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United States General Accounting Office
Washington, DC 20548

April 30, 2004

The Honorable Charles E. Grassley
Chairman
The Honorable Max Baucus
Ranking Minority Member
Committee on Finance
United States Senate

Subject: *HHS OIG: Allegations of Misspending Were Unsubstantiated*

The Department of Health and Human Service's (HHS) Office of Inspector General (OIG) plays a vital role in auditing and investigating allegations of fraud and abuse in federal health and welfare programs. Because it independently evaluates various programs, activities, and functions, the OIG must act with integrity at all times. In the fall of 2003, anonymous allegations charged that certain officials in the HHS OIG's Office of Evaluation and Inspections (OEI) sponsored training and management meetings for nonwork purposes and improperly renovated a regional office.

The allegations primarily focused on the actions of the Acting OEI Deputy Inspector General in relation to specific events that took place from July through September 2003. The allegations charged that she (1) sponsored training at a Florida resort to facilitate vacation time for staff, (2) scheduled several follow-up training meetings as a way of providing staff with leisure time, and (3) held a managers' meeting in New York as a pretext for participants to attend a retirement celebration for one of OEI's managers. A fourth allegation charged that the Acting OEI Deputy Inspector General, along with an Acting OEI Regional Inspector General, improperly renovated and refurnished office space in one of OEI's regions. At your request, this report examines these allegations.

To perform our work, we examined documentation—such as meeting agendas, approval documents, and travel vouchers—related to the allegations; conducted interviews with OIG officials, including managers and participants in events related to the allegations; and reviewed relevant HHS and OIG conference planning and procurement policies and the General Services Administration (GSA) office renovation guidelines.¹ We determined OEI officials' rationale for their decisions, steps taken to plan or approve various events, and the extent of involvement by those accused of wrongdoing. Our work assessed the allegations that meetings were held

¹GSA is responsible for managing federal property and procurements and promulgating guidance and regulations for both activities.

for nonwork purposes and that OEI regional office renovations were improper. We did not conduct a comprehensive review of OEI's compliance with laws and regulations applicable to these activities. We performed our work from November 2003 through April 2004 in accordance with generally accepted government auditing standards.

In summary, we found no basis for the allegations against the Acting OEI Deputy Inspector General and an Acting Regional Inspector General regarding the sponsorship of training and other meetings and the completion of office renovations. We found that those responsible for organizing OEI training and management meetings followed HHS and OIG requirements for planning and approving these activities. Further, we did not find evidence to support the allegations that the training included leisure activities during business hours at the Florida training, the follow-up training meetings, and the New York meeting. According to the agendas and to OIG officials, the Florida and follow-up training meetings provided staff with details on organizational goals and evaluation skills, and served as an exchange of information on analytical approaches. Likewise, attendees at the New York managers' meeting concentrated on OEI management-related issues. With respect to allegations of inappropriate renovations in one of OEI's regional offices, documents that we reviewed indicated that OEI officials followed applicable GSA and OIG policies to reconfigure office space and purchase furniture. In commenting on a draft of this report, the OIG agreed with our findings.

Background

OEI, one of five components within the HHS OIG, conducts short-term management evaluations of HHS programs.² OEI is headed by a Deputy Inspector General (DIG), and has staff in Washington, D.C.; Baltimore, Maryland; and eight regional offices. Each regional office is headed by a Regional Inspector General (RIG).

Over the past 2 years, the HHS OIG was the subject of concern in regard to its leadership and operations. During this time, numerous management changes occurred. This included the resignation of the then Inspector General on March 4, 2003, and her subsequent departure from the agency on June 1, 2003. In addition, in July 2003, a new Acting DIG was assigned to lead OEI.³ It was in the midst of this uncertainty and change that OEI initiated the following events that were related to the allegations.

Florida training: For about 15 years, OEI has sponsored a national training event, such as the one held in Florida, on an annual or biennial basis. OEI management considers this training to be very important in enhancing

²The other four components are the Office of Audit Services, the Office of Investigations, the Office of Counsel to the Inspector General, and the Office of Management and Policy.

³In March 2004, a permanent OEI DIG was selected. At that time the Acting OEI DIG was expected to return to her prior duties in another OIG component.

analysts' evaluation skills.⁴ In 2002, a planning committee was formed to organize and conduct the July 2003 training. The committee, which consisted of 12 OEI staff from the Washington, D.C., and Baltimore offices and each of the eight regions, was cochaired by two analysts. The committee was responsible for making logistical decisions, such as selecting a site for the training, and developing the agenda.

Follow-up training meetings: In the spring of 2003, OEI's Career Development Steering Committee⁵ recommended holding inter-regional meetings to improve communication and the exchange of information among OEI staff. As follow-up to the Florida training, three inter-regional meetings, which lasted about 2 days each, took place from July through September 2003, involving OEI staff and RIGs. The Chicago/Dallas meeting took place in Bridgman, Michigan; the New York/Philadelphia meeting took place in Long Branch, New Jersey; and the Kansas City/San Francisco meeting took place in Tucson, Arizona.

New York managers' meeting: In August 2003, OEI held a regional managers' meeting in its New York regional office. The stated purpose of the meeting was for the Acting OEI DIG, RIGs, Assistant RIGs, and certain managers from OEI headquarters to address various issues, including OEI's work plan, the timeliness of OEI reports, and the way OEI reports should be written.

Office space renovation: In the spring of 2003, the Acting OEI RIG in Atlanta ordered the renovation of office space after concluding that the work environment needed to be improved. A secure storage closet and four enclosed team leader offices with floor-to-ceiling walls were constructed. In addition, furniture was purchased for these new offices.

Allegations of Misspending Were Unsubstantiated

We did not find evidence supporting the allegations against either the Acting OEI DIG or the Acting OEI RIG in Atlanta. According to the agendas, the 2003 OEI national training and the subsequent training meetings were not designed to provide OEI staff with leisure time. Our review also confirmed that the regional managers' meeting held in New York addressed management issues. We found nothing to support the allegation that this meeting was a pretext for holding a retirement party for the New York OEI RIG. Lastly, we did not find any basis for questioning the Atlanta regional office's renovation; the stated needs of that office supported the renovation.

⁴Prior to 2001, only OEI analysts attended this training. In 2001, OEI expanded the training to include administrative staff.

⁵OEI's Career Development Steering Committee is tasked with identifying and enhancing the range of skills required to perform OIG evaluations.

2003 OEI National Training
Focused on Enhancing Analysts' Skills

Contrary to allegations that the Acting OEI DIG conducted training in 2003 to offer leisure time to her staff, our review indicated that OEI's July 2003 national training, held in St. Petersburg, Florida, provided staff with 3 and a half days of instruction on programmatic issues and evaluation skills. According to OEI documents related to the 2003 training, its objectives were to enhance OEI's methods for gathering and presenting evidence and to build a sound collaborative foundation within OEI in order to produce high-quality evaluations. Our review of training evaluations completed by OEI attendees, as well as our interviews with several OEI participants, indicated that the training was tightly scheduled with meetings and classes. According to the agenda, the training offered nine general meetings and 28 breakout sessions, covering 15 different topics. In addition, three managers' meetings were held to discuss issues related to OEI's structure, product quality, and overall performance.

The planning committee responsible for organizing the training selected the Florida location because, after evaluating 10 candidate sites, it determined that the Florida location would be the most conducive to accomplishing the objectives of the 2003 training. For example, the Florida site offered many amenities, such as a large number of meeting rooms, soundproof walls, and responsive hotel staff—all necessary to ensure the effectiveness of the training. According to the two cochairs of the planning committee, these features were particularly important, given that the training was a large event with numerous breakout sessions. They further stated that the Florida location met three other important criteria. First, the OEI DIG at the time asked that the training be held in an eastern location, and the planning committee members agreed because the previous two training events were held in western states. Also, this hotel was in proximity to the airport and accommodations were offered at the federal government per diem rate.

We found that some OEI officials were concerned about the perception of holding the 2003 OEI national training at a Florida resort, even though the training was scheduled for July, during off-season. One senior OEI official told us that OEI management is always cautious about holding training at locations that may give an impression that federal funds are being used to finance leisure activities for employees.⁶ Whereas Thursday afternoon traditionally had been reserved for an off-site networking event, the committee replaced this time with additional training sessions at the hotel. In addition, the chairman of OEI's Career Development Steering Committee, who was responsible for approving certain key decisions made by the planning committee, discussed his concern with the OEI DIG at the time and a senior OIG official in the

⁶According to HHS guidance on domestic travel policies, "meeting sponsors shall not hold meetings at resort areas to which the general public is attracted because of recreational facilities, unless that area is the location best suited for the purpose of the meeting in terms of program needs and cost factors." (HHS Chapter 1-20, *Travel Manual*, 1-20-20, part G.)

Office of Management and Policy.⁷ They concluded that holding the training at the chosen location was appropriate—especially in light of the additional training that replaced the networking session.

Finally, while the allegations contended that the Acting OEI DIG decided to hold the 2003 OEI national training in Florida, the event was actually approved by this official's predecessor. After the planning committee evaluated the candidate sites in the summer of 2002, it presented its recommendation to the former OEI DIG, who approved the Florida location. OEI then signed a contract with the hotel in August 2002. Due to budget uncertainties in the fall and winter of 2002,⁸ the training was canceled and later reinstated in April 2003 when the budget issues were resolved. The entire planning and approval process for the Florida training—including the initial cancellation and reinstatement—took place during the former OEI DIG's tenure. The Acting OEI DIG cited in the allegation did not assume her duties until a week before the Florida training occurred.

Follow-up Meetings Designed for Skills and Teamwork Training

Our review of the three meeting agendas and interviews with an attendee from each of the three inter-regional meetings indicated that the meetings were designed for training, sharing of ideas, and teamwork, as opposed to providing leisure time. Attendees included RIGs and analysts from the participating regions. The Chicago/Dallas meeting agenda included exercises on developing evaluation objectives, an analysis plan, and appropriate methodology. The New York/Philadelphia meeting agenda identified topics such as improving communication within OEI, methods of analyzing data, the process of reviewing OEI draft reports to ensure accuracy and timeliness of OEI products, and OEI staff skills. The Kansas City/San Francisco agenda focused on various items, including how the two regions perform their evaluation work, evidence necessary for their evaluations, review of OEI products to ensure quality, and presentations on health policy issues. Each meeting agenda also included a closing session discussing future inter-regional collaboration among the participants. According to OEI officials, the need for such meetings was emphasized at the July 2003 Florida training when staff from several regions suggested that additional regional coordination and exchange of information would assist OEI in meeting its goals and objectives. An OEI RIG reported that the meetings were held outside participating regional offices to ensure that attendees were able to focus on the established meeting objectives without interference from their day-to-day office responsibilities.

⁷Within OIG, the Office of Management and Policy oversees and assists various OIG components in policy development and implementation and in budget formulation and execution.

⁸At the time, HHS was operating under a continuing resolution, which restricted its spending to levels equal to or below spending levels in the previous year.

We found that the Acting OEI DIG's involvement in approving the inter-regional meetings was limited, contrary to the allegation. Upon learning about the meetings, she reported that she agreed with the concept of the regions pairing up to plan follow-up meetings. However, we found that the OEI RIGs in each of the participating offices approved the substance and logistics of these meetings, including the travel orders for regional staff who attended, and the Acting OEI DIG authorized the travel orders for the RIGs who attended.

New York Regional Managers' Meeting Focused on OEI Work Issues

We found no support for the allegation that the New York meeting was held as a pretext for participants to attend a retirement celebration. The Acting OEI DIG initiated and approved this meeting in New York to address with RIGs and Assistant RIGs, and certain managers from OEI headquarters, issues raised at the Florida training. In addition, she explained that she needed to meet with the managers to develop OEI's annual work plan, which was due approximately 1 month after the New York meeting. While leisure activities were not incorporated into the workday, a retirement dinner was held one evening for New York's OEI RIG. Attendees reported using their own funds for the dinner and contributing their own money to purchase a gift for the retiring RIG. Our review of participants' travel vouchers and statements by several OEI managers revealed no evidence that federal funds were used for these purposes.

Renovation of an OEI Regional Office Followed Applicable Policies

The Acting OEI DIG named in the allegation was not involved in the planning and approval of renovations in the Atlanta regional office. In addition, we found nothing to substantiate the allegation that the actions were inappropriate. Instead, we found that the decision to renovate the office was supported by office needs. The Acting OEI RIG advised us that he approved the renovations because the Atlanta office did not provide secure storage for sensitive documents and because the region needed additional team meeting rooms. According to documentation we reviewed, the region's existing storage areas were inadequate and not conducive to housing documents for an ongoing investigation—materials were stored in basement space that was susceptible to flooding and was not readily accessible to OEI.⁹ Officials also stated that furniture needed to be purchased for the new offices because the existing cubicle furniture was not suitable for team meetings. We found that the Acting RIG consulted with the administrative officer for cost estimates and renovation plans, and then obtained the necessary approvals and oversight from GSA for the refurbishing and furniture purchase. All displaced furnishings were transferred to another federal agency.

⁹According to a regional memo, several boxes of records had been destroyed by previous flooding.

Agency Comments

In commenting on a draft of this report, the HHS OIG concurred with our findings. HHS OIG comments are reprinted in the enclosure.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its date. We will then send copies of this report to the Secretary of HHS and the Acting Principal Deputy Inspector General of HHS and other interested parties. We will make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have questions about this report, please contact me at (312) 220-7600. Shirin Hormozi, Pauline Seretakis, Sari B. Shuman, and Behn Kelly made key contributions to this report.



Leslie G. Aronovitz
Director, Health Care—Program
Administration and Integrity Issues

Enclosure

**Comments for the Department of Health and Human Services
Office of Inspector General**



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

APR 23 2004

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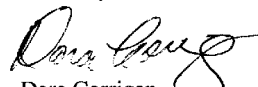
RE: GAO Draft Report 04-618R

Dear Ms. Aronovitz:

Thank you for your very thorough and professional review of the anonymous allegations lodged against two senior level managers of our office. Your findings clearly demonstrate that the allegations were not based on fact and were without merit. The results of your review confirm our own extensive internal inquiry into these matters.

Thank you for the opportunity to review and comment on the draft report. I hope that the final report will be issued publicly as soon as possible and that its release will bring closure to this matter.

Sincerely,


Dara Corrigan
Acting Principal Deputy
Inspector General

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