Successful Prosecutions	
Agency	Total
Agency for International Development	3
Department of Agriculture	859
Department of Commerce	4
Department of Defense	291
Department of Education	164
Department of Energy	53
Environmental Protection Agency	13
Federal Deposit Insurance Corporation	5
Federal Emergency Management Agency	27
General Services Administration	27
Department of Health and Human Services	620
Department of Housing and Urban Development	295
Department of the Interior	25
Department of Justice	99
Department of Labor	323
National Aeronautics and Space Administration	56
Nuclear Regulatory Commission	6
Office of Personnel Management	16
Railroad Retirement Board	221
Resolution Trust Corporation	47
Small Business Administration	78
Social Security Administration	287 ¹
Department of State	24
Department of Transportation	105
Department of the Treasury	259 ²
Department of Veterans Affairs	134
Total	4,041³
¹ On March 31, 1995, SSA became an independent agency. All data reported is for the last half of the fiscal year. ² Includes 251 successful prosecutions resulting from investigations conducted by Treasury's law enforcement bureaus: BATF, U.S. Customs Service, IRS, and U.S. Secret Service. ³ May include double counts where two OIGs worked jointly on an investigation and each reported the successful prosecution.	

Suspensions/Debarments

The OIG investigations can result in suspension or debarment of individuals or entities doing business with the Federal Government. During FY 1995, a total of 4,197 debarments, exclusions, and suspensions were imposed on individuals and entities doing business with the Federal Government (Table VI). Since 1981, OIG investigations have resulted in 34,814 administrative sanctions against firms or individuals doing business with the Government.

Table VI. Suspensions/Debarments	
Agency	Total
Agency for International Development	2
Department of Agriculture	345
Department of Defense	316
Department of Education	28
Department of Energy	26
Environmental Protection Agency	44
General Services Administration	148
Department of Health and Human Services	1,478
Department of Housing and Urban Development	229
Department of Labor	56
National Aeronautics and Space Administration	50
Office of Personnel Management	1,356
Resolution Trust Corporation	43
Small Business Administration	2
Department of Transportation	35
Department of Veterans Affairs	39
Total	4,197*
*May include double counts where two OIGs worked jointly on an investigation and each reported the suspensions/debarments.	

Personnel Actions

The OIGs are also responsible for investigating Federal employees suspected of wrongdoing. In FY 1995, OIG investigations led to 2,217 personnel actions against employees (Table VII). Those personnel actions included terminations, formal reprimands, suspensions, and demotions.

Table VII. Personnel Actions	
Agency	Total
Agency for International Development	7
Department of Agriculture	53
Department of Commerce	44
Department of Defense	270
Department of Education	3
Department of Energy	44 ¹
Environmental Protection Agency	17
Federal Deposit Insurance Corporation	5
Federal Emergency Management Agency	11
General Services Administration	29
Department of Health and Human Services	35
Department of Housing and Urban Development	14
Department of the Interior	61
Department of Justice	120
Department of Labor	79
National Aeronautics and Space Administration	129 ²
Nuclear Regulatory Commission	47
Railroad Retirement Board	3
Resolution Trust Corporation	26 ³
Small Business Administration	11
Department of State	25
Department of Transportation	41
Department of the Treasury	1,092 ⁴
United States Information Agency	10
Department of Veterans Affairs	41
Total	2,217⁵
¹ Includes 11 from Office of Inspections reports. ² Includes contractor employees. ³ Includes seven employees who resigned while under investigation. ⁴ Includes 1,025 personnel actions resulting from investigations conducted by Treasury's law enforcement bureaus: BATF, U.S. Customs Service, IRS, and U.S. Secret Service. ⁵ May include double counts where two OIGs worked jointly on an investigation and each reported the personnel actions.	

Investigative Recoveries

Investigations conducted by OIGs often lead to recovery of money or property. The recoveries reported here are the total dollar value of repayments, payments ordered, settlements made pursuant to legal actions and/or administrative monetary penalties. They include recoveries made during investigations, legally ordered fines and penalties, restitutions and recoveries, out-of-court settlements, or penalties imposed through administrative proceedings. In FY 1995, OIG investigative recoveries totaled over \$1.2 billion. Those recoveries go to the U.S. Treasury; program, trust, or operating funds; or other Federal and non-Federal entities victimized.

Table VIII. Investigative Recoveries	
Agency	Total
Agency for International Development	\$460,811
Department of Agriculture	36,827,772
Department of Commerce	1,095,990
Department of Defense	631,400,000
Department of Education	7,923,100 ¹
Department of Energy	4,464,550 ²
Environmental Protection Agency	4,300,000
Federal Deposit Insurance Corporation	285,302
Federal Emergency Management Agency	4,082,578
General Services Administration	15,845,429
Department of Health and Human Services	350,900,000
Department of Housing and Urban Development	13,196,718
Department of the Interior	11,761,286
Department of Justice	747,880
Department of Labor	20,800,000
National Aeronautics and Space Administration	29,400,000
Nuclear Regulatory Commission	137,943
Office of Personnel Management	4,152,230
Railroad Retirement Board	13,239,936
Resolution Trust Corporation	8,421,102 ³
Small Business Administration	8,319,572
Social Security Administration	3,893,360 ⁴
Department of State	597,610
Department of Transportation	52,195,078
Department of the Treasury	13,519,718 ⁵
Department of Veterans Affairs	18,900,000
Total	\$1,256,867,965⁶
¹ Includes \$2.4 million in forfeitures/seizures. ² Includes \$15,111 from the Office of Inspections. ³ Does not include \$3,203,862 in asset seizures. ⁴ On March 31, 1995, SSA became an independent agency. All data reported is for the last half of the fiscal year. ⁵ Includes \$5,983,399 in investigative recoveries from investigations conducted by Treasury's law enforcement bureaus: BATF, U.S. Customs Service, IRS, and U.S. Secret Service. ⁶ May include double counts where two OIGs worked jointly on an investigation and each reported the investigative recoveries.	

Membership of the President's Council on Integrity and Efficiency

Chair, PCIE John A. Koskinen Deputy Director for Management Office of Management and Budget	Environmental Protection Agency John C. Martin Inspector General	Office of Management and Budget Controller G. Edward DeSeve Office of Federal Financial Management
Vice Chair, PCIE June Gibbs Brown Inspector General Department of Health and Human Services	Federal Bureau of Investigation William J. Esposito Assistant Director Criminal Investigative Division	Office of Personnel Management Patrick E. McFarland Inspector General Lorraine A. Green Deputy Director
Vice Chair, ECIE Thomas D. Blair Inspector General Smithsonian Institution	Federal Deposit Insurance Corporation* Gaston L. Gianni, Jr. Inspector General	Office of Special Counsel Kathleen Day Koch Special Counsel
Agency for International Development Jeffrey Rush, Jr. Inspector General	Federal Emergency Management Agency George J. Opfer Inspector General	Railroad Retirement Board Martin J. Dickman Inspector General
Department of Agriculture Roger C. Viadero Inspector General	General Services Administration William R. Barton Inspector General	Small Business Administration James F. Hoobler Inspector General
Central Intelligence Agency Frederick P. Hitz Inspector General	Department of Housing and Urban Development Susan Gaffney Inspector General	Social Security Administration David C. Williams Inspector General
Department of Commerce Francis D. DeGeorge Inspector General	Department of the Interior Wilma A. Lewis Inspector General	Department of State Jacquelyn Williams-Bridgers Inspector General
Corporation for National and Community Service Luise S. Jordan Inspector General	Department of Justice Michael R. Bromwich Inspector General	Department of Transportation A. Mary Schiavo Inspector General
Department of Defense Eleanor J. Hill Inspector General	Department of Labor Charles C. Masten Inspector General	Department of the Treasury Valerie Lau Inspector General
Department of Education Thomas R. Bloom Inspector General	National Aeronautics and Space Administration Roberta L. Gross Inspector General	United States Information Agency Marian C. Bennett Inspector General
Department of Energy John C. Layton Inspector General	Nuclear Regulatory Commission Leo J. Norton Acting Inspector General	Department of Veterans Affairs William T. Merriman Deputy Inspector General
	Office of Government Ethics Stephen D. Potts Director	

* The Resolution Trust Corporation (RTC) reached its sunset on December 31, 1995, and the RTC OIG merged with the Federal Deposit Insurance Corporation OIG.

Note: The members listed are those as of April 1996.

President's Council on Integrity and Efficiency Membership Addresses and Hotline Numbers

Office of Management and Budget
Old Executive Office Building
17th St. and Pennsylvania Avenue, N.W.
Washington, D.C. 20503

Department of Health and Human Svcs.
330 Independence Ave., S.W., Rm. 5250
Washington, D.C. 20201
(800) HHS-TIPS

Smithsonian Institution
955 L'Enfant Plaza, Room 7600,
Mail Stop: 905
Washington, D.C. 20560
(202) 287-3676

Agency for International Development
320 21st Street, N.W., Room 5756 NS
Washington, D.C. 20523-0060
(703) 875-4999

Department of Agriculture
Rm. 117-W, Jamie L. Whitten Fed. Bldg.
12th Street and Independence Ave., S.W.
Washington, D.C. 20250
(800) 424-9121 or (202) 690-1622
Hearing Impaired (202) 690-1202

Central Intelligence Agency
Room 2X30
New Headquarters Building
Washington, D.C. 20505

Department of Commerce
Room 7898C
14th Street and Constitution Ave., N.W.
Washington, D.C. 20230
(202) 482-2495 or (800) 424-5197
Hearing impaired (800) 854-8407

Corp. for National and Community Service
Suite 8100
1201 New York Avenue, N.W.
Washington, D.C. 20525
(800) 452-8210

Department of Defense
400 Army Navy Drive, Room 1000
Arlington, Virginia 22202-2884
(800) 424-9098 or (703) 604-8569

Department of Education
600 Independence Avenue, S.W.
Washington, D.C. 20202-1510
(800) 647-8733 or (202) 205-5770

Department of Energy
Room 5D-039, Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585
(800) 541-1625 or (202) 586-4073

Environmental Protection Agency
401 M Street, S.W., Rm. NE 3309 (2410)
Washington, D.C. 20460
(202) 260-4977

U.S. Department of Justice
Federal Bureau of Investigation
J. Edgar Hoover Building
935 Pennsylvania Ave., N.W., Room 3833
Washington, D.C. 20535-0001

Federal Deposit Insurance Corporation
10th Floor, 801 Building
550 17th Street, N.W.
Washington, D.C. 20429-9990
(800) 964-3342

Federal Emergency Management Agency
500 C Street, S.W., Room 505
Washington, D.C. 20472
(800) 323-8603

General Services Administration
Room 5340
18th and F Streets, N.W.
Washington, D.C. 20405
(202) 501-1780 or (800) 424-5210

Dept. of Housing and Urban Development
451 7th Street, S.W., Room 8256
Washington, D.C. 20410-4500
(202) 708-4200 or (800) 347-3735

Department of the Interior
Mail Stop 5341
1849 C Street, N.W.
Washington, D.C. 20240
(800) 424-5081 or (703) 235-9399

Department of Justice
Room 4706, Main Justice Building
10th Street and Constitution Ave., N.W.
Washington, D.C. 20530
(800) 869-4499

Department of Labor
200 Constitution Ave., N.W., Rm. S-5514
Washington, D.C. 20210
(800) 347-3756 or (202) 219-5227

National Aeronautics and Space Admin.
300 E. St., S.W., Room 8V69 (Code W)
Washington, D.C. 20546-0001
(800) 424-9183

Nuclear Regulatory Commission
Mail Stop T5 D28
Washington, D.C. 20555
(800) 233-3497

Office of Government Ethics
Suite 500
1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

Office of Personnel Management
1900 E Street, N.W., Room 6400
Washington, D.C. 20415-0001
(202) 606-2423

Office of Special Counsel
Suite 300
1730 M Street, N.W.
Washington, D.C. 20036-4505
(202) 653-9125 or (800) 872-9855

Railroad Retirement Board
844 North Rush Street, Room 450
Chicago, Illinois 60611-2092
(800) 772-4258

Small Business Administration
Room 7150
409 3rd Street, S.W.
Washington, D.C. 20416
(202) 205-7151 or (800) 767-0385

Social Security Administration
6401 Security Blvd., Suite 300
Baltimore, MD 21235
(401) 966-8523

Department of State
Room 6817
2201 C Street, N.W.
Washington, D.C. 20520-6817
(202) 647-3320
Collect Calls Accepted

Department of Transportation
Room 9210, J-1
400 7th Street, S.W.
Washington, D.C. 20590
(800) 424-9071 or (202) 366-1461

Department of the Treasury
Room 2412, Main Treasury Building
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220
(800) 359-3898

United States Information Agency
400 6th Street, S.W., Room 1100
Washington, D.C. 20547
(FTS) 441-7202 or (202) 401-7202

Department of Veterans Affairs
810 Vermont Avenue, N.W.
Washington, D.C. 20420
(800) 488-8244

Note: All hotline numbers listed above were current as of the date of printing of this report.

**REPORT OF THE
EXECUTIVE COUNCIL ON
INTEGRITY AND
EFFICIENCY**

Introduction

The Executive Council on Integrity and Efficiency

The Executive Council on Integrity and Efficiency (ECIE) is charged with promoting integrity and efficiency in Federal programs and operations. In accomplishing this goal, the ECIE focuses on two primary objectives: promoting integrity and efficiency and detecting and preventing fraud, waste, and abuse in Federal programs and operations; and increasing the professionalism and effectiveness of OIG personnel.

The Deputy Director for Management of the Office of Management and Budget (OMB) is the Chairman of the ECIE. The ECIE is composed of the civilian Inspectors General (IGs) at 29 designated Federal entities; the IG at the Government Printing Office (GPO); and

- the Vice Chairperson of the President's Council on Integrity and Efficiency (PCIE),
- the Controller of the Office of Federal Financial Management at the OMB,
- the Assistant Director of the Criminal Investigative Division of the Federal Bureau of Investigation (FBI),
- the Director of the Office of Government Ethics,
- the Special Counsel of the Office of Special Counsel, and
- the Deputy Director of the Office of Personnel Management.

The ECIE was established on May 11, 1992, by Executive Order 12805. The PCIE consists primarily of statutory IGs appointed by the President, while the ECIE is composed of statutory IGs appointed by the heads of the entities they serve. The ECIE and the PCIE share the same overall mission and objectives.

The ECIE IGs provide leadership for audits, investigations, legislative and regulatory reviews, and other activities in a variety of large and small Federal entities. The entities at which the ECIE IGs serve have functions ranging from providing postal services to overseeing science and research grants, arts endowments, consumer product safety, farm credit, and public broadcasting.

During FY 1995, the ECIE OIGs participated in or conducted:

- audits that identified \$1.4 billion in questioned costs and \$196.3 million in recommendations that funds be put to better use; and
- investigations that led to 10,081 successful prosecutions, 37 suspensions or debarments of persons or firms doing business with the Federal Government, 188 personnel actions, and over \$202 million in investigative recoveries.

In acting on audit recommendations during FY 1995, entity managers:

- agreed with \$93.6 million in recommendations that funds be put to better use; and
- disallowed \$19.1 million in questioned costs.

The FY 1995 ECIE Progress Report to the President

Under the Executive order establishing the ECIE, the ECIE Chairperson is obligated to report the ECIE activities to the President. In meeting that obligation, this report highlights FY 1995 ECIE IG accomplishments as "agents of positive change" with Government accountability as the underlying emphasis, and it also highlights OIG projects conducted by multidisciplinary teams. This report includes sections regarding ECIE IG audits, investigations, current membership, addresses, and hotline numbers.

The report was compiled from narratives, statistics, and other information submitted by the membership of the ECIE.

OIG Work in FY 1995

As a result of the Vice President's National Performance Review, the Inspectors General crafted a vision statement which says: "We are agents of positive change striving for continuous improvement in our agencies' management and program operations, and in our own offices." One of the specific avenues the IGs have explored to improve their own operations and effectiveness--with positive results--has been the increased use of multidisciplinary teams in performing reviews. This section highlights examples which demonstrate the OIGs' commitment to being agents of positive change and employing multidisciplinary teams to their best advantage.

Appalachian Regional Commission

Agents of Positive Change

Of particular significance have been coordinated efforts by Appalachian Regional Commission (ARC) management and the OIG to improve fund management, especially with respect to the identification of expired grants with potential for fund deobligations. As a result of these efforts, approximately \$4 million has been deobligated and the funds were made available for use on priority projects. ARC management has implemented controls to ensure timely action on expired grants and has prioritized this activity.

Multidisciplinary Teams

The OIG uses multidisciplinary teams to maximize the efficient use of scarce resources. Contract auditors are used to conduct financial reviews, and the review team often includes an ARC OIG auditor/evaluator with responsibilities for assessing the accomplishment of grant objectives. Multidisciplinary teams, in conjunction with other OIG offices, have also been used to conduct inspections and investigations. A primary example was a series of reviews and inquiries dealing with violations of program provisions by foreign physicians granted approval to work in the Appalachian Region. The combined audit and investigative work identified substantial program abuse and violations and triggered management actions to restrict physician approvals and establish controls to ensure program improvements and oversight.

Equal Employment Opportunity Commission

Agents of Positive Change

OIG activities were conducted with the goal of improving Equal Employment Opportunity Commission (EEOC) management and program operations, as well as the OIG. Staff members have been empowered to create products that get a concise message to OIG customers in a timely fashion. The OIG has also limited compliance work to that which is legislatively mandated and requested that the DCAA conduct routine contract audits. In addition, where feasible, the OIG

serves in a consulting role. For example, as a result of a security assessment of EEOC headquarters building which OIG conducted in 1994, the agency is developing a national security plan. OIG has been instrumental in advising management on the implementation of an interim plan, as well as providing guidance on referral and reporting of security issues and problems. Management has responded positively to OIG's efforts in this area.

Multidisciplinary Teams

Since 1991, the OIG has experienced more than a 30-percent decline in its staff. With no future increase of staff anticipated, cross-training and the use of multidisciplinary teams was implemented in FY 1995. Since demands for investigative inquiries increased, OIG inspections staff members were assigned to handle several administrative investigations. One staff member, experienced in conducting financial and performance audits and inspections, received training at the Federal Law Enforcement Training Center in Glynco, Georgia.

Under guidance of the Assistant Inspector General for Investigations and Counsel to the Inspector General, inspectors completed investigations into allegations of ethics violations by a manager concerning improper loans to a subordinate, improper authorizations of Government vehicle use, and time and attendance abuse. Administrative actions by management in these matters are pending. In the ethics violations case, the manager retired.

Federal Communications Commission

Agents of Positive Change

During FY 1995, the OIG at the Federal Communications Commission (FCC) focused resources toward assisting the FCC in best meeting the challenges impacting the Commission. The FCC is in the midst of a major reinvention. Not only has the role and mission of the FCC been subjected to changes in the telecommunications field and the initiation of an ambitious spectrum auction program, but the agency itself also has moved to reinvent the way it does business. This has principally manifested itself in the form of new organizational structures, new rules and regulations, and a heavy capital and institutional investment in automation technologies.

The OIG has moved aggressively toward embracing the concept of being an agent of positive change. The OIG has worked extensively in the past year toward ensuring the integrity, effectiveness, and efficiency of the spectrum auction program. The OIG has also performed significant work in evaluating the security and reliability of FCC computer systems. At a time when the FCC is aggressively moving to automate many core functions to best meet the needs of customers, the OIG considers it essential that data be protected against loss or unauthorized intrusion.

Multidisciplinary Teams

To meet this changing mission requirement, the OIG has taken advantage of the education, training, knowledge, and experience of the staff. This has resulted in staff members with investigative background working on projects with auditors. Multidisciplinary teams have been used to examine internal control mechanisms in place to mitigate the potential for unauthorized computer penetration.

In performing criminal investigations, the OIG has utilized multidisciplinary teams. The nature of criminal activity is such that most illegalities are inspired by the potential for actual realization of financial gains. Often criminal activity is facilitated by weaknesses in internal controls in a program or operational area. As auditors are skilled in examining systemic weaknesses and recommending corrective action, it is the policy of the OIG that audit resources be extended to assist the investigative side of the office.

Government Printing Office

Agents of Positive Change and Multidisciplinary Teams

The Government Printing Office (GPO) OIG supports the use of multidisciplinary teams to accomplish the OIG's audit and investigative mission. Since FY 1992, GPO OIG has committed 10 percent of planned audit resources to supporting investigative activities, such as multidisciplinary teams. During FY 1995, approximately 4 percent of the OIG's audit and investigative resources were used for such projects.

A description of a significant multidisciplinary project worked on in FY 1995 follows.

GPO Workers' Compensation Program

The GPO OIG is conducting a major review of the GPO Workers' Compensation Program (WCP), which is mandated by the Federal Employees' Compensation Act (FECA). The U.S. Department of Labor (DOL) is responsible for administering the FECA Program, which pays compensation benefits to GPO and other Federal employees. The GPO reimburses DOL about \$6 million annually for FECA Program benefits paid to GPO employees and health-care providers.

The multidisciplinary project team consists of several auditors and investigators working closely together to develop audit and investigative findings. The project team is addressing concerns about fraud, abuse, and mismanagement in the participation and administration of this program. A major OIG objective is to ensure that management controls are adequate and effective.

This project is being conducted in three phases. An audit report on Phase I was issued during a prior reporting period. This report dealt with the annual fee for administration of the program that DOL charges the GPO.

A second report on Phase II was issued during this current reporting period. This report assessed GPO's compliance with FECA regulations. Phase III is underway and is examining the propriety of benefit payments.

Legal Services Corporation

Agents of Positive Change and Multidisciplinary Teams

The OIG at the Legal Services Corporation has combined the audit and investigative functions into a Program Integrity Unit with the mission of promoting integrity through prevention and detection of fraud, waste, and abuse.

In a recent embezzlement investigation, a multidisciplinary team approach allowed auditors to concentrate on the review of extensive financial records while investigators concentrated on conducting interviews, reviewing documents, and pursuing leads.

An inspection of contract service and related expense payments to certain members of management was led by the audit group, and supplemented by legal counsel and investigators. This combination proved to be an efficient use of multiple disciplines as the auditors identified and researched numerous areas of concern with respect to the appropriateness of certain expenses, and relied on legal counsel's analysis of the related laws. The investigators provided support in obtaining external documents through issuance of an Inspector General subpoena.

The use of multidisciplinary teams has the potential of improving the quality of work, and in some cases has decreased the amount of time expended in completing projects, thus improving the economy and efficiency of OIG operations.

National Science Foundation

Agents of Positive Change

The National Science Foundation's (NSF) OIG conducted several investigations of small businesses that receive grants for scientific research under the Small Business Innovation Research (SBIR) Program. These investigations were conducted by NSF's OIG and by OIG offices at NASA and the Department of Defense, with the NSF OIG serving as the lead agency. To date, these investigations have resulted in two criminal convictions, one indictment, and monetary recoveries in excess of \$6 million. Consistent with recommendations from the Vice President's NPR, the NSF OIG also analyzed the underlying cause of this fraud and recommended management changes to reduce the vulnerability for fraud. As a result of NSF OIG recommendations, NSF made over 20 changes in the methods used to operate the SBIR program. In a March 1995 report entitled *Interim Report on the Small Business Innovation Research Program*, the U.S. General Accounting Office endorsed several NSF OIG recommendations for governmentwide application.

Multidisciplinary Teams

The OIG developed an inspections program to evaluate the effectiveness of NSF grants for science and engineering research and education. NSF inspection teams comprise scientists, auditors, lawyers, and management analysts. Inspections evaluate the administrative, management, and programmatic aspects of NSF-funded operations. Inspections are conducted at State research universities, private research foundations, and private, primarily undergraduate, institutions. OIG inspections note positive findings and, when appropriate, identify deficiencies. Issues commonly addressed by these inspections involve: (a) Policies and procedures involving misconduct in science, such as data fraud and plagiarism; (b) disclosure policies involving potential conflicts of interest; and (c) the system used to account for cost sharing.

Securities and Exchange Commission

Agents of Positive Change

Negotiated Settlements

An OIG audit is leading to improved controls over negotiated settlements in enforcement cases. Settlements are a primary method for resolving allegations of securities violations. Among other changes, funds collection is being enhanced, settlement issues are being considered earlier by the Securities and Exchange Commission (SEC), and a settlement data base is being developed to help guide settlement negotiations for the SEC.

Bankruptcy Program

The bankruptcy program is being significantly enhanced as a result of an OIG audit. The overall intent of this program is to ensure that investors' rights in bankruptcy cases are protected. The OIG recommended numerous changes, including delegating additional authority to the staff, using accountants for analysis of financial disclosure documents, and improving reporting.

Multidisciplinary Teams

The OIG has several staff skilled in both audits and investigations. These staff increase their effectiveness and benefit the SEC by preparing investigative reports on management control issues. The focus of these projects is on legal violations (an investigative objective), while testing of controls (an audit technique) is performed as appropriate. An example follows.

Court Receivers

The OIG recommended enhanced controls over the Commission's role in the appointment of receivers in enforcement cases. The recommendations will help prevent conflicts of interest and better protect investors.

Smithsonian Institution

Agents of Positive Change

Smithsonian Magazine

The Smithsonian Institution publishes a magazine as an extension of its mission to increase and diffuse knowledge. For years, the *Smithsonian* magazine's financial performance had been significantly above industry averages, but recently performance fell to the average level. The OIG determined that if management would identify the optimum target level for its subscriber base and take steps to achieve that level, promotion costs could be reduced by \$1.8 million a year.

Handbook of North American Indians

As part of a larger audit of the National Museum of Natural History, the OIG identified the need to establish performance measures for developing the *Handbook of North American Indians*. For the last 23 years the Natural History Museum has been developing a comprehensive, multivolume encyclopedia of North American Indians written from anthropological, historical, and linguistic perspectives. The project has been beset by slow production, aging manuscripts, and declining sales. Furthermore, at the best pace experienced during the last 23 years, it will take another 20 years to complete the encyclopedia. Consequently, the OIG recommended that Museum management reevaluate the feasibility and current practicality of the *Handbook* project.

Tennessee Valley Authority

Agents of Positive Change and Multidisciplinary Teams

Procurement Reengineering

The OIG has been participating in a major initiative to improve TVA's contracting process. The OIG detailed a senior auditor to a full-time position on TVA's Contract Improvement Team (CIT), an agencywide group of contracting experts. The OIG also conducted several inspections on procurement-related topics at the team's request and completed an audit of TVA's purchasing program. The Assistant Inspector General (Audits) is a full-time member of TVA's Procurement and Contracting Council, a successor group to the CIT. TVA management has adopted a number of OIG-recommended improvements to the procurement process, including a suggestion that an executive-level official be appointed to oversee TVA's procurement processes and related information systems.

Health Care Claims Review

OIG auditors and investigators, working in conjunction with an outside consultant, are reviewing claims under TVA's \$100 million-a-year health benefits plan. The heart of this review is a computerized analysis which will identify overpayments resulting from duplicate bills, excessive

charges, coding manipulation, miscoded services, and billing errors. In addition, OIG investigators participated in a Health Care Fraud Working Group sponsored by a local U.S. attorney's office, while OIG auditors assisted TVA in selecting a contractor to design and implement a new health and wellness data management system.

United States Postal Service

Agents of Positive Change

Revenue and Asset Protection Program

The United States Postal Service (USPS) Revenue and Asset Protection Program (RAPP) is the merger of certain audit and criminal investigative expertise under one umbrella to more closely align Postal Inspection Service/OIG goals with those of the USPS; that is, to protect Postal Service revenue and assets through audits and criminal investigations. While not exactly falling within the concept of multidisciplinary teams, members of RAPP have the ability to apply skills from multiple disciplines and work together toward a common goal. Postal Inspectors with expertise in the criminal investigative area who find systemic problems during the course of an investigation provide postal management with reports of the problems found for corrective action. Such reports are prepared in accordance with generally accepted Government auditing standards.

Similarly, Inspectors having audit expertise who find potential criminal activity during the course of an audit will notify an experienced RAPP Inspector or will proceed with the investigation and present the results to an appropriate Federal, State, or local prosecutor.

Work in this area is categorized as financial, revenue, or expenditure investigations, and includes cases involving workers' compensation fraud and employee or contractor embezzlements. FY 1995 results appear below.

- RAPP investigations (audits) reported to postal management identified approximately \$48 million in revenue deficiencies, and resulted in the arrest of 416 employees for various offenses.
- Investigations of fraud against the USPS resulted in 117 arrests.
- Workers' compensation abuse resulted in disciplinary actions against 321 employees, the arrest of 33, and the removal of 216 employees from the USPS.
- Investigations of workers' compensation claims led to more than \$57 million in long-term savings to the USPS.
- Financial investigations resulted in the arrest of 260 employees and contractors for embezzlement.

Multidisciplinary Teams

National Audit of International Mail Operations

A joint task force of Postal Inspectors with audit and criminal assignments and postal management reviewed international mail flowing through the Miami International Airport, Airport Mail Center, and Processing and Distribution Center in Miami. The objective of the review was to assist management in improving international service to the Caribbean and Latin American countries. The audit identified four key areas that accounted for over 50 percent of the dispatch errors to those countries. The team also found that a major U.S. air carrier responsible for transporting 60 percent of the mail to those countries was not giving the USPS the proper level of service.

Audits

Most OIG resources are devoted to audits. The following tables demonstrate the impact of OIG audits. The tables summarize key statistical accomplishments reported in the individual IG semiannual reports to the Congress for the 6-month periods ending March 31 and September 30, 1995. These statistical accomplishments relate to recommendations that funds be put to better use, management decisions on recommendations that funds be put to better use, questioned costs, and management decisions on questioned costs.

Recommendations That Funds Be Put to Better Use

The IG Act defines a recommendation that funds be put to better use as "a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including (A) reductions in outlays; (B) deobligations of funds from programs or operations; (C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; (E) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or (F) any other savings which are specifically identified."

During FY 1995, OIG audits recommended that approximately \$196.3 million be put to better use (Table I).

Table I. Recommendations That Funds Be Put to Better Use	
Entity	Total
Appalachian Regional Commission (ARC)	\$ 2,177,000
Consumer Product Safety Commission (CPSC)	3,500
Corporation for Public Broadcasting (CPB)	405,000
Federal Trade Commission (FTC)	1,117,000
Government Printing Office (GPO)	1,800,000
National Archives and Records Administration (NARA)	21,900
National Science Foundation (NSF)	17,925,000
Panama Canal Commission (PCC)	99,311
Peace Corps (PC)	68,513
Securities and Exchange Commission (SEC)	128,000
Smithsonian Institution (SI)	9,166,000
Tennessee Valley Authority (TVA)	13,358,838
U.S. Postal Service (USPS)	150,015,118
Total	\$196,285,180

Management Decisions on Recommendations That Funds Be Put to Better Use

Table II reports on the status of FY 1995 management decisions on OIG audit recommendations that funds be put to better use. Entity managers agreed with \$93.6 million in recommendations that funds be put to better use.

Table II.					
Management Decisions on Recommendations That Funds Be Put to Better Use					
Entity	No Management Decision Start FY 1995	Recommendations Issued in FY 1995	Recommendations Agreed to by Management	Recommendations Not Agreed to by Management	No Management Decision End FY 1995
ARC	\$ 168,000	\$ 2,177,000	\$ 2,301,000	\$ 10,000	\$ 34,000
CPSC	--	3,500	3,500	--	--
CPB	26,000	405,000	393,000	38,000	--
FTC*	--	1,117,000	1,117,000	--	--
GPO	5,095,078	1,800,000	1,958,609	139,571	4,796,898
NARA	--	21,900	21,900	--	--
NSF	800,000	17,925,000	7,750,000	1,050,000	9,925,000
PCC	179,633	99,311	165,903	36,041	77,000
PC	--	68,513	68,513	--	--
SEC	--	128,000	128,000	--	--
SI	70,000	9,166,000	3,275,000	--	5,961,000
TVA	886,853	13,358,838	9,722,099	760,152	3,763,440
USPS	36,011,087	150,015,118	66,703,147	13,064,801	106,258,257
Total	\$43,236,651	\$196,285,180	\$93,607,671	\$15,098,565	\$130,815,595
*Federal Trade Commission					

Questioned Costs

The IG Act defines a questioned cost as "a cost that is questioned by the Office because of (A) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable."

Table III. Questioned Costs	
Entity	Total
Amtrak	\$ 22,444,513
Appalachian Regional Commission	123,000
Equal Employment Opportunity Commission (EEOC)	402,733
Federal Housing Finance Board (FHFB)	4,694
Federal Labor Relations Authority (FLRA)	16,675
Federal Trade Commission	14,000
Government Printing Office*	1,089,499
National Endowment for the Arts (NEA)	242,957
National Endowment for the Humanities (NEH)	228,817
National Science Foundation**	7,082,003
Panama Canal Commission***	5,159,268
Peace Corps	38,388
Pension Benefit Guaranty Corporation (PBGC)	525,783
Securities and Exchange Commission	436,000
Smithsonian Institution	902,478
Tennessee Valley Authority	11,360,223
U.S. Postal Service	1,364,415,944
Total	\$1,414,486,975
<p>*The GPO also had \$64,872 in costs questioned by the Defense Contract Audit Agency (DCAA).</p> <p>**The NSF also had \$127,862 in costs questioned by DCAA.</p> <p>***The PCC also had \$5,386 in costs questioned by DCAA.</p>	

Management Decisions on Questioned Costs

Table IV reports on the status of FY 1995 management decisions to disallow costs questioned by OIGs. Entity managers agreed with over \$19.1 million in questioned costs.

Table IV. Management Decisions on Questioned Costs					
Entity	No Management Decision Start FY 1995	Recommendations Issued in FY 1995	Disallowances Agreed to by Management	Disallowances Not Agreed to by Management	No Management Decision End FY 1995
Amtrak	\$ 39,113	\$ 22,444,513	\$ 1,813,540	--	\$ 20,670,086
ARC	172,000	123,000	23,000	\$ 260,000	12,000
EEOC	--	402,733	65,677	274,584	62,472
FHFB	1,000	4,694	3,694	190	1,810
FLRA	--	16,675	16,675	--	--
FTC	--	14,000	14,000	--	--
GPO	2,467,081	1,154,371	2,457,290	150,653	289,116
NEA	306,754	242,957	8,974	507,778	32,959
NEH	--	228,817	--	--	228,817
NSF	6,719,903	7,209,865	2,848,753	4,922,831	6,158,529
PCC	968,900	5,164,654	1,419,826	736,650	3,977,078
PC	7,459	38,388	21,322	--	24,525
PBGC	--	525,783	525,783	--	--
SEC	89,000	436,000	89,000	--	436,000
SI	1,675,762	902,478	1,090,752	300,515	1,186,973
TVA	124,657	11,360,223	5,031,004	4,123,000	2,330,876
USPS	45,839,652	1,364,415,944	3,678,772	41,818,009	1,364,758,815
Total	\$58,411,281	\$1,414,685,095	\$19,108,062	\$53,094,210	\$1,400,170,056

Investigations

The IG Act requires that IGs provide policy direction for and conduct, supervise, and coordinate investigations relating to their entities' programs and operations. The OIG investigations cover a full range of criminal and administrative issues.

The following tables illustrate the results obtained through OIG investigations during FY 1995. They summarize the statistical accomplishments reported by the individual IGs in their semiannual reports to the Congress as of March 31 and September 30, 1995. The accomplishments--successful prosecutions, administrative sanctions, and investigative recoveries--include the results of joint investigations.

Successful Prosecutions

The OIG investigations of contractors, program participants, and Government employees can lead to criminal and/or civil prosecutions. The prosecutions result in convictions that carry penalties such as prison terms, fines, settlements, and recoveries to the Government. During FY 1995, OIGs working independently, or with other Federal and non-Federal investigative agencies, obtained 10,081 successful prosecutions, including pretrial diversions (Table V).

Table V. Successful Prosecutions	
Entity	Total
Amtrak	8
Farm Credit Administration	1
Government Printing Office	4
Legal Services Corporation	4
National Labor Relations Board	1
National Science Foundation	2
Panama Canal Commission	4
Peace Corps	3
Smithsonian Institution	3
Tennessee Valley Authority	13
U.S. Postal Service	10,038
Total	10,081

Suspensions/Debarments

The OIG investigations can result in the suspension or debarment of individuals or entities doing business with the Federal Government. During FY 1995, a total of 37 debarments, exclusions, and suspensions were imposed on individuals and entities doing business with the Government (Table VI).

Table VI. Suspensions/Debarments	
Entity	Total
Amtrak	2
Appalachian Regional Commission	1
Government Printing Office	28
National Science Foundation	4
Tennessee Valley Authority	2
Total	37

Personnel Actions

The OIGs are responsible for investigating employees suspected of wrongdoing. During FY 1995, OIG investigations led to 188 personnel actions against employees (Table VII). The personnel actions included terminations, formal reprimands, suspensions, and demotions.

Table VII. Personnel Actions	
Entity	Total
Amtrak	95
Consumer Product Safety Commission	2
Farm Credit Administration	1
Board of Governors of the Federal Reserve System	2
Federal Trade Commission	2
Government Printing Office	15
Interstate Commerce Commission	1
International Trade Commission	1
National Archives and Records Administration	6
National Endowment for the Humanities	2
National Labor Relations Board	2
National Science Foundation	3
Panama Canal Commission	4
Peace Corps	5
Pension Benefit Guaranty Corporation	2
Securities and Exchange Commission	12
Smithsonian Institution	13
Tennessee Valley Authority	20
Total	188

Investigative Recoveries

Investigations conducted by OIGs often lead to recovery of money or property. The recoveries reported here are the total dollar value of repayments, payments ordered, settlements made pursuant to legal actions, and/or administrative monetary penalties. They include recoveries made during investigations, legally ordered fines and penalties, restitutions and recoveries, out-of-court settlements, or penalties imposed through administrative proceedings.

During FY 1995, OIG investigative recoveries totaled over \$202 million (Table VIII). The recoveries go to the United States Treasury; program, trust, or operating funds; or other Federal or non-Federal entities victimized.

Table VIII. Investigative Recoveries	
Entity	Total
Amtrak	\$ 818,500
Federal Trade Commission	2,000
Government Printing Office	433,213
International Trade Commission	2,267
Legal Services Corporation	16,323
National Archives and Records Administration	13,371
National Labor Relations Board	16,506
National Science Foundation	511,037
Panama Canal Commission	355,693
Peace Corps	9,932
Pension Benefit Guaranty Corporation	1,483
Securities and Exchange Commission	3,150
Smithsonian Institution	1,560
Tennessee Valley Authority	1,744,632
U.S. Postal Service	198,114,045
Total	\$202,043,712

Membership of the Executive Council on Integrity and Efficiency

Chair, ECIE John A. Koskinen Deputy Director of Management Office of Management and Budget	Federal Election Commission Lynne A. McFarland Inspector General	National Labor Relations Board John E. Higgins, Jr. Acting Inspector General
Vice Chair, ECIE Thomas D. Blair Inspector General Smithsonian Institution	Federal Housing Finance Board Edward Kelley Inspector General	National Science Foundation Linda G. Sundro Inspector General
Vice Chair, PCIE June Gibbs Brown Inspector General Dept. of Health and Human Services	Federal Labor Relations Authority Robert G. Andary Inspector General	Office of Government Ethics Stephen D. Potts Director
Amtrak Fred E. Weiderhold, Jr. Inspector General	Federal Maritime Commission Tony P. Kominoth Inspector General	Office of Management and Budget G. Edward DeSeve Controller
Appalachian Regional Commission Hubert Sparks Inspector General	Board of Governors of the Federal Reserve System Brent L. Bowen Inspector General	Office of Personnel Management Lorraine A. Green Deputy Director
Commodity Futures Trading Commission A. Roy Lavik Inspector General	Federal Trade Commission Frederick J. Zirkel Inspector General	Office of Special Counsel Kathleen Day Koch Special Counsel
Consumer Product Safety Commission Thomas F. Stein Inspector General	Government Printing Office Lewis L. Small Inspector General	Panama Canal Commission Peter A. Liehr Inspector General
Corporation for Public Broadcasting Lester J. Latney Inspector General	International Trade Commission Jane E. Altenhofen Inspector General	Peace Corps Charles C. Maddox Inspector General
Equal Employment Opportunity Commission Aletha L. Brown Inspector General	Legal Services Corporation Edouard R. Quatrevaux Inspector General	Pension Benefit Guaranty Corporation Wayne Robert Poll Inspector General
Farm Credit Administration Eldon W. Stoehr Inspector General	National Archives and Records Administration Kelly A. Sisario Inspector General	Securities and Exchange Commission Walter Stachnik Inspector General
Federal Bureau of Investigation William J. Esposito Assistant Director Criminal Investigative Division	National Credit Union Administration H. Frank Thomas Inspector General	Tennessee Valley Authority George T. Prosser Inspector General
Federal Communications Commission H. Walker Feaster, III Inspector General	National Endowment for the Arts Edward Johns Inspector General	United States Postal Service Kenneth C. Weaver Deputy Chief Postal Inspector
	National Endowment for the Humanities Sheldon L. Bernstein Inspector General	

Note: The members listed are those serving as of April 1996. On Oct. 1, 1995, the Board for International Broadcasting OIG was incorporated into the U.S. Information Agency OIG. On Dec. 31, 1995, the Interstate Commerce Commission, including the OIG, went out of existence.

Executive Committee on Integrity and Efficiency Membership Addresses and Hotline Numbers

Office of Management and Budget
Old Executive Office Building
Washington, D.C. 20503

Federal Labor Relations Authority
607 14th Street, N.W., 2nd Floor
Washington, D.C. 20424-0001
(800) 331-3572

National Labor Relations Board
1099 14th Street, N.W., Room 9820
Washington, D.C. 20570
(800) 736-2983

Amtrak
Department of Internal Affairs
400 North Capitol Street, N.W.
Washington, D.C. 20001
(202) 906-4600

Federal Maritime Commission
800 North Capitol Street, Room 1072
Washington, D.C. 20573
(202) 523-5865

National Science Foundation
4201 Wilson Boulevard
Arlington, VA 22230
OIG@NSF.GOV (Internet) or
(703) 306-2004

Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Room 215
Washington, D.C. 20235
(202) 884-7678 or (800) 532-4611

Board of Governors of the Federal Reserve
System
(Stop 300)
20th Street & Constitution Ave., N.W.
Washington, D.C. 20551
(800) 827-3340 or (202) 452-6400

Office of Government Ethics
1200 New York Ave., N.W.
Suite 500
Washington, D.C. 20005

Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W., Suite 4092
Washington, D.C. 20581
(202) 418-5510

Federal Trade Commission
6th Street & Pennsylvania Ave., N.W.
Washington, D.C. 20580
(202) 326-2800

Office of Personnel Management
1900 E Street, N.W.
Washington, D.C. 20415

Consumer Product Safety Commission
4330 East West Highway
Bethesda, MD 20814-4408
(301) 504-0573

Government Printing Office
North Capitol & H Streets, N.W.
(Stop: IG)
Washington, D.C. 20401
(800) 743-7574

Office of Special Counsel
1730 M Street, N.W., Suite 300
Washington, D.C. 20036-4505
(202) 653-9125 or (800) 872-9855

Corporation for Public Broadcasting
901 E Street, N.W.
Washington, D.C. 20004-2006
(202) 783-5408

International Trade Commission
500 E Street, S.W. Room 220
Washington, D.C. 20436
(202) 205-2217

Panama Canal Commission
Section 230
APO AA 34011
01-507-523142 or (202) 634-6441

Equal Employment Opportunity
Commission
1801 L Street, N.W., Suite 3001
Washington, D.C. 20507
(202) 663-7020

Legal Services Corporation
750 - 1St Street, N.E., 10th Floor
Washington, D.C. 20002-4250
(800) 678-8868 or (202) 336-8936

Peace Corps
1900 K Street, N.W., Suite 5302
Washington, D.C. 20526
(800) 233-5874 or (202) 606-2483

Farm Credit Administration
1501 Farm Credit Drive, Suite 4100
McLean, VA 22102-5090
(800) 437-7322 or (703) 883-4316

National Archives and Records
Administration
8601 Adelphi Road, Room 1300
College Park, MD 20740-6001
(800) 786-2551 or (301) 713-6667

Pension Benefit Guaranty Corporation
1200 K Street, N.W., Suite 470
Washington, D.C. 20005-4026
(202) 778-8855

Federal Bureau of Investigation
9th Street & Pennsylvania Ave., N.W.
Washington, D.C. 20535

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
(703) 518-6357 or (800) 778-4806

Securities and Exchange Commission
450 - 5th Street, N.W., Room 7010
Washington, D.C. 20549
(202) 942-4460

Federal Communications Commission
1919 M Street, N.W., Suite 752
Washington, D.C. 20554
(202) 418-0473

National Endowment for the Arts
1100 Pennsylvania Ave., N.W., Rm. 207
Washington, D.C. 20506
(202) 682-5402

Smithsonian Institution
955 L'Enfant Plaza, Room 7600
Mail Stop: 905
Washington, D.C. 20560
(202) 287-3676

Federal Election Commission
999 E Street, N.W., Room 940
Washington, D.C. 20463
(202) 219-4267

National Endowment for the Humanities
1100 Pennsylvania Ave., N.W., Rm. 801
Washington, D.C. 20506
(202) 606-8423

Tennessee Valley Authority
400 West Summit Hill Drive, Rm. ET 4H
Knoxville TN 37902-1499
(800) 323-3835

Federal Housing Finance Board
777 F Street, N.W., 1st Floor
Washington, D.C. 20006
(800) 408-2900

United States Postal Service
475 L'Enfant Plaza, S.W., Room 3014
Washington, D.C. 20260-2100
(800) 654-8896

Note: All hotline numbers listed above were current as of the date of the printing of this report.