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# FOREWORD

**W**elcome to the Spring/Summer 2008 issue of the *Journal of Public Inquiry*. With almost eight years of experience as an Inspector General, one of the most valuable resources available to me is the knowledge and experience of those who have been actively engaged in issues which are important to our oversight community. The goal of the *Journal* is to provide a forum for sharing that knowledge and experience, and I believe this issue goes a long way in furthering that goal.

When I meet with other members of our oversight community, I usually come away with some new perspective or idea that I am able to apply to my own circumstances to help me be a more effective and efficient leader. Hopefully, I in turn am able to provide others with similar examples that help them. That is why the *Journal* is such a valuable tool, because it allows us to share timely, relevant examples of our best practices and lessons learned.

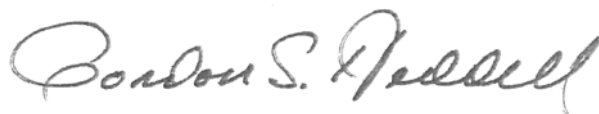
Two articles featured in this edition of the *Journal* that caught my attention were “Fraud, Mortgage-Backed Securities and Ginnie Mae” by Inspector General Ken Donohue of the Department of Housing and Urban Development, and “Oversight of a Major Procurement Program: Multiple Awards Schedule,” written by Inspector General Brian D. Miller of the General Services Administration and Assistant Inspector General for Audits Andrew Patchan, Jr. Both are certainly timely and relevant with respect to issues currently facing the oversight community.

Inspector General Richard L. Skinner of the Department of Homeland Security provided a thought provoking article titled, “Knowing What We Know Now, Was the Creation of the Department of Homeland Security a Good Idea?”


Other articles address topics such as acquisition integrity; financial and programmatic accountability; and a look back at a long and storied career in the Inspector General community. We are also excited to present to you Georgetown capstone papers, which take a close look at efforts to retain a quality audit workforce as well as the mobility challenges of the Naval Criminal Investigative Service.

Sharing knowledge through articles such as these helps us transform our experiences from mere “events” to viable and valuable attributes. Or as author Aldous Huxley put it, “Experience is not what happens to you; it’s what you do with what happens to you.”

Finally, I would like to thank all of our authors for their submissions to the *Journal*. It is truly a difficult task, each and every issue for our editorial team to decide which articles will be selected for publication. For those who have been selected, your efforts have not only enabled the IG community to share valuable ideas and information, but also have made our work more transparent to the American people we serve.



Gordon S. Heddel  
Acting Inspector General

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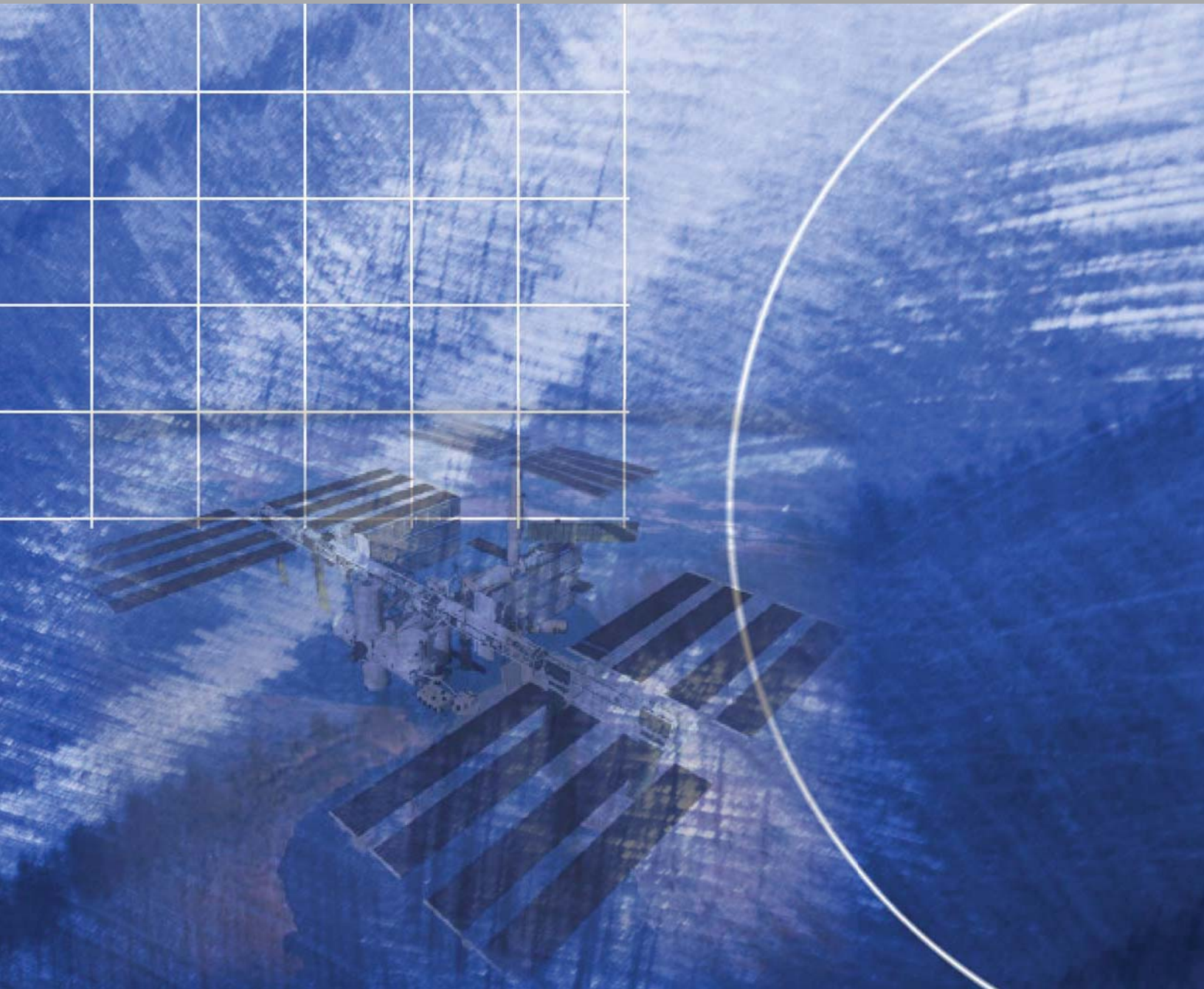
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**Office of Inspector General**  
National Aeronautics and Space Administration

Written by The Honorable Robert W. Cobb

# The Acquisition Integrity Program





The Honorable Robert W.

**Cobb**

*“From the perspective of the OIG, agency cooperation with law enforcement was ad hoc, and the OIG sometimes had difficulty getting agency officials to address or redress harm.”*

***A* t the National Aeronautics and Space Administration there has long existed an over-abiding faith that contractors and others who receive taxpayer money will execute their obligations faithfully, with integrity, and in NASA’s best interest.**

While NASA has focused on technical execution, fraud has not been a primary concern for many NASA employees – it is perceived to be entirely within the province of the Office of Inspector General and the Department of Justice.

From the perspective of the OIG, agency cooperation with law enforcement was ad hoc, and the OIG sometimes had difficulty getting agency officials to address or redress harm. NASA’s suspension and debarment program was moribund. In a few isolated cases, actions of agency officials undermined enforcement actions against fraud. Coordination between the OIG and the agency on fraud matters had traditionally been so undeveloped that when the NASA OIG, working with the DOJ to resolve legal actions against contractors, received checks payable to NASA, the NASA OIG faced the challenge of finding the person at NASA who could properly process the checks.

On December 20, 2005, in response

to a request for the OIG to identify contract trouble areas at NASA, the Chairman of the Senate Appropriations Committee was notified and informed that NASA must establish an internal control system for ensuring integrity in acquisition activities. This suggestion, in combination with some other developments at NASA, led to the establishment of the NASA Acquisition Integrity Program by the end of 2006.

The NASA AIP seeks to ensure that transparency, accountability, and integrity remain paramount touchstones in all aspects of the NASA acquisition process. The AIP is a collaborative effort among the Offices of Inspector General, the Chief Financial Officer, the General Counsel, and the NASA Associate Administrator for Procurement, with permanent staffing and operational responsibilities housed in the NASA Office of the General Counsel. The central mission of the AIP is to expedite the execution of NASA’s mission by aggressively combating fraud, waste, and abuse on NASA contracts, funding instruments, and other commitments of NASA resources. The AIP seeks to minimize fraud, maximize remedies that return funds to agency accounts, identify irresponsible contractors for suspension or debarment,

and improve the understanding of fraud risk and the effectiveness of risk mitigation through awareness training and a lessons-learned database. Ensuring that all NASA employees, particularly those involved in the acquisition process, fully understand their personal responsibility of stewardship with taxpayer funds is critical to the success of the AIP.

NASA's mission is to pioneer the future in space exploration, scientific discovery, and aeronautics research. NASA is executing this by flying the Space Shuttle; completing the International Space Station; developing a balanced program of science, exploration, and aeronautics; and developing new spacecraft for future space exploration. Its annual budget is approximately 17.5 billion dollars.

NASA relies heavily on contractors to execute its mission. Just under 90 percent of NASA's budget is spent on securing goods and services from non-governmental entities. The great successes and familiar names of NASA's programs and projects—the X 15 program, Mercury, Gemini, Apollo, Skylab, Viking, Voyager, Hubble, Landsat, Telstar, Space Shuttle, the Mars Rovers Spirit and Opportunity, today's Mars Phoenix Lander and dozens of others—are the result of NASA civil service employees working with others from the aerospace community. That community comprises not only America's most established aerospace companies, but also thousands of other companies, universities, individuals, and foreign governments acting as prime contractors, subcontractors, suppliers, partners, or grantees. NASA coordinates these joint efforts through arrangements as varied and

unique as the vehicles and projects being developed. Goods and services are acquired and relationships established through government contracts, grants, cooperative agreements, and Space Act Agreements.

The vast majority of the individuals and entities receiving government funds carry out their obligations in good faith and in appropriate pursuit of the objectives of the acquisition or grant activity. Of course, in a small percentage of instances, there are those who abuse the trust placed in them. The OIG's work in audits and investigations has identified a wide array of fraudulent schemes that ultimately resulted in the perpetrators being brought to justice. Millions of dollars have been recovered for NASA as the result of criminal prosecutions and civil cases based on the False Claims Act and other statutes. In addition to monetary loss, the threats to NASA are particularly conspicuous with respect to NASA's space exploration, science, and aeronautics missions: the incorporation of non-complying aerospace parts into NASA vehicles and false certifications of testing or safety inspections of such vehicles could cause catastrophic failure of missions and loss of life. While aggressive investigation and prosecution of false claims create their own deterrent to fraud, waste, and abuse, these tools are reactive and do not constitute a framework for preventing fraud.

### THE DEVELOPMENT OF THE ACQUISITION INTEGRITY PROGRAM

Soon after the OIG sent Congress the letter concerning contract trou-

ble areas, recommendations were made to senior NASA management to treat contract management as a material weakness in NASA's internal controls. Recognizing the OIG work in the area and the fact that the Government Accountability Office's high-risk list had included the contract management function at NASA since 1990, NASA management was receptive to the OIG recommendation. Specifically, the OIG suggested establishing a procurement integrity program so that NASA could systematically address the issue of fraud and fraud remedy coordination. The OIG noted in February 2006 that NASA did not have a procurement integrity program and that "responsibility for integrity in contracting is fragmented, with no clear lines of authority or responsibility for assuring integrity in NASA contracting." The OIG also stated that "NASA should have an internal control framework designed to assure integrity in government contracts, to promote competition in contracting, and to vigorously address wrongdoing by contractors through coordinated activities" with the OIG and the NASA Office of the General Counsel, the Office of Procurement, the Centers, and the program offices. The OIG noted that Title 10, United States Code, Section 2307 (10 U.S.C. § 2307) discusses the establishment of remedy coordination officials within the Department of Defense and NASA and that NASA had not formally established such a position. A remedy coordination official is defined in 10 U.S.C. § 2307(i)(10) as a "person or entity in that agency who coordinates within that agency the administration of criminal, civil,

administrative, and contractual remedies resulting from investigations of fraud or corruption related to procurement activities.”

Certain developments within NASA were conducive to the development of the AIP. First was the establishment of a governance structure that emphasized the responsibility of NASA’s 10 Center Directors (at Kennedy Space Center, Johnson Space Center, Goddard Space Flight Center, et cetera) for program execution and required direct reporting to the Administrator, as opposed to the prior structure in which Center Directors reported to a Mission Directorate Associate Administrator. A second development was the focus on fraud in the Office of the General Counsel, including the designation of a senior attorney as the agency’s remedy coordination official and the establishment of a network of “fraud counsels” throughout the agency. This focus on fraud greatly facilitated the resolution of OIG investigations, such as the investigation into alleged fraud with regard to launch contracts by the Boeing Corporation. In June of 2006, NASA recovered \$106.7 million as part of a \$615 million government settlement with Boeing.

Critical to the establishment of the AIP as an effective internal control system was the commitment of NASA’s senior leadership. The Deputy Administrator, as the Chief Acquisition Officer, embraced the AIP and became its visible champion. She issued key announcements that formally established the program in late 2006 and took over the role of Chief Suspension and Debarment Official for NASA. The establishment of

the AIP led to a comprehensive look at how the agency deals with false claims, qui tam cases, debarment and suspension, remedies coordination, and contractor responsibility. With the Deputy Administrator’s imprimatur on the new program, the directors at NASA’s geographically dispersed centers committed to the program and its introduction at their centers.

### AIP ORGANIZATION

The AIP was not just a new added layer of responsibility for procurement officials but also a separate program to have responsibility and accountability for ensuring that NASA accounts for fraud and fraud threats. Fraud is a business risk that has to be managed like other risks to agency programs.

The AIP has an office with dedicated staff to execute its mission. The AIP, under the Office of the General Counsel, has five staff members, including three attorneys: one who acts as Director and two with responsibilities divided based on geography (east and west). The AIP Director is the agency’s remedy coordination official.

In addition to the full-time staff, attorneys from each of the 10 NASA Centers support the AIP. The Mission Support Offices at NASA, such as the Office of the Chief Financial Officer, the Office of Procurement, and the Office of the Chief Information Officer, have points of contact with the AIP. As the new paradigm for contractor responsibility is not just a function of agency attorneys, procurement, and fiscal officials, it is intended that each of NASA’s Mission Directorates—Aeronautics Research,

Exploration Systems, Science, and Space Operations—will have its own point of contact with the AIP. From the top down, a robust and dedicated network for addressing fraud-related matters is being established within the agency. This network is providing assurance that fraud-related matters are addressed consistently and appropriately, with agency-wide institutional considerations being taken into account, as well as local and programmatic considerations.

### AIP TRAINING ARCHITECTURE

The AIP recognizes that the core of an internal control system focused on fraud reduction is the development of systematic understanding and sensitivity to the fraud threat by all involved in the contracting process. As so much of the NASA budget flows out to contractors, the AIP is committed to ensuring that all NASA employees are able to identify circumstances that raise contractor integrity questions that should be brought to the attention of legal and investigative authorities. Ultimately, this understanding and sensitivity to fraud risk should extend to contractors and their employees as well. The intent is to reduce fraud by ensuring that all of those involved in the government contracting process stay alert to fraud indicators and to those circumstances where fraud can thrive.

NASA contracting officials and others dealing with contractors have varying levels of oversight related to contractor activities. Until recently, however, NASA employees had not been systematically trained on the risks associated with contract fraud:





how and when contract fraud occurs and what the risks are to program, project, and cost management. As a result, NASA employees have not always been able to recognize indicators of fraud. For example, what some might consider simple contract noncompliance suitable for resolution by the contracting officer's technical representative is actually fraud appropriate for referral to the OIG.

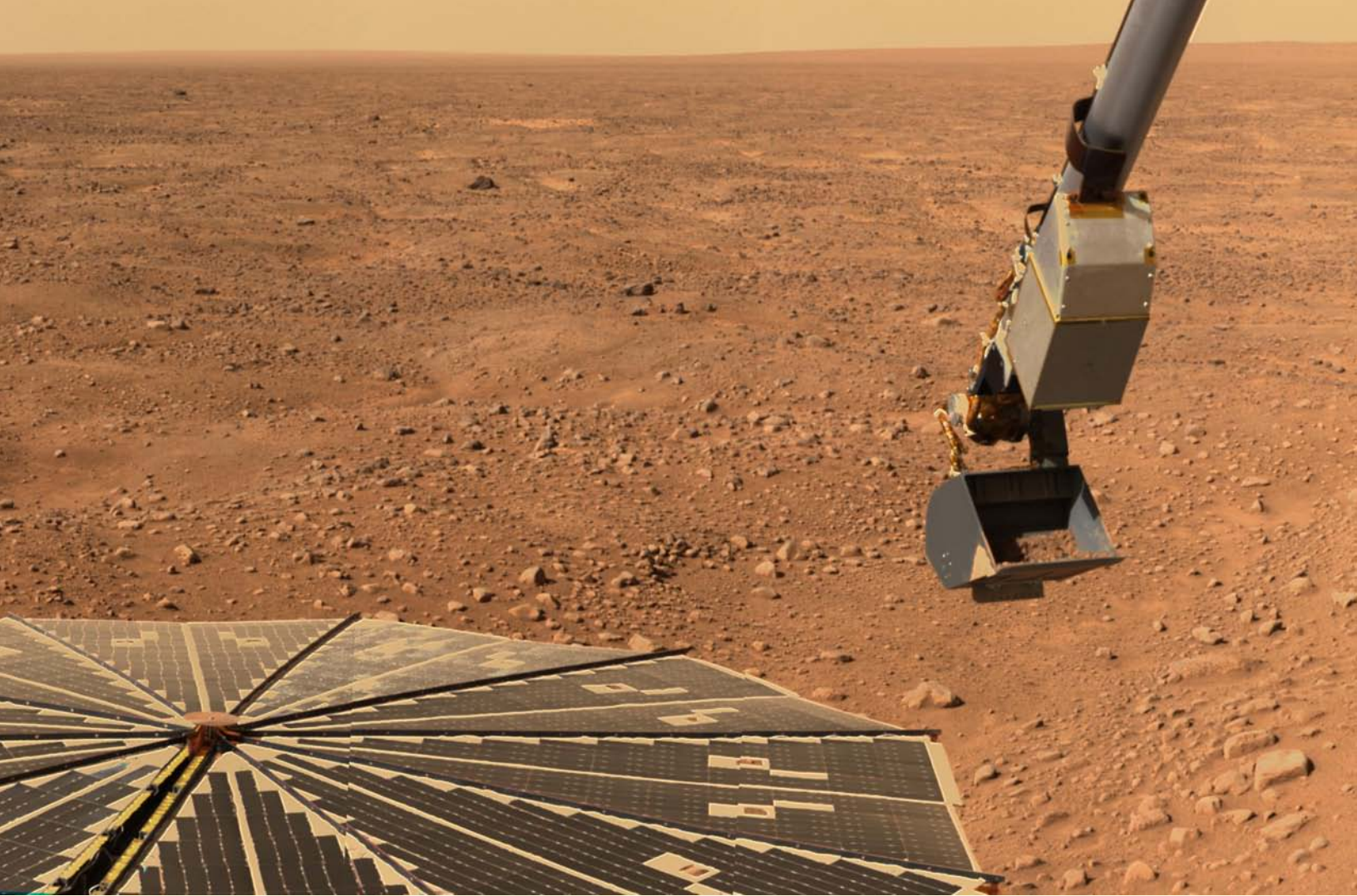
The AIP training associated with fraud is being implemented in four tiers. The first tier was directed to senior management, supervisors, and managers. This training was mandatory and presented by the AIP Direc-

tor and OIG executives at each of the NASA Centers, with the Center Directors introducing the AIP training and articulating the commitment of the center to addressing fraud vigorously. In this way, key leadership of the Centers reflected the local commitment to addressing the fraud.

The local representatives of the OIG Office of Investigations were introduced at these sessions. Tier 2 training included presentations from NASA procurement and fiscal law attorneys, OIG executives and top-level officials in the fraud community from the Department of Justice, United States Attorneys' Offices, De-

fense Contract Management Agency's Contract Integrity Center, Defense Logistics Agency, and the Suspension and Debarment Official from the Environmental Protection Agency.

The training targeted NASA attorneys (in a mode of training the trainers) and provided a "cradle to grave" review of the investigative and coordination of remedies processes in procurement fraud cases. Currently underway, Tier 3 aims at contracting personnel, including Contracting Officer's Technical Representative, program and project managers, quality assurance personnel, and financial management personnel. Tier 4 will



be web-based training for the general workforce.

The OIG has worked closely with the agency in designing the AIP training, emphasizing fraud threats to NASA based on the results of myriad prosecutions and civil settlements of fraud and false claim matters. The AIP training activities have presented the OIG with a great opportunity to fulfill its mission to prevent and deter fraud by assisting in raising the awareness of the NASA workforce about what fraud is and what the indicators of it are. The NASA Inspector General, the Assistant Inspector General for Investigations, and the Counsel to the Inspector General have all participated in the presentation of Tier 1 and Tier 2 training, placing particu-

lar emphasis on recent instances of fraud against the agency by contractors, subcontractors, and by NASA employees.

#### COORDINATION BETWEEN THE AIP AND THE OIG

In addition to collaborating with AIP on the training program, the OIG and the AIP staff are developing strong alliances in mutual support of deterring, detecting, and seeking remedies against fraud. In particular, there is frequent direct collaboration between OIG criminal investigators and the AIP staff.

Information about ongoing criminal investigations must be approached with great sensitivity to the integrity of the investigative process. Histori-

cally, sharing of information occurred in some limited circumstances, such as when an immediate safety threat was involved. Sharing of case sensitive information typically occurs only after the relevant United States Attorney's Office or other prosecuting authority are informed of the communication or agree to parameters for communication with the agency. Balancing the integrity of the investigative process with the interests of the agency in being informed about infirmities in agency contracts and contractors is appropriately in the domain of law enforcement and prosecutive authorities. As the criminal investigators and prosecutors establish closer relationships with the AIP staff, the perceived threat to the investigative process di-



minishes: where trusted relationships exist, greater sharing occurs. The value to government operations associated with the effective utilization of what amount to parallel proceedings is substantial – but these matters require delicate handling.

Although the AIP is fairly new, NASA OIG special agents and attorneys have collaborated in many cases with AIP attorneys. The AIP staff has helped facilitate the OIG's access to information; has helped emphasize the importance of remedial action against contractors in specific instances; has assisted in the responsiveness of contracting officers to OIG requests; and has facilitated referrals to the OIG. The AIP attorneys have also been a useful resource for devel-

oping legal theories of culpability of government contractors. The AIP has also worked with OIG investigators to convince the Department of Justice on the merits of certain cases and offered novel solutions to address harm to NASA.

In the Gross Instruments Corporation case, NASA OIG investigators, in concert with the Federal Aviation Administration, developed evidence that the majority of aerospace parts repaired by Gross Instruments were "unapproved" parts because they were tested on improper test equipment. Further, there was a significant lack of traceability for parts used in repair of larger aerospace components. The NASA OIG was able to identify 250 unapproved aerospace

parts connected with Gross Instruments that were associated with the repair of NASA craft. The case was presented for criminal prosecution to an Assistant U.S. Attorney, but it was declined because of the corporate owner's terminal illness and his voluntary surrender of \$1.5 million. To obtain asset forfeiture, NASA's AIP and OIG petitioned the Department of Justice for a portion of the civil settlement in an attempt to recover costs associated with NASA's loss. The petition resulted in a recovery of \$66,050 directly to NASA.

In another case, involving Crown Roofing Services, Inc., NASA OIG special agents developed evidence that Crown Roofing was employing one NASA official and direct-

ing payments to a company owned by another NASA civil service employee. Both NASA employees were COTRs working on Crown Roofing contracts. They have pleaded guilty to one count each for violation of 18 U.S.C. § 208, “Acts affecting a personal financial interest.” In support of the NASA OIG efforts, AIP attorneys coordinated with the Chief Counsel’s office at Johnson Space Center to withhold a \$750,000 Government payment to Crown Roofing to offset costs associated with the re-procurement of existing contracts and assisted Johnson Space Center Chief Counsel to terminate Crown Roofing contracts at Johnson Space Center. The Department of Justice and NASA are still working on various matters related to this case.

In an ongoing matter, an aerospace contractor was alleged to have mischarged the Government for “Independent Research and Development” costs, which are, in this case, direct costs related to a project for a foreign government’s program office. Although NASA OIG special agents developed corroborating evidence of mischarging, the Department of Justice elected not to pursue the case criminally or civilly and the case was dismissed. The OIG special agents actively worked with the AIP to identify the best course of action for cost recovery and coordinated with other affected agencies to meet an agreeable outcome.

In support of the NASA OIG’s efforts, the AIP was instrumental in crafting a proposed administrative settlement whereby NASA would withhold government payments on current contracts as a cost recovery

related to the mischarged independent research and development costs.

Since the AIP’s inception in 2006, dozens of matters have been coordinated between the OIG and the AIP. The improved collaboration between the OIG and the agency facilitated by the AIP has furthered our ability to execute our mission of combating and preventing fraud, waste, and abuse, and has helped promote the efficient and effective administration of agency programs and operations. The AIP program has significantly helped NASA reinforce integrity in the performance and administration of NASA contracts. ✎

#### ACKNOWLEDGEMENT

*Thanks to Kevin Winters, Frank LaRocca, Elizabeth Shifflet, and Sandra Nugent for their comments and contributions to this article.*



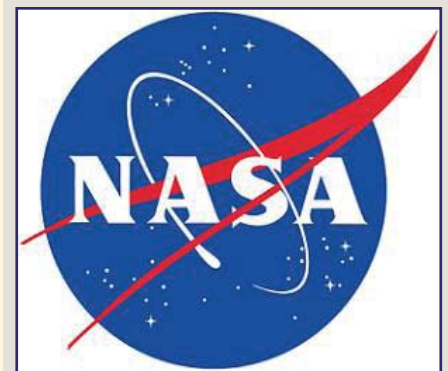
## Author Biography

**Robert W. Cobb** was nominated by the President and confirmed by the United States Senate as the Inspector General of the National Aeronautics and Space Administration in 2002.

Prior to his service at NASA, Mr. Cobb was Associate Counsel to the President. In this role, he handled the administration of the White House ethics program and was responsible for coordinating the conflict of interest and financial disclosure clearance processes for candidates for nomination to Senate-confirmed positions.

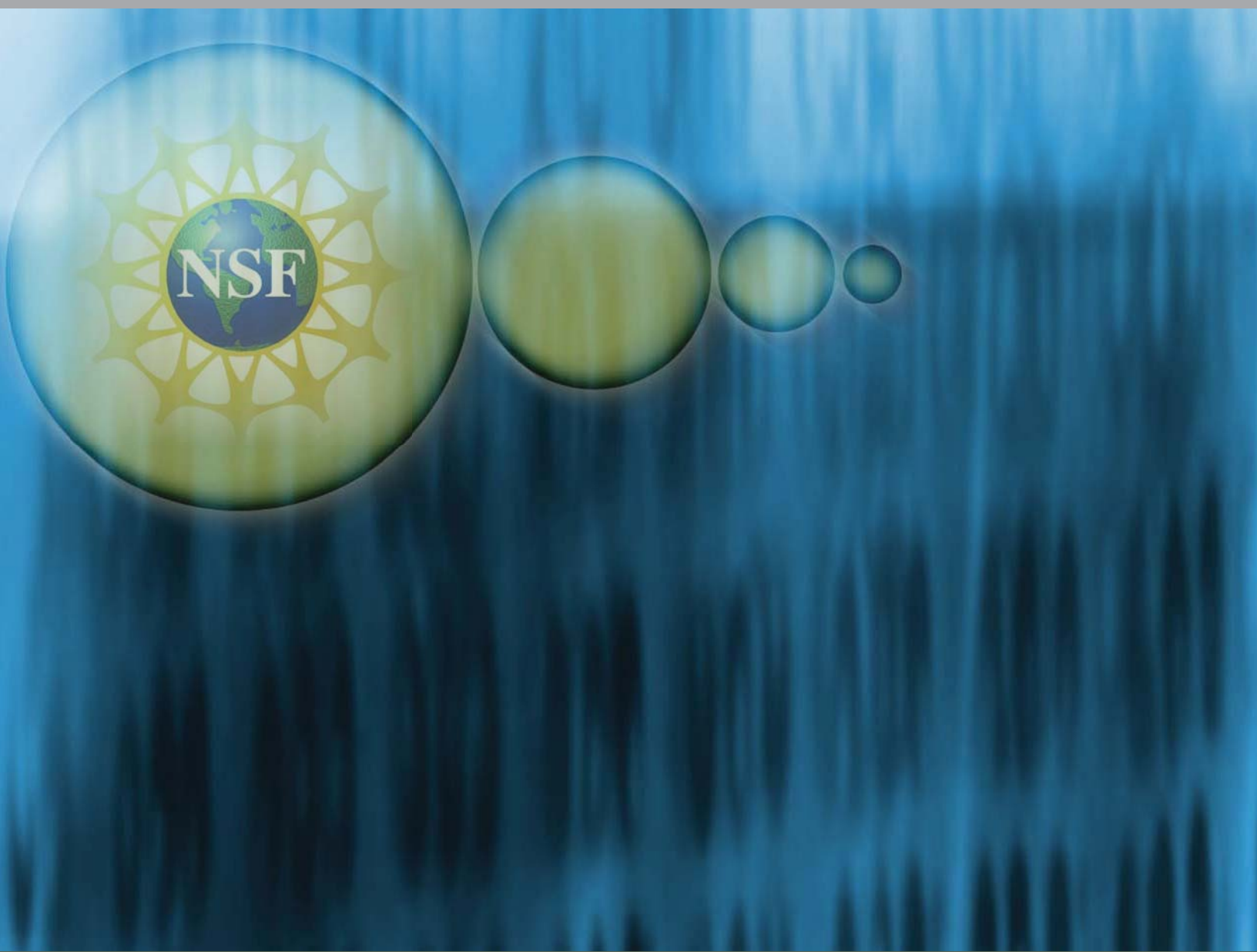
Mr. Cobb began his federal career in 1992 at the United States Office of Government Ethics, where he worked until 2001. Before entering government service, he worked for five years as an attorney in private practice.

Mr. Cobb is a 1986 graduate, cum laude, from George Washington University’s National Law Center and a 1982 graduate, cum laude, from Vanderbilt University.



Written by Aliza I. Sacknovitz and Jill W. Schamberger

# International Efforts Toward Financial and Programmatic Accountability





Aliza I.

# Sacknovitz

*“From 2002 to 2004, research and development activities in the 30 countries that comprise the Organization for Economic Co-operation and Development grew from \$657 billion to \$726 billion.”*

**Funding for research and development is increasing around the world. Offices of Inspectors General at federal research agencies, whose very mission is to ensure agency accountability for tax-payer dollars, must be particularly aware of the increasingly international nature of research, the ensuing accountability challenges, and the actions being taken to address these challenges.**

From 2002 to 2004, R&D activities in the 30 countries that comprise the Organization for Economic Co-operation and Development grew from \$657 billion to \$726 billion.<sup>1</sup> The U.S. government provided over \$55 billion for R&D funding in 2007,<sup>2</sup> and the National Science Foundation alone spends \$300–400 million annually on research awards involving international collaborations.<sup>3</sup>

Also increasing is the international nature of science, with multi-nation-

al, cross-disciplinary research, not only common, but desirable. For example, a February 2008 report issued by NSF’s National Science Board stated that international science and engineering partnerships play a crucial role in promoting global prosperity by building S&E capacity and expertise around the world, energizing US innovation, strengthening diplomacy, and fostering capacity building in developing countries.<sup>4</sup>

This increase in domestic and international R&D activities brings with it a growing need for ensuring financial and programmatic accountability in areas such as use of research funds, integrity in research, and achievement of research programs’ stated goals. The U.S. and other international research and governmental bodies must address these financial and programmatic challenges in order to preserve the integrity of, and tax payer confidence in, the research enterprise. The recent NSB report also advises that funding agencies and researchers consider accountability issues: “Accountability must be an integral part of planning successful collaborations to assure supporters that research integrity is a

1 National Science Foundation (NSF), Division of Science Resources Statistics, S&E Indicators 2008, (NSB-08-01), Arlington, VA, January 2008.

2 NSF, Division of Science Resources Statistics, Federal R&D Funding Down in FY 2007, (NSF 08-303), Arlington, VA, February 2008.

3 U.S. House of Representatives, Committee on Science and Technology’s Subcommittee on Research and Science Education, Subcommittee Supports a Coordinated Effort to Advance International S&T Programs Among Agencies, Washington, DC, April 2, 2008.

4 National Science Board, International Science and Engineering Partnership: A Priority for U.S. Foreign Policy and Our Nation’s Innovation Enterprise,” (NSB-08-4), Arlington, VA, February 14, 2008.

Jill W.

Schamberger



priority and that funds are used appropriately.”<sup>5</sup> OIGs must collaborate to transcend traditional agency boundaries in order to better address challenges presented by global R&D endeavors. OIGs cannot continue to work under the status quo, but rather must communicate and cooperate amongst themselves and others. As a European Science Foundation report states, “Global communication and cooperation among accountability professionals is necessary to gain efficiency and produce timely, useful accountability information.”<sup>6</sup>

#### FINANCIAL AND PROGRAMMATIC ACCOUNTABILITY TRANSCENDS BORDERS

##### *Accountability for Research Funds*

OIGs at federal research agencies are responsible for ensuring that their agencies hold research award recipients accountable for the federal dollars they receive. Audit work focused on financial accountability and internal controls can help mitigate the risks of fraud, waste, and abuse. However, as OIGs are only too aware, account-

ability for federal research dollars is often lacking. For example, a series of audits the NSF OIG is currently conducting on time and effort reporting at institutions receiving NSF funding is illustrative of this deficiency. Findings include missing, incomplete, or inadequate documentation to support the accuracy of labor effort costs; salaries charged in excess of limits; and salaries improperly charged because the work did not directly benefit NSF awards. Such findings bring into focus both weaknesses with effort reporting and payroll systems, as well as institutions’ lack of compliance with their own internal policies.

Institutions receiving federal research dollars from any federal agency must have adequate accounting and internal control systems to track and manage their research awards. However, NSF OIG findings raise questions about the extent to which these control systems are operating properly. NSF OIG audits have identified concerns with institutions not effectively overseeing federal monies passed through to subrecipients; not having support for claimed cost sharing; and not separately accounting for direct and indirect costs to prevent duplicate charges, all of which place federal research dollars at risk.

Challenges in financial account-

ability also exist when research is conducted in other countries using U.S. funds. For example, an NSF OIG audit<sup>7</sup> found many issues regarding the operations of an organization created by an international treaty agreement to coordinate and promote scientific research related to global change in the Americas. The organization’s operations and research programs are funded by voluntary contributions by 19 countries: NSF awarded grants totaling \$16.4 million on behalf of the U.S. The NSF OIG found that the organization did not adequately manage its subawards and that it was not familiar with, or did not understand, its responsibilities for subaward monitoring activities as required by the NSF grant agreements. As such, it did not place a priority on monitoring or improving its oversight of subawards. In addition, the audit identified other accountability problems such as the premature draw down of funds, excess educational allowance payments that could have been put towards better use, and unallowable costs charged to the NSF grant. Effecting change to protect NSF’s investment was made difficult by the involvement of multiple countries in the governance of the organization.

<sup>7</sup> NSF OIG, Audit of Inter-American Institute for Global Change Research, (OIG 04-2-007), Arlington, V.A., September 30, 2004.

<sup>5</sup> Ibid.

<sup>6</sup> European Science Foundation and NSF, Accountability Challenges: International Workshop on Accountability in Science Research Funding, Strasbourg, France, June 5-7, 2007.

Other NSF OIG audits<sup>8</sup> of international research activities have also identified concerns about award recipients' internal controls as well as the adequacy of NSF's policies and procedures to monitor compliance with award terms and conditions. U.S. research agencies and their OIGs, therefore, cannot assume that research conducted overseas will be done within the accountability structures expected and/or required of U.S. institutions.

### *Integrity in Research*

Ensuring financial and programmatic accountability includes the need for OIGs to ensure scientific integrity and prevent and address issues of research misconduct, which the 2000 Federal policy defines as fabrication, falsification, and plagiarism.<sup>9</sup> In so doing, OIGs not only protect the federal funds used to conduct research, but also maintain the trust of the American people in the research that their tax-dollars fund. Recent headlines<sup>10</sup> and studies<sup>11</sup> suggest that the

8 NSF OIG, Audit of International Geosphere-Biosphere Program, Stockholm Sweden, (OIG 03-2-014), Arlington, VA, September 30, 2003; NSF OIG, Audit of United States-Mexico Foundation for Science, Mexico City, Mexico (OIG 05-2-005), Arlington, VA, December 8, 2004.

9 Executive Office of the President, Office of Science and Technology Policy, 65 FR 76260-76264, Federal Policy on Research Misconduct, Washington, DC, December 6, 2000. The policy instructed Federal agencies that support or conduct research to implement it within one year. NSF was one of the first agencies to implement the Federal policy in 2002 (45 CFR Part 689).

10 "One in three [U.S.] scientists confesses to having sinned" "Australian Misconduct Case Questions System." "Chinese NSF Makes 59 Misconduct Findings." "German University Withdraws Doctorate in Misconduct Case." From <http://ori.dhhs.gov/international/cases/index.shtml>. Downloaded January 8, 2008.

11 "Repairing research integrity," nature, June 19, 2008; "Science Fraud at Universities is Com-

research community is plagued with cases of RM, some of which receive high profile coverage. It is therefore even more crucial that U.S. research agencies and their OIGs take allegations of RM seriously and hold researchers accountable for maintaining integrity in their research.

However, ever increasing multinational, cross-disciplinary research presents unique challenges for investigating RM allegations. In such cases, RM investigators are often no longer dealing exclusively with U.S. researchers located at U.S. institutions. Rather, allegations may involve examining foreign researchers collaborating with U.S. researchers, but employed at a foreign site not governed by the federal policy. In such cases, RM investigators often must identify who to contact to coordinate an international investigation, which itself can be difficult. Next, RM investigators must determine whether the research entity has an RM policy and, if so, how that policy differs from the federal policy. Oftentimes, RM investigators quickly learn that, unlike the U.S., many other countries, including some major sponsors of research, do not have a formal RM policy. Or, RM investigators realize that the differences within and between national policies themselves create practical challenges.

NSF OIG, as well as other research funding agencies, have already faced some such challenges. In one case, NSF OIG received an allegation related to a project intended to facilitate collaboration between a U.S. and a non-U.S. researcher. The foreign

researcher denied participating in the project and the U.S. researcher could not provide evidence of the collaboration. After initially assisting in the investigation, the foreign researcher suddenly stopped acknowledging NSF OIG emails and refused to cooperate further. NSF OIG was thus unable to pursue investigative action against the U.S. researcher.<sup>12</sup>

As international collaborative research continues to thrive such scenarios are bound to continue. While overall OIGs at federal research agencies are aware of the need to ensure integrity in research,<sup>13</sup> OIGs are only beginning to explore the need for mechanisms for investigating international RM.

### *Evaluation of Research*

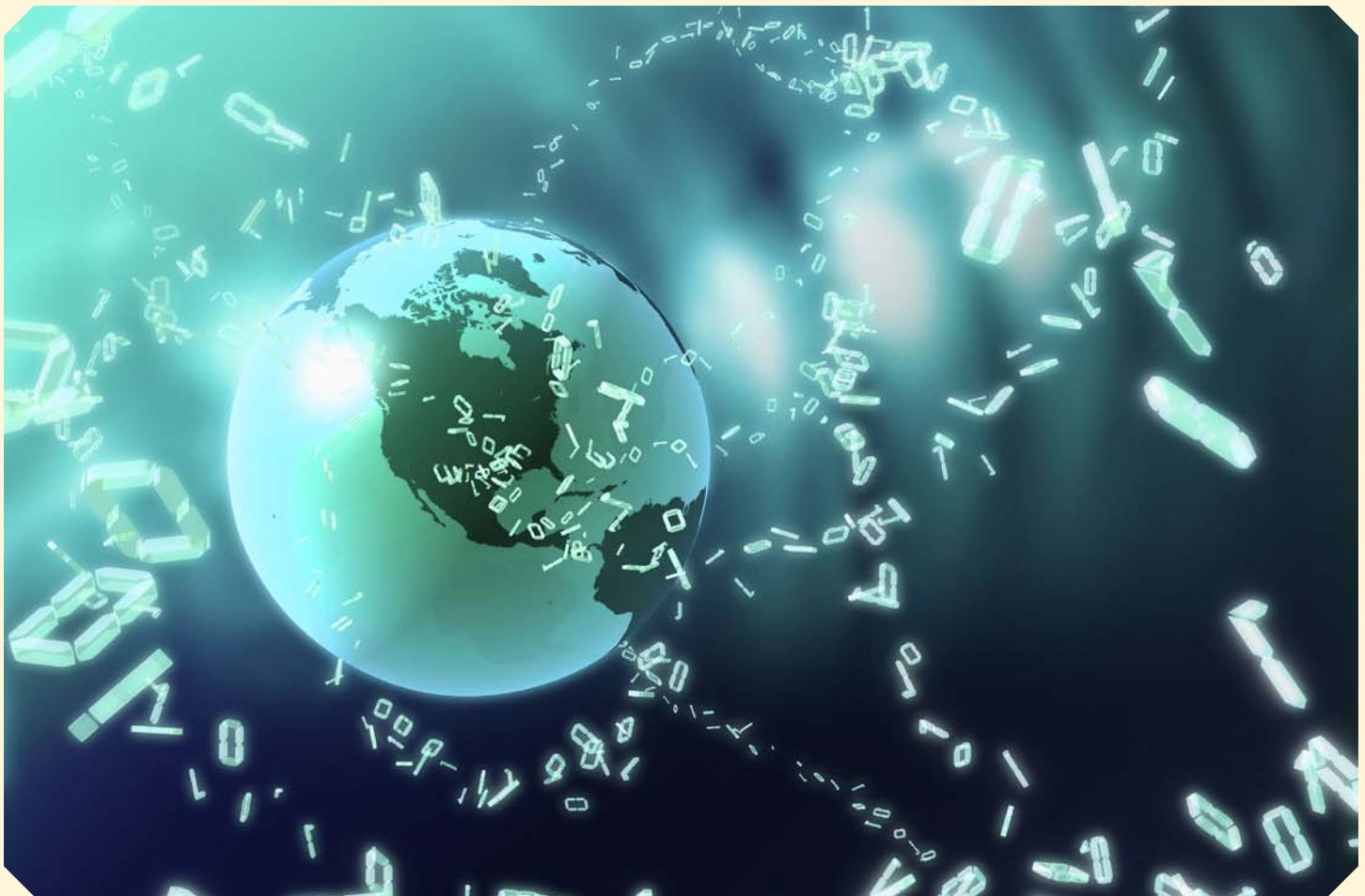
Assurances regarding the integrity of the finances and the conduct of research must also be accompanied by assurances that research programs have attained their stated goals. Evaluations of research programs provide a means to obtain such assurances and, in so doing, also inform funding agencies and stakeholders about programmatic outcomes.

Evaluating basic research poses challenges recognized by funding agencies around the world. One challenge is the difficulty in determining what programmatic impacts

12 This case is similarly detailed in a nature article co-authored by NSF IG Dr. Christine Boesz, entitled "Investigating international misconduct," April 10 2008.

13 The interest of OIGs in ensuring research integrity is evident, among other things, by IG membership from over 20 federal agencies in the PCIE/ECIE Misconduct in Research Working Group, which began in 2001. NSF IG Dr. Christine Boesz chairs this working group and can be contacted by those seeking additional information about its activities.





and outcomes should be measured (e.g., economic, field of study, etc.). Another challenge is that programmatic impacts and outcomes may not be known until many years in the future. However, such challenges do not mean that evaluations of basic research should be avoided.

U.S. and foreign funding agencies have approached these challenges differently. NSF, for example, currently relies on a variety of activities to ensure that the best science proposed is funded, and that this research contributes to the goals of the scientific program and the agency overall. Most NSF awards are subject to merit review, whereby panels of external experts review research proposals and recommend to NSF which proposals should be funded. After individual awards are made, NSF then relies on

a variety of evaluation committees<sup>14</sup> to provide a retrospective assessment of whether the projects funded furthered the research program as well as the agency's goals. Nonetheless, NSF has not systematically built evaluations into all of its programs, nor does it have a central office that can assist programs in planning and conducting evaluations. NSF instead relies on its various directorates and programs to consider and commission evalua-

<sup>14</sup> Committees of Visitors consist of a panel of external experts that evaluate the integrity and efficiency of the proposal review processes and provide a retrospective assessment of the quality of the results of the projects funded. NSF requires that its research programs receive such a review every 3 – 5 years. The Advisory Committee for GPRA Performance Assessment is comprised of external experts from the research fields NSF funds. The Committee meets annually to review the NSF-wide portfolio of projects to determine whether the agency has made progress towards meeting its strategic goals.

tions at their own discretion.

In contrast, the Deutsche Forschungsgemeinschaft, Germany's main funding agency for basic research, has embarked on a more systematic approach to evaluation. Until 1990, the DFG relied on its different departments to commission evaluation studies for different programs whenever they were deemed necessary; there was no single office for overseeing evaluations. In 1999, the DFG implemented a more systemic and professional approach to evaluations. The organization began placing emphasis on the concept that the results of evaluation studies would be used in the development of research plans and research policy. The Information Management Unit (IM Unit) is now mainly responsible for evaluation studies. Acting as a service

provider to other DFG units, the IM Unit offers advice on conceptualizing the study, drafting a request for proposals, selecting a contractor, and assisting with implementing the contract.<sup>15</sup>

OIGs need to be aware of how research funding agencies in different countries are taking on the challenge of evaluating the outcomes and impacts of the research they fund. Such knowledge can inform OIGs in assessing the effectiveness of their own agency's approaches to evaluating research programs. Audit work that considers how information about research results is collected and used internationally can help identify promising practices that can strengthen their own agency's domestic operations.

#### INTERNATIONAL ACCOUNTABILITY ACTIVITIES

As the previous examples show, U.S. research agencies are not alone in facing multiple challenges to financial and programmatic accountability. A variety of recent international activities have brought together decision-makers and practitioners to address these challenges by exchanging strategies and experiences and building upon their collective knowledge.

15 European Science Foundation Member Organization Forum "Evaluation of Funding Schemes and Research Programs," October 22-23, 2007, Berlin, Germany. Abstract of DFG presentation on research evaluation, and abstracts of other presentations, were provided via email to conference participants prior to the meeting. Presentations from the meeting can be found at <http://www.esf.org/activities/mo-fora/evaluation-of-funding-schemes-and-research-programmes/moforum-evaluation-workshop10-2007.html>. Downloaded June 26, 2007.

#### *Accountability for Research Funds*

European research funding agencies, the European Science Foundation, and the NSF OIG have co-sponsored a series of annual workshops to address accountability in research activities. Beginning in 2003, these workshops have focused on issues such as audit practices and compliance monitoring, oversight strategies, and evaluating and managing risk.<sup>16</sup> These workshops typically include about 40 participants from 15 countries. The participants are mainly those who are responsible for the administration and audit of government-funded S&E research programs. These meetings provide a forum for discussing individual countries' practices for addressing various accountability challenges, and a starting point for developing international approaches to address them.

#### *Integrity in Research*

Research misconduct is also receiving international attention. The Global Science Forum<sup>17</sup> of the Organization for Economic Co-operation and Development established the Co-ordinating Committee for Facilitating

16 Information on the presentations from the International Workshops on Accountability in Science Funding can be found on the OIG website under "OIG CONFERENCE PRESENTATIONS" (<http://www.nsf.gov/oig/pubs.jsp>). These include the 2008 Workshop on Investigations and International Cooperation (Liverpool, United Kingdom, June 21, 2008), [http://www.nsf.gov/oig/uk\\_accountability\\_presentation\\_mir\\_062108.ppt](http://www.nsf.gov/oig/uk_accountability_presentation_mir_062108.ppt); the 2007 workshop on Research Challenges (Strasbourg, France, June 5 - 7, 2007) and the 2006 Workshop on Evaluating & Managing Risks (The Hague, Netherlands, May 31 - June 2, 2006) <http://www.nsf.gov/oig/sri.jsp>. Downloaded June 27, 2008.

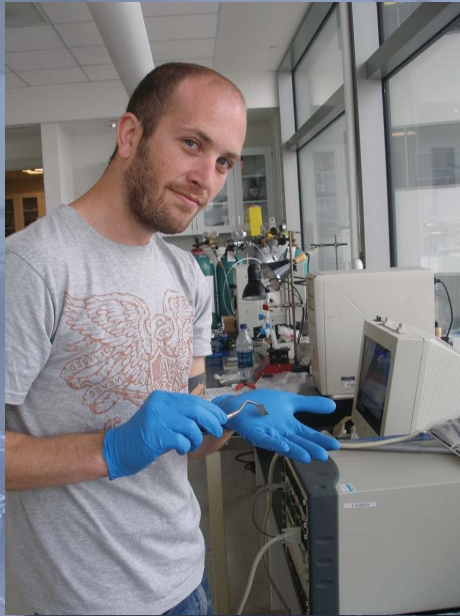
17 For more information about OECD GSF, visit [http://www.oecd.org/document/60/0,2340,en\\_2649\\_34319\\_1813628\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/60/0,2340,en_2649_34319_1813628_1_1_1_1,00.html).

International Research Misconduct Investigations to focus on practical issues related to international RM investigations. This expert group was created in response to an OECD Report<sup>18</sup> developed following a February 2007 meeting in Tokyo to address scientific integrity and misconduct.<sup>19</sup> The document discussed the significance and impact of RM, the international diversity of principles and procedures for dealing with RM allegations, and the possible causes and contributing factors. Among other things, it recommended that "Interested countries . . . undertake an international dialog among national practitioners." NSF IG, Dr. Christine Boesz, and Executive Vice-President of the Natural Sciences and Engineering Research Council of Canada, Dr. Nigel Lloyd, are co-chairing the expert group.

The committee has convened two times. At its inaugural meeting in December 2007 at NSF in Arlington, Virginia, 16 participants representing 14 countries and international bodies discussed various approaches for coordinating investigations of and resolving RM allegations. They agreed to develop principles regarding international RM investigations. They also discussed developing generic models of misconduct-related documents and agreements to be signed at the onset of international research collaborations. Lastly, the committee recommended broadening its membership in order to better reflect the

18 The OECD report can be found at <http://www.oecd.org/dataoecd/37/17/40188303.pdf>.

19 GSF and the Ministry of Education, Culture, Sports, Science and Technology of Japan (MEXT) "Workshop on Best Practices for Ensuring Scientific Integrity and Preventing Misconduct."



diversity of international research and its systems. Overall, the meeting served as a means of opening a dialogue between nations.<sup>20</sup>

These topics were advanced during the committee's second meeting in April 2008 in Paris. At this meeting, 25 participants from 21 countries and international entities further discussed issues raised at the first meeting.

Specifically, participants reviewed draft documents of the principles for facilitating international RM investigations and generic templates of misconduct-related documents for inclusion in international agreements.

They also discussed the target

groups for dissemination of these documents once finalized.

The committee's next and last meeting will occur in September 2008 in Vienna. Participants are expected to finalize a document containing the principles of international RM investigations and the generic templates of misconduct-related documents. The committee will also discuss its communication strategy for disseminating its work, which will include a practical manual on how to approach misconduct cases in international research collaborations.

Other international integrity efforts show the broad nature of these concerns. The ESF and the U.S. Department of Health and Human Services Office of Research Integrity organized a World Conference on

Research Integrity in September 2007 in Lisbon.<sup>21</sup> According to the conference's final report,<sup>22</sup> this conference "was the first global forum convened to provide researchers, research administrators, research sponsors, journal editors, representatives from professional societies, policymakers, and others an opportunity to discuss strategies for harmonizing research misconduct policies and fostering responsible conduct in research." The number of attendees – 275 partici-

<sup>21</sup> Information about the conference and conference documents can be found at <http://www.esf.org/activities/esf-conferences/details/archives/2007/confdetail242.html>.

<sup>22</sup> The report can be found at [http://www.esf.org/index.php?eID=tx\\_nawsecuredl&u=0&file=fileadmin/be\\_user/activities/research\\_conferences/Docs\\_NEW/2007/2007-242\\_Official\\_%20Final\\_Conference\\_Report.pdf&t=1214659219&hash=0ba17aa3678d4ce120eeb25940534261](http://www.esf.org/index.php?eID=tx_nawsecuredl&u=0&file=fileadmin/be_user/activities/research_conferences/Docs_NEW/2007/2007-242_Official_%20Final_Conference_Report.pdf&t=1214659219&hash=0ba17aa3678d4ce120eeb25940534261). Downloaded June 27, 2008.

pants from 47 countries – and their diverse professional backgrounds indicate the widespread interest in these issues.<sup>23</sup>

### *Evaluation of Research*

Finally, evaluating research is also being discussed at the international level. The ESF is leading a forum for member organizations and others to develop and address approaches for evaluating research projects and programs. The forum's focus is on post-award evaluations, such as whether the research project or program achieved its stated goals. To date the forum has sponsored two meetings, each attended by approximately 40 representatives from research funding agencies, research performing organizations, and learned societies from over 20 countries. The workshops have provided a platform for sharing current practices and experiences in evaluating research. Presentations have included evaluation approaches used by institutions that conduct research, case studies of quantitative indicators used in ex-post evaluations, the comparability of evaluations and indicators across disciplines and countries, and how progress and final project reports can be used in ex-post evaluations.

<sup>23</sup> In addition to multinational efforts, individual countries are also taking steps to ensure research integrity. In China, for example, these activities are being undertaken by multiple national organizations. The China Science Foundation now publicizes names of scientists who conduct RM; the Ministry of Science and Technology created an office in to handle RM cases; and the Chinese Academy of Sciences now requires all of its institutes to establish scientific ethics committees. (See "China Science Foundation Takes Action Against 60 Grantees," *Science*, September 16, 2005; "China sets up rules to combat scientific misconduct," *SciDev.net*, November 13, 2006; and "CAS takes aim at misconduct," [www.chinaview.cn](http://www.chinaview.cn), February 27, 2007).

The forum's next workshop will occur in October 2008 in Vienna. The objective of this meeting is to produce a set of documents that will describe state-of-the-art practices in ensuring quality in evaluations of research programs, as well as a set of common European indicators in evaluating organizations performing research.

### CONCLUSION

The efforts described above are only a start in addressing the variety of financial and programmatic accountability challenges faced worldwide. In working together, nations will have to recognize that their financial systems, their national RM policies, and their approaches to evaluating research differ in many, often significant, ways. In creating internationally recognized policies and practices the cooperation and participation of funding agencies, institutions, and the researchers themselves is essential.

In this time of more complex international issues such as global climate change and public health, global research is more important than ever. As research becomes more international, OIGs at research agencies must be well-informed of the accountability efforts being undertaken around the world. Their oversight responsibilities for monitoring and evaluating research agency operations will confront additional challenges as the number of international collaborations grows. OIGs must therefore ensure that their agencies implement adequate controls to ensure the financial and programmatic risks associated with these international endeavors are considered and addressed. ❀

## Author Biography

**Aliza I. Sacknovitz** is an investigative scientist in the Administrative Investigations Division of the NSF OIG's Office of Investigations. Ms. Sacknovitz received her Bachelor's Degrees in Linguistics and Journalism & Mass Media from Rutgers University. She received her Masters of Science and her Doctorate of Philosophy both in Linguistics from Georgetown University. Ms. Sacknovitz joined NSF OIG in September 2006 while still a graduate student. Her recent OIG honors and awards include a 2008 NSF Director's Award of Excellence for Program Management for her investigative skills.

**Jill W. Schamberger** is an audit manager in the Performance Audit group of the NSF OIG's Office of Audit. Ms. Schamberger received her Bachelor's Degree in Public Policy Studies from the University of Chicago and her Master's in Public Affairs from the University of Texas-Austin. Her recent OIG honors and awards include a 2007 NSF Director's Award of Excellence for audit work on NSF's policies to disseminate the results of the research it funds; a 2006 PCIE Audit Award for Excellence for contributions to the Domestic Working Group Grant Accountability Project; and a 2004 ECIE Audit Award for Excellence for audit work on NSF's Math and Science Partnership Program.

Written by Robert Bronstrup (Retired)

# Implementing a Process to Score the Quality of Audit and Evaluation Reports





Robert

## Bronstrup

*“Adhering to the quality characteristics that lead to high quality reports also helps to ensure that a high percentage of OIG recommendations are accepted by the agency, thus helping EPA operate more efficiently and ensuring better protection of the environment.”*

***E***very year the 64 federal Offices of Inspector General identify significant potential dollar savings as well as program efficiencies and enhancements from a range of different types of audit and evaluation reports.

In Fiscal Year 2007 alone, the efforts of the Inspectors General resulted in the issuance of over 6,500 reports with over \$11.4 billion in potential cost savings from recommendations. The Inspectors General, through these reports, also identify inefficiencies and ineffectiveness in government programs and operations and offer many non monetary recommendations for management improvement. Through high quality reports, the Inspectors General have helped agencies address management and performance challenges that have ultimately led to improved accountability and transparency in government programs and operations.

The demands made upon the federal OIG community and the complexity of OIG work is likely to increase. In the last year, Congressional committees have increasingly taken up issues on which the Inspectors General have reported. Congress will likely request additional audits of high priority and complex government programs. As the OIG work grows more complex,

challenges to their work can be expected, as noted by the Government Accountability Office. It goes without saying that each time a report is issued, the reputation of that OIG is on the line. Therefore, a process to actually measure and assign a quality score to an OIG's report on a “real time” basis can help and even enhance the reputation of that OIG among its customers and stakeholders.

### QUALITY ASSURANCE SYSTEMS ARE REQUIRED OF FEDERAL OIGS

Addressing the challenges facing the OIGs' work in the future will require dedication, commitment, and hard work by all OIG employees. The Inspector General Act, now 30 years old, requires that the efforts of the OIG staff comply with the Government Auditing Standards, published by the Comptroller General of the United States (commonly known as the Yellow Book). The standards require that OIG auditors and evaluators possess the necessary competence, integrity, objectivity, and independence to effectively carry out their work. These standards generally call for the OIGs to issue report drafts to their agencies and respond to the agencies comments. As noted, the final reports include recommendations

for improving management practices and procedures, making better use of agency resources, and questioning funds that were spent.

The Yellow Book rightfully requires that each audit organization performing audits or attestation engagements in accordance with generally accepted government auditing standards must establish a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with the Yellow Book, other professional standards, and applicable legal and regulatory requirements. Each organization must also have an external peer review at least once every three years.

An effective quality control system is critical to an OIG's success. It helps to establish the OIG's reputation for consistent high quality work that decision makers will recognize and rely upon when using that OIG's findings and recommendations. The involvement of top management at the OIG is critical in the successful implementation of quality control, as they must be insistent on the principles, policies, and procedures by which the staff carries out their work on specific projects.

As with all federal OIGs, the U.S. Environmental Protection Agency OIG has defined its policies and procedures necessary for executing projects. These policies and procedures are immediately available to all staff on the OIG's intranet site. For example, the EPA OIG has issued a Project Management Handbook that gives guidance on key policies, links back to specific sections of the Yellow Book, and describes more specific

procedures that must be followed by staff in order to comply with stated policies over our audit and evaluation process.

A key question, as previously noted, emerges in the implementation of the OIG policies and procedures and its execution of reviews. Can a quality assurance system show, on a continual real-time basis, that the specific quality characteristics emphasized by its senior management and required by the Yellow Book and its own internal policies and procedures are carried out? How effectively are they carried out? Can a "quality score" actually be assigned to the key quality characteristics and activities that will demonstrate the success of the OIG staff in adhering to the Yellow Book, professional standards, and OIG policies and procedures?

If such a system can be implemented successfully, it would allow senior management to more easily identify and immediately address quality assurance issues promptly so that its key policies and procedures can be strengthened and, ultimately, the costs of assignment reduced. It can help flag deficiencies in OIG policies that contribute to poor planning or execution of the audit assignment.

### THE QUALITY CONTROL PROCESS AT THE EPA OIG

In 2006, to better measure specific quality characteristics of OIG projects on a timely and consistent basis, EPA OIG quality assurance staff developed a procedure that would measure these characteristics in all OIG projects. Each quality characteristic, represented by a step in the audit and evaluation process, would result in a

specific number of points entered on a Project Quality Scorecard if successfully achieved by the staff, and ultimately a total project score for that project.

In developing the specific scoring method, the underlying theme of OIG's leadership was that the OIG's primary goal is to satisfy the needs and demands of its customers – EPA, Congress, the Office of Management and Budget, and the public. With that goal in mind, the OIG should strive to consistently provide products that meet specific quality characteristics and adhere to applicable professional standards and OIG policies and procedures. Ensuring that the OIG was issuing high quality products consistently increased the probability that our work would be relied on and our recommendations implemented by management.

An internal assessment of prior OIG products was initially made by the quality assurance staff to identify key quality characteristics that were most important and to identify characteristics that seemed to be most vulnerable in our work. This initial assessment led to the process that allowed the OIG to develop a project quality scorecard to measure the quality of each project as it is completed. The process implemented was incorporated as part of our overall quality control system. The manner in which the scoring process has been implemented has allowed the OIG to assess trends in quality for audits and evaluations so that adjustments can be made immediately to the OIG's audit and evaluation policies and procedures. This enables teams to avoid repeating common types of errors,

such as neglecting steps to achieve the key quality characteristics. The employees who are responsible for scoring projects are also responsible for maintaining the OIG's policies and guidance for audits and evaluations. This allows for immediate changes to be made in these documents.

### THE OIG'S PROJECT QUALITY SCORECARD

The OIG's Project Quality Scorecard covers the evaluation of key quality characteristics on all audits and evaluations from the time that a team of auditors/evaluators initiates preliminary research to the point that the team issues a final report. It also includes a component for report readability and avoidance of inflammatory language.

The EPA OIG has weighted the Project Quality Scorecard so that the readability component of the total project score represents about 30 percent of an assignment's total quality project score. The scorecard recognizes that there may be some variation in the percentage due to individual scores achieved on the various components of the scorecard. The OIG process is designed so that it can periodically adjust the weight of the quality characteristics measured to maintain a proper weighted percentage between the components as determined appropriate by OIG senior managers.

Currently, the EPA OIG project quality scorecard does not cover the single audit process, but the OIG may extend the scoring process to other activities over the course of time.

### ELEMENTS OF THE PROJECT QUALITY SCORECARD

The first page of the Project Quality

FIGURE 1: PAGE 1 OF THE PROJECT QUALITY SCORECARD

Project Quality Scorecard		
Background Information		
Report Title:		
Report #		Date of Kick-off
Assignment #		Date of Entrance Conference
Total IGOR Days		Date of Draft Report sent to OCPL for review
Total Hours		Date of Draft Report
Project Cost		Date of Final Report
Planning		
Preliminary Research		
PR Guide approved by the Product Line Director prior to Kick-off meeting- 1pt		
Preliminary Research completed within 90 days of the Kickoff meeting- 1pt		
Project design discussed with Agency prior to start of fieldwork- 1pt		
Fieldwork		
Fieldwork		
Project Guide (including objectives, scope, and methodology for each objective) is approved by the Product Line Director Prior to the entrance conference- 1pt		
Steps in the project guide are indexed to the supporting workpapers (or explanation provided as to why the step was not completed)- 1pt		
Team meets periodically with Agency management to update on progress and verify the factual accuracy of the evidence gathered- 1pt		
Finding outlines prepared prior to message agreement meeting- 1pt		
Evidence		
Evidence used in support of the condition and the underlying cause. (Note: If there are multiple findings, the score will be determined by averaging scores.)		
	Doumentary evidence	(4 pts)
	Analytical	(3 pts)
	Observations	(3 pts)
	Testimonial	(1 pt)
Supervision		
Note: The rating assigned to review comments/disposition and to the number of supervision reviews are added for a net supervision score as follows:		
Supervisory review (Compute score using the following steps)		
A. Identify number and grades of staff working on the audit/evaluation: list:		
	Name	Grade Level
1.		
2.		



Scorecard is shown as an exhibit to the left. Certain background information is included on the Project Quality Scorecard, such as the total cost of the audit and number of staff days needed to complete the assignment, so that OIG managers can better assess the benefits of the review compared to its costs.

The following are the key quality elements and activities measured by the scorecard.

### *Preliminary Research*

At the EPA OIG, reviews are carried out by staffs who are assigned to a specific “Product Line,” such as Superfund, Water, and Air. During preliminary research, teams are required to develop a guide that contains preliminary objectives and identifies program criteria and steps. This should result in the collection of sufficient information within 90 days to determine whether a full review is warranted. If a full review is warranted, the team will develop a proposed design for field work. Points are awarded when the team completes these certain key activities and demonstrates quality in completing the steps in the working papers. These activities include (1) the Product Line Director approving the preliminary research guide and its components prior to the initial meeting with the agency officials responsible for the program being reviewed, (2) the team completing preliminary research within 90 days of the kickoff meeting, and (3) the team discussing the project design with agency officials so they are aware of how the team plans to answer the questions.



### *Field Work*

Teams are required during field work to develop a project guide with specific objectives and corresponding steps to answer those objectives. The OIG’s goal is to produce a report with findings and recommendations that have been developed in accordance with all applicable professional standards. The specific key activities to which points are assigned include having the Product Line Director formally approve the guide prior to an entrance conference with the agency officials. This approval signifies that the director believes (a) the proposed objectives will likely result in a useful report; (b) the project guide adequately addresses relevant audit risk; (c) proposed scope and methodology are adequate to address the audit objectives, and the project steps clearly describe what type of evidence is needed; (d) available evidence is likely sufficient and appropriate for the purposes of the project; and (e) sufficient staff, supervisors, and specialists

are available to work on the project.

Additionally, the scorecard recognizes and awards a specific point for each of the following key activities:

- Steps in the project guide are completely indexed to the supporting working papers or an explanation provided why a step is not performed.
- Periodic meetings with management have been held during the audit to update management on the progress and to verify the factual accuracy of the information gathered.
- The OIG team has prepared and distributed finding outlines prior to a message agreement meeting that is held after field work is completed.

### *Evidence*

A score is assigned to the quality of evidence that the project team has gathered to support the issues in the report. The OIG assigns weighted scores to specific types of evidence that teams have gathered to answer each objective:

**Documentary:** Documentary evidence is recognized by the EPA OIG as generally the strongest type of evidence. Documentary evidence consists of information such as letters, contracts, accounting records, invoices, and management information on performance. Findings supported by documentation are assigned four points on the Project Quality Scorecard.

**Analytical:** Analytical evidence includes computations, comparisons, separation of information into components, and rational arguments. Findings supported by analytical evidence are assigned three points.



**Observation:** Observations or other physical evidence are obtained by direct inspection or observation of people, property, or events. Such evidence may be documented by the auditor in memoranda, photographs, drawings, or charts. Findings supported by physical evidence are assigned three points.

**Testimonial:** Testimonial evidence is obtained through interviews, questionnaires, or e-mails. Findings that are largely supported by testimonial evidence are given one point.

### *Supervision*

In assigning a score to supervision on a project, the OIG scoring system

emphasizes that a key quality characteristic is that supervisors complete and document working paper reviews on a regular basis. Another key quality characteristic of supervision is that supervisors need to prepare reviewer notes that the staff responds to and that the supervisor then acknowledges the responses as sufficient in order to clear the questions raised. Timeliness of supervisory reviews and preparation and clearance of reviewer notes are given equal weight in arriving at the quality of supervision score, which has a maximum weight of five points.

### *Report Preparation*

During the reporting phase, the team summarizes information during field

work and develops a draft and final report so that findings and recommendations can be timely communicated to the agency or other customers. Bonus points can be earned when the team completes a report in less time than expected. The goal is to provide the initial draft report to the EPA OIG editors within 200 days from the initial meeting with the agency. The following are the key activities in the reporting phase that are measured by the EPA OIG scoring process, with points assigned.

**Discussion Draft Issued to the Agency:** The OIG process includes developing a discussion draft report for the purpose of obtaining and confirming the facts of the findings and reasonableness of the recommendations. If this step is completed by the project team, one point is awarded.

**Draft Report Preparation:** The OIG standard is to provide a draft report to the OIG editors in 200 days. If the team submits a draft report to the OIG editors within 200 days a bonus of 5 points is given on the scorecard. Once the goal of 200 days is exceeded, a 1-point deduction is made for every 50 days beyond the 200-day goal.

**Product Line Director and Project Manager Reviews:** The report process emphasizes the importance of the Product Line Director and the Project Manager confirming and assessing the support in the working papers for the statements made in the

report. The EPA OIG emphasis on the quality of evidence gathered by the project team ultimately rests with the Product Line Director and Project Manager. Supervisors are expected to thoroughly check the evidence supporting the report prior to sending it to the independent referencer. If this step is successfully completed, three points are awarded.

**Certification:** The Product Line Director and Project Manager must sign a certification that the report is fully supported when sending the report to the independent referencer. Completion of this step is given one point.

**Independent Referencing:** Independent referencing confirms that adequate and sufficient evidence exists for the report's statements, and must be completed. All points raised by the referencer must be resolved prior to issuance. Successful completion of this step is given one point.

### *Report Clarity*

Each OIG report is also graded by a software reading program. The OIG goal is to have a report assessed at a grade 14 reading level. For reports with a grade level of 14 or below, 9 points are awarded. For every tenth of a grade level above 14, a tenth of a point is deducted.

### *Tone*

The OIG checks for inflammatory language and fairness in presenting the issues. When reports refrain from using language that can be considered inflammatory, one point is given.

## CONCLUSIONS

The scoring process succeeds because the EPA OIG's staff are aware of the key quality characteristics of most interest to senior EPA OIG managers and because the quality assurance staff assess each project as it is completed.

The process has resulted in the strengthening of EPA OIG policies and procedures on a timelier basis. It also is a tool that management uses during the evaluation process and awards process.

EPA OIG reports have become more consistent in regard to the key quality characteristics and activities that the scorecard tracks for each project. The average project score increased from 19.2 in the first quarter of Fiscal Year 2007 to 25.0 in the fourth quarter, a 30 percent increase. Likewise, supervisory scores increased from 3.0 in the first quarter to 4.0 in the fourth quarter.

Adhering to the quality characteristics that lead to high quality reports also helps to ensure that a high percentage of OIG recommendations are accepted by the agency, thus helping EPA operate more efficiently and ensuring better protection of the environment.

In Fiscal Year 2007, the agency concurred with 84 percent of the recommendations made in the OIG's final reports.

The EPA OIG has published quality scores on the EPA OIG Internet site showing the consistency and trends in EPA OIG project quality (See Figure 2, next page). ❁

## Author Biography

**Robert K. Bronstrup** (Retired) was the Special Assistant to the Deputy Inspector General for EPA and was responsible for quality assurance activities.

Over the last two years Mr. Bronstrup implemented the project quality scoring system at the EPA-OIG that is the subject of this article. Mr. Bronstrup has 33 years of experience conducting performance audits at several major federal agencies including the Department of the Treasury where he received Treasury's highest award, the Secretary of the Treasury Award for contributions associated with his performance audits.

At EPA, Mr. Bronstrup has also received the silver and bronze medals for significant contributions resulting from performance audits that he managed.

Mr. Bronstrup has a Bachelor's degree in Business Administration in Accounting from the University of Cincinnati, and also a Master's Degree in Business Administration from Miami University in Oxford, Ohio.



FIGURE 2: OFFICE OF INSPECTOR GENERAL PROJECT QUALITY SCORECARDS – FY 2008

Report Number	Staff Days	Project Cost (000s)	Elapsed Days from Kickoff to OCPL	Planning	Field Work	Evidence	Supervision	Draft Report Preparation and Timeliness	Report Communication	Total Assign Score
08-P-0020	1,505	\$1,288.6	807	2	3.4	4	4.5	8	8.4	30.3
08-1-0032	3,081	\$2,575.6	196	3	3	4	4.6	13	7.1	34.7
08-2-0039	102	\$84.8	45	3	4	4	4.7	13	9.0	37.7
08-2-0045	53	\$44.1	128	3	4	4	4.1	7	9.0	27.1
08-P-0049	597	\$571.7	394	3	4	4	2.8	5	7.4	26.3
08-P-0055	173	\$136.7	232	3	4	3.5	4.6	8	9.0	32.1
08-P-0062	46	\$38.5	85	3	3.5	4	4.1	13	9.0	36.6
08-P-0080	179	\$145.5	87	3	4	4	5.0	13	9.0	38.0

The scoring process itself is continually under evaluation and modifications are made periodically to make it a more effective management tool. As a result, the OIG has implemented an ongoing effort to improve the timeliness, responsiveness, and value of products and services provided through a scoring process of specific quality characteristics that should be present in all OIG projects and reports.

Written by The Honorable Kenneth M. Donohue

# Fraud, Mortgage-Backed Securities, and Ginnie Mae





The Honorable Kenneth M.

**Donohue**

*This article originally appeared in the June 2008 issue of "Mortgage Banking" magazine and is reprinted here, courtesy of "Mortgage Banking," in modified form.*

*"This is a story of how a group of friends and relatives colluded to defraud Fannie Mae, Ginnie Mae, and investors of \$38 million."*

**I want to start by telling you a story of greed and fraud that involves a mortgage lender, First Beneficial Mortgage Company of Charlotte, North Carolina, and its victims—Fannie Mae, and the Government National Mortgage Association, commonly known as Ginnie Mae.**

This is a story of how a group of friends and relatives colluded to defraud Fannie Mae, Ginnie Mae, and investors of \$38 million.

The First Beneficial story is also a story of bureaucratic buck-passing that allowed a fraudulent scheme to grow and victimize government institutions and investors.

You might ask: Why am I telling you this story now? My response is that the past is often prologue to the future. First Beneficial illustrates how fraud in the loan origination process eventually becomes fraud in the government securitization process.

During my tenure at the Resolution Trust Corporation in the 1990s, I witnessed the meltdown of the savings-and-loan industry as a result of fraud and malfeasance. Now, with the subprime meltdown, we are witnessing again massive malfeasance, misconduct, and often sheer criminal conduct in the subprime mortgage industry, which has adversely affected

securities markets and investors. So, although the First Beneficial case is an individual story, it has larger ramifications and contains important lessons for the insured mortgage-backed securities industries, including Ginnie Mae.

#### FIRST BENEFICIAL

Fannie Mae approved First Beneficial as a single-family mortgage lender in 1995. In 1997, First Beneficial was approved to sell Title I loans. Title I loans are home-improvement loans and manufactured-housing loans.

In 1998, Fannie Mae began noticing problems with the Title I loan program nationwide and decided to review First Beneficial's loan portfolio. This review uncovered approximately \$1 million in Title I loans that did not meet Federal Housing Administration loan criteria or were purported to be FHA insured, but in fact, were not.

During this review, First Beneficial was not truthful about whether the Title I loans were FHA-insured. Fannie Mae demanded First Beneficial repurchase the portfolio, but First Beneficial did not have the funds to repurchase. Fannie Mae worked out a deal by which it would purchase new, pre-approved, single-family loans from First Beneficial and apply the

proceeds from the sale of these loans to repurchase the ineligible Title I loans.

Several weeks after these events, First Beneficial called Fannie Mae and said it had an investor that was willing to buy the bad Title I loans with a single cash payment. Accordingly, in September 1998 First Beneficial paid Fannie Mae the nearly \$1 million it owed. Fannie Mae did not ask, and First Beneficial did not tell, the source of the funds.

Because of the problems with First Beneficial's Title I loans, Fannie Mae became suspicious of First Beneficial's single-family loans and began an inquiry into those it had purchased. Fannie Mae found that many loans were in the names of First Beneficial's owners and employees. That should have caused Fannie Mae concern. First Beneficial maintained that the loans were "investor" loans and agreed to repurchase them.

On Nov. 3, 1998, Fannie Mae wrote First Beneficial and said it would not purchase any more of the company's loans without prior approval. On Nov. 19, 1998, Fannie Mae received a telephone call from a financial crimes investigator with the North Carolina Banking Commission, who said First Beneficial was making loans without insurance and was trying to get Ginnie Mae to accept the loans. The investigator gave Fannie Mae the names of two First Beneficial employees, who confirmed their effort to pass the loans to Ginnie Mae. Fannie Mae learned that First Beneficial had only two investor sources: Fannie Mae and Ginnie Mae.

On Nov. 20, 1998, Fannie Mae suspended First Beneficial as a lender

and called in the owner for a meeting. At this meeting, Fannie wanted to know more about First Beneficial's purported investors, but it did not receive a satisfactory response from First Beneficial. Following this meeting, Fannie Mae began to take a closer look at some of the properties in the loan portfolio by physically inspecting the properties.

What Fannie Mae discovered was that many of the properties listed were, in fact, vacant lots or did not exist. A check at the courthouse revealed the named borrowers did not own the properties and that some were not even owned by First Beneficial.

Fannie Mae did not pass this information about First Beneficial's transgressions to others, thus allowing First Beneficial to continue to operate a fraudulent enterprise and ultimately victimize Ginnie Mae.

As most in the mortgage industry are aware, Ginnie Mae "securitizes" loans insured or guaranteed by the Department of Housing and Urban Development's FHA, the Department of Veterans Affairs, or the Department of Agriculture Rural Housing Development. Ginnie Mae guarantees investors timely "pass-through" payments of principal and interest on mortgage-backed securities. Ginnie Mae securities are the only MBS to carry the full faith and credit guaranty of the U.S. government.

In late 2000, Ginnie Mae discovered these First Beneficial transactions through a compliance audit. It was found that First Beneficial, in order to repay Fannie Mae, had pooled the false mortgages--purportedly en-

dorsed for FHA insurance--and sold them to investors in the form of MBS guaranteed by Ginnie Mae. In actuality, these mortgages had never been endorsed by FHA.

First Beneficial issued more than \$21 million in fraudulent mortgage-backed securities guaranteed by Ginnie Mae. In order to conceal its false mortgage scheme from MBS investors and Ginnie Mae, First Beneficial used money received from the sale of pooled false mortgages to make monthly pass-through payments to investors as if they were regular payments of principal and interest received from actual mortgage loans. First Beneficial also filed monthly reports with Ginnie Mae that concealed the true nature of its loans.

Because the original fraud to Fannie Mae was passed on to Ginnie Mae, costs to Ginnie Mae ballooned. By the time all was said and done, the American taxpayer was defrauded out of approximately \$38 million. What began as a mortgage fraud scheme grew into a securities fraud scheme as well.

Eventually, justice was done. In 2002, seven defendants associated with First Beneficial were indicted. All seven either pled guilty or were convicted at trial.

Sentences ranged from one and a half years' imprisonment and \$10 million restitution to 21 years' imprisonment and \$23.5 million in restitution for the ringleader of the scheme--the latter being one of the longest sentences ever meted out for a white-collar crime. More than \$8 million in property, including a yacht valued at nearly \$1 million, were seized and forfeited. The court recog-

nized that such serious fraud deserved substantial penalties.

In addition to the ringleaders, on Feb. 15, 2005, the independent public accountant who provided false annual financial statements to Ginnie Mae was sentenced to a year and a day in prison. These false statements allowed First Beneficial to sell pools of mortgages to Ginnie Mae. I cite this particular facet both to indicate how such schemes tend to pull in others, as well as to show that those who choose to act as accomplices also face severe penalties.

Fannie Mae agreed to forfeit First Beneficial funds that it held, and on April 7, 2005, through the U.S. District Court in Charlotte, North Carolina, a check for approximately \$7.5 million was issued to Ginnie Mae. On June 15, 2007, a second check for approximately \$4.4 million was presented by federal prosecutors to Ginnie Mae. It represented the proceeds from properties that were forfeited and sold as substitute assets for part of the ill-gotten gains of the defendants.

Some might say this case is about a relatively small amount of money when measured against the billions invested in government-backed securities. Others might maintain that such fraud is merely the cost of doing business. But you can see from the severe sentences issued by the trial court that the court viewed this case as a very serious matter.

The full faith and credit of the United States stands behind Ginnie Mae and is the source of the integrity of the program that investors rely upon. The First Beneficial case adversely affected the integrity of Ginnie

Mae--and Fannie Mae--programs. It was a red flag that something needed to be done. It was imperative that our office--with the strong and invaluable assistance of the Department of Justice--aggressively investigate this fraudulent scheme.

### FHA

Ginnie Mae's and Fannie Mae's problems in the First Beneficial case originated in a bold loan origination scheme. As with any waterside community, Ginnie Mae suffers from the "downstream" effect of pollution--in this case, the pollution of the MBS pools by fraudulent mortgage loans.

The FHA, a major component of HUD, is one of the largest home mortgage insurers in the world, and FHA-endorsed loans are the largest source of pooled loans for Ginnie Mae. FHA has served its role ably over the decades. In recent years, however, what may be called a paradigm shift in mortgage lending practices has occurred, with devastating impact on FHA market share and its traditional mission.

Conventional mortgage lenders, both prime and subprime, offered financing options and, to put it mildly, relaxed underwriting guidelines that cut deeply into FHA's target market. FHA's market share in terms of numbers of loans fell from 19 percent in 1996 to 4 percent in fiscal year 2007, according to the Monthly Report to the FHA Commissioner on FHA Business Activity, with most of the decline coming since 2001.

Over the last two years, FHA has made changes to its operations to increase efficiency in the processing of loans for insurance endorsement.

Higher-performing lenders now can endorse loans for FHA insurance without prior review by FHA. FHA appraisal requirements now mirror those of conventional market appraisals.

As a mortgage insurer, FHA pays the ultimate cost for loans that go bad. Lenders are made whole, but FHA seldom recovers that cost in reselling the properties to the public. In fiscal year 2007, FHA lost an average of 39 percent of each insurance claim it paid, when sales costs are netted against the payout to the lender/claimant. This loss percentage has been increasing in recent months. With the recent dramatic increase in FHA loan limits and falling real estate values, the stakes have never been higher for preserving the financial health of the mortgage insurance program.

We recognize there are great challenges confronting FHA's Single-Family Insurance Program. New initiatives may be warranted. These initiatives, however, warrant substantial oversight and enforcement of prudent mortgage lending practices to prevent a recurrence of what we are witnessing in the subprime market today and what we saw in the savings-and-loan industry in years past.

It is most important that, in an effort to widen acceptance and use of FHA products, we do not throw open the door to a new generation of fraud. Companies such as First Beneficial thrive in a comparatively unregulated framework.

### MORTGAGE FRAUD

Just as First Beneficial's activities began as a mortgage loan scheme and



developed into a securities scheme, current mortgage schemes pose a threat to the health of the loan origination process and government securities programs. It is important that the interrelationship of government-insured loans and government mortgage-backed securities be recognized, and that fraud deterrence, prevention, and prosecution be undertaken with this symbiosis in mind.

Some long-standing fraudulent schemes continue to operate, and new schemes continue to develop. Fraud groups and individuals continue to conspire--with or without the borrower's knowledge--to provide materially false applications, documents, and statements. They do so to obscure information that would otherwise demonstrate that the borrowers do not qualify for the loans they seek or that the property does not meet FHA insurance guidelines. In some cases, such complicity operates even within loan origination and real estate brokerage staffs.

We are also seeing a trend with organized groups in some parts of the country to recruit illegal aliens to purchase FHA-insured homes. Illegal and undocumented aliens are not



qualified to purchase FHA-insured homes due to their immigration status. As a result, this group is often preyed upon by unscrupulous mortgage professionals who assist illegal aliens in obtaining fraudulent and stolen Social Security numbers, tax documents, and employment documents.

Other schemes we frequently see include:

- Appraisers valuing properties for much more than they are worth;
- Lenders charging fees for services that are not provided or are unnecessary;
- Real estate agents deceiving potential homebuyers about the property's condition;
- Borrowers duped into refinancing their mortgages over and over until the equity is completely stripped from the property; and

- Stolen or purchased Social Security numbers and/or credit histories used to support loan applications.

Of particular concern currently is "equity skimming," a form of fraud that exploits the homeowner facing foreclosure and financial stress. How is this done? The equity skimmer typically offers to resolve the financial problems of the homeowner and stave off foreclosure if the owner gives up ownership or an ownership share in the property. The homeowner usually agrees to pay rent to the equity skimmer, who promises to make the mortgage payments. The equity skimmer then pockets the rent and makes no mortgage payments.

Because the equity skimmer's ownership interest is typically not recorded, the lender forecloses on the homeowner. In some cases, the equity skimmer uses bankruptcy laws

to temporarily hold off foreclosure, while stripping equity from the property through equity loans. And in other cases, the equity skimmer will even flip the property to either an unsuspecting buyer or an accomplice acting as a “straw buyer,” thereby extending the cycle of fraud. In the end, the homeowner is out on the street—with nothing.

Of course, flipping the illegal profiteering on the purchase and quick resale of homes continues to be of concern. The illegality occurs when parties to the transaction, such as the seller, loan officer or appraiser, conspire to inflate the value of the home and then pocket the excessive profits at loan closing.

Such schemes are pernicious in that they typically spread a pattern of corruption throughout the loan origination process, and tend to wreak havoc on property values and the overall condition of communities. Flipping can also be a vehicle for a variety of criminal endeavors, from gang activity to drug smuggling to money laundering.

Yet another area of concern is FHA’s Home Equity Conversion Mortgage program, which allows homeowners aged 62 and older to receive FHA-insured payments from the equity in their homes (commonly known as reverse mortgages). While the Office of Inspector General has some concerns about the long-term economic impact of the program on FHA’s insurance fund, our immediate concern is to prevent, where possible, and investigate, wherever necessary, instances of consumer fraud in which elderly HECM payees are exploited or defrauded by criminals for the purpose

of obtaining their equity payments, or where equity payments are diverted to unauthorized recipients. We believe it is important to protect vulnerable senior citizens from scams that seek to steal their hard-earned equity.

Schemes like those I have outlined here must be defeated to protect both FHA’s mortgage insurance program as well as to protect the “downstream” securitization of loans by Ginnie Mae.

FHA and the conventional mortgage loan industry remain susceptible to fraud. The impact of this fraud can be enormously detrimental to the FHA insurance fund, the Ginnie Mae securitization process and, just as important, to honest lenders, brokers, real estate agents, loan recipients and entire communities that have seen property values undermined by widespread loan fraud.

### GINNIE MAE

In its annual report for 2007, Ginnie Mae emphasized several key areas of attention, including “promoting FHA modernization” and “developing the Home Equity Conversion Mortgage MBS.” Ginnie Mae noted that it has “worked, and will continue to work, closely with the FHA to support efforts at modernizing FHA loan programs.”

While it is understandable that Ginnie Mae might wish to support FHA’s modernization initiatives, I believe it must also maintain vigilant and prudent practices and work with FHA to ensure that only bona fide loans are issued into Ginnie Mae pools.

In the same annual report, Ginnie Mae acknowledged it had defaulted

five single-family issuers during fiscal year 2007, representing more than 1,600 loan pools and more than \$500 million in security balances at the time of default. This is in addition to two defaulted issuers in fiscal year 2006, and a more recent default of an issuer in fiscal year 2008 with more than \$235 million in security balance at the time of default.

While Ginnie Mae has an excellent record in terms of account performance, and while many issuers have performed to the highest standards, these recent defaults, coupled with the First Beneficial case, and other allegations of issuer fraud have prompted us to take a closer look at Ginnie Mae issuers and the loans entered into the Ginnie Mae pool. We also have been reviewing the entire loan-to-security process.

Even while our investigative and audit work continues, in cooperation with Ginnie Mae, we have already found some areas of concern.

One of the major lessons of the First Beneficial case is that uninsured loans in Ginnie Mae pools pose a serious financial threat to Ginnie Mae and its investors. We have found that Ginnie Mae allows pool issuers to submit loans into MBS pools that are in the process of obtaining FHA insurance. While Ginnie Mae views this as an operational necessity, 12 USC 1721(g) requires that a loan must be FHA-insured before it is added to the MBS pool. We therefore believe Ginnie Mae needs to revise its practice of allowing ineligible, uninsured loans to be issued into MBS pools. Otherwise, Ginnie Mae risks a repeat of the First Beneficial scenario.

Although Ginnie Mae tolerates

the submission of uninsured loans into MBS pools, following the First Beneficial case, it began to more actively monitor the insurance status of loans in MBS pools. Following First Beneficial, FHA and Ginnie Mae established loan-matching processes to determine whether loans purported to be FHA insured are, in fact, FHA-insured.

While this step helped to plug the gap exploited by First Beneficial, we have found that the data-matching would benefit from a more robust and rigorous review process directed toward unmatched loans. In addition, we are also discussing with Ginnie Mae potential improvements in the matching process for liquidated and terminated loans. Strengthening these processes is of paramount importance.

As we saw in the First Beneficial case, lack of timely oversight and delays in addressing issuer deficiencies led to greater losses. We intend to work with Ginnie Mae to promptly address delinquent loans--that is, those that are past-due or in foreclosure--in Ginnie Mae pools. Furthermore, we think it is very important to deal effectively with issuers that have demonstrated instability, or a failure to meet or comply with program requirements. A failure to play by the rules might very well indicate more serious misconduct.

So that issuers will not be under any misconception as to the importance of honest and accurate information when submitting loans for Ginnie Mae securitization, we are conducting a thorough review of all the forms that issuers and other program participants submit to Ginnie



Mae to ensure they contain strong and consistent certification language. We think that the language on the forms should include clear warnings to those executing and submitting them, informing them that failure to provide true and complete information may result in the imposition

of criminal and civil liabilities, sanctions, and penalties, including fines and imprisonment.

Issuer defaults pose a significant exposure to Ginnie Mae, which is required to take over and service the MBS portfolios of the defaulted issuer. It is important to understand



that when Ginnie Mae has defaulted an issuer, Ginnie Mae becomes responsible for the continued servicing of all loans in that issuer's portfolio. This has resulted in significant exposure to Ginnie Mae, as Ginnie Mae becomes responsible for non-performing and defective—as well as fraudulent—loans. Ginnie Mae thus becomes responsible for the liquidation of millions of dollars of defective or delinquent loans from portfolios.

At one time not too long ago, such potential losses could be shrugged off. In a “hot” real estate market, rising property values have allowed Ginnie Mae to cover potential losses on such loans. However, in a deflated or depressed real estate market such as we are currently experiencing, Ginnie Mae will likely have to absorb these losses. There is no doubt that Ginnie Mae currently has adequate financial resources to cover such contingencies; however, over time, the value and integrity of the program will suffer.

An important key to avoiding future First Beneficials is timely notification to law enforcement in cases of potential or suspected fraud. We are working closely with Ginnie Mae to ensure that all instances of suspected or potential fraud are investigated promptly and fully. We also are making certain that the appropriate use of civil and administrative proceedings, such as suspension and debarment, are fully applied against issuers that substantially fail to comply with Ginnie Mae regulations or have been found to have engaged in fraud.

We have made our concerns known to Ginnie Mae and HUD, and we are working with them to strengthen the integrity of Ginnie Mae's MBS program. We have already undertaken a joint training program involving Ginnie Mae staff and Office of Inspector General auditors and criminal investigators. We also have formed our own internal OIG task force to address any future defaults of Ginnie Mae issuers, so as to bring audit, investigative, and prosecutive assets to bear in such situations.

The men and women of HUD OIG are committed to maintaining the integrity of all HUD's programs. We will aggressively pursue and prosecute any and all attempts to defraud these programs. We cannot afford more First Beneficials. ❧

## Author Biography

**Kenneth M. Donohue** was nominated by President Bush on July 25, 2001, as Inspector General for the U.S. Department of Housing and Urban Development. The U.S. Senate confirmed him on March 25, 2002.

While awaiting Senate confirmation, the World Trade Center and Pentagon were attacked and, given his expertise, HUD Secretary Mel Martinez asked Mr. Donohue to pitch in and assess HUD security overall, specifically focusing on emergency programs; vulnerability; information technology security; and mail procedures, among others.

Mr. Donohue had a distinguished 21-year career with the U.S. Secret Service as a special agent, culminating with an assignment to the Assistant Director's CIA Counter-Terrorism Center. Mr. Donohue served a diverse career that included major investigations and various assignments in dignitary protection. During his career he served two tours with the Protective Intelligence Division.

Mr. Donohue is a Certified Fraud Examiner and Certified Protection Professional with the American Society of Industrial Security. He holds a Master of Science degree in Criminal Justice. He has pledged to make innovation, integrity, and commitment to the job the hallmarks of his tenure at the HUD Office of Inspector General.

Written by Laura J.S. Croniger

# Retaining a Quality Audit Workforce





Laura J.S.

## Croniger

*“Over the next decade, federal agencies will face budget constraints while managing a workforce where 60 percent of the 1.8 million full time federal employees are eligible to retire.”*

The Department of Defense Office of Inspector General, along with the rest of the United States Federal Government, faces unique workforce dilemmas in the near future. Over the next decade, federal agencies will face budget constraints while managing a workforce where 60 percent of the 1.8 million full time federal employees are eligible to retire. (Ballenstedt, 2007). How these two factors will directly impact the DoD IG is not known; however the DoD IG can position itself for the future by exploring new ways to attract and retain a quality audit workforce.

The Deputy Inspector General for Audit annually prepares an audit plan to address current topics and areas of interest within DoD. Given the high level talent and concern, it was not surprising that audit work has focused on the initiatives laid out in the President’s Management Agenda; specifically, Human Capital Management was addressed in three reports issued in FY 2006 (Ugone, 2007). Further, in 2001, Deputy Inspector General at the time, Robert Lieberman provided testimony before Congress on the national security implications of DoD’s human capital management issues. In this testimony, Mr. Lieberman stated that this issue is of importance to our

agency because our work constantly reinforces awareness that a properly sized, well-trained and highly motivated workforce is the best defense against fraud, waste and mismanagement.

The issue of human capital management was also included in the most recent DoD IG agency wide strategic plan (DoD OIG, 2007). Our agency objective is to:

*“Build and sustain a diverse workforce with the right skill mix, providing equal opportunity for all, thus inspiring by paradigm and fostering the vision of “one professional team” for the OIG.”*

However, according to an internal study (Liebowitz, 2006), over 20 percent of DoD IG’s audit staff were eligible to retire within five years and another 40 percent had less than 4 years experience on the job as of October 15, 2004. This essay will explore three potential options designed to retain ODIG AUD auditors and recommend one as the best approach.

### KEY PEOPLE AND INSTITUTIONS

Retaining a quality audit workforce for the DoD IG audit functions falls within the subject area of human capital and workforce planning. Recent

reports published on the current demographic shift in the United States by think tanks have raised the visibility of retention issues. Specifically, Rand (2007) showed that because of changing demographic patterns, the annual national workforce growth rate will slow to a nearly static 0.4 percent by 2010. The growth rate is a culmination of several variables including a 25 percent decline in the birthrate and a trend toward earlier retirement.

These key trends affect the size, make up, and skills of the workforce available for employment in federal agencies. This decline will lead to a tightening of the workforce and encourage employers to explore new retention strategies.

The DoD IG agency itself is a major player in managing its own workforce strategies. The DoD IG (2008) has an entire directorate dedicated to develop, implement and administer human capital programs, the Human Capital Advisory Services Directorate. The Directorate includes separate divisions dedicated to talent acquisition, workforce relations and strategic human capital. HCAS personnel influence the DoD IG's human capital management program by:

- Planning and implementing human resource policies, instructions and guidelines; and
- Advising supervisors, managers and executives in all aspects of human capital management.

Personnel from this directorate are currently researching different retention strategies for audit. Any internal management decision to implement retention policies within ODIG AUD will involve HCAS as it is their

responsibility to write and implement the formal policy memorandum.

### THREE RETENTION APPROACHES

In light of the current and immediate future of the available workforce, it is imperative that the Deputy Inspector General for Audit (Principal Assistant Inspector for Audit) ODIG AUD develop a plan to retain current employees. Having spent a considerable investment to recruit and train current employees, the agency must next look to retain its workforce. The organization currently offers numerous benefits designed to retain employees. For example, sponsoring the Georgetown Master's program, reimbursing expenses associated with obtaining professional certifications and retaining professional licenses, reimbursement for certain graduate and undergraduate courses, and financial incentives for obtaining specific degrees and certifications (Reardon, 2005). However, numerous other incentives available to federal agencies have not been explored, such as relocation bonuses,<sup>1</sup> retention incentives, repayment of student loans, or offering part time positions to auditors.

This essay will discuss three potential retention alternatives not currently utilized by the ODIG AUD: retention incentives, re-payment for student loans, and offering part-time positions. Federal Law permits agencies to use these (and numerous other) human resources tools to retain their workforce as needed.

<sup>1</sup> The DoD IG does offer one type of relocation bonus: a relocation incentive is paid to employees in the Qatar Field Office for unaccompanied tours of duty lasting 6 months to 1 year (Gimble, 2007).

## ANALYSIS OF EACH ALTERNATIVE APPROACH

### *Retention Incentives*

Paying retention incentives to federal employees is allowed under the Federal Workforce Flexibility Act of 2004 (Public Law 108 411, October 30, 2004). These types of payments were designed to aid federal agencies in retaining high quality personnel. In an ever increasing competitive market for employees, this Act provides agencies the flexibility and authority to address their human capital needs.

Within ODIG AUD, the agency could easily target a group of employees for retention incentives; the valued employees that are most likely to leave the agency for other employment. Recently, our agency has suffered the greatest loss of employees at our headquarters location. It is widely known that our agency's retention problems are less prevalent at field locations. Therefore, to best utilize retention incentives, our agency should specifically target those most likely to leave by clearly identifying who would qualify. Specifically identifying workforce eligibility lends credibility to the program and may lead to better acceptance by all employees.

The agency must first determine that a special need exists to retain certain employees, justifying a retention incentive. The agency then must formally outline its retention incentive plan by identifying eligible groups of employees that may leave federal service. For example, ODIG AUD could tailor its strategy to address specific human resource needs by job category and or geographic location so long

as the plan is formally laid out. After making these determinations, ODIG AUD's front office would identify the specific implementation strategy and gain buy in from management and employees. The resulting plan would then largely become a human resources function of payment, management and records maintenance.

The cost impact of the program can be managed by the agency because the legislation allows customization. For example, agencies can control who in the workforce is eligible for the retention incentives by offering individual or group retention incentives. Retention incentives provide an immediate monetary incentive to employees that may otherwise leave federal service. It also provides the agency with a valuable tool to utilize and customize as needed. However, it does require extra funding. Retention incentives for groups of employees can be up to 10 percent the rate of basic pay. They may only be paid to employees under an official performance appraisal receiving at least a "Fully Successful" rating.

ODIG AUD can control the cost impact through its implementation plan by controlling the number of qualified employees. For example, they could require employees to complete a certain length of employment (i.e. 3 years) before being eligible for the incentive. The plan could further narrow those eligible by requiring an "outstanding" performance rating. The ODIG AUD would define how long the employee must remain in employment after receiving the incentive through a service agreement signed by the employee. The service agreement ensures that ODIG AUD

employees remain in the agency for enough time to reap the most benefits from the plan.

Employment acceptance could be enhanced through a properly planned and communicated implementation strategy. After determining who would be eligible, the ODIG AUD would need to provide the information to employees. Because not everyone in audit would be eligible, information would need to be straight forward and easily accessible. These modes of communication would make implementation and acceptability easier transitions for the workforce.

#### *Student Loan Repayment*

Federal agencies can pay off thousands of dollars in student loan debt by using a five year old benefit program aimed to retain employees. The student loan repayment program allows for payments to eligible employees of up to \$10,000 a year with a \$60,000 per employee lifetime cap.

Agencies are able to target its use of the student loan repayment program to meet specific workforce related strategies. In order to implement a program, ODIG AUD would need to determine whether a student loan repayment program would enhance the agency's ability to carry out its mission. For example, the program would be beneficial if ODIG AUD determined that a student loan repayment program would retain employees that might otherwise leave the organization. After identifying the group of employees to target for this benefit, the agency must formally define and outline its plan.

The student loan repayment pro-

gram can also prove to be quite costly for agencies. ODIG AUD would need to clearly define the eligible population to mitigate cost concerns. Further, the program demands close monitoring to ensure payments get to loan holders and that dollar limitations are not exceeded. Another potential downside to implementation is making proper payments. Although student loan payments are taxable income to the employee, they are paid directly to the lender. Consequently, agencies need to clearly explain the program to employees receiving the benefit.

The difficulty with this program is many employees do not have outstanding student loans, and therefore acceptance of the program may be harder to reach than a more broadly available retention incentive plan. Similar to the retention incentive plan, management would need to clearly communicate that new retention tools such as student loan repayments are needed to keep valued employees.

#### *Part time Positions*

Part time positions attract a pool of potential employees currently untapped by ODIG AUD. Increasingly, women, older workers and those with disabilities favor shorter work hours. Although the DoD IG has previously had some part time positions, they have never been offered to auditors. Part time positions are categorized as "work life balance" initiatives; programs that fall into the work life balance category are increasingly desirable to many employees.

One work life program offered at the ODIG AUD is a flexible





schedule. Flexible schedules are available to auditors in accordance with the Federal Employees Flexible and Compressed Work Schedules Act of 1982. This Act afforded federal agencies with a new tool to make its work environments more family friendly. ODIG AUD offers workday flexibilities by allowing employees to control their arrival and departure times and to earn credit hours for work beyond 40 hours a week, which also can be used to reduce time at work on another workday. However, the agency has never offered part time career employment opportunities to auditors.

Workforce eligibility for part time positions would be determined by the implementation plan adopted by

ODIG AUD management. Legislation encourages agencies to consider part time career positions to fill positions not traditionally open for such arrangements. For example, offering part time positions to managers and supervisors would open an entirely different resource challenge. ODIG AUD would need to determine how many part time positions to offer and at what level in the organization.

Ultimately, eligibility and interest would traditionally appeal more to female workers<sup>2</sup> and those

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<sup>2</sup> A study by the Pew Research Center found 60 percent of working mothers now say that part time work is their ideal rather than full time (Choi August 14, 2007). However, this preference clashes with reality: three quarters of working mothers have

with disabilities. For these reasons, part time positions would appeal to a smaller number of current ODIG AUD employees. As a retention tool, this may not appeal to the most valued employees, or enough personnel to justify the program for retention. Further, due to its narrower appeal, the program would be less accepted by the general workforce.

The costs associated with part time work schedules are largely in the administration of the program. Otherwise, the proposal would actually save the agency money. Part time positions as a retention tool may keep an employee that can no longer work full time from leaving the agency. Con-

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full time jobs.

verting former full time employees to part time reduces agency costs by eliminating recruiting costs and new hire training requirements.

Offering part time positions as a retention tool differs greatly from the two alternatives discussed above. Because part time positions have never been available to ODIG AUD auditors, implementation would face numerous workforce acceptance challenges while necessitating audit supervisors to manage their resources in an entirely new way. For these reasons, workforce acceptance is not expected and suggests that part time positions as a retention tool would not be as effective as retention incentive or student loan repayment programs.

### RECOMMENDED APPROACH – ENHANCED RETENTION PROGRAM

Based on the comparison of the three approaches against the chosen criteria, the ODIG AUD should offer retention incentives to retain personnel. Although the organization currently offers numerous benefits designed to retain employees (such as, sponsoring the Georgetown Master's Program and reimbursing professional certification expenses) the current employment environment necessitates an aggressive human capital management strategy.

This essay evaluates three options not currently in use and found that retention incentives were the most sensible option. However, upon further analysis it is recommended that the organization may well use combinations of the alternatives. Specifically, that the ODIG AUD offer an

Enhanced Retention Program with both retention incentives and student loan repayments for qualified employees. Retention incentive and student loan repayment programs share much in common when considering workforce eligibility, cost impact and workforce acceptance.

An Enhanced Retention Program utilizing both a targeted retention incentive payment and student loan repayments targeted to those valued employees most likely to leave the agency is therefore suggested as the best option. Combining the alternatives gives ODIG AUD the most flexible program to target the most valued employees by appealing to different personnel. Specifically, the retention incentive would most likely appeal to the more senior staff because they will be rewarded in addition to their regular salary. This option allows for direct payments to keep them from changing jobs or considering retirement. The student loan repayment program would target the younger, more junior staff because they are more likely to have an outstanding loan balance. If someone happened to be eligible for both, they could be asked to pick one.

The part time audit positions proposal is eliminated mainly because it is too dramatic of a departure from current ODIG AUD work options. It is also complicated to implement, requiring numerous workforce determinations and a considerable organization cultural shift. However, in some form ODIG AUD may have to consider alternative career patterns, more work life programs and offer even more flexible work schedules to retain its workforce.

### IMPLEMENTATION – ENHANCED RETENTION PROGRAM

An ODIG AUD Enhanced Retention Program should be designed to retain personnel who may otherwise leave the agency. Further, a customized approach could target the best and brightest employees. Implementing change in an organization will present numerous challenges; therefore, how the ODIG AUD implements its approach to retain employees will affect the programs success.

#### *Step One – Check for Models*

The ODIG AUD must first engage the Human Capital Advisory Services Directorate. HCAS should contact other federal agencies about their retention incentive and student loan repayment programs. The DoD already is a large proponent of these programs; consequently our agency needs only to contact other DoD agencies. After consulting with different agencies, the ODIG AUD must formally establish its Enhanced Retention Program.

#### *Step Two – Plan Review*

Federal agency retention incentive (OPM, Retention Incentives) and student loan repayment plans (OPM, April 2007) must be approved by OPM prior to implementation. ODIG AUD will first need to designate a group of officials to review and approve the program specifics. These officials are critical to the ultimate success of the plan. Further, because they will control the program, these officials need to demonstrate independence in order to ensure workforce acceptance. The pool of des-

ignated officials should encompass senior management from as many of the different divisions within audit as possible as well as representatives from Human Resources. For example, the head of ODIG AUD, should be part of this group, as well as other representatives of the audit front office and directorates, and HCAS.

### *Step Three – Those Eligible*

The ODIG AUD Enhanced Retention Program must include all of the above elements. Identification of the groups of employees who may receive retention incentives or student loan repayments will need extra attention. ODIG AUD will have to narrowly define the targeted category of employees (OPM, Retention Incentives and OPM, April 2007).

ODIG AUD will also need to determine that the unusually high or unique qualifications or our special need for these employees necessitates payment of a retention incentive or student loan repayment. One internal analysis concluded that because our agency has high visibility and highly experienced staff our employees are targeted by outside employers (HCAS DoD IG, 2008). Losing highly experienced staff is especially damaging because the agency has invested numerous resources to increase the employees experience and training levels. Of the 64 employees leaving, 33 were in mid level positions, an area our management recognizes as the hardest hit by attrition.

### *Step Four – Cost*

After the group of eligible employees is identified, ODIG AUD needs to calculate the cost impact. The cost



impact needs to be weighed against the desired results of the Enhanced Retention Program. The agency has been very forward with the need to retain our highly skilled, experienced auditors. In the past, ODIG AUD has encountered budget restrictions and management does not expect big budget gains in the near future. Therefore, to properly fund an Enhanced Retention Program, the agency may need to reprogram funds.

### *Step Five – Acceptance*

Now that the “who qualifies” question is answered, ODIG AUD needs agency buy in for program success. With any change, the best way to garner acceptance is through proper communication. If at any time employees feel they are being misled or are not receiving accurate information, acceptance of the policy change is compromised. Therefore, the ODIG AUD must effectively and thoroughly communicate its plan and its purpose. The best way to do this is to communicate often and early in the process. Additionally, management

needs to show evidence that an Enhanced Retention Program is needed. If possible, the agency should communicate the number of employees that have left the agency and the affect on our audit products.

ODIG AUD upper management also needs to support the policy change. It would be a disservice to the program if managers are not verbally supportive. Management needs to be committed to the change to make it happen. A display of management support will also lead to better acceptance by agency employees.

### *Step Six – Service Agreement*

Remaining items to consider are the terms included in the service agreement. Service agreements are required in most cases for both retention incentives and student loan repayments, but especially when incentives are targeted to a specific group of employees (OPM, Retention Incentives and OPM, April 2007). The service agreement specifies a service period, the percentage rate and the timing of payments (for retention incentives),

and amount paid (for student loan repayments), among other pertinent information.

The agreement can also specify conditions that if violated would result in its termination (such as, diminished employee performance ratings). For these reasons, the service agreement specifications are very important. ODIG AUD management should consider requiring multiple “Fully Successful” rating periods before an employee is eligible for the program.

Additionally, implementing bi-weekly installments joined to the regular bi weekly salary payments would ease implementation for retention incentives. This approach would also control costs because the retention payments would automatically cease if an employees basic pay ends. Controlling costs for student loan repayments is a more difficult task because payments are made directly to the institution (OPM, April 2007).

Under both programs, the employee must reimburse ODIG AUD for payments if the employee leaves before the service agreement is satisfied; however, if employees leave for another federal agency, reimbursement is not required, but the ODIG AUD plan should specify that all Enhanced Retention Program payments will cease.

## CONCLUSION

The management of human capital at federal agencies has routinely been among top management concerns.

This attention resulted in the need for a strategic workforce plan that retains highly qualified employees at federal agencies.

Within the DoD IG, the audit directorates at our headquarters location in particular have experienced attrition rates that negatively affect the agency. Current workforce trends are also unfavorable, with an estimated 20 percent of the audit staff eligible to retire within 5 years (Liebowitz, 2006). For these reasons, the ODIG AUD should explore every option available to retain its current audit staff.

Two alternatives, retention incentives and student loan repayments, were combined into one Enhanced Retention Program due to anticipated workforce eligibility and acceptance as the best possible strategy. The Enhanced Retention Program offers two different retention methods that ODIG AUD can tailor to meet agency goals in one plan. The implementation strategy puts forth a step by step plan that takes into consideration elements of retaining highly qualified personnel in an equitable manner where resources are most likely to leave the agency.

The program will pay for itself by building a more stable, highly skilled workforce in place for the years to come. Maintaining a quality audit workforce will work towards accomplishing our vision statement: “The Office of the Deputy Inspector General for Auditing will support the warfighter by providing valued audit services to the Department of Defense and Congress through an independent, skilled, motivated, and diverse workforce.” (DoD OIG, 2007). ❁

## Author Biography

**Laura J.S. Croniger** is an Audit Project Manager with the Office of the Assistant Inspector General for Defense Financial Auditing Service in Cleveland, Ohio.

Ms. Croniger has 16 years of Department of Defense experience, with 14 years audit experience, including 2 years of management. Ms. Croniger oversees financial statement and financial related audits of the Department of Navy and the Defense Information Systems Agency.

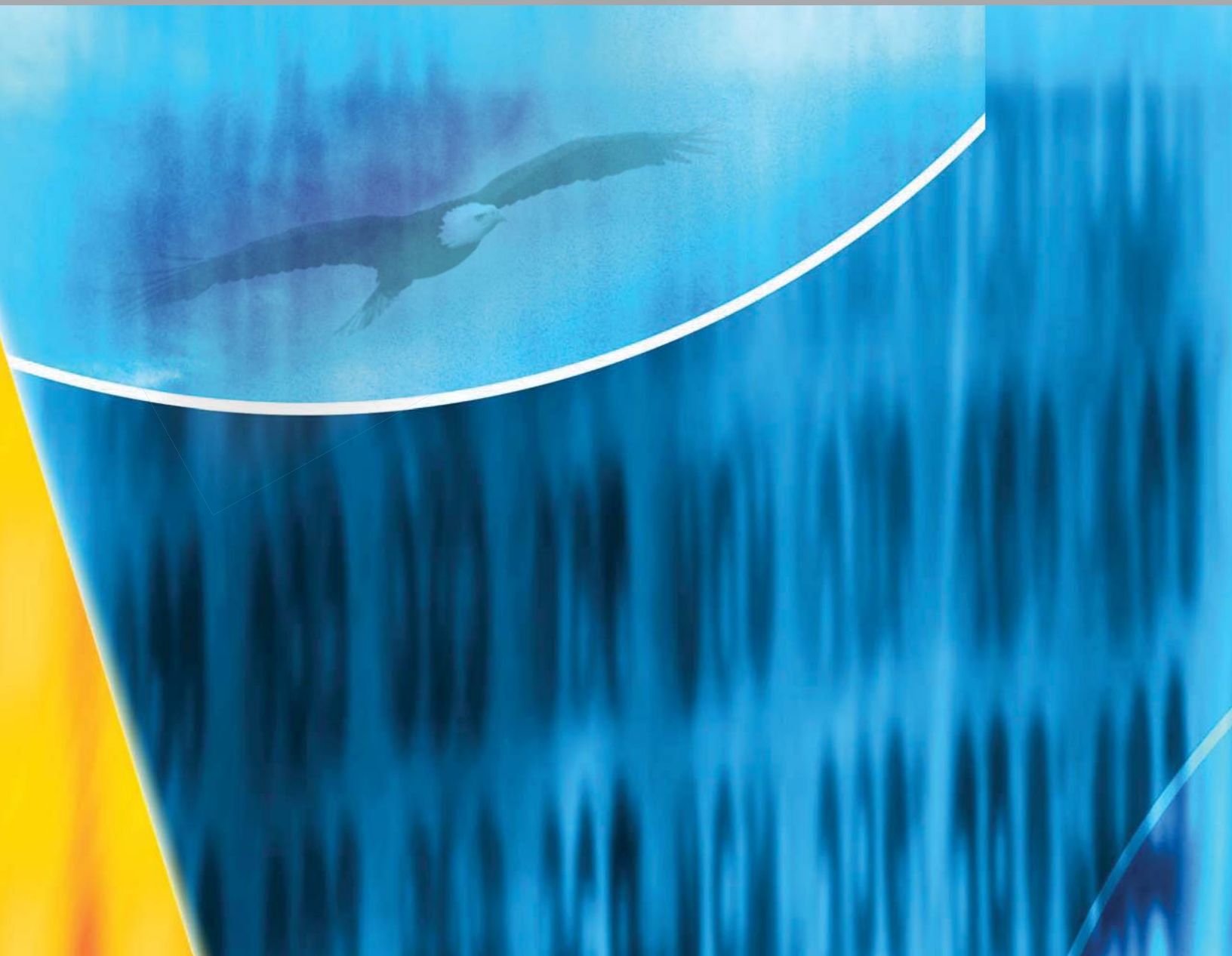
Ms. Croniger has additional experience auditing government funded pension assets in the hands of major DoD contractor’s, auditing the U.S. Army Corps of Engineers, and performing audit oversight of the public accounting firm Deloitte.

Ms. Croniger received her Bachelor’s degree in Business Administration from The Ohio State University in Columbus, Ohio and holds a Master’s degree in Public Administration from Georgetown University. Ms. Croniger is a Certified Public Accountant licensed in the state of Ohio since March 1997.



Written by The Honorable Brian D. Miller and Andrew Patchan Jr.

# Oversight of a Major Procurement Program: Multiple Award Schedules





The Honorable Brian D.

**Miller**

*“Like many other procurement programs, the Multiple Award Schedules program has increased dramatically, from 5,000 contracts in the mid-1990s to over 17,000 in 2007, and annual revenues exploding from about \$5 billion to over \$35 billion during the same time period.”*

**O**n October 10, 2006, the Deputy Attorney General announced the formation of the National Procurement Fraud Task Force, which highlights the work of OIG’s. At the same time, the Deputy Attorney General announced a major procurement fraud case, *United States ex rel. Hicks v. PeopleSoft, Inc. et al.*, CV PJM-03-422 (D. Md. 2003), which settled for \$98.5 million and is the largest defective pricing case under the GSA Multiple Award Schedules.

General Services Administration Multiple Award Schedules program streamlines, leverages, and simplifies procurement for the federal government. In doing so, MAS saves taxpayer money and government resources. An underlying assumption is that GSA will obtain the lowest prices for government agencies. Because the government often is the largest volume buyer, the government should get the largest discounts for its purchases. As a result, the MAS program is the premiere program for purchasing commercial items in the federal government with sales of over \$35 billion per year.

The problem is that contractors do not always fully disclose their pricing practices. They may in fact give discounts to other similarly situated

commercial customers, but not the government, which is a large volume buyer. When this happens, the GSA contracting officer does not know about the real prices and may negotiate a price for the government that is too high.

The GSA Office of Inspector General provides important oversight of this program primarily through preaward and postaward audits. These audits check to see if the vendors offering goods and services on the MAS are really giving the government the proper prices due to the volume of purchases the government makes. As the names indicate, a preaward audit verifies prices prior to a government contract or modification (extension), while a postaward audit checks that the terms and conditions are adhered to after the contract is awarded.

#### BACKGROUND OF THE MAS PROGRAM

Established under the Federal Property and Administrative Services Act of 1949, GSA has served as the federal government’s designated agency for the procurement of goods and services to more efficiently marshal the government’s buying power. As one of the primary centralized procurement programs operated by GSA, the MAS program makes a

Andrew Jr.

# Patchan



wide range of commonly used commercial goods and services available to federal agencies, under simplified acquisition methods, such as office furniture and supplies, personal computers, scientific equipment, network support, and laboratory testing services through indefinite-delivery/indefinite-quantity contracts.

The MAS program works on the principle that if the vendor will grant the Government the same favorable pricing that it provides its best commercial customers, the vendor may be granted a contract without further competition. In awarding indefinite quantity contracts to vendors under the MAS, GSA contracting officers can leverage the federal government's volume purchasing power across agencies to achieve best value, as opposed to an agency attempting to drive the best bargain for its individual procurement. At the same time, vendors can receive wider exposure of their commercial products and expend less effort to sell their products across agencies. In administering the MAS program, GSA is responsi-

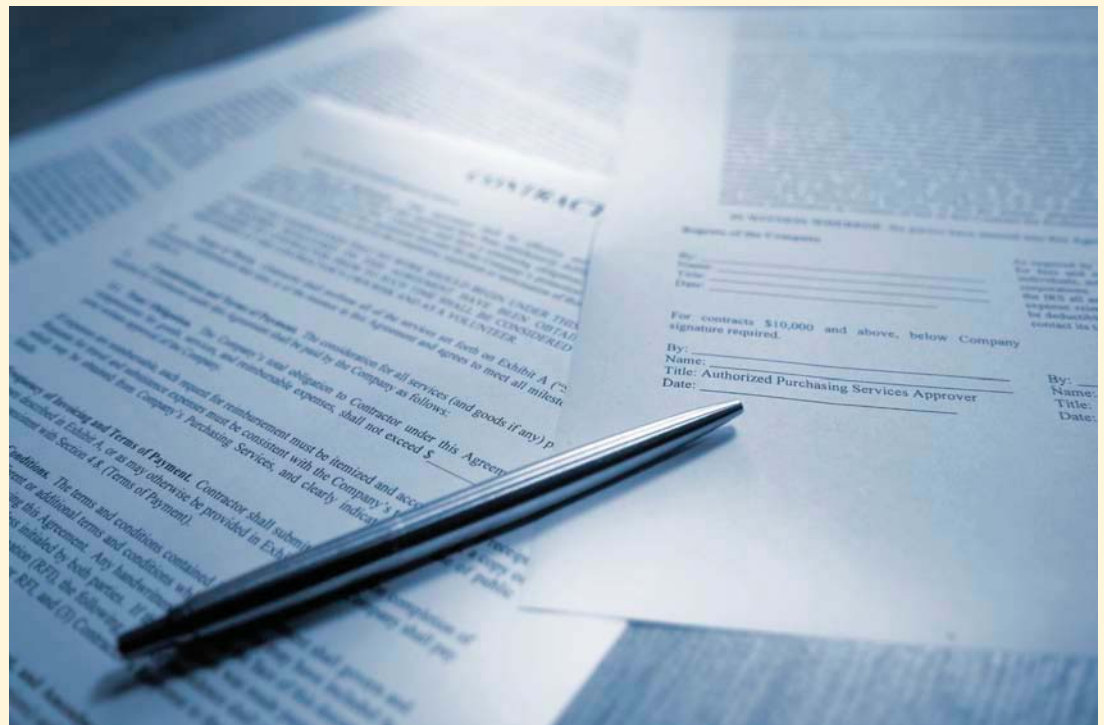
ble for ensuring that all procurement regulations are followed.

Like many other procurement programs, the MAS program has increased dramatically, from 5,000 contracts in the mid-1990s to over 17,000 in 2007, and annual revenues exploding from about \$5 billion to over \$35 billion during the same time period. Alarming, the ranks of contracting specialists have only increased from about 500 to 700. Thus the average contracting specialist now administers more than twice as many contracts and more than five times

the dollars. While GSA has succeeded with the MAS program in providing federal agencies a readily accessible procurement vehicle, GSA's ability to effectively administer the program's main purposes has been impacted by a lack of contracting officers to administer the increase in workload.

## CONTRACTING RISKS

While many MAS vendors do comply with MAS terms and conditions, and offer the Government pricing similar to their best commercial clients, some vendors are not fully forthright in the



completeness or accuracy of their disclosures. Vendors, at times, go to great lengths to obscure their complete sales and marketing practices, making it essential that our audits provide a comprehensive analysis. We have seen an increase in vendors taking advantage of the challenges GSA faces in managing the MAS program, and not fully complying with MAS requirements, resulting in higher costs to the government and the taxpayers. Several well-known cases of contract fraud across government have surfaced over the last several years with the significant increase in federal government contracting, particularly with the war on terrorism.

The NPFTF is focused on enhancing awareness of contract fraud, identifying methods to provide more oversight to ensure sufficient controls are in place to protect against fraud, and increasing prosecution of fraud cases.

There has been some discussion of reducing or eliminating the GSA OIG preaward audit program. One key area of discussion is the “price reduction clause,” which operates to reduce the price for the government whenever the company reduces the price to similarly situated commercial customers. In an era of exploding information technology sales and reductions in the price of IT equipment, goods, and services, it is imperative that the “price reduction clause” be effective, in force, and monitored.

IT products and services now make up almost 50% of schedule sales. In a market where hardware prices are continuing to drop, it has been a challenge to negotiate contract language with vendors that will provide the government with price protection for price reductions for the vendors’ similar commercial customers over the average 5-year renewal increments of MAS contracts. In short, when prices drop for other customers, the prices for the government must drop as well.

To make matters worse, the complexity of the MAS procurement and contracting processes have grown considerably with the many changes in federal contracting statutes, federal acquisition regulations, and procurement information notices, that have affected the MAS program. Arguably the most significant change over the last several years has been the addition of services to the MAS program.

This addition represents particular complexities because determining fair and reasonable prices for professional services can be difficult and involve analyzing labor rates for a wide variety of skill levels. By contrast, analyzing the price of a commonly used commercial item, such as a ball point pen that is similar to many other pens already on the MAS, would be much more straightforward. Services now comprise over 60% of MAS sales.

## OIG AUDIT OVERSIGHT OF THE MAS PROGRAM

The OIG Office of Audits has a unique role in overseeing the MAS program. Under our preaward audit program, audit staff analyze the vendor’s offered prices to obtain an MAS contract or contract extension, and determine whether the commercial sales information provided by the vendor currently, accurately, and completely discloses sales data for





the vendor's sales with its commercial customers. Leveraging the federal government's volume purchasing power across agencies into the MAS discounts, GSA contracting officers target the same or better pricing granted to the vendor's most favored commercial customers taking into consideration differences between the MAS schedule and commercial terms and conditions. In addition, the audit staff analyzes whether the vendor's systems are adequate to ensure compliance with the requirements of its MAS contract.

In 2005 the Government Accountability Office reviewed the MAS program and the role of OIG audits and found that GSA should take additional steps through the use of available pricing and negotiation tools -- particularly OIG preaward reviews -- to save the government hundreds of millions of dollars in the procurement of goods and services. In response to the GAO report, the Office of Management and Budget directed GSA to support additional preaward reviews financially from fees it earns in providing the MAS contracts for agencies.

Under our postaward audit program, audit staff analyze whether a vendor has complied with MAS terms and conditions, including whether:

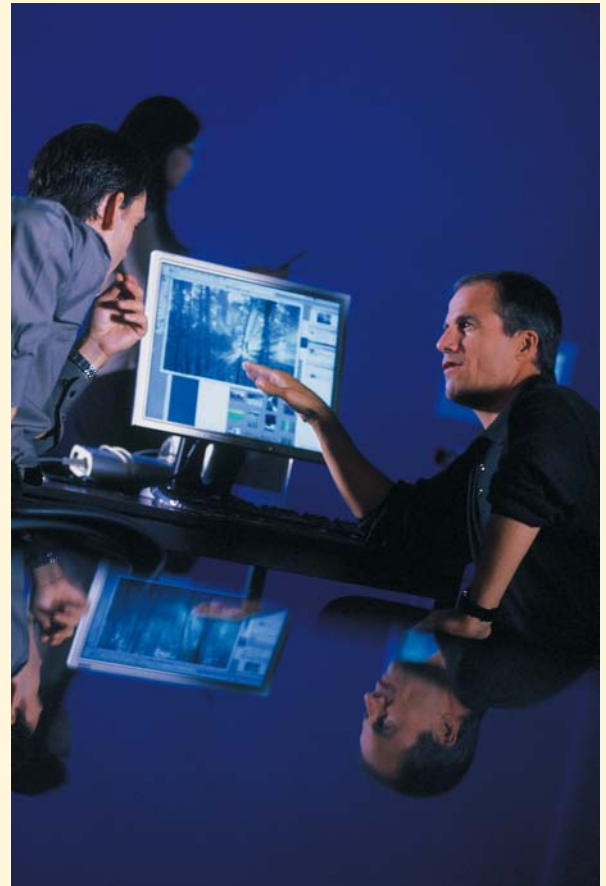
- Agencies were billed the correct prices under the terms of the vendor's MAS contract;
- Vendor personnel providing services to federal agencies complied with the qualifications required under the MAS contract; and
- Vendor reductions to its prices for products and services under the MAS contract are consistent with price

decreases for its best commercial customers used as a basis for award of the MAS contract prices.

Cases showing an egregious lack of compliance with these requirements are referred to the Department of Justice for prosecution under civil or criminal fraud statutes.

The OIG's MAS audit program is managed by senior auditors with extensive experience and understanding of the MAS program and the Federal Acquisition Regulation. Our audit staff uses sophisticated software programs that enable them to review entire databases of a vendor's sales history to identify non-disclosures. Through these analyses, our audit findings on preaward audits have a direct and significant impact on helping the contracting officer to negotiate and obtain better pricing and savings for the government. Sometimes the savings amounts to hundreds of millions of dollars over a vendor's typical 5-year extension of an MAS contract. Since 2004, the OIG has issued an average of 60 MAS preaward audit reports annually and identified nearly \$800 million in cost avoidance per year.

Similarly, audit findings on post award audits have had direct and significant impacts on recovering funds from the vendor for overbilling, and for prices that were not reduced for the federal government despite decreases for the vendor's best com-



mercial customers that are used as a basis for MAS contract prices. Since 2004, we have identified almost \$36 million per year on average in recoveries for the government. In 2007, the Department of Justice achieved the largest civil recovery in the history of the MAS program -- \$98.5 million against Oracle/PeopleSoft for misrepresenting its commercial pricing in negotiations with GSA.

Our results have shown that for the majority of contracts that the OIG audits (over 60% in 2007), vendors are not disclosing all commercial pricing and offering the government the best commercial pricing when compared to similar commercial customers. In addition, over one-third of the contracts we audited show that vendors are not passing on price re-



ductions or maintaining adequate sales monitoring and billing systems, and in one-fourth of the cases, vendors are overbilling the government for products and services.

The GSA OIG is committed to continuing to support and oversee work on GSA's MAS program, in addition to our workload of auditing GSA's numerous other programs, such as construction and leasing activities for obtaining and maintaining space for federal employees, the agencies' financial statements, and the security of information technology systems. Our results in cost savings and recoveries under the MAS program have been an important contribution toward improved GSA operations.

## CONCLUSION

The historic and legislative foundation for GSA and the MAS program clearly specify a primary GSA mission to leverage the government's volume

purchasing power to bring about the best prices for products and services for federal agencies. GSA continues to face challenges in carrying out this function, and has additional opportunities to drive down prices for goods and services for federal agencies.

The OIG focuses its resources on those areas representing greatest risk. We will continue to concentrate on supporting and overseeing the MAS program toward achieving the program goals of achieving economies and efficiencies for federal procurement of goods and services, and savings for the taxpayers, for which GSA was legislatively established. ✪

## Author Biography

The United States Senate confirmed **Brian D. Miller** as the Inspector General of the U.S. General Services Administration on July 22, 2005. In 2007, Mr. Miller was recognized by *Ethisphere* magazine as the 12th "most influential person in business ethics" by a worldwide panel of experts. In July 2008, Mr. Miller was named among "Those Who Dared: 30 Officials who Stood Up for Our Country," a special report of Citizens for Responsibility and Ethics in Washington. Mr. Miller began his career in private practice and earned his law degree from the University of Texas.

**Andrew Patchan Jr.** serves as Assistant Inspector General for Auditing, U.S. General Services Administration, where he is responsible for managing and directing the nationwide operations of 180 auditors located in 13 regional and headquarters offices. Mr. Patchan, an attorney, joined the OIG in 1993, as an audit manager in the Headquarters Audit Office. Mr. Patchan received his bachelor's double major degree in Economics and Political Science (General Honors Program) from the University of Maryland (College Park) and his J.D. from George Mason University.

Written by Tracy B. Lynge and Michael McGill

# Seeking Justice: Behind the Scenes of the Fugitive Felon Program





Tracy B.

Lynge

*“In April 2008, Social Security Administration Office of Inspector General agents and other task force participants arrested the fugitive, who was wanted on a \$50,000 bond after assaulting and injuring his girlfriend and stealing her car as he fled the scene.”*

***T*hree decades ago, Luis Vega shot and killed a man after a bar fight on Chicago’s South Side. He then fled to Puerto Rico and evaded capture until 2003, after he applied for Supplemental Security Income and Disability Insurance benefits at a Social Security Administration office in New York.**

That application ensnared Vega in the Fugitive Felon Program, a joint effort by SSA and its Office of the Inspector General to identify Social Security beneficiaries who have outstanding felony arrest warrants or who are parole or probation violators. During the past decade, the FFP’s efforts have identified 414,000 individuals who otherwise might remain at large, potentially a danger to society.

In this instance, Vega was arrested in 2004 by an SSA OIG special agent and the Chicago Police Department and was subsequently convicted in April 2008 of first-degree murder for the 1971 slaying. He is awaiting sentencing.

#### HISTORY OF THE FUGITIVE FELON PROGRAM

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, commonly known as the welfare reform law, contained a pro-

vision prohibiting fugitive felons and parole or probation violators from receiving SSI, as well as various other federal payments, and providing for the sharing of information from federal records with law enforcement agencies to facilitate fugitives’ apprehension. In introducing the legislation that would ultimately become the fugitive felon provision, Senator Rick Santorum articulated his vision for the new law:

“. . . with the reality of fugitives receiving public assistance, it makes sense to provide police access to welfare records that indicate the whereabouts of wanted individuals. . . The bill permits access by law enforcement to information when a warrant is produced, and it is found that the individual is receiving benefits. Someone who is not a fugitive felon would remain fully protected from such inquiries under the Welfare Privacy Act.”<sup>1</sup>

To enforce this provision, SSA and its OIG designed from scratch a program for obtaining active warrants from law enforcement agencies across the country, matching fugitive names with SSA records, notifying law enforcement of the fugitives’

<sup>1</sup> Santorum, Rick. United States Senate. Congressional Record – Senate. “Fugitive Felons and Welfare Reform.” March 22, 1995, pp. S4383-S4386.



Michael

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whereabouts, and suspending SSI payments to confirmed fugitives.

In its embryonic stages, SSA OIG special agents visited local law enforcement agencies in person to request outstanding warrants. One by one, the agents would input the personal identifying information of the wanted fugitives into SSA's databases to determine if the wanted individual was receiving SSI. If so, the agents opened a case, provided information about the location of the wanted individual to the warrant-issuing law enforcement agency and joined that agency in tracking down and arresting the fugitive. The OIG would then refer the fugitive to the local SSA field office to initiate the process of suspending SSI eligibility for the period of time the warrant was active.

This process, while effective, was also inefficient, slow, and cumbersome. The allocation of resources to this fugitive workload began affecting the OIG's ability to accomplish its primary mission of protecting SSA's programs and operations—a broad responsibility encompassing not only the world's largest social insurance program, but also the then-emerging phenomenon of identity theft. In addition, the work-hours required for each individual fugitive

necessarily limited the scope of the program—leaving many fugitives at large.

#### AUTOMATION INCREASES PROGRAM'S EFFECTIVENESS

From 1999 to 2000, in order to help the agency jump-start its efforts to comply with the 1996 mandate, the OIG completed Memoranda of Understanding with the United States Marshals Service, the FBI, and the National Crime Information Center. On the agency side, SSA entered into computer matching agreements with many state and local authorities to obtain their warrant information, since no truly comprehensive national warrant database yet exists.

To date, 17 states and four counties/municipalities have entered into agreements and submitted warrant files to SSA. The states include California, Alaska, New York, Delaware, Tennessee, Ohio, Massachusetts, New Jersey, Washington, Illinois, Pennsylvania, Maryland, Oregon, Connecticut, Arizona, Michigan, and Wisconsin; and the counties/municipalities include New York City; Philadelphia; Baltimore County, Maryland; and Montgomery County, Pennsylvania.

As the Fugitive Felon Program evolved, the OIG worked with SSA

to more fully automate the processes involved with obtaining warrants from law enforcement, matching fugitives with SSA records, notifying law enforcement of the fugitives' whereabouts, and suspending payments. Over the years, automation was added at every possible step to increase efficiency. In a September 2002 report<sup>2</sup> on implementation of the fugitive felon provision, GAO acknowledged that SSA and its OIG were leaders in this effort:

“Meanwhile, the Office of Inspector General in the SSI and Food Stamp programs have frequently taken the lead in both responding to and facilitating arrangements with law enforcement for file matches to identify and apprehend fugitive felons. To date, about 110,000 beneficiaries have been identified as fugitive felons and dropped from the SSI, Food Stamp, and TANF rolls. Many have been apprehended. Computerized file matching has been responsible for the identification of most of these fugitive felons.”

However, GAO recommended even further automation of the FFP and more aggressive efforts to identify <sup>2</sup> GAO-02-716, “Implementation of Fugitive Felon Provisions Should be Strengthened.” Government Accountability Office, September 2002. <http://www.gao.gov/new.items/d02716.pdf>

tify fugitive felons on SSA beneficiary rolls. In October 2002, the OIG created a Warrant Processing Center at its headquarters, in order to centralize and speed operations and relieve the administrative burden on OIG field divisions. The WPC assumed responsibility for processing all fugitive cases except those generated in the field divisions through referrals from local law enforcement. The WPC also instituted a policy of verifying 100 percent of all fugitive warrants referred to SSA for suspension purposes, to ensure that the warrants were valid, still active, and involved the actual individual whose personal information was reported.

#### EXPANSION OF THE FUGITIVE FELON PROGRAM

The FFP's effectiveness increased dramatically with each effort to automate and expand the process. For example, 2,135 fugitive felons or parole/probation violators were arrested

in 2001 as a result of FFP efforts; in 2002, the number more than doubled to 5,285.

Based on SSA's well-documented success with regard to SSI recipients, the Congress showed its enthusiasm for the idea of ending government entitlements for fugitive felons by adding a similar provision to legislation affecting the Department of Veterans Affairs. By enacting Public Law 107-103, Congress made fugitive felon veterans ineligible for VA benefits. In addition, the legislation mandated that the Secretary of VA enter into agreements with law enforcement agencies to obtain warrant information on a grand scale following SSA's pioneering methods, so that as many fugitives as possible could be apprehended and their benefits suspended.

Shortly thereafter, the Congress expanded the original 1996 fugitive felon provision further to prohibit payments to Old-Age, Survivors, and Disability Insurance beneficiaries in the Social Security Protection Act of 2004. Also included in the new prohibition were representative payees—those who receive payments for SSI and OASDI beneficiaries unable to manage their own affairs.

In response, the OIG created the Fugitive Enforcement Division to handle the substantial workload increase brought about by the new legislation. The new division was headed by a special agent-in-charge, and consisted of approximately 20 employ-

ees tasked with processing all fugitives nationwide, again with the exception of those cases generated in the field division based on referrals from local entities. The new FED developed policies and procedures to handle the new OASDI and representative payee workload; it also automated more of its processes with assistance from SSA's Office of Telecommunications and Systems Operations.

Most recently, the SSA OIG has reorganized to more efficiently address the current FFP workload. The new Allegation Management and Fugitive Enforcement Division is located within the OIG's Office of Technology and Resource Management, in recognition of the central role of technology in the warrant verification process.

#### CURRENT FFP PROCESS AND THE OIG'S ROLE

The current FFP process is almost entirely automated and is constantly being refined to reduce errors and duplication of effort. In the first step, federal, state, and local jurisdictions send warrant files to SSA. Most jurisdictions only send information regarding felony warrants, but some continue to send all of their outstanding warrants. For those, SSA uses an OIG-developed program to remove all misdemeanor warrants from the file before proceeding.

Before matching warrants against beneficiary rolls, SSA first processes the data through its Enumeration Verification System, to ensure that the incoming name, date of birth, Social Security number, and gender could be attributed to valid SSA records. Historically, most incoming

Fiscal Year	Fugitives Identified by FFP	Fugitives Arrested as Result of Data-Sharing with Local Law Enforcement
1997	232	2
1998	1,563	299
1999	7,426	1,553
2000	13,856	1,030
2001	22,528	2,135
2002	45,252	5,285
2003	38,447	6,555
2004	51,735	6,170
2005	69,897	10,238
2006	73,472	11,555
2007	90,089	14,319
Total	414,497	59,141

warrant records are discarded during the misdemeanor and EVS screening processes.

The remaining warrants are then loaded into the Fugitive Felon SSA Control File, a computer system SSA developed in 2005 to electronically process, manage, and track FFP data, and the data is matched against OAS-DI, SSI, and representative payee records.

SSA sends confirmed matches electronically to the OIG, and we upload them into our National Investigative Case Management System, where we first screen out any warrants received in prior months. OIG program specialists, assisted in some instances by FBI analysts, then contact the warrant-issuing agencies to provide locator information and to verify that the warrants are valid and still active. The warrant-issuing agencies are given 60 days to apprehend the fugitives based on the information provided.

Each week, OIG sends to SSA a single file containing fugitive SSI, OADSI beneficiaries, representative payees, and parole or probation violators for whom warrant dispositions have been received during the previous week. Finally, SSA notifies the individuals of their due process rights, and eventually takes action to suspend benefits and/or assess overpayments.

Throughout the process, the SSA OIG acts as liaison between SSA and local law enforcement authorities. Since the inception of the FFP, we have verified warrants and provided locator information to those local authorities. As the program has evolved, we have limited our active involvement in the apprehension of

these fugitives to those wanted for the most egregious offenses—for example, murder, rape, and aggravated assault. When appropriate, SSA OIG agents will offer assistance to and participate in joint investigations with local law enforcement to locate and apprehend these egregious felons.

In one recent example, the FFP identified a man wanted for assault and car theft in the Seattle area. The Allegation Management and Fugitive Enforcement Division at OIG headquarters referred the case to both SSA, for suspension of his SSI payments, and to the OIG office in Seattle. Special agents there made the decision to open a joint investigation with the Pacific Northwest Fugitive Task Force, which is led by the U.S. Marshals Service and includes multiple local law enforcement agencies.

In April 2008, SSA OIG agents and other task force participants arrested the fugitive, who was wanted on a \$50,000 bond after assaulting and injuring his girlfriend and stealing her car as he fled the scene. Although the SSI overpayment amounted to only \$4,555, the Seattle community is well served by our efforts to ensure that he will be held accountable for the charges against him.

## LEGAL CHALLENGES

Unfortunately, the program's success has not shielded it against controversy. On the contrary, as more criminals are caught through our data-sharing efforts, they are challenging our authority to share their personal information with law enforcement and questioning the legislative language that created that authority.

One such challenge began when

SSA suspended payments to Felipe Fowlkes, an SSI recipient since 1997, based on two outstanding felony arrest warrants from Virginia. Previously convicted of assault and sex crimes, Fowlkes had been indicted in 1999 for voter fraud and felony theft but had fled to New York. Although Virginia authorities refused to extradite him, SSA suspended Fowlkes' SSI payments in 2000 retroactively to September 1999 because of the two outstanding warrants.

In his civil lawsuit against SSA, Fowlkes claimed that he should be exempted from the ban on SSI eligibility because he was not aware of the outstanding warrants, and therefore had no intent to flee justice. On appeal, the Second Circuit U.S. Court of Appeals (with jurisdiction over Connecticut, New York, and Vermont) held that the mere existence of an outstanding arrest warrant does not necessarily mean that an individual is "fleeing to avoid prosecution," as stated in the fugitive felon provisions.

The court stated that "fleeing" is commonly understood to mean the conscious evasion of arrest or prosecution, and that to suspend benefits, the agency must first have evidence that the individual knows that he is wanted.

Although we continue to believe that anyone who has an outstanding felony warrant is a fleeing felon regardless of their knowledge or intent to evade capture, SSA and the OIG are bound by the Court's decision in the Second Circuit. Various proposals for potential changes to the relevant FFP regulations and/or legislation remain under consideration.

Meanwhile, in the three states comprising the Second Circuit, the FFP is sharing data and suspending benefits only with regard to parole and probation violators, who are by definition aware of the outstanding judicial proceedings against them. However, a legal challenge on this aspect of the fugitive felon provisions is underway in the Second Circuit as well. SSA is currently awaiting a decision in another civil action which may have further implications for the FFP in the Second Circuit.

In the face of these legal challenges, the FFP has received support from the general public as well as in some notable media coverage.

In March 2008, the St. Louis Post-Dispatch ran a series of investigative articles on the issue of extraditing fugitives. The series highlighted the data-sharing and apprehension efforts of both SSA and VA. The FFP was depicted favorably, with multiple instances cited in which our efforts led to the apprehension of potentially violent felons.

As a counterpoint, several cases were featured in which local authorities declined to extradite fugitives once the SSA OIG had provided them with locator information, and the individual had subsequently committed additional violent crimes. One of those cases was that of Felipe Fowlkes, the man who successfully challenged the fugitive felon ban on benefit eligibility in the Second Circuit.

Three months after SSA suspended Fowlkes' SSI payments based on the outstanding Virginia warrants, he robbed a woman at gunpoint and was sent to prison in New York. After his release from prison in 2003,

he moved to Massachusetts, where he is currently incarcerated for raping a 15-year-old girl.<sup>3</sup>

#### TOWARD THE FUTURE

Despite recent challenges, the FFP has continued to carry out its mission as designed by the Congress in 1996 and 2004. In Fiscal Year 2007, more than 14,000 individuals were apprehended as a result of FFP efforts, and more than 65,500 since the program's inception. While all felons (with the exception of the Second Circuit) are subject to the ban on benefit eligibility, we have increasingly focused our active apprehension efforts toward those who have committed egregious felonies, in recognition of the need to protect the public from these violent offenders.

SSA and its OIG continue to work together to address legal challenges, adjust to judicial decisions, and consider implications for the future of this program, which we consider one of our most notable achievements. We believe that the FFP in its current form serves not only a valid public policy function—ensuring that public funds do not assist fugitives in their flight—but also a valuable public safety function by protecting local communities from those sought by other jurisdictions for crimes previ-

<sup>3</sup> Virginia's declination to extradite Fowlkes was a factor in the Court's decision in *Fowlkes v. Adamec*. The Court reasoned that since a felon had been located, and the warrant-issuing agency was not planning to extradite in order to bring him or her to justice, he or she could hardly be said to be "fleeing." This series of articles was sharply critical of law enforcement's willingness to let violent offenders who had been located remain on the streets to commit additional violent crimes.

## Author Biography

**Tracy B. Lyng** is a senior public affairs specialist for the Social Security Administration's Office of the Inspector General. Ms. Lyng reports to the Acting Counsel to the Inspector General, and is responsible for developing presentations for OIG officials and publications such as the OIG's Semiannual Report to Congress, as well as responding to inquiries from the media, Congress, and the public. Ms. Lyng holds a Master of Science in International Affairs from the Georgia Institute of Technology and a Bachelor of Arts in Spanish cum laude from the University of North Carolina at Asheville.

**Michael J. McGill** is the Acting Executive Officer for the Social Security Administration's Office of the Inspector General. In this capacity, Mr. McGill provides high-level consultative and advisory services on all activities and concerns of the OIG. Mr. McGill is the recipient of numerous awards, including the 2004 Glenn/Roth Exemplary Service Award and the 2006 Award for Excellence from the President's Council on Integrity and Efficiency. Mr. McGill has a Master of Arts in Government from The Johns Hopkins University and a Bachelor of Science in Education from West Chester University where he graduated summa cum laude.



Written by Daniel D'Ambrosio

# A Strategy to Meet Mobility Challenges in a Post 9/11 Environment





Daniel

## D'Ambrosio

*“The NCIS policies are reflective of an organization that is dedicated to successfully achieving mission requirements while making every effort to meeting its employees’ needs, values and desires.”*

***T***he Naval Criminal Investigative Service, has entered an era of great change and tremendous challenge. NCIS, conducts critical missions in a post 9/11 world.

These missions have become more critical than ever. America and its military forces continue to proliferate and evolve. Standing between global threats and the people are the assets and institutions of the United States Navy and Marine Corps. They include highly trained and effective teams of special agents, investigators, forensic experts, security specialists, analysts, and support personnel. NCIS civilian personnel support the Department of the Navy throughout the world in diverse combat and non-combat missions. NCIS is unique within DOD; as it derives its authority through charter to cover not only law enforcement but also counterintelligence, counterterrorism, force protection, personnel and information security, and cyber investigations.

NCIS “expeditionary” missions have expanded which require transfers and regular deployments. These requirements will only increase to support fleet operations in foreign areas such as Iraq, Afghanistan, the Horn of Africa, Kuwait, and Guantanamo Bay. It is anticipated that NCIS will

also assist the newly established AF-RICOM and Riverine Squadron One to field-test concepts for NCIS support to special operations forces and Navy Expeditionary Combat Command in the future. Moreover, collection activities with the strategic intent to “prevent, protect, and reduce” terrorism and crime, will be based in field offices in the Middle East, Singapore, Far East, and Europe.

### NCIS POLICIES

Current NCIS policies address the many unique issues, challenges and benefits facing the Special Agent position within the NCIS career track. Career development, mobility, and personnel related matters are systematically reflected in detail within the Special Agent Career Program. The NCIS Mobility Program is a sub-component within the Career Program. The Mobility Program insures that NCIS maintains a flexible workforce prepared to respond to mission requirements worldwide. In addition, the program addresses circumstances surrounding mobility for both supervisors and non-supervisors. It also addresses the many exemptions from the mobility policy, which includes, but is not limited to supervisors in their first supervisory positions, those serving in headquarters assignments,

and assignments to the Contingency Response Field Office. CRFO's purpose is to develop and sustain the capability to rapidly deploy trained and equipped personnel in support of various validated missions, and humanitarian issues. Also, mobility exemptions may be given to those personnel assigned to their initial NCIS assignment and those within two years of retirement. Moreover, the policy also affords exemptions for those who have served a successful afloat deployment, and a "5-Year Exemption" for those who have executed a minimum of three PCS moves, one of which is a Critical Readiness Office, and/or three Temporary Duty deployments to Iraq, Afghanistan or Horn of Africa for a period of at least 90 consecutive days.

The NCIS policies are reflective of an organization that is dedicated to successfully achieving mission requirements while making every effort to meeting its employees' needs, values and desires. Furthermore, these policy processes are intended to create a favorable work environment in order to recruit, attract and retain a highly skilled 21st century workforce. The current mobility policy addresses those individuals who volunteer and are selected for positions, and those selected transfers that occur as a result of a lack of volunteers or the filling of vacant positions.

However, the policy does not provide a mobility template relative to an individual's career progression. While the policy affords many benefits, it lacks clarity because it is process driven and not predictable and consistent in the agent selection and assignment process relative to an individual's ca-



reer track. (NCIS Mobility Policy, n.d. Chapter 13)

#### IDENTIFICATION AND ANALYSIS OF ALTERNATIVE APPROACHES

Potential alternative approaches to create a strategy that promotes mobility within the organization without having to compel personnel to transfer, while still meeting mission imperatives include; seeking additional benefits and incentives for those deploying and/or transferring, for example; legislating virtual locality pay and tax-free combat zone pay, creating managed career paths within specialties, such as the FAO Program, Cyber, Technical Services, Polygraph, etc, using mobility zones, and; instituting a 5-year plan for all new special agent employees. The criteria used to evaluate the proposed alternatives' merits are: efficiency, flexibility/sus-

tainability, and political acceptability. That is, does the idea create an efficient NCIS Mobility strategy that remains flexible enough for internal and external changes? Is it sustainable throughout the organizations 5-year plan, and politically acceptable both within NCIS and to our external stakeholders?

#### *Alternative 1: Additional Benefits and Incentives for Those Deploying and/or Transferring*

Federal civilian employees, to include NCIS personnel, continue to make enormous contributions to the Navy Total Force in both current contingency operations and serving throughout the world at overseas bases. One way to encourage mobility within the organization is to seek benefits such as Overseas Comparability Pay Adjustment or as it is commonly referred, 'Virtual Locality Pay'



and 'Federal Employee Combat Zone Tax Parity' similar to those received by DOS employees and military active duty personnel. As such, NCIS should research opportunities to advance both these legislative interests with the appropriate responsible DOD components and also leverage the NCIS Office of the Communica-

tions Directorate who has developed significant relationships and expertise concerning the legislative process. By utilizing the Navy Legislative Fellow, NCIS may petition members of Congress to sponsor legislative bills in support of these additional benefits and incentives.

Virtual Locality Pay: In 2003, H.R.

1646 was passed into law and granted the DOS computation of Foreign Service retirement annuities as if Washington, D.C., Locality-Based Comparability Payments were made to Overseas-stationed Foreign Service Members. In short, 'Virtual Locality' as it came to be known, benefited DOS employees who are assigned overseas. Under the law, annuity computation for basic salary or basic pay of any member of the DOS Foreign Service whose official duty station is outside the continental United States shall be considered to be the salary or pay that would have been paid to the member, had the member's official duty station been Washington, D.C. This would include locality-based comparability payments. Virtual locality pay became significant for those employees serving overseas and wishing to retire at the end of their tour. Currently, NCIS employees who are assigned overseas lose their stateside locality pay for the duration of their tours, and, as a result, if they are going to retire after their tour, they will calculate their annuities based on a lower high-three than if they were CONUS (High three is the highest average annual pay produced by the employee's basic pay rates during any three consecutive years of service).

The major impediments to this alternative approach are political acceptability and efficiency. There is the realization that money for federal salaries and benefits always will be in high demand from other quarters. As a result of the maelstrom of competing interests, the enormity of issues such as the Iraq war and health care guarantees that no single issue will get the attention it needs. The

associated costs in increased federal pensions and the loss of tax revenue may make this alternative difficult to implement.

*Alternative 2: Creating managed career paths using mobility zones*

NCIS should seek to create managed career paths for each of its major Counterintelligence, Counterterrorism, and Criminal Investigative Directorates. These managed career paths would mirror the current Cyber, Technical Services, Polygraph and the Foreign Area Officer specialties within NCIS. The managed career paths would include individual mentoring programs, tailored individual development plans, leadership development programs, mandatory training courses, and clear mobility expectations within each of the career paths. This would be true for both the journeyman and management levels. Each career path will identify key positions that meet critical mission requirements, joint service requirements, and positions best suited to meet employee professional growth and career path requirements. These managed career paths will drive the NCIS human capital processes by defining workforce development priorities within each program.

In addition, NCIS should also consider mobility zones as a tool to enhance orderly process of agency staffing requirements. This tool will meet agency prerogatives in filling critical positions while maintaining a stable policy for agents to project potential moves at specific tenures of their careers. In 2005, an executive working group was created to address the management of deployable assets

within NCIS. Mr. Thomas Fischer, NCIS Assistant Director for Inspections (retired) was the chairman of the group. Mr. Fischer served as a Special Agent for 23 years before retiring in 2000.

He served in executive positions at NCIS Headquarters, overseas offices and he served in contingency environments. Currently, Mr. Fischer serves as the Special Assistant to the NCIS Deputy Director for Operations. According to him, the working group proposed five mobility zones, which would be created for each stage of an individual's career path.

Each zone would cover a specified period of time in an employee's career, for example: Zone 1 would cover the first two years; Zone 2 would cover year's three to ten; Zone 3 covers eleven to fifteen; Zone 4 covers sixteen to twenty until an agent reaches Zone 5, which is 20 or more years of service. Within each of the respective zones, personnel can be subject to one non-requested mobility assignment to fulfill those unfilled vacancy requirements at critical offices.

For supervisory positions, employees can expect accelerated mobility requirements, with specific mobility zones. Following the working group recommendation, NCIS did not implement the proposal as policy.

The major impediments to this alternative are political acceptability, flexibility and sustainability. Mobility zones pose several unintended consequences, both for employees who view early career paths as a limit to their professional growth and options, and also as a result of the vast NCIS mission requirements and immature internal processes.

*Alternative 3: Special Agent 5-year New Hire Plan*

NCIS could create a 5-year plan for all newly hired special agents. This 5-year plan would create a clear path of assignments for an employee's first five years with NCIS. Once hired, employees would first serve their two-year probationary period in one of several NCIS training offices before being assigned to a three-year follow-on assignment in a validated NCIS critical fill office. All newly hired Special Agents would accept positions knowing when, where and for how long they would be expected to serve before being considered for a transfer. For the organization, the most important aspect of this alternative is that it would create a standard culture of mobility throughout the service.

The impediment to this alternative is less flexibility for the organization. However, the numerous benefits of this alternative outweigh this one impediment. Designed properly, this alternative provides the means to adapt to future changes in mission requirements, organizational structure, leadership philosophies and unforeseen budget constraints. This alternative is broad enough to provide flexibility for management prerogatives while maintaining a stable policy for agents.

**PREFERRED APPROACH  
(RECOMMENDATION)**

Creating mobility zones and managed career paths within each of the respective NCIS programs also has some merits with regards to a sustainable mobility policy. The benefits of such an alternative favor the organization in that it provides the ability

to move the workforce using mobility zone templates and career paths for each of the major disciplines. However, for the alternative to work, it would require a significant cultural shift from a solely volunteer process to one where employees may be placed based on skill sets and where they fall within the mobility zones at given times. As a result, this alternative is the least recommended. Mobility zones and career paths may offer employees an idea when mobility is expected; however, it leaves employees with less control over their careers. Secondly, career paths are least desirable for employees wishing to diversify within the many NCIS missions and functions. Career paths for specialties are recommended, as well as for those seeking management and leadership positions. In addition, it is important to provide specific training and advanced educational opportunities within career path specialties and leadership positions. These additional training and educational opportunities will provide the necessary incentives to sustain a mobility policy.

Based on the evaluation, the overall best approach is the Special Agent 5-year new hire plan. Each of the alternatives has merits that would promote mobility without having the need for the organization to compel its personnel to transfer; however, the 5-year plan affords the greatest efficiency, sustainability/flexibility and political acceptance making it the best approach. Additional incentives and entitlements are attractive and would increase the numbers of volunteers requesting overseas assignments or contingency missions, in particular those employees wishing to retire

while stationed overseas. However, incentives and benefits alone will not be the sole answer to sustaining a mobility policy that balances employee needs and the organization's mission requirements. There are intangible needs that are not directly tied to incentives and benefits. Throughout a career, employee quality of life issues will take greater precedence over financial incentives and benefits. In addition, the political feasibility in implementing such an alternative is difficult and not favorable in the current economic environment.

**IMPLEMENTATION STRATEGY**  
In order to successfully implement the 5-year new hire plan, it is recommended that NCIS adopt the following approaches in order to minimize the effect of each process, resource and political constraints:

The first approach addresses the process constraint by implementing the 5-year new hire plan within the NCIS candidate assessment and selection application process. By incorporating the plan into the hiring process, NCIS can quickly begin to recruit, identify and place candidates in both training and follow-on offices immediately. Currently, the vacancy announcement for the Special Agent position opens and it is general in nature regarding duties and qualifications, however; once the 5-year new hire plan is implemented both training offices and critical offices where new hires may be assigned will be listed. Candidates will read the vacancy announcement and knowingly apply to the position of Special Agent. The NCIS Suitability Branch personnel can then appropriately process candi-

dates accordingly based on the above desires and needs. Once the candidate completes the application and screening process and successfully passes the written portion, then he or she moves to the pre-screening interview phase where they would continue to be vetted, and where additional discussions would occur regarding their office preferences and the 5-year requirement.

In the current process, once the candidate successfully completes the screening board interview phase, they submit their list of three first duty office preferences. Based on the needs of the service, they may receive one of their three office choices. Candidates are then notified of their first duty assignment at the time they are offered a position, and in most cases the candidate is responsible for any financial implications associated with relocation.

In addition, within this approach candidates would be given two lists of office choices at the time of their screening board interviews. One would list two-year training offices, and the other would list the three-year follow-on offices. The candidate would choose three offices from each list in order of preference. Based on candidate requests, skill sets, training, experiences and agency needs, candidates will be appointed knowing where they will serve in both their training office and follow-on assignment.

The second approach addresses the resource constraint by offering relocation-moving expenses to those candidates being asked to serve in training offices outside their geographic location at the time of appointment. This

relocation service can be offered in two ways, depending on the current PCS budget: it can be offered at a reduced cost by providing only basic moving expenses such as household goods, travel and limited temporary housing, or it can be extensive, such as offering the government real estate buy-back program, as well as household goods, travel and limited temporary housing. Assuming that NCIS hires to capacity – 120 Special Agents per fiscal year, the PCS budget could increase by an additional \$720,000 to \$2.250 million annually. This cost analysis is using a conservative estimate of \$60,000, without real estate services, and \$180,000, for extensive relocation benefits. However, based on historical data, the reality is that the costs will be considerably less. As a result of our national and global presence, many of our candidates are recruited and hired in the office in which they were processed. Therefore, this change in policy would be for those few instances where there is a need to relocate new hires to another geographical location because of unique skill sets, experiences and talents.

It would not be prudent to spend considerable resources in recruiting, processing and hiring candidates who are qualified and talented to only lose them because they are unable to incur the costs associated with relocation. The 5-year new hire plan places greater demands on these individuals to assume accelerated mobility. In doing so, NCIS should seek to alleviate financial costs assumed by the employee because of relocation. Once personnel complete their 5-year plan they would then be available to fill va-



cancies throughout the organization.

The last approach addresses the political criteria constraint. In implementing the 5-year new hire plan NCIS should create an executive committee made of members from the NCIS Human Resources (workforce planning, recruiting, training, suitability branch, and travel branch), the respective program directors for each of the Directorates, and representatives of the Financial Planning Directorate (planning and evaluation). This committee should meet periodically to discuss current and ongoing workforce planning issues directly related to the hiring and placement of newly hired special agents. In particular, for this plan to work effectively and efficiently the program directors, who are clearly the largest stakeholders in meeting mission goals and functions, should provide clear requirements with regards to vacancies and special skill set needs, as well as short term

and long-term goals. This committee will be in the best position to align their respective training and transfer budgets, as well as clearly plan for future capacity and capability. More importantly, this committee would periodically review the plan, make modifications where needed and create additional opportunities for implementation to the remaining workforce. As the 5-year new hire plan matures and the systems and process surrounding it mature, this committee would be in the best position to expand the policy to a NCIS rotational mobility policy for all employees under mobility agreements.

## CONCLUSION

NCIS, as an organization, has been relied upon to provide an ever-expanding portfolio of missions in addition to their major role in criminal investigations. As a result of our expanding global missions, NCIS will



require personnel that have critical skills and experiences to conduct our law enforcement functions on behalf of the DON.

According to a report by the Partnership for Public Service, *Where the Jobs Are – Mission Critical Opportunities for America*, the federal government must hire nearly 193,000 people to fill mission-critical jobs in the next two years, with much of the need in the areas of security and law enforcement. The report states the need to replace hundreds of thousands of retiring federal workers over the next five years as one of two key factors driving recruitment. The report further states that 83,000 jobs at the Defense and Homeland Security departments will need to be filled in the next two years, and it noted that there will be a need to fill 62,863 jobs that are specifically related to security and law enforcement over the same period.

As the NCIS faces additional expanded missions and competition for talent, it should now take the opportunity to align its mobility policy affording it the greatest opportunity to attract, recruit, and hire a mission

ready workforce. Additional benefits, incentives, leadership development programs, and career paths would all be positives in any mobility policy; however, due to the political realities and cost considerations, they may not be the best feasible alternative or recommended ap-

proach. Instead, the 5-year new hire plan affords NCIS an immediate sustainable long-term mobility strategy. Leadership programs and career paths should however be phased in following the implementation of the 5-year new hire plan. Similarly, any benefits and incentives should be included in the mobility policy once legislation is passed or additional resources become available. The 5-year plan benefits employees by giving them a hand in planning their professional careers, and the experiences faced in challenging positions and locations. More importantly, this plan will give them an appreciation that mobility is an integral component of the NCIS culture and success.

Clearly, a 5-year new hire plan would afford all employees the opportunity to acquire “advantages” early in a career for advancement, if they so desire. A 5-year new hire plan would provide a framework to attain those advantages in an equitable, predictable and transparent way for both the employee and organization. ❧

## Author Biography

Special Agent **Daniel D’Ambrosio** received a bachelor’s degree in Criminal Justice from St. John’s University in 1994 and a Master’s degree in Public Policy Management from Georgetown University in 2008.

Mr. D’Ambrosio joined the Naval Criminal Investigative Service in 1997 after serving as a police officer for three years in the Virginia Beach Police Department, Virginia Beach, Virginia.

Since joining NCIS, Mr. D’Ambrosio has served as a Special Agent at the NCIS Norfolk Field Office, Norfolk, Virginia (1997-2000); Mr. D’Ambrosio has also served as the Special Agent Afloat on the USS WASP (2002-2003); Supervisory Special Agent at the NCIS Resident Agency, Sigonella, Italy (2003-2005); Supervisory Special Agent at NCIS Headquarters Personnel Operations and Services Department (2005-2006); and the Division Chief for the Personnel Operations and Services Department (2006-2007).

In July 2007, Mr. D’Ambrosio was assigned to the Office of Special Projects as the Assistant Special Agent in Charge.



Written by The Honorable Richard L. Skinner

# Knowing What We Know Now, Was the Creation of the DHS a Good Idea?





The Honorable Richard L.

## Skinner

*“The creation of the Department of Homeland Security galvanized the Nation’s fight against terrorism by consolidating and mobilizing the assets of the federal government under a single roof with a single, focused mission: to ensure that the tragic events on September 11, 2001, are never repeated again on American soil.”*

**L**ooking back over the past five years at DHS, knowing what we know now, there is no question that bringing together 22 disparate agencies into a single entity was a good idea.

The creation of the Department of Homeland Security galvanized the Nation’s fight against terrorism by consolidating and mobilizing the assets of the federal government under a single roof with a single, focused mission: to ensure that the tragic events on September 11, 2001, are never repeated again on American soil. After just five short years, we, as a Nation, are now beginning to witness the positive effects of the Department’s efforts and initiatives: tighter security at the borders; increased immigration enforcement; greater cooperation with our international partners; expanded partnerships with the private sector; better and more efficient passenger screening at our airports; and regenerated disaster response and recovery management. The list goes on.

While these initiatives are still in a critical stage of development and implementation, they are beginning to show positive signs of achievement and success.

Since the creation of the Department, and because of its creation, America is safer and more secure to-

day than it was prior to September 11, 2001.

Are there things that could have been done differently? Absolutely! I think it is important to understand that, when the Department was stood up in March 2003, it not only inherited pre-existing management problems and material weaknesses from its legacy agencies, it also did not receive the funds or people needed to address those problems and weaknesses, or otherwise adequately support the vast number of Departmental programs and operations. This was particularly evident in the Department’s management support functions, i.e., financial management, acquisition management, information technology integration and security, and grants management. Each of these functions transverse all of the Department’s programs and operations, and they have a direct and profound impact on the ability of the Department to fulfill its critical mission to secure America by preventing and deterring terrorist attacks, and protecting against and responding to threats and hazards to the Nation.

In short, when the Department was created, it was short changed. That is, on one side of the ledger, the Department acquired entire operational assets and programs of 22



disparate agencies, but, on the other side, it did not acquire the management support assets needed to support those programs. To compound matters, the Department was required to service whole new components, for example, intelligence analysis, infrastructure protection, and science and technology. It is important to remember, creation of the Department of Homeland Security was more than just a merger of 22 disparate agencies, it was also an acquisition, divesture, and a start-up.

Yet despite what seemed to be insurmountable obstacles at one time,

the Department's progress to date has been impressive.

In the area of financial management, for example - although the Department was again unable to obtain an opinion on its financial statements in 2007 - every component in the Department, except FEMA and the Coast Guard, showed measurable progress in its ability to produce accurate, reliable financial statements.

With regard to information technology management, integrating the systems, networks, and capabilities of the legacy agencies to form a single infrastructure for effective communica-

tions and information exchange continues to be one of the Department's biggest challenges. During the past five years, the Department has completed a comprehensive inventory of its IT systems, consolidated or reduced the number of obsolete or redundant systems by nearly 75%, and certified and accredited nearly 100% of its operational systems.

With regard to acquisition management, the urgency and complexity of the Department's mission continues to demand rapid pursuit of major investment programs. Over the past five years the Department spent



about 40%, or about \$70 billion, of its budget on contracts. The Department is beginning to show progress in selected acquisition functions and activities, particularly over the past two years. This is most evident in the **U.S. Coast Guard's Deepwater** (see photo on previous page) acquisition strategy, the Customs and Border Security's SBInet management processes, and the Department's initiatives to establish a capable acquisition workforce.

In the area of grants management, the Department has taken giant steps to improve its business and administrative processes for its grant programs. During the past two years, the Department has successfully migrated its multitude of grant programs un-

der one agency, FEMA, and implemented a risk-based grant allocation process for many of its grant programs.

I don't mean to imply that challenges do not remain; they do. The Department still has a long way to go before it can say that it is operating in the most efficient, effective manner possible. Nevertheless, things are looking up! Since fiscal year 2006, the Administration and Congress have recognized the importance of building a robust management support capacity to sustain the Department's programs and operations, as evidenced by the increases in the Department's budget for management

support activities. However, the Administration and the Congress will need to continue to invest in these management support functions for years to come if they expect the Department to run in an efficient, effective, and economical manner.

Unlike the other major federal departments in the executive branch, which have had years if not decades to build its management support capacity, the Department of Homeland Security had to dig itself out of a hole to get to the level where it is today, which is quite an impressive accomplishment given that it was short changed when it was stood up just five years ago. ❁

## Author Biography

**Richard L. Skinner** was confirmed as the Department of Homeland Security Inspector General on July 28, 2005. Between December 9, 2004 – July 27, 2005, he served as Acting Inspector General. Mr. Skinner held the position of Deputy Inspector General Department of Homeland Security since March 1, 2003, the date that the Office of Inspector General was established.

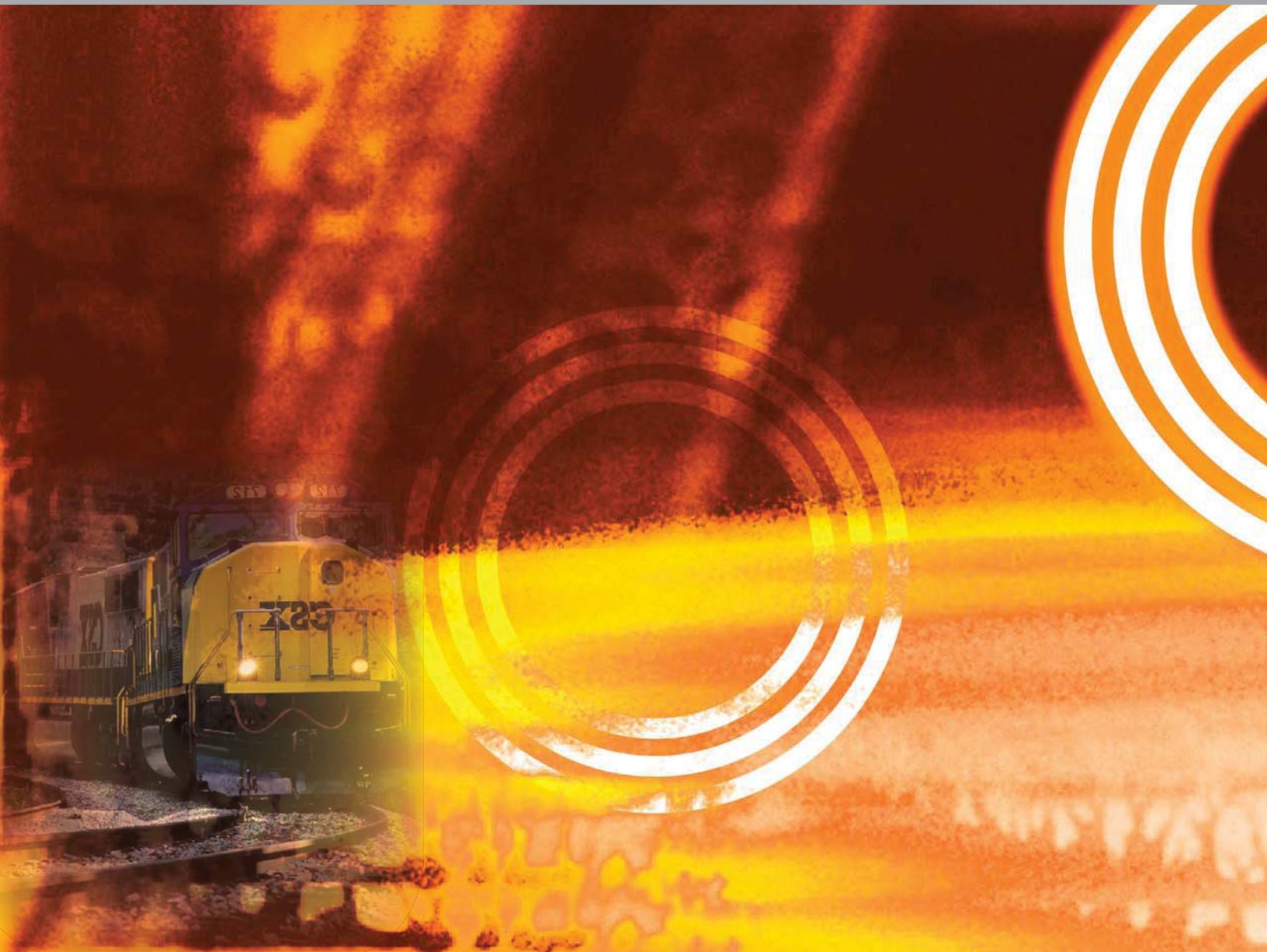
Prior to his arrival at DHS, Mr. Skinner was with the Federal Emergency Management Agency, where he served as the Acting Inspector General (October 2002 – February 2003) and Deputy Inspector General (1996 – 2002). From 1991 to 1996, Mr. Skinner served at FEMA OIG as the Assistant Inspector General for Audits.

From 1988 to 1991, Mr. Skinner worked at the U.S. Department of State OIG. During his tenure at DOS OIG, Mr. Skinner served as a senior inspector on more than a dozen foreign and domestic inspections and in 1991, Mr. Skinner was appointed by the Inspector General to serve as the “de facto” Inspector General for the Arms Controls and Disarmament Agency.

Mr. Skinner holds a B.S. degree in Business Administration from Fairmont State College and an MPA degree from George Washington University.

Written by Letty Benjamin Jay

# An Old Junkyard Dog Learns New Tricks: Memories of 20 Years in the IG Community





Letty Benjamin

# Jay

*“If a nation wants to reinvent its institutions to meet the future, its public servants must be able to reinvent themselves too.”*

**When I first joined the staff of the Office of Inspector General at the Railroad Retirement Board, it was often repeated that the Inspector General movement was about being junkyard dogs.**

We were supposed to roam around on the cutting edge of oversight, sniffing out fraud, waste and abuse, helping to reinvent government. The lessons of one’s early career run deep and last long. Yesterday, some 20 years later, I passed a dumpster behind the elevator bank at our headquarters building. It was really more of a tall industrial trash can on wheels which purported to hold sensitive materials destined for the shredder; I found it irresistible. I couldn’t fight down the urge to open the lid and sift through the first few layers of trash. I just couldn’t help myself; you never know from where that next audit finding may come.

In Marcel Proust’s *Remembrance of Things Past*, Charles Swann is carried back to his childhood when the smell of a cookie dipped in tea triggers memories from his past.<sup>1</sup> As I stood on tip-toe, picking through the crumpled papers, the aroma of stale

1 *Remembrance of Things Past*, Marcel Proust, Volume I: Swann’s Way: Within a Budding Grove, 1913, as consulted at <http://www.haverford.edu/psych/ddavis/p109g/proust.html>.

paper, pencil shavings, and ink carried me back to my early days in the Office of Inspector General.

I remember being interviewed. I didn’t know how they had gotten my name, I didn’t know what work they did, and frankly, I didn’t care. At that time, I was working fifty to sixty hours a week in the advertising industry planning and placing advertising schedules for well known national brands, as well as products of dubious value. Does anyone remember a shower gadget that squirted moisturizer? Advertising was a fun and exciting industry in which to work, but I suspected that the stress might kill me. Can chest pains and a facial twitch be signposts on the road to success? I kept wondering if my early demise would serve any larger purpose. Clearly, it was time for a change.

*“I have no use for bodyguards, but I have very specific use for two highly trained certified public accountants”*  
—Elvis Presley<sup>2</sup>

In 1988, the Office of Inspector General was young and the Office of Audit was staffed by empty desks. The first wave of auditors, those who had hired-on when the Railroad Re-  
<sup>2</sup> Elvis Presley quotations at [www.thinkexist.com](http://www.thinkexist.com); <http://www.thinkexist.com/search/search-quotation.asp?search=accountants>

tirement Board joined the roster of agencies with a statutory Inspector General, had departed for fairer fields. Apparently, the undergraduate accounting curriculum was not adequately indicative of what a career as a junkyard dog might entail. Those who remained were searching for a few like-minded individuals to fight fraud, waste and abuse. I was looking for a job with regular hours, minimal travel, and group health insurance. It was a match made in heaven.

Hired because of my academic achievements and professional certification, I was immediately set to the task of reviewing hundreds of records, collecting and recording vast quantities of repetitive data, and any number of other activities for which I had no prior training or experience of any kind.

Program auditing had so little to do with my training in financial accounting and my prior work experience that I was amazed to have gotten the job and more than a little thrilled to keep it. Nevertheless, the hours were regular, there was no travel to speak of, and the group health insurance was to die for.

The Chief Financial Officer's Act of 1990 changed everything. Blissful on the GS-511 career ladder to heaven, I had no idea of the changes that were in store. Consultants were retained, solicitations were released for bid, and public accountants arrived; in 1993, the financial auditing commenced. We in the Office of Audit saw no harbinger of things to come; yet come they did. After a brief interlude during which independent public accountants audited the agency's financial statements, the Office of



Inspector General was instructed to perform that audit with its own staff.

Wait a minute. Did I say that we saw no harbinger? I should have said I saw no harbinger. Higher levels of management once again displayed the peculiar prescience that comes with a Presidential appointment and an SES on the pay stub. Preparations had been made against this very eventuality. Some of the senior audit staff had had some financial audit experience. It now became apparent why we had a team leader observing the methods and approach of the independent public accountants who had been retained to perform the first four financial statement audits. For the rest, ingenuity and professionalism carried the day (I believe that this is also known as the collective knowledge, skills, and abilities of the audit team). I had never played a team sport and this audit looked exciting and fun. What luck that they let me come play with them.

During the more than 10 years since our office first undertook to conduct

a financial statement audit, I fell in love with accrual accounting all over again. I was reminded of the charm of debits and credits in a well-drawn T-Account, the functional beauty of a properly executed journal entry, the grace and symmetry of elimination in consolidation. The multiple elements of financial reporting create an artful canvas stretched over a sturdy frame of standards. I was practicing the profession for which I had trained so rigorously and having a grand time too.

Double entry bookkeeping had called me home and I thought that I would never leave. Once having set off upon the path, I saw that the old familiar guide posts still marked the way: the standards, the guidance, the statements-gone-before. I had my *Yellow Book*,<sup>3</sup> my *Financial Audit Manual*<sup>4</sup> and I knew what I had to

<sup>3</sup> Government Auditing Standards, a publication of the Government Accountability Office.  
<sup>4</sup> Issued jointly by the GAO and the President's Council on Integrity and Efficiency, the GAO/PCIE Financial Audit Manual



We did then and we still do today.

Most of us who participated in the first few financial statement audits conducted by the Office of Inspector General had their first opportunity to see a truly complex audit built from the ground-up. We had to brush off the old undergraduate book-learning; intermediate

accounting texts started popping up here and there in the office; discussions ranged wide about applicable standards, accounting systems, and transaction flow. It was a surprising delight to roll up my sleeves and draw old fashioned T-Accounts to illustrate a point during lively dialogues with senior agency financial managers. Better still when they whipped out the mechanical pencils and drew a few of their own. T-Accounts: it is what accountants do to clear the cobwebs (and illustrate points and win arguments).

When the Office of Inspector General was instructed to conduct the Railroad Retirement Board's financial statement audit with its own personnel, we had never performed an attestation engagement, let alone opined on a full set of financial statements. Taking on that responsibility was a

big leap for a relatively small audit organization and whenever we think we have it nailed some new requirement overthrows that complacency. We are always on the look-out for that next change because change is always just around the corner in the form of some exciting new standard or a fun new financial statement.

Times of change are times of professional opportunity; change makes it possible to have a long career and never be dull. Do you have a new FAS, SFFAS, GAGAS, GAAP, or a perhaps a SOP?<sup>5</sup> Bring it on. Embrace the complex issues because they stretch the analytic skill and like any other ability, use-it or lose-it. With that for a philosophy, how could I not love the statement of social insurance? How often does one have the opportunity to participate in the first-time audit of a first-time financial statement? What's not to love? The statement of social insurance is so special that the numbers aren't even in the general ledger; the mandatory line items are all estimates. What a sweet confection for an old mathematics groupie like me.

We are in the middle of the 12th financial statement audit conducted in-house by our own Inspector General auditors. We work to keep it fresh, to add value each year and to prepare for the new twists and challenges the future may hold. The audit team takes pride in being part of a larger, governmentwide effort. Whenever my confidence has faltered they have proven

5 Financial Accounting Standards (FAS), Statement of Federal Financial Accounting (SFFAS), Generally Accepted Government Auditing Standards (GAGAS), Generally Accepted Accounting Principles (GAAP), Statement of Position (SOP).

do. Did I say "I"? That would be true only in a hindsight made fuzzy by time, misplaced eyeglasses, and a very resilient ego.

Reality check: the audit team had a tremendous immediate supervisor that knew what we had to do. Emphasis on the we. The financial statement audit team was several times larger than any program audit on which I had ever worked.

I watched and learned as our fearless leader coordinated audit programs, scheduled supervisory reviews, shifted mountains of working papers and fielded question, after question, after question.

Perhaps most importantly he communicated always a sense that we were on the right path. Yoda-like, there was no "try" only "do" and within a few years it was "do" by November 15th.

\_\_\_\_\_ presents a methodology to perform financial statement audits.



me wrong; one might even think that the audit staff like to prove me wrong (hmmm, in a good way).

A final thought about financial statement auditing. Financial statement auditing represented a huge cultural reversal from the junkyard dog concept. In program auditing, we used risk assessments to identify and target program elements where the need for oversight and assessment was greatest; within those high-risk areas, we targeted the activities most vulnerable to fraud, waste, abuse, inefficiency, ineffectiveness, or non-compliance. In a financial statement audit, risk assessment is not used to determine whether the audit will be conducted; low risk does not mean stop and move-on to riskier pastures. A financial statement audit is conducted annually even if there is no demonstrated risk of misstatement; the auditor comes back every year even after an unqualified opinion has been achieved. Financial statements can be right as rain and pretty as a picture but when spring comes 'round again, so shall we. Financial statement audits are kind of predictable that way and a good junkyard dog is never predictable.

*"I could tell you my adventures--beginning from this morning," said Alice a little timidly: "but it's no use going back to yesterday, because I was a different person then."*—Lewis Carroll<sup>6</sup>

Like a well raised child, the financial statement audit has a life of its own;  
<sup>6</sup> Lewis Carroll, Alice in Wonderland, Chapter 10, "The Lobster Quadrille," as published by Indiana University at their website <http://www.cs.indiana.edu/metastuff/wonder/ch10.html>.



it goes on without me. Spring has returned and already I miss rifling through journal voucher documentation and gazing into to the agency's general ledger. I have cultivated a particularly grim, but knowing, expression just for perusing the general ledger. Happy hours at play in fields of financial trend analysis shall be mine no more. My ten-key is silent. My mechanical pencils gather dust.<sup>7</sup> A few weeks ago, I sketched out some T-Accounts to illustrate a point but it wasn't the same, the thrill was gone.

As for the junkyard dog days, they are the stuff of nostalgia. If the truth be told, I never made a good audit finding by sticking my nose in a dumpster. But who is to say that I never will? I like to rattle door knobs that are not on my office door; point-and-click where my mouse doesn't belong; and, occasionally growl and bark for no reason whatsoever. I just

<sup>7</sup> A maudlin and shamelessly deceptive bid for sympathy.

want to see what will shake loose. Time is on my side on this one. Statisticians may tell us that random sampling is not an effective tool for fraud identification because fraud isn't a random event, but highly trained and experienced audit professionals can have a lot of fun testing the theory. So many dumpsters, so little time.

*"Old age and treachery will overcome youth and skill"*

So little time and the times keep on a-changing. What to do? What to do? If a nation wants to reinvent its institutions to meet the future, its public servants must be able to reinvent themselves too. Thus having identified the condition, I reviewed the criteria, developed for causes, crafted recommendations for corrective action based on the evidence, and issued a couple of recommendations to myself.



### RECOMMENDATION #1

Embrace some new professional tool or technique: get a new hobby-horse, test a new theory, and make your own fun.

Of late, my fancy has turned to bigger, faster computers; I fantasize about data-dumps the size of aircraft carriers. Goodbye junkyard dog. Farewell financial auditor. Hello 21st century techno data junkie.

Electronic media have replaced paper to such an extent that the most sensitive thing I found during my recent foray into the shredding cart was somebody's frequent flyer mileage statement.

It wasn't much of a treasure; the statement didn't even have a social security number on it.

Although the theory is still untested, I am pretty sure that data analysis is just as good as Sudoku for stimulating brain activity in middle-aged certified public accountants but with one big advantage: the USAJOBS website doesn't list even a single job that would

pay me to solve Sudoku puzzles all day.

### RECOMMENDATION #2

Always remember that there is no mandatory retirement age for auditors.

When I get the data dump, I hope it smells just a little like paper, pencil shavings, and ink. ✂



## Author Biography

**Letty Benjamin Jay** is the Assistant Inspector General for Audit at the Railroad Retirement Board's Office of Inspector General.

Ms. Jay has 20 years of auditing experience in the financial, performance and information security arenas.

Ms. Jay is a Certified Public Accountant licensed in the state of Illinois since 1993.

Prior to joining the Office of Inspector General, Ms. Jay was a Vice President of a Chicago advertising company.

Ms. Jay earned a Bachelor of Arts in mathematics and French literature from Kalamazoo College; studied accounting at Northwestern University; briefly pursued advanced studies in French literature at the University of Wisconsin and earned an MBA degree from the Keller Graduate School of Management.

Written by Randall Exley

# Toastmasters Isn't Just for Public Speaking





Randall

**Exley**

*“The Navy is a \$150 billion operation, and our job at NAVAUDSVC, by definition, leads us to identify some very serious problems.”*

**When auditors have bad news to deliver, tense situations can arise.**

Auditees can become defensive, and this can make auditors nervous and less effective in delivering their audit results. Even when auditees are receptive, auditors who have actively participated in Toastmasters International – an organization whose mission is to instill effective public speaking skills in its members – can more effectively communicate what they have found, their conclusions, and their recommendations for improving the effectiveness and efficiency of Department of the Navy systems, programs, functions, and processes. That is why the Naval Audit Service, the Department of the Navy’s Internal Audit Organization, has adopted Toastmasters International as a vital part of its auditor training program.

NAVAUDSVC’s top leadership strongly supports training in public speaking, through Toastmasters, for its workforce. NAVAUDSVC has three clubs with about 80 members. Our leadership considers those clubs, and the mission they perform, to be a vital part of the training program for the Department of the Navy’s internal audit organization.

Auditors are paid to be objective, independent, and to speak out. A big

part of our work involves informing political appointees, military generals and admirals, and civilian executives of our audit plans and the results of our audits – whether positive or negative. That includes presenting the problems we find and our recommendations for solving those problems to a variety of audiences. We try to be collaborative and customer-oriented with our audit clients, but we are also charged with doing our job independently and “delivering the bad news.” We work on the principle that “what gets checked, gets done.” We also subscribe to the belief that people who are inclined to commit fraud or be wasteful always listen when their conscience warns them that somebody may be watching.

#### BEARERS OF BAD NEWS

For many people, though, it is not easy to deliver bad news or criticize someone else’s work. At NAVAUDSVC, for example, we have had to deliver some very unpleasant findings to Navy and Marine Corps leaders: a disbursing officer stole \$3.8 million in cash at a Navy activity, two Government purchase card holders set up shell companies and stole \$593,000 over 5 years; a travel processor who was given too much authority wrote himself checks supported by false

travel claims for nearly \$500,000. We have also had to inform DON leaders that Department personnel have carelessly exposed thousands of military and civilian employee Social Security Numbers exposed to potential identity theft due to inadequate controls and that classified information may have been exposed to unauthorized personnel because old computer hard drives were not properly cleaned before being sold to the public.

Not long ago, we had to tell Department leaders that they needed to do a better job of quickly acquiring and fielding items that were urgently requested by commanders in the field in Iraq.

We also had to tell them that units had lost inventory control over a significant number of small arms (rifles, grenade launchers, shoulder-fired missiles, etc.) while the weapons were in transit from one shipping point to another. Most of the weapons were not actually lost, but a portion still remains unaccounted for.

Given these kinds of findings, and the press coverage that can result, it should not come as a surprise for people to learn that auditors are not so popular; a common joke in the Department of Defense is that “auditors are the people who enter the battlefield after the battle is over and shoot the wounded.”

While it may not be fair, this stereotype of auditors is understandable when seen from the auditee’s perspective. The Navy is a \$150 billion operation, and our job at NAVAUDSVC, by definition, leads us to identify some very serious problems. When we find those problems, it is a requirement of Government Auditing



Standards that we write reports – to inform those we audit, their bosses, their bosses’ bosses, and, ultimately, Congress and the public – about how well, or how poorly, they did. It is our job to constructively criticize the way people are managing their func-

tions, programs, and the taxpayers’ money.

Of course, we try to do our work collaboratively and present our findings (positive and negative) in a fair and balanced way and as objectively as we can. But in some cases, as one

saying goes, “You can put lipstick on a pig, but when you are done, it is still a pig.”

#### GET THE FACTS STRAIGHT

Those we are briefing – the appointees, generals, admirals, and civilian executives – are pretty darned smart. They “live” every day of their work lives in the areas we are auditing and they know the detailed “ins” and “outs” of their activities. Thus, our auditors must absolutely have their facts straight because the criticisms we levy on those we audit sometimes lead to very defensive and occasionally outright hostile reactions. When the defensiveness and hostility occurs, our auditors must ignore all the emotion – and, once in a while, verbal abuse – and professionally explain their findings, get the managers’ agreement, and sell them on the recommendations we are making to help address the identified problems.

If their presentations are to be effective, our auditors must rise above the hostility and remain calm, collected, and confident. Clear thinking is an absolute necessity, and NAVAUDSVC uses the Toastmasters clubs to help our auditors develop the presentation skills they need. We find that the training and practice Toastmasters provides helps them reduce their anxieties and build the confidence required to handle these difficult situations.

Because their work is being criticized, the managers’ first and natural reaction is to want to defend themselves and discredit the audit results. It is human nature. They want to debate with our auditors about whether our findings are accurate, and some-

times, whether any corrective actions are needed at all. In a debate, you cannot be effective if you are so nervous that you can’t think on your feet and respond to counter-arguments. If the auditees see weakness, they will exploit it and you will be, well, Toast (pun intended).

So NAVAUDSVC leadership avidly supports Toastmasters and its goals, and believes strongly in its premises. We believe that Toastmasters helps our auditors prepare for those difficult meetings. We believe this so strongly that we pay all membership costs and fees for our club members (with the approval of our lawyer, of course), we allow the clubs to meet on work time, and we require every new hire (about 50 new auditors a year) to participate in the clubs for at least a year. We also require that they make at least five speeches before attendance becomes voluntary. Finally, the organization has assigned a Toastmasters Program Manager to ensure that the program runs smoothly and remains vibrant and effective. We meet with the Program Manager periodically to ensure that the program is on track and our goals are being met. Word of the success of our Toastmasters program is spreading to the point that other organizations within and outside of the DON are seeking us out for help in starting their own programs for their personnel.

To further emphasize the importance we place on this training, I and our other Senior Executives sit in on club meetings fairly regularly. Our presence shows that the senior leadership of the organization is firmly behind the program. Less frequently, but equally important, those who

give speeches in the clubs also present them at senior staff meetings to the Auditor General, me, and our six Assistant Auditors General. We have also begun giving awards to those who serve in important officer positions (two of our Toastmasters will serve in the coming year in roles that reach outside our organization as Division and Area governors), as well as to participants who achieve key milestones, such as earning their Competent Communicator Certification. By serving in officer positions, members of our workforce are going beyond what is expected, and helping train other participants (about 20 members per club) to be effective communicators so they can further the accomplishment of our mission.

#### RESULTS ARE REMARKABLE

We are seeing some remarkable results from those who participate. We have seen the confidence that the club experience brings to our new personnel. Their level of participation in team briefings on audit results to the Auditor General and me, and the quality of those presentations, has greatly increased.

We see a similar pay-off in meetings with the senior appointees, and DON civilian and military executives we audit. After a year in the clubs, the positive change in the poise and confidence of the participants is without question.

Many auditors are, by nature, introverted, and they join millions of other people – perhaps most people – in having an innate fear of public speaking. That fear extends not just to speaking in front of large groups but also to audit progress briefings

and others types of communication in smaller settings. One thing is for sure -- we all have to control our fears or risk not getting our messages across. Toastmasters is the kind of program that can generate the self-confidence ones needs to speak in public.

But why is it that so many of us fear speaking in front of large groups or even, for some, to small groups? The late actor George Jessel, nicknamed "The Toastmaster General of the United States," said, "The human brain starts working the moment you are born – and doesn't stop until you stand up to speak in public."

Of course, it may be true for some, but the premise that the brain is working before you stand up is debatable.

But imagine a world in which no one had the courage to speak publicly and pass on a message, or knowledge, or important ideas? Teachers would be unable to teach our children. Preachers would be unable to bring their messages of faith, hope, and love to their congregations. Politicians would be unable to reach the masses with their platforms of ideas for making our great country, or state, or community even greater. Without that public sharing, how many wrong decisions would be made? How many mistakes would be repeated? How much knowledge would be lost when someone left our organization and had to be relearned from scratch by someone new?

Imagine if Martin Luther King had not spoken out against racism and for equal justice for all. His "I Have a Dream" speech in August 1963, a defining moment of the American Civil Rights Movement, spoke of his desire for a future when all people would co-exist harmoniously as equals. Imagine if Abraham Lincoln had never given the Gettysburg Address and fought to end slavery. Would Martin Luther King even have been able to make his speech on the steps of the Lincoln Memorial 100 years later?

Public speaking is vital to sharing knowledge that can change us as individuals, families, neighbors, and nations. Suffice it to say that few of us will approach being as great and influ-





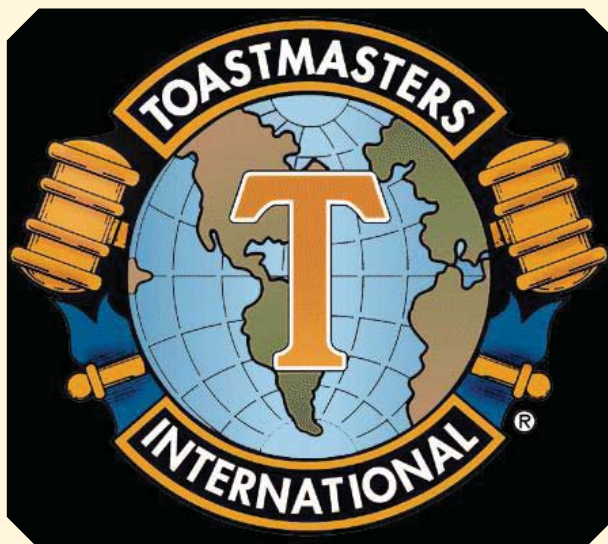
ential as Abraham Lincoln, or Martin Luther King, or other great orators such as some politicians, evangelists, and other charismatic speakers. But we all have something to say, something to share with others. Whether it is to your spouse, your children, your coworkers, your community, or your peers in your profession – everyone has knowledge to share, and it is our duty to share it.

Mark Twain said, “Americans are people who are proud of their right to say what they please – and often wish they had the courage to do so.” Toastmasters can help provide that courage.

I know that Toastmasters prepares auditors to effectively communicate with auditees and with others about the results of our audit work. That is why participation in Toastmasters has become a key part of NAVAUDSVC training.

Not only do the participants benefit when they learn to communicate more confidently – so does the Naval Audit Service.

I submit that this training applies to your organization as well, whatever line of business you are in. Communication is a necessary part of our culture, and those who do so more effectively contribute more to their organization’s mission. It just makes good common business sense. ❧



## Author Biography

**Randall Exley** has served the Department of Defense as an internal auditor for 35 years (17 years for the Army Audit Agency and 18 years for the Naval Audit Service). For 2 of those years (1971 to 1973), he was a military auditor with the Army Audit Agency.

Mr. Exley is presently serving as the Deputy Auditor General of the Navy (a senior executive position within the Naval Audit Service). Prior to his current assignment, he was the Assistant Auditor General for Research, Development, and Acquisition Audits and managed a staff of approximately 80 professional auditors. Mr. Exley has been an Executive Assistant to an AAG, the Naval Audit Service’s Acquisition Audits Liaison (a personal advisor to the Auditor General), and a headquarters Program Manager.

Mr. Exley is a Certified Public Accountant, Certified Internal Auditor, Certified Fraud Examiner, Certified Government Financial Manager, and Certified Naval Acquisition Auditor. Mr. Exley has a Bachelor of Business Administration degree in Accounting, and a Masters of Business Administration degree with emphasis in Management. Mr. Exley is also a graduate of the Armed Forces Staff College and the Professional Military Education course offered through the Center for Defense Leadership and Management Program.



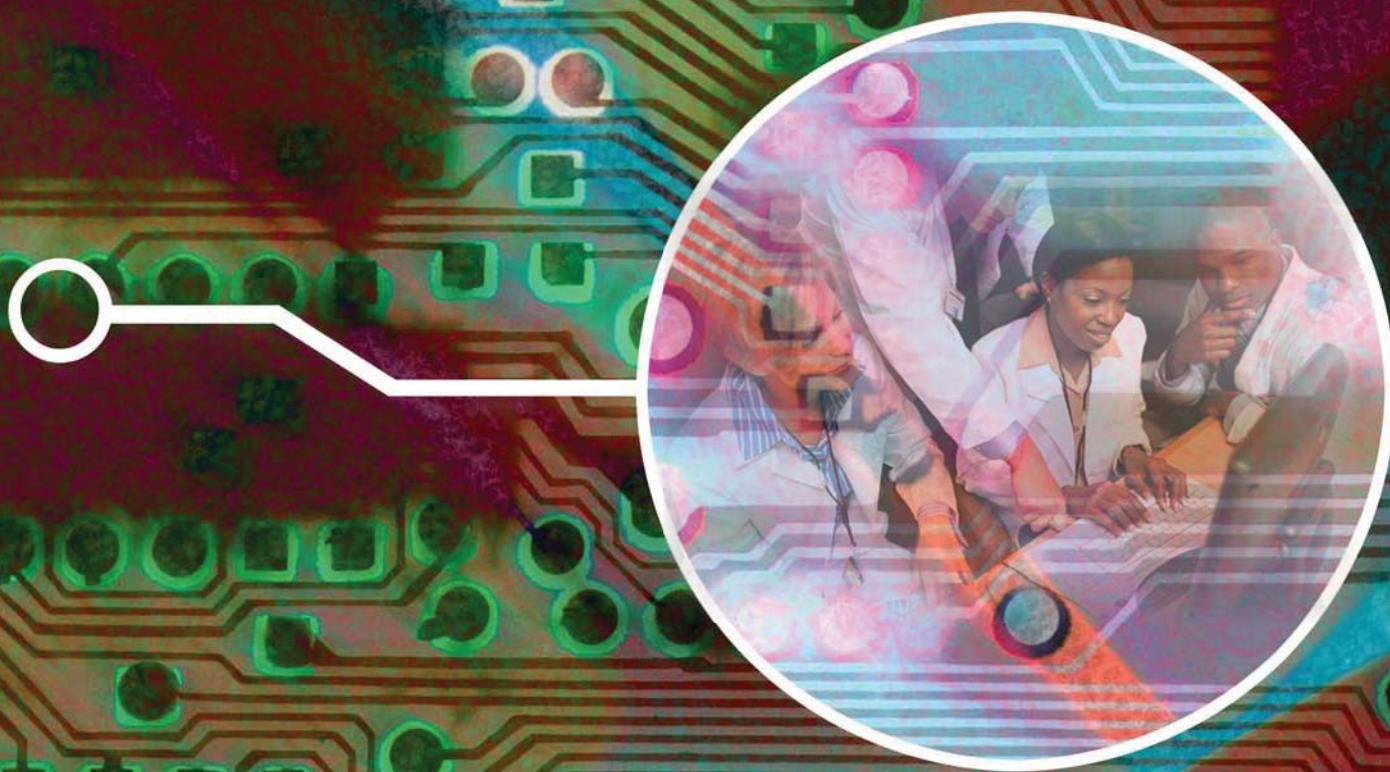
# Office of Inspector General

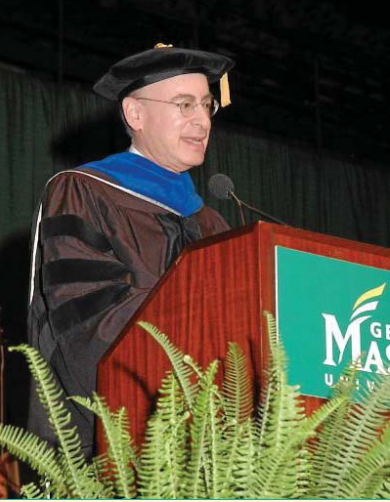
Department of Health and Human Services

Convention Address at George Mason University - May 16, 2008

Remarks by The Honorable Daniel R. Levinson

## A Public Service Perspective for Health Care Professionals





The Honorable Daniel R.

**Levinson**

*“With public health, of course, also comes public trust, and trust in health care takes several important forms.”*

**V**ice-President Taylor, Dean Travis, members of the faculty, parents, guests, and graduates, it is with great pleasure that I join you today to celebrate the awarding of academic degrees in the health care professions encompassed within the College of Health and Human Services here at George Mason University.

To the Class of 2008, I commend your personal achievements, and congratulate you, as well as all here today, and others elsewhere, who helped make this important milestone in your lives possible.

Before you receive your diplomas, I am very honored to have an opportunity to share some thoughts with you. Let me first note the diverse fields represented by the graduates gathered here today. Some of you plan careers in nursing, others in physical therapy, in social work, in health care administration, in international health, or to fill important needs in other aspects of health care.

Whatever the specialization, all those who practice in these areas of expertise join a community which inherits a precious Western legacy in promoting human health that, beginning in classical times with Hippocrates, Theophrastus, and Galen, has sought to cure, to heal, and to im-

prove the longevity and the quality of human life. The ability of health care professionals today to become more effective in advancing these noble goals holds new promise with growing prosperity and a better understanding of biology, the environment, lifestyle choices, and the importance of access to health care services.

What are some of the key drivers that will help define how to harness these beneficial developments on behalf of more than 300 million Americans, as well as on behalf of the larger global community? Perhaps of greatest importance, are emerging technologies, continued globalization, and new paradigms in public health.

Let me address technology first. Health care is in the forefront of the information revolution that permeates our society. Advances in information technology, electronic health records, electronic prescribing, telemedicine, even robot-assisted surgery, are becoming part of everyday practice. Medical technology is advancing at a faster rate than at any other time in human history. Harnessing this technology affords unprecedented opportunities to decrease costs, promote quality, and achieve efficiency. This great potential can only be realized, however, if each and every one of us views these developments as

dynamic, requiring continuing education so that we reap the benefits as practitioners, researchers and thought leaders. Fortunately, given George Mason University's long recognized leadership in information technology understanding, development, and dissemination, you probably have a great head start.

If technology presents a promisingly better but at times perplexing and unfamiliar terrain to our health care practice, the globalization of health care issues introduces a breathtakingly broad and complex scale in which to apply yourselves. Health care practitioners have known for some time that pandemic flu and other health care threats respect no jurisdictional boundaries, and that our common biological heritage must always be understood in a global context. Now, as our scientific knowledge and medical technologies continue to expand, we have a growing capacity to respond on a more global scale. This will require a health care work force that obtains and fosters a broad and deep understanding of state of the art medical technology and practice. It also must be a workforce that reflects and understands the diversity of our Nation and its connections to all corners of our planet.

Once again, George Mason University, through its diverse and international student body, presents a leadership profile. GMU's student demographics from last school year record over 1800 international students representing 134 different countries. It seems likely that many of you may, at some point in your career, work in international health. The opportunities to improve health

and combat diseases throughout the world are manifold and growing all of the time.

And this brings me to new paradigms in public health. Our definition of "public health" has truly been transformed over the past few years. Whether or not you think of yourselves as "public health professionals," you will all be involved in promoting public health, to the extent you treat patients or work in administrative fields that facilitate the delivery of quality health care. For those of you who choose the aspects of health care we have traditionally considered public health, this is a watershed period. The role of the public health sector has evolved to embrace emergency preparedness for both natural and man-made disasters. Public health professionals rendered valuable assistance to people displaced by hurricanes Rita and Katrina. In the future, many of them, and possibly some of you, will also serve as first responders to terrorist threats or biological agents.

Opportunities also abound to contribute to health promotion and disease prevention. In the past, the traditional "outreach-style" public health official often could do no more than offer advice on sanitation and nutrition. Advances in vaccination, health screening programs, and other disease prevention technologies have dramatically increased the potential impact of health outreach programs to improve people's lives.

With public health, of course, also comes public trust, and trust in health care takes several important forms. First and foremost, there is trust between provider and patient.

For those of you whose studies involved clinical fields, you understand the level of personal trust your patients invest in you every day. With continuity of care, this trust may build over time. But even on your first clinical encounter with a new patient whom you have never met before, when you walk into an exam room, a hospital room, or even a person's home, you assume a high level of trust and credibility based solely on your introduction as a health care professional. In fields that require the "laying on of hands," your patients trust you not just with their intimate secrets, but also with their persons. You are trusted to perform competently and keep your skills up to date, to make sure your patients receive care that meets the current gold standard.

You also are granted access to personal information your patients might not even share with their closest confidants. The obligation to protect patient confidences now extends to data encryption and securing laptop computers. You must live up to the critical responsibility of safeguarding that information.

In addition to the deep trust between patient and provider, there is also trust between provider and payer. In our health care system the payer is often different than the patient and, in my line of work, the payer is the federal government. The financial trust invested in health care professionals runs equally deep. You exert enormous influence on what services your patients will receive, you control the documentation describing what services they actually received, and then bill the patient and their insurer for the services provided. These



claims are generally paid without question, based solely on documentation. As a general matter, our health care systems assume the patient needed the service, that no other service would have been more appropriate, and that the service billed was in fact provided. Medicare and Medicaid invest a tremendous amount of trust in the health care providers who bill for care rendered to program beneficiaries. Indeed, we trust our health care providers at a level unmatched in any other field of endeavor.

The Nation's taxpayers also trust the government to administer health insurance programs on behalf of society's most vulnerable populations. Nearly one third of our Nation de-

pend on Medicare, Medicaid, or the State Children's Health Insurance Program to receive important services paid for with public dollars that are large in the aggregate but that nonetheless are precious when allocated to such a large proportion of the population. One of the most important functions of the Inspector General's office is to protect these programs and their beneficiaries through audits, investigations, and evaluations designed to reduce improper payments, to ensure access to high quality care, and to pursue instances of fraud and abuse.

Most of the coverage and payment problems uncovered by our work are not intentional, but more often occur

through inadvertence, carelessness, or simple mistakes. Health service professionals in our many federally funded programs may unintentionally fall short of complying with applicable rules and guidance.

Given the size and complexity of federal health and human service programs, and the crucial functions they serve, the financial integrity and quality of our health care structure depends in large measure on the daily thoughtfulness and awareness of conscientious, vigilant health care professionals. The Office of Inspector General has limited resources and a mandate not only to pursue fraud and abuse, but also to recommend efficiencies and economy in program

administration. As a result, we recognize that a collaborative relationship with the health care professions is key to fulfilling our mission, and we have reached out to providers and to the health care industry. Over time, this outreach has contributed significantly toward ensuring that finite health care program dollars are spent getting beneficiaries the care that they need. Since the expenditure of every federal health care dollar ultimately implicates the health and welfare of beneficiaries, and as the federal government begins to explore value based purchasing, our office also is increasing its focus on quality of care. We have reviewed quality of care issues across a wide range of health care settings, including hospitals, nursing homes, and clinical trials. With an aging population, an increasing number of individuals with disabilities, and a larger universe of beneficiaries needing long term care, nursing homes and other community-based long term care facilities are of particular interest.

As with our oversight of federal health insurance programs, however, the great majority of improvements in long term care facilities can be and often are made by thoughtful health care professionals and administrators. Using their skills and dedication, they identify the practices and policies that enhance quality health care and contribute their expertise to develop institutional and systemic safeguards to ensure that care meets quality standards.

I would like to emphasize the beneficial role you can often play, not only in conscientious attention to complying with applicable rules and policies, and providing high quality

care, but in helping public watchdogs think through ways to make our programs better.

And in that vein, my final thoughts today are directed toward this public aspect of your professional work. I believe that a career in health care must necessarily be dedicated to advancing the public interest in efficacious and responsible health care service.

The great Greek and Roman founders of our medical and pharmaceutical arts and sciences that I referenced at the beginning of my remarks also emerged from a culture that placed a high value on a citizen's personal participation in public affairs and personal efforts to improve public behavior. The University itself is a manifestation of the Athenian idea of how to develop an intellectually and publicly engaged citizenry. Now that you have earned your academic degree, I urge you to advance toward your career objectives with full appreciation of the public stage upon which you will apply your knowledge, skill, and talents. I look forward to your joining in this expansive public-private sector partnership upon which so much of the health of our Nation, and of our world, depends.

Thank you for allowing me to share this special day with you, and once again, congratulations! 🎉

## Author Biography

**Daniel R. Levinson** has headed the Office of Inspector General for the U.S. Department of Health and Human Services since September 8, 2004. HHS is among the largest departments in the federal government, with a budget of \$640 billion and 67,000 employees. It includes Medicare, Medicaid, public health, medical research, food and drug safety, welfare, child and family services, disease prevention, Indian health, and mental health services. It also exercises leadership responsibilities in public health emergency preparedness and combating bio-terrorism.

Prior to his appointment at HHS, Mr. Levinson served four years as the Inspector General of the U.S. General Services Administration. Mr. Levinson also has been a Congressional Chief of Staff, and has a decade of experience in private law practice.

Mr. Levinson is a native New Yorker. He graduated Phi Beta Kappa from the University of Southern California with an A.B. degree in International Relations, and earned his J.D. degree from Georgetown University. Mr. Levinson also holds a Master of Laws degree in Labor Law from The George Washington University. Mr. Levinson is a member of the California, New York, and District of Columbia bars, and is a certified fraud examiner.

# PCIE/ECIE MISSION STATEMENT



To accomplish their mission, the PCIE and ECIE members look to conduct interagency and inter-entity audit, inspection, and investigation projects to promote economy and efficiency in federal programs and operations and address more effectively government-wide issues of fraud, waste, and abuse.

The Council members also develop policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled IG workforce.

# Invitation to Contribute Articles

to

## The Journal of Public Inquiry



The *Journal of Public Inquiry* is a publication of the Inspectors General of the United States. We solicit articles from professionals and scholars on topics important to the Inspector General community.

Articles should be approximately four to six pages (2,000-3,500 words), single-spaced, and submitted to:

Jennifer Plozai  
Department of Defense  
Office of the Inspector General,  
400 Army Navy Drive, Room 1034  
Arlington, VA 22202  
(703) 604-8322  
[jennifer.plozai@dodig.mil](mailto:jennifer.plozai@dodig.mil)

**Inspector General Act of 1978,  
as amended  
Title 5, U.S. Code, Appendix**

**2. Purpose and establishment of Offices of Inspector General;  
departments and agencies involved**

In order to create independent and objective units--

(1) to conduct and supervise audits and investigations relating to the programs and operations of the establishments listed in section 11(2);

(2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and

(3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action;

