

# A Progress Report to the President



President's Council on  
Integrity and Efficiency



Executive Council on  
Integrity and Efficiency

Fiscal Year 2000

## Fiscal Year 2000 Results of OIG Efforts

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The work of more than 11,000 employees of Offices of Inspector General governmentwide during FY 2000 contributed to results that include:

- ◆ Potential savings of \$9.5 billion
- ◆ Recovery actions of almost \$5.5 billion
- ◆ More than 5,500 successful prosecutions
- ◆ Suspensions or debarments of nearly 7,000 individuals or businesses
- ◆ More than 2,600 civil or personnel actions
- ◆ More than 120 testimonies before the Congress on issues of national interest

These accomplishments reflect the work of the 57 Offices of Inspector General, whose combined FY 2000 budgets totaled about \$1.3 billion.

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# Foreword

The members of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) are pleased to issue their annual report to the President. This year's report highlights the impressive accomplishments of the individual Offices of Inspector General (OIG) during Fiscal Year (FY) 2000 and focuses attention on several initiatives that the community has addressed.

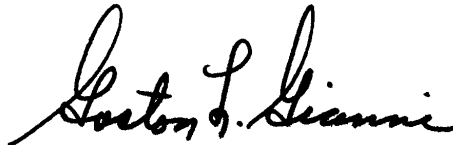
By virtue of its mission and those charged with upholding it, the Inspector General (IG) community continues to be a positive force for improving the economy, efficiency, and effectiveness of federal programs and operations and preventing and detecting fraud, waste, abuse, and mismanagement. Through thousands of audits, evaluations, investigations, and other activities conducted during FY 2000, individual OIGs focused their attention on the challenges facing the agencies they oversee. Information technology, government performance, financial management, and integrity headline the list of challenges our government is facing. The *Executive Summary* and *A Compendium of OIG Activities* exemplify the breadth of knowledge and insights the community brings to bear on these and other issues. The statistical accomplishments highlighted throughout the report point to a notable return on the taxpayers' investment.

The collective findings of the IG community corroborate the importance of the Administration's stated determination to improve the management of the Executive Branch. Across the full spectrum of government operations and programs, IGs have encountered deficiencies common to a host of agencies that require the combined resources and attention of the IG community, Administration leadership, and agency managers. Many of the challenges discussed in this report are consistent with the Administration's Government Reform initiatives, as described in the President's "budget blueprint," *A Blueprint for New Beginnings—A Responsible Budget for America's Priorities*, February 2001. Although our report lists several serious management challenges, we emphasize four vital ones here:

- ◆ Federal organizations must improve the acquisition and management of their information technology, exploit the capacities these systems offer to enhance communications and performance, and vigilantly protect them as part of our nation's critical infrastructure.
- ◆ Federal agencies need to develop appropriate performance measures and apply them to agency budget and management decision-making.
- ◆ The federal government must maintain its emphasis on having federal financial management systems that provide timely, accurate, and useful information for the Administration and agency managers.
- ◆ We must support efforts to strengthen the federal workforce's capability to oversee its programs and operations in a manner that fosters public trust and confidence in the integrity of the federal government.

We are proud of the individual accomplishments presented in this report and prouder still of the IG community's progress in fostering cooperation and forging alliances to leverage resources. Through forums and other communication vehicles, we have shared "best practices" with one another, our agencies' management, and the public. Information on the IG community's initiatives and the activities of its committees is further detailed in this report and can be accessed through the community's website, IGnet ([www.ignet.gov](http://www.ignet.gov)), which also contains links to our members' websites.

As individual IGs and as a community, we are committed to continuing to work together to carry out the mission established for us more than 22 years ago. We also look forward to working with the new Administration and the Congress in addressing the current and future challenges facing our government.



Gaston L. Gianni, Jr., Vice Chair  
President's Council on  
Integrity and Efficiency



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



# Executive Summary: Helping Federal Agencies Meet Their Top Management Challenges

## Introduction

The overarching mandate for federal IGs has not changed since the first IGs were appointed in 1978, but the issues confronting their agencies and entities (hereinafter “agencies” for ease of reference) are, in fundamental ways, radically different than they were 20 years ago. In the late 1970s, very few IGs were conducting computer security testing, agency-wide financial statement audits, and validation of agency performance and accountability measures – tasks that today consume a great deal of an IG’s resources.

One need only look to the eight most recent management challenges identified by the IG community to measure the rapid pace of change in the federal government’s priorities during the past two decades. In December 2000, every one of the 27 OIGs responding to a congressional request for a list of the top challenges facing their agencies highlighted Information Technology (IT) Management and Security. At least 20 of the OIGs cited *Government Performance and Results Act (GPRA)* implementation, financial management, and procurement and grant management as significant challenges.

The challenges related to Human Capital and Staffing saw the most dramatic shift from the previous year. In the information reported in December 2000, 18 OIGs, compared with 7 from the prior year, cited human capital as a top agency challenge. Competing with other sectors to hire a qualified and diverse workforce, maintaining proficiency and competencies through training opportunities, and preparing for the loss of technical expertise through the wave of predicted retirements headline the human capital issues facing these agencies. Many OIGs have planned reviews in this area to examine ways to avert a potential human capital crisis over the next several years.

Many of the challenges identified by the OIGs are consistent with the Administration’s government reform initiatives, as described in the President’s “budget blueprint,” *A Blueprint for New Beginnings: A Responsible Budget for America’s Priorities*. Government reform initiatives, such as ensuring financial accountability and linking budget and management decisions to performance, further illustrate the importance of these management challenges. These challenges are real and require the concerted attention of the Congress, the Administration, federal managers and employees, and the IG community. As for the IG community, our attention is focused on these issues, and we stand ready to offer insights and solutions to help address our government’s greatest challenges.

The PCIE and the ECIE strive to “continually identify, review, and discuss areas of weakness and vulnerability in Federal programs and operations . . . [and] develop plans for coordinated, Governmentwide activities that address these problems and promote economy and efficiency[.]” While the programmatic challenges facing the federal government have changed dramatically during the last 20 years, so have the demands on IGs to adapt to these changes in order to stay relevant, helpful, and faithful to the mandate of the *Inspector General Act of 1978 (IG Act)*. As a community and as individual OIGs, we have learned that the most effective way to achieve the IG Act’s goals has been to develop partnerships with our agencies, the Administration, and the Congress.

During the past year, we have continued to combine forces with each other to more effectively and efficiently address common challenges. Our multi-phase effort to assess

and correct shortcomings in the federal government's protection of its critical infrastructure is an example of this kind of joint commitment. We continue to seek opportunities to improve our communications with one another and our agency management as we pursue solutions to the complex issues facing this dynamic institution called the federal government. We believe the specific examples of our activities highlighted throughout this annual report reflect, in a tangible way, our commitment to these goals and to the value IGs have provided in helping improve the efficiency and effectiveness of government programs and operations.

Although the IG community can assist in identifying and addressing the challenges, support is needed not only from the agencies but also the Administration, the Congress, and the public. The IG community believes that support at the highest echelon of leadership not only raises awareness but also triggers action at other levels of government.

### **Information Technology**

The first quarter of the fiscal year marked the successful conclusion of a communitywide effort by OIGs to ensure that the federal government's automated information infrastructure was prepared for any Year 2000 computer-related problems. This effort constituted one of the most time-critical, widespread challenges the IG community has faced. OIGs devoted substantial portions of their resources to provide management with independent and objective assessments of its readiness and remedial efforts.

Having successfully met this challenge, OIGs and agency managers together have turned to other, equally critical challenges to the government's information technology. Globalization, terrorism, criminals, and hackers all pose a threat to the automated databases, telecommunications, and information systems upon which the government depends. Examples of OIG work in this area include:

- ◆ An OIG assessment of command and control communications on the International Space Station (ISS) found that the National Aeronautics and Space Administration (NASA) did not fully consider all possible alternatives in developing its strategy for upgrading the security of space station communications to ensure that the ISS would only obey commands sent by official sources.
- ◆ An OIG review found weaknesses in key Internal Revenue Service (IRS) computer operations, including security certification and accreditation of sensitive systems, virus protection, and mainframe operating system controls. Until these weaknesses are resolved, IRS systems and taxpayer data remain vulnerable to tampering, loss, or unauthorized disclosure.
- ◆ An OIG follow-up report found that serious problems previously identified at the U.S. Customs Service had not been corrected and consequently left the agency vulnerable to a range of cyber-related attacks. The Treasury OIG reported these deficiencies to the Secretary of the Treasury who, in turn, reported the deficiencies to the Congress together with actions taken to mitigate the risks caused by the deficiencies.

During the past year, OIGs also collaborated with each other by sharing techniques and technology to examine the security of computer systems through penetration testing, by independent verification of corrective actions, and by assessments of system and information contingency plans, physical security, and personnel integrity.

A working group of OIGs was formed during FY 2000 as part of a PCIE and ECIE effort to assess the government's response to Presidential Decision Directive 63 (PDD 63). This directive ordered a national effort to protect physical and cyber-based systems that maintain the essential operations of government and the economy. Twenty-one OIGs began individual reviews to assess the adequacy of agency cyber-based plans, asset identification efforts, and initial vulnerability assessments. In addition to issuing their individual reports, the 21 OIGs pooled their results to issue a joint PCIE and ECIE report in March 2001. This joint report highlighted agencies' misunderstanding as to the applicability of PDD 63, untimely identification of critical infrastructures, failure to advance beyond the planning stage, and imprecise performance measures. The next phase of this planned 4-phase review is assessing the federal government's planning and assessment activities for protecting critical physical infrastructures, including the adequacy of agency plans, asset identification efforts, and vulnerability assessments. Future phases will assess implementation of security plans for cyber-based and physical assets.

As the fiscal year ended, the Congress passed and the President signed the *Government Information Security Reform Act* (GISRA), a bill that vests additional responsibilities in the IG community to help protect federal government information systems from cyber-attack. Among other things, the GISRA directs OIGs to conduct annual, independent evaluations of their agencies' information security programs and practices. During FY 2000, the PCIE and ECIE formed a working group to coordinate and assist the OIGs in addressing GISRA requirements.

### **GPRA Compliance and Accountability**

Openness and accountability – the related concepts that the public's business is open to inspection and its managers are answerable for its achievements or failures – are embedded in the GPRA. The GPRA requires each federal agency to develop a strategic plan that defines its mission and goals, an annual performance plan to implement those strategies, and measurable objectives that permit the comparison of planned accomplishments to actual results. The IG community continues to play a vital role measuring and assessing government operations by their results.

In the Fall/Winter 2000 issue of *The Journal of Public Inquiry*, Senator Fred Thompson wrote about oversight of government agency activities by the Executive Branch and the Congress and the need to apply "results-oriented, performance-based thinking to our activities. Using the key Results Act questions as a framework, we need to conduct systemic oversight of existing agencies and programs. We need to scrutinize the design and effectiveness of these programs and make appropriate adjustments." The IG community is committed to serving as a partner in these oversight and remedial efforts.

The GPRA stresses the need for "specific and measurable" goals in agencies' annual performance plans. Senator Thompson challenged OIGs and the General Accounting Office



(GAO) to assess the extent to which agencies were setting such goals to address their long-standing management challenges. "Without specific and measurable performance goals, it is difficult, if not impossible, to assess programs in addressing major management problems and to hold agencies accountable," Senator Thompson wrote.

Working in partnership with their respective agencies to respond to this call, OIGs have advanced the implementation of the GPRA by independent assessment, measurement, and analysis. In fact, many OIGs are making the assessment of GPRA-related performance measures a standard part of every program audit. In addition, the PCIE and the ECIE have a GPRA Roundtable working group, which serves as an arena for discussing and sharing information to address the challenges of meeting the GPRA requirements within the IG community and its respective agencies.

In addition, the IG community has provided insight and advice to agency staff who will implement the GPRA and share its knowledge and experience in order to advance the utility of the IG Act. Of critical importance have been the OIG audits and other reviews that have tested the accuracy and reliability of the data and systems to be used to define and measure results under the GPRA. OIGs have invested substantial resources in an effort to ensure the utility of government data systems and the effectiveness of their related internal controls in order to strengthen the government's ability to effectively measure the outcomes from its activities and operations.

### **Financial Management**

One of the most extended and concerted efforts in the recent history of public administration has been the attempt to develop government accounting systems capable of producing auditable consolidated financial statements. A decade ago, a governmentwide financial statement did not exist; FY 2000 marks the fourth production of such an annual governmentwide statement. The PCIE and the ECIE are integral to this ambitious task, both because of the audit expertise their member OIGs bring to the assignment and because of their institutional dedication to the proposition that sound management decision-making requires reliable financial systems.

Much of the focus the past several years has centered on agencies' attempts to obtain unqualified or "clean" audit opinions. In March 2001, 18 of the 24 executive agencies received clean opinions on their FY 2000 financial statements. Moreover, all the audits were completed on time. By comparison, 11 agencies received unqualified opinions in FY 1997 and only 6 agencies in FY 1996. This significant accomplishment reflects the increased collaboration among agency managers and OIGs to perform the extensive gathering of accounting information and data for testing and analysis under stringent deadlines. Also, representatives of the IG community and agencies' Chief Financial Officers met to enhance working relationships and to establish "best practices" for conducting financial statement audits. The success realized over the past years is a tribute to the cooperative contributions of all participants.

The broader benefit of OIG involvement has been to uncover major financial management and accounting system deficiencies and ensure systematic tracking of agency remedial actions to correct the weaknesses. As the auditors on the front line of this effort, however,

the PCIE and the ECIE must sound a note of caution amidst these significant achievements. In some agencies, attainment of a clean opinion is a fragile and somewhat artificial achievement because it results from extraordinary end-of-year efforts rather than regularized accounting operations. Moreover, the achievement – on March 1 – of an accurate financial statement of an agency’s financial condition as of September 30 does not ensure that management has current and reliable financial data during the course of the year to help in its key decisions. Much more remains to be done to bolster agency accounting operations and financial information systems.

## **Workforce and Program Integrity**

Sound government operations depend upon the capability of the federal workforce to oversee the integrity of programs and operations. The OIGs have contributed to this effort through the audits, evaluations, inspections, investigations, and other activities they conduct. Over the past year, the OIGs have addressed a wide range of concerns related to the census, illegal border activity, public safety, fraud, bribery, corruption, health care abuses, banking irregularities, and many other programmatic activities that may have adversely affected our lives. This extensive effort by the OIGs has not only resulted in many improvements for implementing and overseeing federal programs and operations but also real financial and investigative results.

During FY 2000, the work of more than 11,000 diverse and dedicated OIG employees nationwide has produced the following tangible results:

- ◆ Uncovered potential savings of \$9.5 billion
- ◆ Identified recoveries of almost \$5.5 billion
- ◆ Contributed to more than 5,500 successful prosecutions
- ◆ Suspended or debarred nearly 7,000 individuals or businesses
- ◆ Initiated more than 2,600 civil or personnel actions

Additionally, as a community we testified more than 120 times in front of congressional committees on a broad range of matters that were of national interest. These results represent a tremendous accomplishment for a 1-year effort by the 57 OIGs whose collective budget in FY 2000 totaled about \$1.3 billion.

## **Conclusion**

OIGs across government continue to face several enduring challenges as we work with agencies to address the myriad of issues confronting the federal government. The first is to continue to approach our work as problem solvers. Over the years, OIGs have sought to work more collaboratively with agency managers and, although OIGs know it is unlikely that their decision to conduct an audit, inspection, or program review will ever be met with enthusiasm, we want OIG reviews to be perceived as objective, fair, and reasonable. We will continue to pursue this as a central goal during the coming year as individuals and as a community.

Second, OIG investigations should lead to a narrowing of the opportunities for misconduct and corruption within the federal government. The challenge for OIGs and agency managers is to find ways to leverage each criminal and administrative investigation to produce procedural and systemic reforms that make similar kinds of misconduct less likely in the future. Such progress is not as easily measured as arrests, convictions, and the imposition of administrative discipline but is central to the mission of OIGs.

Finally, as individual IGs and as a community, we look forward to building on our cooperative working relationship with agency management, the Administration, and the Congress so that together we can address the top management challenges facing the federal government.

# Top Management Challenges Identified by IGs December 2000

In December 2000, OIGs from 27 agencies shared with key congressional leaders, for the third consecutive year, the “Top Management Challenges” faced by their agencies. The OIGs identified these agency challenges and discussed how the issues unique to their agencies would be addressed. For the Congress and the rest of the oversight community, this compilation can be useful in identifying possible governmentwide projects that warrant high-level attention and review. The eight challenges indicated below have applicability across government.

Agency	Information Technology Management & Security	GPRA Compliance, Implementation, & Accountability	Financial Management & CFO Statements	Procurement & Grant Management	Human Capital & Staffing	Service to the Public	Public Health & Safety	Physical Infrastructure
AID	x	x	x		x			
USDA	x		x	x		x	x	
DOC	x	x	x	x		x		
DoD	x		x	x	x		x	x
ED	x	x	x	x		x		
DOE	x			x	x		x	x
HHS	x	x	x	x		x	x	
HUD	x	x	x	x	x	x		
DOI	x	x	x	x		x	x	
DOJ	x		x	x	x		x	x
DOL	x	x	x	x		x		
DOS	x	x	x	x	x		x	x
DOT	x	x	x	x	x	x	x	x
Treasury	x	x	x			x		
VA	x	x	x			x	x	
EPA	x	x	x	x	x		x	
FEMA	x	x	x	x		x	x	
FDIC	x	x		x	x			
GSA	x	x		x	x	x	x	x
IRS	x	x	x		x	x		
NASA	x	x	x	x	x		x	
NSF	x	x		x	x			x
NRC	x	x	x	x	x	x	x	
OPM	x	x	x		x	x		
SBA	x	x	x	x	x			
SSA	x	x			x	x		
USPS	x	x			x	x	x	
<b>TOTAL</b>	<b>27</b>	<b>23</b>	<b>21</b>	<b>20</b>	<b>18</b>	<b>17</b>	<b>15</b>	<b>7</b>

# The Inspector General Community

In October 1978, the Congress passed and the President signed the IG Act, which created independent audit and investigative offices within 12 federal agencies. Before that time, most federal audit and investigative resources were under the management of specific federal program offices – meaning that federal auditors and investigators were frequently under the direction of the programs they were reviewing. This splintered system also made it hard for these small audit and investigative offices to see patterns of abuse in their agencies' programs.

The IG concept has proved to be of significant benefit to the government. Each year billions of dollars are returned to the federal government or better spent based on the recommendations from IG reports. Because of this success, the IG concept has been gradually expanded to most of the federal government. In FY 2000, there were 57 OIGs providing oversight to 59 federal agencies.

The modern civilian IG was derived from the military custom of having an "Inspector General" to provide an independent review of the combat readiness of the Continental Army's troops. Today's civilian IGs are charged with a similar mission: to independently review the programs and operations of their agencies; to detect and prevent fraud, waste, and abuse; and to promote economy, efficiency, and effectiveness so that their agencies can best serve the public.

## Independence

The major way IGs are different from other federal officials is their independence. This statutory independence is intended to ensure the impartiality of IG audits and investigations.

The IG Act authorizes IGs to:

- ◆ Conduct such audits and investigations and issue such reports, as they believe appropriate (with limited national security and law enforcement exceptions).
- ◆ Issue subpoenas for information and documents outside the agency (with the same limited exceptions).
- ◆ Have direct access to all records and information of the agency.
- ◆ Have ready access to the agency head.
- ◆ Administer oaths for taking testimony.
- ◆ Hire and control their own staff and contract resources.
- ◆ Request assistance from any federal, state, or local government.

IGs report both to the head of their respective agencies and to the Congress. This dual reporting responsibility is the framework within which IGs perform their functions. Unique in government, it is the legislative safety net that protects the IGs' independence and objectivity.

IGs are interested in input on what projects they should pursue. Except in special circumstances, IGs share drafts of their reports with their agencies and respond to agency comments in final reports. IGs also frequently provide “technical advice” on a particular issue or piece of legislation to officials within their agencies and to the Congress. Many IGs participate in their agencies’ senior councils, and OIG staff frequently provide advice on management policies as they are developed.

## **Mission**

In simple terms, the IGs have two basic roles – to find and report on current problems and to foster good program management to prevent future problems. This report describes many examples of how the OIGs meet their specific statutory mission to:

- ◆ Conduct and supervise audits, investigations, and inspections relating to the programs and operations of their agencies.
- ◆ Review existing and proposed legislation and regulations relating to the programs and operations of their agencies.
- ◆ Provide leadership for activities designed to promote economy, effectiveness, and efficiency and promote efforts to reduce fraud, waste, and abuse in their agencies’ programs.
- ◆ Inform their agency heads and the Congress of problems in their agencies’ programs and operations and the necessity for and progress of corrective actions.

In performing this mission, the OIGs prepare a variety of reports. During FY 2000, the OIGs collectively issued more than 8,500 reports and provided more than 120 testimonies before congressional committees. In addition, these OIGs closed more than 20,000 investigations and processed almost 200,000 complaints.

## **Audit Reports**

OIG audits evaluate:

- ◆ Performance of agency programs and supporting administrative and financial systems.
- ◆ Compliance with relevant laws and regulations.
- ◆ Whether there are ways that funds could be put to better use.
- ◆ Whether contractors and/or grantees have met their responsibilities to the government.
- ◆ Whether individuals or firms doing business with or receiving benefits from the government have received funds to which they are not entitled and should make restitution.

By law, OIG audits are performed under auditing standards set by the GAO.



OIGs devote the bulk of their resources to audits and related services. This work is performed by OIG audit staff, other federal auditors under cost-reimbursable agreements, or nonfederal auditors under various contracting or partnering arrangements.

### **Inspection Reports**

Inspections include policy and program evaluations. Several OIGs have adopted inspections as a quick way to spot test the effectiveness of agency programs or to do a broad review on issues that affect agency programs. The PCIE and ECIE have adopted professional standards to promote the validity and independence of OIG inspections.

### **Investigation Reports**

In accordance with professional standards and guidelines established by the Department of Justice (DOJ), OIGs perform investigations of both criminal and administrative wrongdoing against agency programs. When they deem necessary, IGs investigate beneficiaries, contractors or grantees, or federal officials. IGs are empowered to investigate anyone who may have defrauded their agencies' programs. IGs are required to report suspected violations of criminal law directly to the Attorney General and frequently work cooperatively with the DOJ's United States Attorneys on criminal investigations.

### **Semiannual Reports to the Congress**

These reports, specifically mandated by the IG Act, require IGs to summarize their most significant recent reports and management's action on significant IG recommendations. The resulting semiannual reports provide a useful overview of OIG activity and demonstrate the contributions of each IG.

### **IG Appointments**

IGs are appointed on the basis of their personal integrity and expertise in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. The IGs serving at the cabinet-level departments and major sub-cabinet agencies are nominated by the President and confirmed by the Senate. These IGs can be removed only by the President. IGs at smaller, independent agencies, corporations, and other federal entities – called "designated federal entities" – are appointed by the heads of those entities, who can also remove the IGs from office. In either case, both houses of the Congress must be notified of the reasons for removal.

### **President's Council on Integrity and Efficiency**

The presidentially appointed IGs work together and coordinate their professional activities through the PCIE. This Council, which was created by Executive Order 12301, *Integrity and Efficiency in Federal Programs*, dated March 26, 1981, and updated in 1986 by Executive Order 12625 and in 1992 by Executive Order 12805, works to promote collaboration on integrity, economy, and efficiency issues that transcend individual governmental agencies and to increase the professionalism and effectiveness of OIG personnel throughout the government.

The Deputy Director for Management of the Office of Management and Budget (OMB) chairs the PCIE and is responsible for reporting to the President on its activities. In addition to the presidentially appointed IGs, members include the Controller of the Office of Federal Financial Management at OMB, the Special Counsel of the Office of Special Counsel (OSC), the Director of the Office of Government Ethics (OGE), the Deputy Director of the Office of Personnel Management (OPM), and a representative of the Director of the Federal Bureau of Investigation (FBI). The Vice Chair, who is recommended by the members and approved by the Chair, manages the Council's day-to-day activities.

### **Executive Council on Integrity and Efficiency**

The ECIE comprises primarily the IGs appointed by designated federal entity heads. This Council, also created by Executive Order 12805 on May 11, 1992, has the same mission as the PCIE – to address integrity and efficiency issues that transcend individual government agencies and to increase the professionalism and effectiveness of OIG personnel throughout the government. The Deputy Director for Management of OMB chairs the ECIE. In addition to the IGs, members include the Controller of the Office of Federal Financial Management at OMB; the Special Counsel of OSC; the Director of OGE; the Deputy Director of OPM; and a representative of the Director of the FBI. The Vice Chair, who is recommended by the members and approved by the Chair, manages the Council's day-to-day activities. The ECIE also has representatives on PCIE committees.

### **Activities by the PCIE and the ECIE**

The PCIE and the ECIE rely on the Vice Chair offices and the PCIE standing committees to oversee their many activities. During the past fiscal year, the PCIE began several initiatives to build upon its past collaboration with its members as well as members of the ECIE. At its annual retreat, *The Evolving Role of the IG in a New Millennium*, the PCIE kicked off its strategic planning activities and initiated a dialogue whereby the IG community could add value to the pending presidential transition. As part of the transition efforts, the IG community produced two special editions of *The Journal of Public Inquiry*. The first edition focused on the community's past work and the second edition, issued in January 2001, focused on the important issues, from the IG community's viewpoint, facing the new Administration. In July 2000, the Vice Chair offered the community's view on the IG Act and other legislative issues in testimony before the Senate Committee on Governmental Affairs. Finally, during the September 2000 PCIE and ECIE awards program, the community recognized 500 individuals for their outstanding performance and commitment to fulfilling the IG mission. The work of the six standing committees is summarized in a later section of this report.

In addition, the PCIE maintains two training centers for OIG staff: the Inspectors General Auditor Training Institute at Fort Belvoir, Virginia, and the Inspector General Criminal Investigator Academy at the Federal Law Enforcement Training Center at Glynco, Georgia. Council members also join together in a number of substantive working groups to address a wide range of relevant issues, including auditing standards and alternative dispute resolution.

You can find information on PCIE, ECIE, and individual OIG activities on the IG community website, IGnet, at <http://www.ignet.gov>.

# Committee Accomplishments

The PCIE, in conjunction with the ECIE, maintains six standing committees to examine important issues and assist the Councils in their ongoing efforts to promote integrity, accountability, and excellence in government.

## Audit Committee

Gregory Friedman, IG for the DOE, chairs the Audit Committee. During FY 2000, the Committee continued its leadership role and served as a resource for the audit community by promoting the following initiatives within the OIG community:

- ◆ IG-CFO (Chief Financial Officers) Best Practices – Began the process of developing “best practices” for agency financial statement auditing.
- ◆ “Best Practices” Compendium – Collected, consolidated, and published a compendium of audit “best practices” from federal OIGs. The best practices guide can be accessed on IGnet.
- ◆ Non-Tax Delinquent Debt Report – Sponsored a governmentwide audit of non-tax delinquent debt. Sixteen OIGs participated in the review. The resulting report, which included a number of recommendations to enhance federal debt collection, is available on IGnet. At the time of the report, an estimated \$46.4 billion of non-tax debt was over 180 days delinquent.
- ◆ Critical Infrastructure Initiative – Established a working group to examine the security of the nation’s critical infrastructures. Critical infrastructures, as described in PDD 63, are the physical and cyber-based systems essential to the minimum operations of the economy and government and include telecommunications, banking and finance, energy, transportation, and essential government services. The working group initiated a multi-phase governmentwide audit of critical infrastructure protection programs. (See the *Executive Summary* for additional information.) The audit plan and schedule can be accessed on IGnet.
- ◆ Auditor Training – Provided oversight to the Inspectors General Auditor Training Institute (IGATI). Established in 1991, IGATI is the primary source of basic training for federal auditors and the only organization whose sole purpose is to address that unique need. Auditors from over 100 organizations regularly attend IGATI programs. During FY 2000, IGATI trained 1,400 auditors.
- ◆ Financial Audit Manual – Worked with the GAO to revise the Financial Audit Manual. A joint GAO/PCIE working group was established to update the manual chapters. Upon completion of this project, the PCIE community and the GAO will have, for the first time, a single reference for auditing agency financial statements.

## Inspection and Evaluation Committee

June Gibbs Brown, IG for the HHS, chaired the Inspection and Evaluation Committee until her retirement in January 2001. The Committee’s association with the Inspections and Evaluation Roundtable, the organization of Assistant Inspectors General (AIGs) with

responsibility for evaluations and inspections within their respective agencies, made FY 2000 a productive year as described below:

- ◆ Inspection & Evaluation Survey – Issued in final the second *Survey of Inspection and Evaluation Units* in the OIG Community. The survey is available on IGnet.
- ◆ Child Support Enforcement Report – Completed the first phase of the project entitled “Child Support Enforcement – Ensuring Federal Employees’ Compliance.” The DOJ OIG issued its report entitled *Federal Bureau of Investigation Compliance with Federal Agency Child Support Efforts*, which can be found on IGnet.
- ◆ Manuals – Issued in draft the manual entitled *Advisory and Assistance Services: A Practical Reference Guide* and produced and posted on IGnet a manual entitled *Core Competencies for Evaluators*.
- ◆ Paperwork Control – Published and disseminated voluntary guidelines for control of public paperwork and reporting burdens within the evaluation community.
- ◆ Outreach – Presented information at conferences of the American Evaluation Association and the Eastern Evaluation Research Society on such topics as “Making Effective Presentations of Evaluation Results, Core Competencies, Contracting for Evaluations, and Achieving Impact through Evaluations.” Guidance and advice were provided to various OIGs on how to organize an evaluation and inspection function, and evaluation methodologies were shared with the Federal Taskforce on Alternative Disputes Resolution.

## Investigations Committee

The mission of the Investigations Committee is to advise the federal OIG community on issues involving criminal investigations, criminal investigative personnel, training, and the establishment of criminal investigative guidelines. In addition, the Investigations Committee is the Board of Directors of the Inspector General Criminal Investigator Academy (IGCIA). The Investigations Committee relies on the Investigations Advisory Subcommittee, composed of AIGs for Investigations (AIGIs), to assist in these efforts.

Patrick McFarland, IG for the OPM, chairs the Investigations Committee. In FY 2000, the Committee, with the assistance of the Investigations Advisory Subcommittee, established working groups to address the following:

- ◆ NASA v. FLRA Guidelines – Collaborated with the DOJ OIG and the Council of Counsels, an organization of OIG counsels, to prepare and publish the *Guidelines for Application of the Supreme Court’s Decision in NASA v. FLRA, Regarding Union Representation During OIG Interviews*. The Supreme Court decision states that if a bargaining unit employee reasonably believes that an OIG investigation may result in disciplinary action, the employee has the right to have a union representative present during an interview. The guidelines, which suggest prudent policies that OIGs should follow regarding union representation during employee interviews, were distributed to all OIGs.

- ◆ Statutory Law Enforcement – During FY 2000, continued to oversee efforts to obtain permanent law enforcement authority for OIG criminal investigators. On behalf of the IG community, the DOJ submitted a legislative proposal to the 106th Congress to amend the IG Act by providing statutory police powers for agents engaged in official duties in the offices of 23 presidentially appointed IGs and an oversight mechanism for the exercise of those powers. OIG agents exercise police powers under regularly renewed blanket deputation issued by the U.S. Marshals Service. The co-chairs of the Investigations Advisory Subcommittee conducted more than 45 briefings to congressional staff members regarding this legislation. A further discussion of the law enforcement authority efforts is discussed under the Legislation Committee.
- ◆ IG Criminal Investigator Academy/Forensic Science Laboratory – Discussed with congressional staff the need to authorize the IG CIA, which in FY 2000 revised its training program and trained 260 OIG special agents as well as 78 hotline operators, and the Inspector General Forensic Laboratory, to perform forensic service for the community. Public Law 106-422, which also elevated the IG at the Tennessee Valley Authority (TVA) to a presidentially appointed-Senate confirmed position, was signed into law by the President on November 1, 2000.
- ◆ Qualitative Assessment Review Guide – Began drafting a *Qualitative Assessment Review Guide* that will outline standards to be used to assist the OIG community in conducting external peer reviews of investigative functions.
- ◆ Investigative Statistics Reporting – Began evaluating and recommending standard definitions and guidelines for reporting criminal investigative data (e.g., successful prosecutions and investigative recoveries). These data are currently incorporated in OIGs' semiannual reports to the Congress and the annual PCIE and ECIE progress report to the President.
- ◆ Violence in the Workplace – Began examining what role, if any, OIGs should play in issues involving violence in the workplace in their agencies.

### **Integrity Committee**

As created by the PCIE and the ECIE Chair and formally established by Executive Order 12993, *Administrative Allegations Against Inspectors General*, the Integrity Committee receives, reviews, and refers for investigation, where appropriate, allegations of wrongdoing by IGs and, in limited cases, OIG staff. The membership of this Committee, which includes representatives from the FBI, the OSC, the OGE, and at least three IGs appointed by the PCIE and the ECIE Chair, is dictated by the executive order. The FBI official, as designated by the Director of the FBI, serves as the Chair of the Integrity Committee. Ruben Garcia, Assistant Director of the FBI's Criminal Investigative Division, chairs the Integrity Committee.

The FBI continues to show its support by staffing the Committee's working group. The working group, which includes two special agent supervisors, an attorney from the FBI's Office of General Counsel, and one analyst, ensures that all Committee matters receive thorough analysis and that complaints are presented appropriately. Further, the working group ensures that all complaints are processed as expeditiously as possible.

With the help of the working group, the IG community is continuing to see tremendous improvements in the efficient processing of these complaints. To realize these improvements, the Committee meets bimonthly and has established time limits (i.e.,30 days) when soliciting IGs or complainants for information. While the number of new complaints received continues to increase, the time spent processing the cases continues to decrease significantly. In FY 1990,when the Committee opened 22 new cases, the average case processing time was 28.1 months;in FY 2000,when the Committee opened 34 new cases, the average case processing time was down to 1.9 months. Since 1990,the Committee has processed and brought to closure 326 cases.

During FY 2000,the Committee successfully managed its responsibilities, as evidenced by the statistics below. At the close of FY 2000,the Committee had nine pending cases and one active investigation. The statistics are as follows:

- ◆ Reviewed 34 new complaints
- ◆ Processed and brought to closure 43 separate complaint matters, which included cases opened in previous years but not closed until FY 2000
- ◆ Determined that, of the 43 complaints, 22 were outside its purview and referred to other agencies for consideration and 16 were unsubstantiated, frivolous, and/or lacking in sufficient detail to warrant further action
- ◆ Closed four cases with the finding that the complaints were, at least in part, substantiated
- ◆ Supervised five separate investigations into allegations of IG misconduct and referred the investigative reports for these cases to the PCIE and the ECIE Chair and/or affected IG for appropriate action

## Legislation Committee

The Legislation Committee ensures that the PCIE and the ECIE are kept abreast of matters in the congressional arena of interest to the IG community as a whole or that could impact OIG statutory authority, duties, and organization as provided under the IG Act. The Committee also develops, coordinates, and represents official PCIE and ECIE positions with regard to particular legislative issues. Additionally, the Committee serves as a resource base for the IG community on congressional rules, operation, and procedures. Kenneth Mead, IG for the DOT, chairs the Legislation Committee.

Primarily through its legislative alert electronic mail system,the Committee provided more than 50 updates to the IG community on various issues affecting the community. The Committee monitored developments on 21 different pieces of legislation and, pursuant to requests from the OMB, provided PCIE and ECIE views on 17 legislative matters. Per requests from the Congress, the Committee compiled community comments on four specific measures.



There were several legislative highlights during this session of the Congress:

- ◆ Elevation of the TVA OIG and Authorization of IG CIA and IG Forensic Laboratory. Legislation was enacted to elevate the OIG at the TVA from a designated federal entity (DFE) position to one appointed by the President and confirmed by the Senate. As previously discussed, the Congress authorized the IG CIA and the Inspector General Forensic Laboratory by enacting this law (Public Law 106–422).
- ◆ IG Act Amendments of 2000. The Senate Committee on Governmental Affairs held an oversight hearing on issues facing IGs, focusing primarily on the question of statutory law enforcement authority and the provisions of S. 870, the IG Act amendments. S. 870 would require management reviews of OIG operations, change current reporting requirements, and mandate a study by the GAO of options for potential consolidation of DFE OIGs. This legislation was favorably reported by the Committee and passed by the full Senate. However, the House did not act on the bill prior to adjournment.
- ◆ Law Enforcement. Following the hearing, the Chairman of the Senate Governmental Affairs Committee introduced legislation (S. 3144) to provide permanent law enforcement authority to 23 OIGs with presidentially appointed Senate confirmed IGs. These OIGs currently exercise such powers – seek and execute search warrants, make warrantless arrests, and carry firearms in the course of their official duties – through special deputation agreements from the DOJ and the FBI. Significantly, the legislation had the support of both the OMB and the DOJ. It was unanimously reported out of Committee. However, the Congress did not act on the bill prior to adjournment.
- ◆ Computer Security. On October 30, 2000, the GISRA was signed into law as part of the *FY 2001 Defense Authorization Act* (Public Law 106–398). Designed to enhance the effectiveness of federal agency information security systems, the law, in part, provides for IGs to conduct an annual evaluation of their agencies’ security programs and practices. This includes testing the effectiveness of security controls for agency information systems and making an assessment of their compliance with applicable policies, procedures, and guidelines. The Committee formed a working group to provide the Congress with OIG views and comments, many of which were included in the bill as signed into law. A major objective of this effort was to ensure that IGs are an integral part of the agencies’ reporting process for security incidents.
- ◆ Recovery Act. The Committee provided extensive input during House consideration and passage of the *Government Waste Corrections Act of 2000* (H.R. 1827) and the Senate’s consideration of the companion bill (S. 3030). This legislation would require federal agencies to conduct audits on major program activities to recover erroneous payments made to contractors. The Committee made recommendations pertaining to IG authority and oversight responsibilities; contractor objectivity and independence; fraud detection, reporting, and referrals; and collection of recovered funds. Most of those suggestions were subsequently incorporated in the House-passed version.

## Professional Development Committee

Chaired by Martin Dickman, IG for the Railroad Retirement Board (RRB), the Professional Development Committee has responsibility for exploring and providing educational opportunities for members of the federal OIG community.

During FY 2000, the Committee organized and hosted three forums with speakers from PCIE agencies:

- ◆ Electronic Fraud. In January, Danny L. Barkley, Financial Crimes Section, FBI, shared his expertise and experiences concerning electronic fraud. He provided in-depth descriptions of the types of electronic fraud and discussed ways to combat such offenses.
- ◆ Electronic Audit Management. In June, Russell A. Rau, AIG for Auditing, NASA OIG Office of Audits, delivered a presentation on "Internet-based Electronic Audit Management." Mr. Rau addressed the use of electronic technology in managing an overall audit program and conducting individual audit assignments. He encouraged all OIGs to move toward implementing electronic audit management as soon as possible.
- ◆ Evaluations as a Tool. In August, George F. Grob, Deputy IG for Evaluation and Inspections, HHS, discussed the importance of evaluations as effective tools for the OIG community. Mr. Grob presented various evaluation methods and explained the relationship of evaluations to OIG audits and investigations.

# Performance Profile – FY 2000

## Summary of Combined Accomplishments of PCIE and ECIE Members

Recommendations that Funds Be Put to Better Use .....	\$15,615,571,720
Management Decisions on Recommendations That Funds Be Put to Better Use .....	\$9,524,264,728
Questioned Costs .....	\$5,207,002,648
Management Decisions on Questioned Costs .....	\$2,188,429,374
Investigative Recoveries .....	\$3,279,272,066
Successful Criminal Prosecutions .....	5,542
Civil Actions .....	1,279
Suspensions/Debarments .....	6,996
Personnel Actions .....	1,361

# Statistical Summaries of Accomplishments

The tables on the following pages demonstrate the impact the OIGs have in their agencies and summarize key accomplishments for FY 2000. The statistics included in this report are based on submissions from the reporting OIGs. The data reported are defined in most instances by the provisions of the IG Act, 5 U.S.C. app. § 5, by which the Congress established uniform reporting categories for each IG's semiannual report to the Congress. Because of data limitations or features peculiar to individual OIGs, however, some variations occur, as explained in the accompanying footnotes. In addition, OIGs often participate in multi-agency task forces or join with another OIG to accomplish a common objective. With this joint activity, the potential exists for duplicate reporting. An effort has been made to prevent duplicate reporting here. A PCIE working group is currently addressing ways to better prevent duplicate reporting of multi-agency and task force projects.

## **Recommendations That Funds Be Put To Better Use (Tables I-P and I-E)**

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

For FY 2000, including Defense Contract Audit Agency (DCAA) audits performed in agreement with OIGs or agencies, PCIE member agencies recommended that approximately \$15.4 billion be put to better use; ECIE member agencies recommended that approximately \$214.6 million be put to better use.

## **Management Decisions on OIG Recommendations That Funds Be Put To Better Use (Tables II-P and II-E)**

In FY 2000, PCIE member agency management agreed with approximately \$9.3 billion in recommendations that funds be put to better use; ECIE member agency management agreed with approximately \$210.3 million in recommendations that funds be put to better use.

## **Questioned Costs (Tables III-P and III-E)**

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

During FY 2000, including DCAA audits performed in agreement with OIGs or agencies, PCIE member agencies questioned costs of approximately \$4.8 billion, while ECIE member agencies tallied approximately \$365.1 million in questioned costs.

### **Management Decisions on Audits With Questioned Costs (Tables IV-P and IV-E)**

For FY 2000, PCIE member agency management agreed with approximately \$1.9 billion in questioned costs; ECIE member agency management agreed with approximately \$296.2 million in questioned costs.

Both funds to better use and questioned costs can be resolved without an actual monetary recovery or reduction in outlays. In many cases, it will be possible for management to take other corrective action to remedy or remove the condition that led to the auditor's finding. Consequently, the totals reported in these two categories will not represent a monetary savings to the Treasury in like amount.

### **Successful Criminal Prosecutions (Table V)**

A prosecution is considered successful when the person or entity charged is found guilty or pled guilty in a court of law or was accepted for pre-trial diversion agreements by the DOJ. PCIE and ECIE member agencies had 5,542 successful prosecutions in FY 2000.

### **Civil Actions (Table VI)**

Civil actions are the total number of matters arising from OIG investigations, audits, and reviews other than criminal prosecutions that are successfully resolved during the year. They include civil judgments and settlements and administratively imposed penalties and assessments. Personnel actions and suspensions/debarments are not reported as civil actions. In FY 2000, PCIE and ECIE member agencies had 1,279 civil actions.

### **Suspensions/Debarments of Individuals/Entities Doing Business with the Federal Government (Table VII)**

This category is the total number of debarments and suspensions of contractors, grantees, and other entities or individuals doing business with the government. There were 6,996 individuals and entities suspended and debarred by PCIE and ECIE member agencies in FY 2000.

### **Personnel Actions (Table VIII)**

Personnel actions are the total number of reprimands, suspensions, demotions, or terminations of federal, state, and local (and federal contractor/grantee) employees as a result of IG actions. During FY 2000, PCIE and ECIE member agencies initiated 1,361 personnel actions.

### **Investigative Recoveries (Table IX)**

Investigative recoveries are the total dollar value of (1) recoveries during the course of an investigation (before any criminal or civil prosecution); (2) court (criminal or civil) ordered fines, penalties, and restitution; and (3) out-of-court settlements, including administrative actions resulting in non-court settlements. PCIE and ECIE member agencies tallied investigative recoveries totaling \$3,279,272,066 in FY 2000.

### **Collections from Audits and Investigations (Table X)**

Collections from audits and investigations are the total dollars collected/recovered during the fiscal year that have been returned to the Treasury or the DOJ. In FY 2000, PCIE and ECIE audits collected \$634,976,853, while PCIE and ECIE investigations collected \$693,432,927.

### **Joint Investigations (Table XI)**

This table lists the percent of investigations PCIE and ECIE member agencies conducted with other OIGs. It also lists the percent of investigations conducted with other federal investigative entities, not including OIGs.



## Table I-P

### PCIE - Recommendations That Funds Be Put To Better Use

<b>Agency</b>	<b>OIG</b>	<b>DCAA*</b>	<b>Total</b>
AID (Agency for International Development)	\$202,437	\$0	\$202,437
CNS (Corporation for National and Community Service)	\$0	\$0	\$0
DOC (Department of Commerce)	\$2,107,989	\$0	\$2,107,989
DoD (Department of Defense)	\$931,100,000	\$5,400,400,000	\$6,331,500,000
DOE (Department of Energy)	\$639,270,206	Not Available	\$639,270,206
DOI (Department of the Interior) <sup>1</sup>	\$262,804,804	\$820,214	\$263,625,018
DOJ (Department of Justice)	\$11,295,360	\$0	\$11,295,360
DOL (Department of Labor)	\$22,437,129	\$0	\$22,437,129
DOS (Department of State)	\$0	\$0	\$0
DOT (Department of Transportation)	\$1,509,000,000	\$0	\$1,509,000,000
ED (Department of Education)	\$4,600,000	\$0	\$4,600,000
EPA (Environmental Protection Agency)	\$0	\$0	\$0
FDIC (Federal Deposit Insurance Corporation)	\$3,000,329	\$0	\$3,000,329
FEMA (Federal Emergency Management Agency)	\$156,243,019	\$232,014	\$156,475,033
GSA (General Services Administration)	\$366,352,647	\$0	\$366,352,647
HHS (Department of Health & Human Services)	\$3,336,499,000	\$0	\$3,336,499,000
HUD (Department of Housing & Urban Development)	\$4,604,000	\$0	\$4,604,000
NASA (National Aeronautics and Space Administration)	\$40,600,000	\$114,368,000	\$154,968,000
NRC (Nuclear Regulatory Commission)	\$0	\$0	\$0
OPM (Office of Personnel Management)	\$0	\$0	\$0
RRB (Railroad Retirement Board)	\$235,000	\$0	\$235,000
SBA (Small Business Administration)	\$10,982,622	\$0	\$10,982,622
SSA (Social Security Administration)	\$1,290,808,945	\$0	\$1,290,808,945
Treasury (Department of the Treasury) <sup>2</sup>	\$51,211,000	\$8,511,000	\$59,722,000
TIGTA (Treasury IG for Tax Administration)	\$111,511,000	\$0	\$111,511,000
USDA (Department of Agriculture)	\$832,202,283	\$96,596	\$832,298,879
VA (Department of Veteran's Affairs)	\$246,400,000	\$43,000,000	\$289,400,000
<b>TOTALS</b>	<b>\$9,833,467,770</b>	<b>\$5,567,427,824</b>	<b>\$15,400,895,594</b>

<sup>1</sup> Includes \$8,283,343 for Indirect Cost Proposals negotiated by the DOI OIG.

<sup>2</sup> Amount includes revenue enhancements of \$8,802,440.

\* DCAA - Defense Contract Audit Agency performs audits of government contracts by agreement with the respective OIGs or agencies.

## Table I-E

### ECIE - Recommendations That Funds Be Put To Better Use

Agency	Total
Amtrak	\$2,606,926
ARC (Appalachian Regional Commission)	\$1,867,000
CFTC (Commodity Futures Trading Commission)	\$0
CPB (Corporation for Public Broadcasting)	\$192,444
CPSC (Consumer Product Safety Commission)	\$0
EEOC (Equal Employment Opportunity Commission)	\$0
FCA (Farm Credit Administration)	\$223,485
FCC (Federal Communications Commission)	\$0
FEC (Federal Election Commission)	\$0
FHFB (Federal Housing Finance Board)	\$0
FLRA (Federal Labor Relations Authority)	\$0
FMC (Federal Maritime Commission)	\$84,000
FRB (Federal Reserve Board)	\$29,070
FTC (Federal Trade Commission)	\$7,031,000
GPO (Government Printing Office)	\$4,753,705
ITC (International Trade Commission)	\$3,836
LSC (Legal Services Corporation)	\$0
NARA (National Archives and Records Administration)	\$0
NCUA (National Credit Union Administration)	\$0
NEA (National Endowment for the Arts)	\$0
NEH (National Endowment for the Humanities)	\$0
NLRB (National Labor Relations Board)	\$0
NSF (National Science Foundation)	\$431,800
PBGC (Pension Benefit Guaranty Corporation)	\$0
PC (Peace Corps)	\$30,546
SEC (Securities and Exchange Commission)	\$0
SI (Smithsonian Institution)	\$217,093
TVA (Tennessee Valley Authority)	\$18,157,904
USPS (U.S. Postal Service)	\$179,047,317
<b>TOTAL</b>	<b>\$214,676,126</b>

## Table II-P

### PCIE - Management Decisions On Recommendations That Funds Be Put To Better Use

Agency	No Management Decision Start FY 2000	Recommendations Issued in FY 2000	Recommendations Agreed to by Management	Recommendations Not Agreed to by Management	No Management Decision End FY 2000
AID <sup>1</sup>	\$15,286,100	\$202,437	\$9,482,748	\$6,005,789	\$0
CNS	\$0	\$0	\$0	\$0	\$0
DOC	\$18,631,904	\$2,107,989	\$13,750,000	\$6,831,904	\$157,989
DoD <sup>2</sup>	\$8,229,700,000	\$6,331,500,000	\$2,795,600,000	\$1,556,300,000	\$10,209,300,000
DOE	\$406,094,160	\$639,270,206	\$412,601,136	\$196,205,672	\$436,557,558
DOI <sup>3</sup>	\$385,381,273	\$263,625,018	\$248,371,373	\$3,822,492	\$396,812,426
DOJ	\$4,136,748	\$11,295,360	\$14,821,611	\$345,287	\$265,210
DOL <sup>4</sup>	\$6,804,698	\$22,437,129	\$20,403,528	\$850,821	\$7,987,478
DOS <sup>5</sup>	\$1,447,000	\$0	\$0	\$0	\$1,447,000
DOT <sup>6</sup>	\$680,202,000	\$1,509,000,000	\$2,051,500,000	\$0	\$137,702,000
ED <sup>7</sup>	\$48,910,180	\$4,600,000	\$34,500,000	\$8,600,000	\$10,410,180
EPA	\$95,115	\$0	\$0	\$95,115	\$0
FDIC	\$0	\$3,000,329	\$3,000,329	\$0	\$0
FEMA	\$42,978,458	\$156,475,033	\$16,012,381	\$7,485,481	\$175,955,629
GSA <sup>8,9</sup>	\$18,246,522	\$366,352,647	\$113,291,702	\$4,965,801	\$277,281,369
HHS <sup>10</sup>	\$1,466,327,000	\$3,336,499,000	\$1,245,341,000	\$3,194,378,000	\$363,107,000
HUD	\$5,608,000	\$4,604,000	\$1,753,000	\$0	\$8,459,000
NASA <sup>11</sup>	\$616,741,000	\$154,968,000	\$243,549,600	\$116,540,400	\$411,619,000
NRC	\$0	\$0	\$0	\$0	\$0
OPM	\$0	\$0	\$0	\$0	\$0
RRB	\$0	\$235,000	\$235,000	\$0	\$0
SBA <sup>12,13</sup>	\$10,615,023	\$10,982,622	\$9,762,700	\$10,969,126	\$967,364
SSA	\$269,716,442	\$1,290,808,945	\$1,383,764,801	\$99,695,976	\$77,064,610
Treasury	\$60,072,000	\$59,722,000	\$77,318,000	\$25,354,000	\$17,122,000
TIGTA <sup>14</sup>	Not Available	\$111,511,000	\$54,025,000	\$48,300,000	\$9,186,000
USDA <sup>15</sup>	\$253,312,909	\$832,298,879	\$267,482,535	\$13,623,804	\$808,846,056
VA	\$116,200,000	\$289,400,000	\$297,400,000	\$32,600,000	\$75,600,000
<b>TOTALS*</b>	<b>\$12,656,506,532</b>	<b>\$15,400,895,594</b>	<b>\$9,313,966,444</b>	<b>\$5,332,969,668</b>	<b>\$13,425,847,869</b>

<sup>1</sup> "Start FY 2000" includes an increase of \$1,236,562 from the end of FY 1999 due to adjustments in audit findings.

<sup>2</sup> Reflects a variance of \$2,944,200,000 between the end of FY 1999 and "Start FY 2000" balances due to contracts not awarded and revised audit findings and recommendations.

<sup>3</sup> "Start FY 2000" was revised to include DCAA audits.

<sup>4</sup> "Recommendations Issued" and "Recommendations Agreed to" include \$9,896 in additional savings identified by the contracting officer.

<sup>5</sup> "Start FY 2000" differs from the end of FY 1999 due to the consolidation of USIA OIG into DOS OIG.

<sup>6</sup> "Start FY 2000" reflects a decrease of \$30,000 from the end of FY 1999. This decrease consists of an adjustment to "Recommendations Not Agreed to by Management," which was increased by \$30,000.

<sup>7</sup> "Start FY 2000" figure was decreased by \$500,000 due to re-evaluation of an audit issued in the prior period.

<sup>8</sup> No management decision for \$19,322 from prior period adjustments and \$10,920,381 returned to the resolution process.

<sup>9</sup> "Start FY 2000" differs from the end of FY 1999 because dollars were posted after year-end closing.

<sup>10</sup> "Start FY 2000" differs from the end of FY 1999 because of amendments.

<sup>11</sup> "Start FY 2000" differs from the end of FY 1999 due to updated DCAA data.

<sup>12</sup> Management identified \$101,545 in additional savings during audit resolution.

<sup>13</sup> "Start FY 2000" differs from the end of FY 1999 due to a \$174,000 recommendation that was reopened.

<sup>14</sup> TIGTA did not track this information prior to FY 2000.

<sup>15</sup> Reflects a variance of \$4,340,607 between the beginning and ending balances due to the inclusion of excess amounts.

\* The sums of the reported statistics do not add due to variances reported in the footnotes.

## Table II-E

### ECIE - Management Decisions On Recommendations That Funds Be Put To Better Use

Agency	No Management Decision Start FY 2000	Recommendations Issued in FY 2000	Recommendations Agreed to by Management	Recommendations Not Agreed to by Management	No Management Decision End FY 2000
Amtrak	\$312,468	\$2,606,926	\$551,831	\$2,367,563	\$0
ARC	\$689,000	\$1,867,000	\$860,000	\$1,398,000	\$298,000
CFTC	\$0	\$0	\$0	\$0	\$0
CPB	\$70,000	\$192,444	\$192,444	\$70,000	\$0
CPSC	\$0	\$0	\$0	\$0	\$0
EEOC	\$0	\$0	\$0	\$0	\$0
FCA	\$0	\$223,485	\$110,437	\$87,948	\$25,100
FCC	\$0	\$0	\$0	\$0	\$0
FEC	\$0	\$0	\$0	\$0	\$0
FHFB <sup>1</sup>	\$10,000	\$0	\$0	\$0	\$10,000
FLRA	\$0	\$0	\$0	\$0	\$0
FMC	\$0	\$84,000	\$84,000	\$0	\$0
FRB	\$0	\$29,070	\$0	\$0	\$29,070
FTC	\$0	\$7,031,000	\$7,031,000	\$0	\$0
GPO	\$0	\$4,753,705	\$4,065,705	\$0	\$688,000
ITC	\$0	\$3,836	\$3,836	\$0	\$0
LSC	\$0	\$0	\$0	\$0	\$0
NARA	\$0	\$0	\$0	\$0	\$0
NCUA	\$0	\$0	\$0	\$0	\$0
NEA	\$0	\$0	\$0	\$0	\$0
NEH	\$0	\$0	\$0	\$0	\$0
NLRB	\$0	\$0	\$0	\$0	\$0
NSF <sup>2</sup>	\$4,795,890	\$431,800	\$3,599,575	\$1,628,115	\$0
PBGC	\$0	\$0	\$0	\$0	\$0
PC	\$0	\$30,546	\$30,546	\$0	\$0
SEC	\$0	\$0	\$0	\$0	\$0
SI	\$0	\$217,093	\$77,078	\$30,754	\$109,261
TVA	\$789,010	\$18,157,904	\$18,007,780	\$939,134	\$0
USPS <sup>3</sup>	\$104,768,853	\$179,047,317	\$175,684,052	\$0	\$108,132,118
<b>TOTALS</b>	<b>\$111,435,221</b>	<b>\$214,676,126</b>	<b>\$210,298,284</b>	<b>\$6,521,514</b>	<b>\$109,291,549</b>

<sup>1</sup> The "No Management Decision End FY 1999" figure reported in the FY 1999 report was in error.

<sup>2</sup> "Start FY 2000" includes an increase of \$300,000 in adjustments related to prior recommendations.

<sup>3</sup> The "No Management Decision End FY 1999" figure reported in the FY 1999 report was in error.

## Table III-P

### PCIE - Questioned Costs

Agency	OIG	DCAA*	Total
AID	\$30,656,606	\$56,138,984	\$86,795,590
CNS	\$8,558,000	\$0	\$8,558,000
DOC	\$6,079,833	\$0	\$6,079,833
DoD	\$0	\$1,625,200,000	\$1,625,200,000
DOE	\$1,257,530	Not Available	\$1,257,530
DOI	\$16,170,735	\$3,980,512	\$20,151,247
DOJ	\$38,489,681	\$0	\$38,489,681
DOL <sup>1</sup>	\$68,676,953	\$0	\$68,676,953
DOS	\$2,828,000	\$0	\$2,828,000
DOT	\$1,144,000	\$0	\$1,144,000
ED	\$72,903,801	\$0	\$72,903,801
EPA <sup>2</sup>	\$51,931,968	\$3,405,517	\$55,337,485
FDIC	\$11,525,788	\$0	\$11,525,788
FEMA	\$43,980,133	\$0	\$43,980,133
GSA	\$16,300,132	\$0	\$16,300,132
HHS	\$387,139,000	\$0	\$387,139,000
HUD	\$56,621,000	\$0	\$56,621,000
NASA	\$0	\$105,323,000	\$105,323,000
NRC	\$0	\$113,797	\$113,797
OPM	\$150,746,734	\$0	\$150,746,734
RRB	\$0	\$0	\$0
SBA	\$8,313,768	\$0	\$8,313,768
SSA	\$76,991,654	\$0	\$76,991,654
Treasury	\$0	\$1,191,000	\$1,191,000
TIGTA	\$5,508,000	\$116,000	\$5,624,000
USDA	\$1,982,820,584	\$84,615	\$1,982,905,199
VA	\$7,700,000	\$0	\$7,700,000
<b>TOTALS</b>	<b>\$3,046,343,900</b>	<b>\$1,795,553,425</b>	<b>\$4,841,897,325</b>

<sup>1</sup> Includes \$23,244,292 of additional costs disallowed by the contracting officer during resolution of audit findings.

<sup>2</sup> Includes \$12,319,657 from investigative work that is not reported in Table IV-P because it was not captured in EPA's audit tracking system.

\* DCAA – Defense Contract Audit Agency performs audits of government contracts by agreement with the respective OIGs or agencies.

## Table III-E

### ECIE - Questioned Costs

Agency	OIG	DCAA*	Total
Amtrak	\$10,375,412	\$0	\$10,375,412
ARC	\$155,000	\$0	\$155,000
CFTC	\$0	\$0	\$0
CPB	\$2,602,330	\$0	\$2,602,330
CPSC	\$0	\$0	\$0
EEOC	\$19,265	\$0	\$19,265
FCA	\$6,999	\$0	\$6,999
FCC	\$0	\$0	\$0
FEC	\$0	\$0	\$0
FHFB	\$0	\$0	\$0
FLRA	\$0	\$0	\$0
FMC	\$0	\$0	\$0
FRB	\$0	\$0	\$0
FTC	\$0	\$0	\$0
GPO	\$389,254	\$0	\$389,254
ITC	\$0	\$0	\$0
LSC	\$0	\$0	\$0
NARA	\$349,275	\$0	\$349,275
NCUA	\$0	\$0	\$0
NEA	\$309,174	\$0	\$309,174
NEH	\$0	\$0	\$0
NLRB	\$0	\$0	\$0
NSF	\$17,430,932	\$0	\$17,430,932
PBGC	\$0	\$0	\$0
PC	\$0	\$0	\$0
SEC	\$0	\$0	\$0
SI	\$0	\$0	\$0
TVA	\$2,752,539	\$0	\$2,752,539
USPS	\$274,562,898	\$56,152,245	\$330,715,143
<b>TOTALS</b>	<b>\$308,953,078</b>	<b>\$56,152,245</b>	<b>\$365,105,323</b>

\* DCAA – Defense Contract Audit Agency performs audits of government contracts by agreement with the respective OIGs or agencies.



## Table IV-P

### PCIE - Management Decisions on Audits With Questioned Costs

Agency	No Management Decision Start FY 2000	Recommendations Issued in FY 2000	Recommendations Agreed to by Management	Recommendations Not Agreed to by Management	No Management Decision End FY 2000
AID <sup>1</sup>	\$21,571,573	\$86,795,590	\$23,019,226	\$25,748,588	\$59,599,349
CNS	\$2,883,000	\$8,558,000	\$220,000	\$813,000	\$10,408,000
DOC <sup>2</sup>	\$2,038,460	\$6,079,833	\$1,764,278	\$2,100,996	\$4,675,622
DoD <sup>3</sup>	\$8,036,300,000	\$1,625,200,000	\$967,600,000	\$596,800,000	\$8,097,100,000
DOE	\$6,552,760	\$1,257,530	\$111,411	\$47,132	\$7,651,747
DOI <sup>4</sup>	\$196,791,823	\$20,151,247	\$26,018,684	\$5,024,216	\$185,900,170
DOJ	\$12,202,161	\$38,489,681	\$40,178,059	\$303,017	\$10,210,766
DOL <sup>5</sup>	\$86,379,431	\$68,676,953	\$94,052,962	\$7,522,618	\$53,480,804
DOS <sup>6</sup>	\$6,920,000	\$2,828,000	\$0	\$47,000	\$9,701,000
DOT <sup>7</sup>	\$5,629,000	\$1,144,000	\$6,775,000	\$1,545,000	\$427,000
ED <sup>8</sup>	\$171,102,885	\$72,903,801	\$87,360,066	\$37,910,411	\$118,736,209
EPA <sup>9</sup>	\$100,104,534	\$43,017,828	\$23,091,818	\$19,065,155	\$100,965,389
FDIC	\$0	\$11,525,788	\$10,760,501	\$765,287	\$0
FEMA	\$29,521,153	\$43,980,133	\$32,476,267	\$5,123,923	\$35,901,096
GSA <sup>10,11</sup>	\$3,836,492	\$16,300,132	\$13,553,055	\$4,427,110	\$2,802,975
HHS <sup>12</sup>	\$319,454,000	\$387,139,000	\$182,808,000	\$10,121,000	\$513,664,000
HUD	\$21,044,000	\$56,621,000	\$31,806,000	\$2,144,000	\$43,715,000
NASA <sup>13</sup>	\$266,040,020	\$105,323,000	\$67,071,350	\$35,685,936	\$268,605,734
NRC	\$0	\$113,797	\$113,797	\$0	\$0
OPM <sup>14</sup>	\$56,088,300	\$150,746,734	\$101,502,135	\$39,659,329	\$65,673,570
RRB	\$0	\$0	\$0	\$0	\$0
SBA	\$1,792,265	\$8,313,768	\$1,153,535	\$4,269,738	\$4,682,760
SSA <sup>15</sup>	\$79,423,650	\$76,991,654	\$75,211,576	\$54,921	\$81,148,807
Treasury	\$4,919,000	\$1,191,000	\$501,000	\$1,577,000	\$4,032,000
TIGTA <sup>16</sup>	Not Available	\$5,624,000	\$5,624,000	\$0	\$0
USDA <sup>17,18</sup>	\$246,748,747	\$1,982,905,199	\$91,801,160	\$37,896,207	\$2,101,833,748
VA	\$0	\$7,700,000	\$7,700,000	\$0	\$0
<b>TOTALS*</b>	<b>\$9,677,343,254</b>	<b>\$4,829,577,668</b>	<b>\$1,892,273,880</b>	<b>\$838,651,584</b>	<b>\$11,780,915,746</b>

<sup>1</sup> "Start FY 2000" figure includes a decrease of \$302,758.

<sup>2</sup> "Recommendations Agreed To" includes \$422,603 in questioned costs identified during the resolution process.

<sup>3</sup> "Start FY 2000" reflects an increase of \$73,300,000 from the end of FY 1999 due to contracts not awarded and revised audit findings and recommendations.

<sup>4</sup> Beginning balance was revised to include DCAA audits.

<sup>5</sup> "Recommendations Issued" and "Recommendations Agreed To" include \$23,244,292 of additional costs disallowed by the contracting officer during resolution of audit findings.

<sup>6</sup> The "No Management Decision End FY 1999" figure reported in the FY 1999 report was in error.

<sup>7</sup> "Recommendations Agreed To" includes \$1,547,000 that management decided to seek above recommended amounts. Additionally, there is \$427,000 on which management has made no decision.

<sup>8</sup> "Start FY 2000" reflects adjusting entries of \$2,648,518.

<sup>9</sup> "Start FY 2000" differs from the end of FY 1999 due to post-reporting period adjustments.

<sup>10</sup> "Recommendations Agreed To" includes \$665,839 that management decided to seek above recommended amounts.

<sup>11</sup> "Start FY 2000" differs from the end of FY 1999 because dollars are posted after year-end closing.

<sup>12</sup> "Start FY 2000" differs from the end of FY 1999 due to amendments.

<sup>13</sup> "Start FY 2000" differs from the end of FY 1999 due to updated DCAA data.

<sup>14</sup> "Recommendations Issued in FY 2000" includes \$6 million resulting from joint efforts of the OPM Office of Audits and Office of Investigations. This amount is reported in both the Management Decision on Audits and the Investigative Recoveries charts.

<sup>15</sup> These totals reflect the value unsupported in addition to questioned costs.

<sup>16</sup> TIGTA did not track this information prior to FY 2000.

<sup>17</sup> "Start FY 2000" includes an increase of \$2,314 over the end of FY 1999 due to adjustments made after the semiannual period.

<sup>18</sup> Reflects a variance of \$1,877,169 between the beginning and ending balance because of the inclusion of excess amounts.

\* The sums of the reported statistics do not add due to variances reported in the footnotes.

## Table IV-E

### ECIE - Management Decisions on Audits With Questioned Costs

Agency	No Management Decision Start FY 2000	Recommendations Issued in FY 2000	Recommendations Agreed to by Management	Recommendations Not Agreed to by Management	No Management Decision End FY 2000
Amtrak	\$3,897,447	\$10,375,412	\$9,015,950	\$4,333,235	\$923,674
ARC	\$77,000	\$155,000	\$0	\$99,000	\$133,000
CFTC	\$0	\$0	\$0	\$0	\$0
CPB	\$268,419	\$2,602,330	\$2,580,000	\$180,780	\$109,969
CPSC	\$0	\$0	\$0	\$0	\$0
EEOC	\$0	\$19,265	\$19,265	\$0	\$0
FCA	\$0	\$6,999	\$6,999	\$0	\$0
FCC	\$265,180	\$0	\$0	\$0	\$265,180
FEC	\$0	\$0	\$0	\$0	\$0
FHFB	\$0	\$0	\$0	\$0	\$0
FLRA	\$0	\$0	\$0	\$0	\$0
FMC	\$0	\$0	\$0	\$0	\$0
FRB	\$0	\$0	\$0	\$0	\$0
FTC	\$0	\$0	\$0	\$0	\$0
GPO	\$0	\$389,254	\$28,153	\$0	\$361,101
ITC	\$0	\$0	\$0	\$0	\$0
LSC	\$0	\$0	\$0	\$0	\$0
NARA	\$2,805	\$349,275	\$349,275	\$2,805	\$0
NCUA	\$0	\$0	\$0	\$0	\$0
NEA	\$0	\$309,174	\$0	\$0	\$309,174
NEH	\$0	\$0	\$0	\$0	\$0
NLRB	\$0	\$0	\$0	\$0	\$0
NSF	\$5,047,055	\$17,430,932	\$10,344,685	\$6,132,766	\$6,000,536
PBGC	\$0	\$0	\$0	\$0	\$0
PC	\$0	\$0	\$0	\$0	\$0
SEC	\$0	\$0	\$0	\$0	\$0
SI	\$0	\$0	\$0	\$0	\$0
TVA	\$1,134,902	\$2,752,539	\$1,198,363	\$1,279,366	\$1,409,712
USPS	\$24,446,816	\$330,715,143	\$272,612,804	\$5,658,157	\$76,890,998
<b>TOTALS</b>	<b>\$35,139,624</b>	<b>\$365,105,323</b>	<b>\$296,155,494</b>	<b>\$17,686,109</b>	<b>\$86,403,344</b>

## Table V

### PCIE and ECIE - Successful Criminal Prosecutions

PCIE		ECIE	
Agency	Total	Agency	Total
AID	3	Amtrak	11
CNS	5	ARC	0
DOC	6	CFTC	0
DoD	339	CPSC	NA
DOE	9	CPB	0
DOI	26	EEOC	0
DOJ	123	FCA	0
DOL	240	FCC	0
DOS	23	FEC	0
DOT	235	FHFB	0
ED	60	FLRA	NA
EPA	26	FMC	0
FDIC	20	FRB	0
FEMA	38	FTC	0
GSA	32	GPO	2
HHS	414	ITC	0
HUD	200	LSC	0
NASA	37	NARA	0
NRC	4	NCUA	0
OPM	15	NEA	0
RRB	66	NEH	0
SBA	38	NLRB	0
SSA <sup>1</sup>	2,604	NSF	3
Treasury	3	PBGC	2
TIGTA	231	PC	2
USDA	459	SEC	0
VA	247	SI	1
		TVA	14
		USPS <sup>2</sup>	4
<b>SUBTOTAL</b>	<b>5,503</b>	<b>SUBTOTAL</b>	<b>39</b>
<b>TOTAL</b>			<b>5,542</b>

NA = Not Applicable

<sup>1</sup> Includes 283 illegal alien apprehensions and 1,051 fugitive felon apprehensions.

<sup>2</sup> During FY 2000, the USPS Inspection Service had 9,393 successful prosecutions that are reported in the Postal Service OIG's semiannual reports to Congress. These prosecutions include matters where concurrent jurisdiction existed, as well as matters for which the Inspection Service has primary responsibility.

## Table VI

### PCIE and ECIE - Civil Actions

PCIE		ECIE	
Agency	Total	Agency	Total
AID	9	Amtrak	2
CNS	6	ARC	0
DOC	1	CFTC	0
DoD	202	CPSC	NA
DOE	9	CPB	NA
DOI	15	EEOC	0
DOJ	4	FCA	0
DOL	24	FCC	0
DOS	0	FEC	0
DOT	49	FHFB	0
ED	74	FLRA	0
EPA	13	FMC	0
FDIC	3	FRB	0
FEMA	2	FTC	0
GSA	15	GPO	1
HHS	357	ITC	0
HUD	15	LSC	0
NASA	14	NARA	0
NRC	1	NCUA	0
OPM	42	NEA	0
RRB	45	NEH	1
SBA	4	NLRB	0
SSA	45	NSF	0
Treasury	0	PBGC	1
TIGTA	NA	PC	0
USDA	81	SEC	0
VA	235	SI	0
		TVA	7
		USPS	2
<b>SUBTOTAL</b>	<b>1,265</b>	<b>SUBTOTAL</b>	<b>14</b>
<b>TOTAL</b>			<b>1,279</b>

NA = Not Available/Not Applicable

## Table VII

### PCIE and ECIE - Suspensions/Debarments

PCIE		ECIE	
Agency	Total	Agency	Total
AID	0	Amtrak	0
CNS	0	ARC	0
DOC	0	CFTC	0
DoD	218	CPSC	0
DOE	7	CPB	NA
DOI	0	EEOC	0
DOJ	2	FCA	0
DOL	0	FCC	0
DOS	0	FEC	0
DOT	25	FHFB	0
ED	8	FLRA	NA
EPA	19	FMC	0
FDIC	1	FRB	0
FEMA	16	FTC	0
GSA	87	GPO	14
HHS	3,350	ITC	0
HUD	207	LSC	0
NASA	49	NARA	0
NRC	0	NCUA	0
OPM <sup>1</sup>	2,706	NEA	0
RRB	0	NEH	2
SBA	0	NLRB	0
SSA	0	NSF	2
Treasury	1	PBGC	0
TIGTA	NA	PC	0
USDA	241	SEC	0
VA	4	SI	0
		TVA	NA
		USPS	37
<b>SUBTOTAL</b>	<b>6,941</b>	<b>SUBTOTAL</b>	<b>55</b>
<b>TOTAL</b>			<b>6,996</b>

NA = Not Available/Not Applicable

<sup>1</sup> OPM debarments represent health care providers debarred from participating in the Federal Employees Health Benefits Program. All of these providers were also debarred by the HHS OIG from participating in Medicare and Medicaid programs.

## Table VIII

### PCIE and ECIE - Personnel Actions

PCIE		ECIE	
Agency	Total	Agency	Total
AID	21	Amtrak	35
CNS	6	ARC	0
DOC	19	CFTC	0
DoD	38	CPSC	0
DOE	8	CPB	NA
DOI	30	EEOC	2
DOJ	46	FCA	0
DOL	7	FCC	3
DOS	14	FEC	0
DOT	58	FHFB	0
ED	11	FLRA	0
EPA	13	FMC	0
FDIC	4	FRB	9
FEMA	6	FTC	1
GSA	29	GPO	11
HHS	5	ITC	0
HUD	5	LSC	0
NASA	42	NARA	2
NRC	27	NCUA	0
OPM	6	NEA	0
RRB	1	NEH	1
SBA	4	NLRB	2
SSA	31	NSF	10
Treasury	18	PBGC	1
TIGTA	569	PC	16
USDA	70	SEC	6
VA	152	SI	8
		TVA	14
		USPS	0
<b>SUBTOTAL</b>	<b>1,240</b>	<b>SUBTOTAL</b>	<b>121</b>
<b>TOTAL</b>			<b>1,361</b>

NA = Not Applicable

## Table IX

### PCIE and ECIE - Investigative Recoveries

PCIE		ECIE	
Agency	Total	Agency	Total
AID	\$37,641,939	Amtrak	\$367,774
CNS	\$308,939	ARC	\$0
DOC	\$106,812	CFTC	\$0
DoD	\$980,684,331	CPSC	\$0
DOE	\$40,018,711	CPB	Not Applicable
DOI	\$284,116,225	EEOC	\$0
DOJ	\$2,334,871	FCA	\$0
DOL	\$105,600,000	FCC	\$0
DOS	\$403,383	FEC	\$0
DOT	\$70,409,933	FHFB	\$0
ED	\$29,536,157	FLRA	\$0
EPA	\$71,000,000	FMC	\$0
FDIC	\$26,790,906	FRB	\$0
FEMA	\$1,520,000	FTC	\$0
GSA	\$42,997,514	GPO	\$300,100
HHS	\$1,232,720,056	ITC	\$0
HUD	\$32,914,307	LSC	\$0
NASA	\$37,830,443	NARA	\$0
NRC	\$49,385	NCUA	\$0
OPM <sup>1</sup>	\$9,783,787	NEA	\$0
RRB	\$3,528,835	NEH	\$0
SBA	\$7,555,827	NLRB	\$0
SSA	\$30,037,959	NSF	\$1,517,005
Treasury	\$242,525	PBGC	\$71,678
TIGTA	\$12,886,000	PC	\$11,581
USDA <sup>2</sup>	\$172,868,140	SEC	\$0
VA	\$28,252,671	SI	\$5,490
		TVA <sup>3</sup>	\$3,965,553
		USPS	\$10,893,229
<b>SUBTOTAL</b>	<b>\$3,262,139,656</b>	<b>SUBTOTAL</b>	<b>\$17,132,410</b>
<b>TOTAL</b>			<b>\$3,279,272,066</b>

<sup>1</sup> This includes \$6 million resulting from joint efforts of the OPM Office of Audits and Office of Investigations. This amount is reported in both the Management Decisions on Audits and the Investigative Recoveries charts.

<sup>2</sup> Reflects adjustments made after the semiannual period.

<sup>3</sup> Reflects adjustments made after the semiannual period.

## Table X

### PCIE and ECIE - Collections From Audits and Investigations\*

PCIE	From Audits	From Investigations	ECIE	From Audits	From Investigations
AID	\$6,507,668	\$37,495,800	Amtrak	\$0	\$0
CNS	\$0	\$26,983	ARC	\$0	\$0
DOC	Not Available	Not Available	CFTC	\$0	\$0
DoD	Not Available	Not Available	CPSC	\$0	\$0
DOE	Not Available	\$39,303,214	CPB	\$0	Not Applicable
DOI	Not Available	Not Available	EEOC	\$0	\$0
DOJ	\$24,438,682	\$806,525	FCA	\$0	\$0
DOL	\$77,400,000	Not Available	FCC	\$0	\$0
DOS	Not Available	Not Available	FEC	\$0	\$0
DOT	\$0	\$4,112,670	FHFB	\$0	\$0
ED	\$59,033,994	\$999,205	FLRA	\$615	\$0
EPA	Not Available	Not Available	FMC	\$0	\$0
FDIC	\$0	Not Available	FRB	\$0	\$0
FEMA	\$36,986,228	\$4,600,000	FTC	\$0	\$0
GSA	Not Available	Not Available	GPO	\$0	\$300,000
HHS	\$228,515,000	\$529,951,175	ITC	\$0	\$0
HUD	\$8,373,576	\$3,020,767	LSC	\$0	\$0
NASA	\$0	\$34,444,562	NARA	\$0	\$0
NRC	\$0	\$49,385	NCUA	\$0	\$0
OPM	\$132,199,000	Not Available	NEA	\$0	\$0
RRB	\$0	\$1,038,134	NEH	\$0	\$0
SBA	\$2,090,000	Not Available	NLRB	\$0	\$0
SSA	\$4,174	\$2,232,424	NSF	\$120,027	\$0
Treasury	\$42,580,307	\$225,042	PBGC	\$0	\$0
TIGTA	Not Available	\$255,000	PC	\$0	\$0
USDA	\$16,727,582	\$14,665,041	SEC	\$0	\$0
VA	\$0	\$17,084,408	SI	\$0	\$0
			TVA	\$0	\$2,822,592
			USPS	Not Available	Not Available
<b>SUBTOTAL</b>	<b>\$634,856,211</b>	<b>\$690,310,335</b>	<b>SUBTOTAL</b>	<b>\$120,642</b>	<b>\$3,122,592</b>
<b>TOTAL Audit PCIE/ECIE</b>		<b>\$634,976,853</b>	<b>TOTAL Investigation PCIE/ECIE</b>		<b>\$693,432,927</b>

\* The funds reported in this table are only those funds that have been returned to the Treasury or the DOJ.



## Table XI

### PCIE and ECIE - Joint Investigations\*

PCIE	Percentage of Investigations conducted with other OIGs	Percentage of Investigations conducted with other Federal Investigative Offices not including OIGs	ECIE	Percentage of Investigations conducted with other OIGs	Percentage of Investigation conducted with other Federal Investigative Offices not including OIGs
AID	0%	2%	Amtrak	5%	10%
CNS	2%	2%	ARC	0%	0%
DOC	1%	2%	CFTC	0%	0%
DoD	19%	36%	CPSC	0%	0%
DOE	10%	22%	CPB	0%	0%
DOI	4%	13%	EEOC	0%	13%
DOJ	0%	24%	FCA	0%	0%
DOL	6%	42%	FCC	0%	4%
DOS	0%	32%	FEC	0%	0%
DOT	6%	28%	FHFB	0%	0%
ED	17%	48%	FLRA	0%	0%
EPA	7%	2%	FMC	0%	0%
FDIC	1%	21%	FRB	0%	0%
FEMA	5%	20%	FTC	0%	0%
GSA	17%	18%	GPO	5%	0%
HHS	Not Available	Not Available	ITC	0%	0%
HUD	Not Available	60%	LSC	0%	0%
NASA	25%	34%	NARA	0%	0%
NRC	8%	2%	NCUA	0%	0%
OPM	55%	40%	NEA	0%	0%
RRB	2%	5%	NEH	0%	0%
SBA	3%	12%	NLRB	8%	0%
SSA	Not Available	3%	NSF	15%	7%
Treasury	1%	1%	PBGC	0%	0%
TIGTA	Not Available	Not Available	PC	0%	0%
USDA	1%	12%	SEC	0%	3%
VA	12%	28%	SI	5%	5%
			TVA	3%	2%
			USPS	7%	17%

\* In some cases, the above statistics may reflect the participation of a state, local, or foreign entity in an investigation, or limitations in data that do not permit a precise application of the column criteria stated above.

# A Compendium of OIG Activities in FY 2000

OIGs governmentwide provide a valuable service by conducting audits, investigations, and inspections. There are many excellent examples of the critical work performed by OIGs. This compendium includes only a small sample of work completed during this reporting period. The many accomplishments of the OIGs are too numerous to include in this report. A representative sample was selected for inclusion. These examples focus on issues that reflect current priorities of the federal government or interests of the general public.

The examples of OIG audits, inspections, and investigations presented in this section are grouped into the following seven categories:

- ◆ Top Management Challenges
- ◆ High Profile or Sensitive OIG Matters
- ◆ Consulting or Advising Agency Management in the Handling of Programs
- ◆ Detecting and Deterring Fraud, Waste, and Abuse
- ◆ Information Technology Issues
- ◆ GPRA Activities
- ◆ Grants Management

## Top Management Challenges

OIGs across government report a remarkably consistent series of top management challenges confronting their agencies: information technology resources, data integrity and security, financial management, GPRA accountability, procurement and grants management, and human capital and staffing. During the past year, OIGs have paid special attention to these and other agency-specific priority areas when conducting audits, evaluations, and investigations of agency programs.

### **DOC OIG Reviews Decennial Census Operations**

Because of the size, complexity, and significance of the 2000 Decennial Census, the DOC OIG made oversight of decennial planning and execution one of its top priorities. During FY 2000, the OIG completed ten audits and inspections of various aspects of decennial operations.

Some of these reviews covered major decennial operations such as the critically important Master Address File, the address list used to support decennial operations; the Telephone Questionnaire Assistance program, which enabled respondents to call toll-free to ask questions or complete their Census form over the telephone; and special population enumerations, which attempted to count people who live in non-traditional housing or have no usual residence. Other reviews examined logistical activities supporting the decennial, such as the leasing effort needed to establish a network of more than 1,000 temporary field

offices and the warehousing activities that provided the myriad of forms and supplies needed for various decennial operations. Still other reviews looked at how well the Bureau of the Census (Bureau) handled the personnel and payroll operations for 860,000 temporary workers.

In all of these reports, the OIG made recommendations designed to ensure that the 2000 Decennial Census achieved the highest possible accuracy at the lowest possible cost. And, in virtually every instance, the Bureau took immediate, decisive action to address OIG concerns. *(DOC)*

### **EPA OIG Questions Quality of Laboratory Data**

The quality of some scientific analyses generated by the EPA and contract laboratories is questionable and should not be used to support environmental decisions, the EPA OIG found. The EPA relies on the testing data provided by contract laboratories to assess threats to public health and the environment and to determine where and when remedial action is needed. OIG reviews disclosed weaknesses and fraud in laboratory management practices resulting in data quality and integrity problems that impact environmental and enforcement decisions in several EPA program areas including: Superfund, Resource Conservation and Recovery Act, National Pollutant Discharge Elimination System, air toxics, and pesticides. For example, the OIG's investigative work at one EPA contract laboratory resulted in the indictment of a vice president and 12 former employees on charges of conspiracy, mail fraud, wire fraud, and presenting false claims against the United States. As a result of the OIG's work at another contract laboratory, key employees were convicted for falsely certifying that gas chromatograph/mass spectrometer analyses on samples taken from hazardous waste sites nationwide complied with all EPA contract requirements. The OIG recommended various actions for improving management, accountability, and oversight of the laboratory, including independent technical reviews. The EPA responded by deploying technical review teams around the country. *(EPA)*

### **Impact of the Global Economy on Tax Administration**

The acceleration of world trade and e-commerce in the business world exceeds the government's capacity to administer taxes. The GAO and the TIGTA have previously reported serious internal control and systemic weaknesses in the IRS's administration of its international programs. The IRS continues to struggle to increase compliance in an ever-growing international economy. Significant improvements are needed in international compliance programs to focus on non-filing, transfers of assets by U.S. citizens to foreign trusts, foreign tax credit claims, and foreign-sourced income.

The IRS has undertaken several international tax administration and compliance programs to address the TIGTA's concerns in the areas of transfer pricing, tax credits, foreign trusts, non-filers, and foreign-sourced income reporting issues. The TIGTA has two reviews in process that evaluate compliance by foreign investment partners and taxpayers receiving foreign-sourced income. *(TIGTA)*

## **DOE Needs to Develop Infrastructure Restoration Plan**

The DOE, through its Stockpile Stewardship Program, is responsible for ensuring the safety, security, and reliability of the nation's nuclear weapons stockpile. In 1998, the DOE concluded that aging and deteriorating weapons production facilities had created a \$422 million maintenance and repair backlog. In light of this situation, the DOE OIG conducted an audit to determine whether the DOE had maintained the nuclear weapons production infrastructure to meet current and future goals of the Stockpile Stewardship Plan. The audit disclosed that despite data suggesting that current military requirements were being met, the deterioration of the infrastructure resulted in delays in weapons modification, remanufacture, dismantlement, and surveillance testing of nuclear weapons components. The audit also determined that current and future goals of the Stockpile Stewardship Program were at risk. DOE officials within the National Nuclear Security Administration (NNSA) estimated that the DOE must invest \$5 billion to \$8 billion more than current budgeted amounts over the next ten years to offset the effects of delayed or neglected infrastructure.

The OIG recommended that the administrator of the NNSA develop an overall infrastructure restoration plan based on individual site plans and current and planned stockpile workload requirements. The administrator concurred with the OIG recommendations and advised that Phase II of the NNSA's Facilities and Infrastructure Initiative study, now underway, would address each of the OIG's recommendations. *(DOE)*

## **DOI OIG Identifies Royalty Underpayments on Oil, Coal, and Gas Leases**

The DOI OIG and the DOJ have recovered more than \$330 million since 1998 in an ongoing effort to recover underpaid royalties on gas, crude oil, and coal extracted from federal and Indian lands. Recently, Shell Oil Company agreed to pay \$56 million to resolve claims under the False Claims Act that it underpaid royalties owed on natural gas produced from August 1986 to December 1999. In other settlements, BP Amoco agreed to pay \$32 million; Pennzoil Company - \$11.9 million; Sunoco, Inc. - \$200,000; Union Pacific Resources Company - \$2.7 million; Texaco - \$43 million; Chevron-USA, Inc. - \$95 million; and Conoco Inc. - \$26 million, for their systematic underreporting of the value of oil that they extracted from federal and Indian lands. *(DOI)*

## **GSA OIG Cites Operational Breakdowns in Contract Guard Program**

As part of the ongoing review of the GSA's efforts to improve the safety and security of federal employees and buildings, the OIG performed an analysis of the GSA's Contract Security Guard Program. The GSA has experienced a significant increase in the need for security guards at federal facilities, with the number of guards more than doubling to about 7,000 nationwide since 1995. The GSA contracts with private security firms to meet its need for both armed and unarmed guards. Before a prospective employee can be assigned under a GSA contract, the individual must undergo a limited criminal history background check and pass a written examination.

The OIG report found that an absence of programmatic controls and oversight has led to operational breakdowns and questionable practices at the regional level. The report noted, among other things, that:

- ◆ Hundreds of guards were on post without valid suitability determinations.
- ◆ There is a high failure rate occurring under the new National Contract Guard Examination implemented in May 1999.
- ◆ Guards lacked the training necessary to perform their duties.
- ◆ Armed guards were on post without valid firearm qualifications.
- ◆ Contract enforcement and oversight were not consistent. (GSA)

### **FDIC OIG Maximizes Returns From Failed Institutions**

The OIG helps ensure that the FDIC's interests in securitizations are adequately protected. When the Resolution Trust Corporation reached its sunset on December 31, 1995, the FDIC inherited a total of 72 securitization transactions with an initial credit reserve balance of \$7.8 billion. As of July 25, 2000, the FDIC reported a remaining inventory of 33 active securitizations with a credit reserve balance of approximately \$1.8 billion. Over the last year, the OIG completed ten audits that focused on the effectiveness of securitization servicers. Collectively, these audits resulted in questioned costs of approximately \$7.1 million, largely due to unsupported or unallowable expenses on the servicers' part. (FDIC)

### **DOS OIG Reviews Overseas Security Challenges**

The most significant security challenge for the DOS is protection of the United States' global and diplomatic infrastructure and the protection of overseas employees. An OIG review found that none of the 42 embassies evaluated met all of the DOS's physical security standards. The lack of a 30-meter setback was the most prevalent deficiency. The OIG found that addressing adequate setback and other security deficiencies will require a major, long-term construction effort. The DOS is correcting those items that it can fix quickly, such as improving the local guard service and upgrading the lighting and alarms at its chanceries. The OIG concluded personnel everywhere are now better protected than before the August 1998 bombings of the two embassies in Africa. However, the OIG review found that a program of sustained capital investment will be essential to ensure the safety of the diplomatic infrastructure in the future. (DOS)

### **USDA OIG Undertakes Food Safety Initiative**

The USDA OIG initiated a series of audits to determine whether the USDA's Food Safety and Inspection Service's (FSIS) meat and poultry inspection program remains effective under the science-based Hazard Analysis and Critical Control Point (HACCP) System. The OIG reviewed HACCP, laboratory analyses, foreign imports, and the compliance program that carried over from the previous system. The FSIS has taken positive steps, but more needs to be done in all four areas reviewed. The FSIS needs to take maximum advantage of the expanding role science now plays as a control over the meat, poultry, and egg

products that enter the marketplace. Moreover, the FSIS has reduced its oversight short of what is prudent and necessary for the protection of the consumer.

The OIG found that the FSIS allowed establishments to limit or reduce the number of critical control points identified in their HACCP plans and thereby limit government oversight. Also, the FSIS database did not list all establishments subject to tests for pathogens and residues. Further, the FSIS did not list all firms subject to compliance reviews and did not always target reviews at major metropolitan and geographic areas or at firms that could be regarded as high risk. In addition, the FSIS approved equivalency status to foreign countries without adequate procedures or documentation. The OIG made several recommendations to correct the cited shortcomings and ensure the intent of the HACCP program is met. (USDA)

### **USPS OIG Reviews Electronic Commerce Effects on First-Class Mail**

Electronic commerce presents opportunities for the USPS to enhance customer service, increase operational efficiencies, streamline business processes, and provide avenues for new revenue. At the same time, electronic commerce threatens first-class mail volumes. The USPS OIG has conducted a number of reviews in the electronic commerce area. Most recently, the OIG reviewed the USPS's online bill presentment and payment service, eBillPay, to determine if it met privacy and security requirements before bringing the system online. The OIG's review disclosed that the USPS needs to adjust its policies and procedures on electronic commerce partnerships and alliances and better address computer network security and privacy issues. (USPS)

## **High Profile or Sensitive OIG Matters**

Throughout FY 2000, the OIG community confronted difficult issues of national importance, ranging from the murder of government officials to a serious breach of safety at a nuclear facility. Not limited by subject matter jurisdiction, OIGs must resolve a broad and ever-changing spectrum of problems and crisis situations. The following cases represent a small portion of the high profile matters addressed by OIGs during the reporting period.

### **USDA OIG Uncovers Widespread Public Corruption at New York's Hunts Point Market**

Pursuant to a USDA OIG public corruption investigation in New York City, nine USDA Agricultural Marketing Service (AMS) employees responsible for grading the quality of fruit and vegetables pled guilty to charges of bribery. In addition, 15 owners or employees of produce wholesalers located at the Hunts Point Market in the Bronx, the largest fruit and vegetable distribution center in the United States, were indicted on bribery charges. Eight have pled guilty.

During the 2½-year investigation, the OIG uncovered a scheme by which the AMS graders accepted bribes from wholesalers to downgrade produce. The wholesalers then used the lower grades to negotiate downward the price they paid growers for the produce. The scheme, detailed in a 65-count racketeering and bribery indictment, took place over two decades and was so pervasive that some of the AMS graders took more than \$100,000 a

year in illegal payoffs. Seven of the AMS graders were sentenced to imprisonment ranging from 15 to 30 months and ordered to pay fines of \$4,000 to \$70,000. Three owners or employees of produce wholesalers received sentences ranging from 6 months' home confinement to 15 months in prison and ordered to pay a total of more than \$45,000 in fines and restitution. (USDA)

### **Doctor Pleads Guilty to Murder of Veterans**

For seven years, VA OIG agents and healthcare inspectors, in conjunction with the U.S. Attorney's Office and the FBI, worked to prosecute a doctor for the murder of several U.S. veterans. On September 7, 2000, the doctor pled guilty to the murder of three veterans in his care at the VA Medical Center (VAMC) in Northport, New York. He was sentenced to three consecutive life terms without the possibility of parole for the VAMC murders. The doctor stated in court that, in July 1993, he killed a veteran patient in his care by intentionally administering a lethal injection of epinephrine; in September 1993, he intentionally injected a lethal dose of a toxic substance into another veteran patient; and in October 1993, he intentionally injected a third veteran patient with a lethal dose of succinylcholine. The doctor also pled guilty to fraud charges, admitting that, between 1990 and 1997, he engaged in a scheme to fraudulently obtain employment as a physician at hospitals in the United States and abroad by submitting fraudulent certification documents. He further admitted in court that, in 1984, he poisoned a 19-year-old patient at a university hospital by injecting her with a toxic substance and that he assaulted other patients under his care at a foreign hospital by injecting them with a toxic substance. (VA)

### **Illinois Teamsters Pension Trustee Pleads Guilty to Receiving Kickbacks**

Pursuant to a joint investigation conducted by the DOL OIG, the FBI, the DOL Pension and Welfare Benefits Administration, and the U.S. Attorney's Offices for the Northern District of Illinois and the District of Massachusetts, a trustee for the funds of International Brotherhood of Teamsters (IBT) Locals 710 and 701 in Chicago, Illinois, pled guilty on June 2, 2000, to charges of receiving kickbacks, money laundering, and aiding and abetting. The trustee accepted \$1 million in payoffs through a money laundering operation conducted in the Cayman Islands, Great Britain, and the Isle of Man between 1994 and 1997. In exchange for the money, the trustee and a now-deceased associate (a former Local 710 official) used their positions as trustees to select investment advisors who would orchestrate pension fund trades to benefit East West Institutional Services (EWIS), a brokerage firm in Harper Woods, Michigan. Also indicted with the trustee in April 2000 were two EWIS owners on charges of receiving kickbacks and racketeering. The investigation alleged that Shawmut Investment Advisors, Inc., a Boston-based investment firm holding a \$600 million account with Local 710's pension plan, gave one of the owners kickbacks for assisting the company in securing the Teamster account. (DOL)

### **FEMA OIG Examines Costs for Structures Damaged by Hurricane Floyd**

At the request of the Subcommittee on VA, HUD and Independent Agencies of the Senate Committee on Appropriations, the FEMA OIG conducted a review of the \$265 million home buyout program enacted in the aftermath of Hurricane Floyd. The OIG focused on the process used to identify buyout structures, the method used to estimate the total cost



of the buyout, consideration of insurance and other sources of disaster assistance, the process developed for allocating appropriated funds, and whether decisions made to buyout structures were supported by benefit-cost analyses. In June 2000, the OIG presented a report to the Subcommittee outlining the following flaws in the program and cost savings totaling approximately \$135 million:

- ◆ The process used to identify structures eligible for buyout was not defined, causing states to submit structures outside the scope of the appropriation eligibility criteria.
- ◆ Cost estimates used for structures in the buyout included “additional” costs for demolition; debris and slab removal; “soft” administrative, dumping, and asbestos analysis and abatement costs; and inflated estimates of Fair Market Value for structures.
- ◆ Insurance, SBA loans, and other sources of disaster assistance that may duplicate buyout costs were not considered in determining funding requirements. (*FEMA*)

### **NRC OIG Investigates Accident at Indian Point Nuclear Plant**

The NRC OIG conducted an Event Inquiry (EI) to address concerns raised by the public and the Congress as a result of an incident at the Indian Point Unit 2 Power Plant (IP2) in Buchanan, New York, on February 15, 2000. In that incident, IP2, a pressurized water nuclear reactor plant, experienced a steam generator tube rupture in one of its four steam generators. During this inquiry, the OIG determined that the NRC and the nuclear industry had long-standing concerns about a variety of degradation mechanisms that compromise the integrity of the steam generator tubes used in pressurized water reactors. Particular attention focused on the degradation problems unique to steam generators such as those in use at IP2. Because of this degradation, all plants with this model replaced their steam generators except IP2. The OIG concluded that, had the NRC staff or contractors with technical expertise evaluated a 1997 inspection report of the steam generator conducted by IP2, the NRC could have identified the flaw in the steam generator that resulted in the tube rupture on February 15, 2000. This flaw was recently determined to have been nearly 100 percent through the tube wall in 1997.

During the EI, the OIG also found that the NRC considered IP2 to be a plant that struggled with various challenges in the area of emergency preparedness. The OIG learned that recurring weaknesses that had gone uncorrected appeared to play a role in the poor emergency response performance of IP2 during the February 15, 2000, incident. The OIG also found that communication between off-site emergency preparedness officials and the NRC was non-existent. (*NRC*)

### **DOJ OIG Examines INS’s Use of IDENT Fingerprint System**

A March 2000 DOJ OIG report examined the manner in which the Immigration and Naturalization Service (INS) handled encounters with Rafael Resendez-Ramirez (Resendez), a Mexican national accused of committing several murders in the United States. Resendez became known as the “railway killer” because he allegedly traveled the United States by freight train and committed murders near railroad lines.



In early 1999, Texas police issued a warrant for Resendez in connection with a brutal murder in Houston. As part of their search for Resendez, local and state police contacted INS officials in Houston. However, the OIG found that none of the INS employees who were contacted by law enforcement agents had placed a lookout for Resendez in IDENT, the automated fingerprint identification system used by Border Patrol and other INS employees to identify and track recidivist and criminal aliens. Consequently, when INS agents apprehended Resendez as he attempted to illegally cross the border, nothing alerted them to the fact that Resendez was wanted or had an extensive criminal record. After his release by the INS, Resendez committed at least four more murders in the United States before surrendering on July 13, 1999.

The DOJ OIG concluded that the problems in the Resendez case were indicative of, and partly caused by, larger failings in the INS's design and implementation of IDENT. The final report made 25 recommendations to address the systemic problems found during the review, including recommendations to improve IDENT training and to integrate IDENT with the FBI's Integrated Automated Fingerprint Identification System. (DOJ)

### **DOT OIG Finds That Stronger Controls Are Needed To Ensure Airport Security**

The DOT IG testified before the Congress that the Federal Aviation Administration (FAA), airport operators, and air carriers had not controlled unauthorized access to secure airport areas and aircraft. For example, at eight major airports, OIG staff successfully accessed secure areas in 68 percent of the tests. Once secure areas were entered, aircraft were boarded 117 times. The majority of aircraft boardings would not have occurred if employees had taken the prescribed steps, such as making sure doors closed behind them. As a result of the OIG's tests and other security tests, the FAA required airports to take action to correct specific problems, such as posting security guards at doors to ensure only authorized individuals access secure areas. The FAA also plans to issue regulations making individuals accountable for noncompliance with access control requirements. This will permit the FAA to take enforcement action against an employee, instead of the air carrier or airport, when the employee does not follow access control requirements. (DOT)

### **FRB OIG Reviews Critical Infrastructure**

During 2000, the FRB OIG completed Phase I of the review of the FRB's implementation of PDD 63. The OIG conducted this review as part of a multi-phase, governmentwide effort organized by the PCIE and the ECIE. The Phase I review objective was to evaluate the FRB's planning and assessment activities for protecting critical, cyber-based infrastructures. Subsequent review phases will focus on planning and assessment activities for physical infrastructures, and on implementation activities for cyber-based and physical infrastructure assets.

The FRB OIG found that, overall, the FRB has taken numerous steps to improve information security that will help to meet many of the PDD 63 requirements. The OIG also found that steps have been taken to implement protection efforts across the Federal Reserve System and to issue information security guidance to regulated financial institutions. Significant work remains, however, for the FRB to complete the planning and assessment activities

associated with the presidential directive. The OIG's Phase I review report provided three recommendations designed to help the FRB complete this effort and to help ensure that the directive's requirements are adequately fulfilled within the Federal Reserve System and the banking industry. Management generally agreed with FRB OIG recommendations and identified actions that have been or will be taken. (FRB)

## Consulting or Advising Agency Management in the Handling of Programs

During the past year, the IG community continued to assist agency managers by conducting hundreds of audits, evaluations, and investigations of federal programs and activities. Through this work, OIGs effectively promote financial management accountability and help ensure the integrity of federal programs. Examples of OIGs' consulting and advising role are described below.

### VA OIG Audits Costs of Veterans' Prescriptions

An audit by the VA OIG found that the Veterans Health Administration (VHA) needs to increase the pharmacy co-payment levels for priority group 7 veterans who currently pay \$2 for each 30-day supply of prescription drugs filled. The OIG found that a \$10 co-payment level will allow the VHA to increase its annual pharmacy co-payment collections VA-wide from \$75 million in FY 1999 to more than \$567 million in FY 2001. This will provide the opportunity to recover a greater proportion of the average direct cost of each prescription, which the OIG estimated to be approximately \$20 per fill.

The audit also found that the VHA needs to streamline its current process of filling prescriptions written by enrolled veterans' private physicians. Veterans with Medicare eligibility and/or private insurance coverage who choose to be treated by private, non-VA health care providers must frequently submit to duplicate exams, tests, and procedures by the VHA in order to receive their prescriptions. As a result, VA medical centers expend scarce resources to perform duplicate exams, tests, and procedures. The costs of re-examining veterans in order to fill the privately written prescriptions totaled as much as \$879 million VHA-wide in FY 1999. For FY 2001, the OIG estimates that the VHA-wide costs for re-examining these veterans will increase to \$1.3 billion. (VA)

### SSA OIG Assesses the Use of Biometric Technologies to Combat Fraud

The SSA OIG assessed whether biometric technologies could benefit the SSA. Biometrics, the science of measuring unique physical characteristics, such as fingerprints, for purposes of identification, is used to combat fraud and identify ineligible recipients for state social service programs. As of December 1998, 11 states were using or had plans to adopt biometric technologies in their social service programs. The OIG reviewed 500 out of 12,615 Aid to Families with Dependent Children cases that were terminated for failure to cooperate with New York State's finger-imaging requirement from October 1995 to July 1997. Of the 500 cases, 488 had a social security number and name that agreed with SSA's system of record. Of the 488 cases, the OIG found 64 (13 percent) were also receiving

Social Security benefits. Based on these facts, the OIG estimated that, as of January 1998, about \$45 million in benefits were paid to approximately 1,615 individuals within the population of 12,615, and an additional \$16.3 million in benefits will be paid to individuals within this population between February 1998 and February 2001. The OIG recommended that the SSA: (1) pursue a matching agreement with New York so that the Agency can use the results of the state's biometric technologies, and (2) initiate pilot reviews to assess the cost-efficiency of matching data with other states that use biometrics in their social service programs. In response to the recommendations, the SSA agreed to conduct a pilot matching agreement with New York and consider expanding the program to other states if the New York pilot proves beneficial. (SSA)

### **DoD OIG Conducts Survey on Homosexual Conduct Policy**

The Secretary of Defense asked the DoD OIG to assess the environment at representative military installations with respect to the homosexual conduct policy that has been in place since 1993 and is commonly referred to as the "Don't Ask, Don't Tell" policy. In their largest evaluation effort of FY 2000, OIG staff randomly surveyed service members from 38 installations worldwide. At each location, the OIG surveyed active duty service members from randomly selected units and active duty service members assigned to selected Navy ships and submarines, collecting 71,570 usable surveys.

The OIG reported that 80 percent of the respondents stated they had heard offensive speech, derogatory names, jokes, or remarks about homosexuals in the last 12 months. Eighty-five percent believed such comments were tolerated to some extent. Thirty-seven percent of the service members responded that they had witnessed or experienced an event or behavior toward a service member that they considered to be harassment based on perceived homosexuality. About 78 percent of the respondents indicated they would feel free to report harassment of perceived homosexuals. Overall, 97 percent of the respondents believed they had at least some understanding of the military's homosexual conduct policy, but approximately 57 percent stated they had not received training on the policy. Finally, 50 percent of the respondents stated the policy was moderately or very effective at preventing or reducing harassment, 46 percent stated it was slightly or not effective, and 4 percent did not provide a response. (DoD)

### **DOJ OIG Inspects Illegal Activity Along the Northern Border**

The DOJ OIG examined the amount of illegal activity that occurs along the U.S.-Canadian border, the allocation of Border Patrol resources to the northern border, and how the U.S. Border Patrol collects, assesses, and responds to information about illegal activity. The OIG found that, between FYs 1993 and 1998, the Border Patrol apprehended 81,285 deportable individuals, including 5,704 smuggled aliens, along the northern border. Although the total number of incidents is low, the OIG found that, proportionately, northern border sectors are encountering organized criminal activity more often than Border Patrol sectors along the southwest border. The OIG also found that the level of illegal activity along the northern border is likely much greater than the Border Patrol can document given the general lack of intelligence information relating to the northern border and the limited number of agents available to patrol the area.

The OIG recommended that the INS Commissioner direct the Border Patrol to outline the approach it will take to secure the northern border and supply interim reports to the OIG. The OIG also recommended that the INS Commissioner evaluate whether there is a continuing need to detail Border Patrol agents out of northern sectors. INS management concurred with the OIG's findings and recommendations and proposed corrective actions. (DOJ)

### **GPO OIG Reviews EEO Complaint Processing**

During FY 2000, the GPO OIG continued to review the processing of formal Equal Employment Opportunity (EEO) complaints by the GPO's Office of Equal Employment Opportunity's Counseling and Complaints Processing Division (CCPD). In response to a request from the Deputy Public Printer, the OIG audited the EEO Office and found that the CCPD was not fulfilling its mission with respect to the processing of formal complaints. Of 51 open cases, the OIG found that the CCPD had exceeded the 180-day limit for processing formal complaints in every case. The range of delinquency for processing individual EEO cases was 235 days to 2,289 days, with 3 cases more than 2,000 days old, and an additional 17 cases more than 1,000 days old. The OIG also found that the CCPD was not timely in assigning formal complaints to contract investigators or in monitoring the completion of investigations, and was not always verifying the accuracy of invoices submitted by the contract investigators.

An OIG follow-up found that management had implemented or was implementing most of the OIG recommendations and that EEO complaints processing had significantly improved since the OIG audits. Of the 51 formal complaints pending at various stages in the complaints process at the time of the OIG's follow-up audit report, 31 had been resolved. An additional 20 of the complaints had been processed by the GPO and were pending hearings. Moreover, efforts to improve timeliness resulted in 58 percent of new formal complaints being handled within the prescribed time limits. (GPO)

### **FTC Needs Better Management of Cash Balances**

As part of its audit of the FTC's FY 1999 financial statements, the OIG reviewed cash balances held by the agency's three redress contractors and by the FTC in a Treasury suspense account. The OIG found that the longer the delay in providing redress, the fewer the number of consumers who ultimately receive any redress. As of September 30, 1999, the agency's three redress contractors were holding \$29.9 million in funds on FTC cases – a 63 percent increase in funds held by contractors compared to the previous year. Similarly, the OIG found a 23 percent increase (from \$4.3 million to \$5.3 million) in funds held in the Treasury's suspense account during the same period.

Based on an aging analysis of these cash accounts and discussions with case managers, the OIG found that these funds were unnecessarily sitting in accounts instead of flowing to either consumers or the Treasury. The OIG found that staff attrition, new case demands, receiver control of assets, and delays in defendant payments contributed to these delays. The OIG identified \$6.5 million that could have been turned over to consumers or deposited in the Treasury General Fund more quickly had more aggressive management oversight of these cases occurred. The OIG recommended that the agency centralize the

authority to monitor and set deadlines for staff to dispose of redress funds. In addition, the OIG recommended that reasons for redress distribution delay should be documented and routinely reported to senior agency management. *(FTC)*

### **PC OIG Recommendations Improve Safety for Volunteers in Papua New Guinea**

The PC OIG undertook an extensive review of safety and security in Papua New Guinea (PNG) where 56 volunteers were serving. While the OIG review confirmed that the nature of crime in PNG posed concern for volunteers, the team found that continued programming was possible if the PC implemented changes such as vigilant monitoring of the crime in PNG, restrictions on where volunteers were placed, continuity of staff to ensure effective support, and the implementation of a system to report safety and security incidents. *(PC)*

### **DOC Needs to Improve Its Handling of Interagency Agreements**

The DOC relies heavily on interagency and other special agreements to perform its mission. In FY 1997, for example, the DOC had more than 4,700 agreements involving more than \$1 billion in funds received for reimbursable activities or obligated to acquire goods or services from other parties. Although such agreements involve significant federal resources, they are not subject to the same administrative controls as procurement contracts, grants, or cooperative agreements.

During FY 2000, the OIG issued the last in a series of reports on the handling of interagency and other special agreements at ten DOC operating units. In addition to identifying common problems that units have had with such agreements, the report highlighted best practices. The OIG, while noting that most agreements appeared to serve important and appropriate functions, emphasized the importance of maintaining diligent oversight to prevent potential problems. Among the problems identified were bureaus using agreements when contracts or financial assistance awards would have been more appropriate, inadequate tracking and control of agreements, and failure to account for or recover the full costs incurred under agreements. The DOC agreed with the OIG recommendations and began immediate corrective actions. *(DOC)*

### **Review of FRB Publications Sets the Stage for Change**

The FRB's publications program supports its mission by making information about the FRB accessible to the federal government, regulated entities, legal and business communities, libraries and research entities, economists and other scholars, consumers, and the public. A Publications Committee composed of senior officials from several FRB divisions and offices oversees the program. Drawing on a mutual interest to review this area, the committee chairperson and the FRB OIG initiated a collaborative project to identify opportunities to streamline processing, promote efficient operations, improve performance, implement best practices, and optimize the use of technology. The FRB OIG issued a two-part report to the Committee that presented an overall assessment of the program, outlined actions for Committee consideration, and provided detailed supporting data and analyses. The Committee's response to the OIG's findings has been positive, and the OIG is working with Committee members as they implement the recommendations. *(FRB)*

## **OIG Advises PBGC Management on Program Efficiency**

At the request of two congressional committees, the PBGC OIG followed up on a previous multi-year review on how long it takes the PBGC to issue initial determination letters (IDLs) to participants. An IDL informs a pension plan participant who is to receive a payment from the PBGC about the conditions of benefit entitlement. The OIG conducted follow-on evaluation work to review IDLs issued in FYs 1994-1999.

The OIG found that the PBGC had significantly improved its timeliness in issuing IDLs. In a previous report, the OIG found that only 39 percent of the IDLs were issued within one year of the actuarial valuation completion date. During FY 1999, the OIG noted that approximately 86 percent of IDLs were issued within one year. However, the OIG review also found that the PBGC continues to issue approximately half of the IDLs more than seven years after the date of trusteeship (DOTR). In FY 1998, 51.9 percent of IDLs were issued more than seven years after the DOTR, compared to 49.1 percent in FY 1999. (PBGC)

## **OIG Assists in CFTC's Systems Modernization Efforts**

The OIG has been an essential part of the CFTC's effort to modernize the systems supporting its largest division, the Division of Enforcement. Enforcement is a critical program activity for the CFTC, accounting in FY 2000 for more than 30 percent of its total budget and 28 percent of its staff.

Working with the CFTC's Division of Enforcement, the OIG is helping to define the Division's information needs and identify hardware and software to meet those needs. The first priority in this collaboration was to develop a system to track documents in the Division. The second phase was devoted to installing a system to track production within the Division and to report this information to management. Phase three will concentrate on automating information from attorneys and investigators to improve sharing of information within the Division and to better track productivity. (CFTC)

## **FHFB OIG Assists Management in Implementing Financial Integrity Act**

The FHFB OIG continues to work closely with the FHFB to ensure compliance with the *Federal Managers' Financial Integrity Act* (FMFIA). Given that the management officials responsible for FMFIA implementation at the FHFB frequently change, the OIG helps management assess programs' vulnerabilities and the adequacy of internal controls. As a result of this continued coordination, managers have an opportunity to correct vulnerabilities and weaknesses before the OIG's annual financial review. (FHFB)

## **SEC OIG Reviews Securities Investor Protection Corporation**

The *Securities Investor Protection Act of 1970* (the Act) created the Securities Investor Protection Corporation (SIPC) to protect customers from losses resulting from broker-dealer failure, thereby promoting investor confidence in the securities markets. The SIPC protects customers whose securities were misappropriated, never purchased, or stolen.

The OIG evaluated the efficiency and effectiveness of the SEC's oversight of the SIPC and whether its oversight was in compliance with the Act. Overall, the OIG found that the SEC's

oversight was generally efficient and in compliance with the Act. The OIG also found that the Division of Market Regulation had a constructive working relationship with SIPC staff and that SIPC trustees and officials were generally complimentary of the SEC's oversight efforts. The OIG made several recommendations, including that the SEC delegate authority to its Office of General Counsel to enter appearances in SIPC cases on a 1-year pilot basis and that the SEC enhance its internal communications regarding the SIPC. (SEC)

### **SI OIG Helps Develop Risk Management System**

The OIG spearheaded the SI's effort to develop an SI-wide risk management system. Early in his administration, the Secretary expressed his intention to develop a risk management system and asked the OIG to head the effort. In response to this request, the OIG met with the Secretary, Under Secretaries, and other senior officials to identify and categorize the top risks to the SI. The OIG summarized a preliminary listing of high-risk areas and provided it to management for further refinement and implementation. (SI)

## **Detecting and Deterring Fraud, Waste, and Abuse**

Departments and agencies throughout the government look to the IGs for guidance in deterring waste, fraud, and abuse. OIGs regularly conduct audits, inspections, and investigations both to correct immediate deficiencies and to identify systemic weaknesses. Often, OIGs use this knowledge to draft policy reform recommendations intended to help departments and agencies improve specific and overall operations.

### **USPS OIG Investigation Leads to Indictment for Bribery and Fraud**

A joint investigation by the USPS OIG, the Postal Inspection Service, and the IRS disclosed that two former USPS managers devised a scheme to defraud the USPS of several million dollars. The USPS employees, a married couple, allegedly conspired with the owner of two computer companies to submit fraudulent invoices to the USPS for computers and supplies not received. While under investigation, the couple fled from the United States to Venezuela. Venezuelan authorities apprehended them in Caracas where they had been traveling under false Venezuelan identification documents. The Venezuelan government immediately deported them to the United States, and they were arrested in Miami, Florida. The couple had laundered almost a half million dollars through banks in Venezuela and the Bahamas. The couple was indicted on bribery and fraud charges. As of September 30, 2000, the OIG had recovered more than \$496,000 in cash. (USPS)

### **USCS Internal Affairs Senior Executive Service Official Indicted for Perjury**

Treasury OIG agents investigated allegations that a U.S. Customs Service (USCS) Internal Affairs (IA) Senior Executive Service (SES) official obstructed an IA investigation by advising the target (a personal friend of the IA official assigned as a USCS special agent in San Diego, California) that she was under investigation, which subsequently caused her to alter her criminal activities. Additionally, the SES official allegedly violated USCS policy by failing to recuse himself from the supervision of a case in which he had a personal interest and by continuing to have contact with the target of an IA case. Further, the SES official allegedly made false statements to USCS officials and to the Merit Systems Protection Board in a



deposition about his relationship with the target of the IA case. The target was convicted and sentenced for her criminal activities in 1999. On June 16,2000,the SES official was arrested by OIG agents at the U.S. District Courthouse, Greenbelt, Maryland, pursuant to a grand jury indictment in the Southern District of California on perjury and false statement charges. *(Treasury)*

### **SBA OIG Investigates Former District Director**

Investigations of two Los Angeles-area loan brokerages resulted in criminal charges being filed against seven individuals, with four pleading guilty and two being sentenced during FY 2000. Among those charged in FY 2000 was a former SBA district director (DD) who later headed the SBA division of a bank and was involved with dozens of loans represented by the two brokerages. According to his plea agreement, in the early 1990s he improperly accepted a \$24,000 automobile from one broker. Also, in his official capacity, the former DD received money both directly and indirectly from proceeds of a \$1 million SBA-guaranteed loan made to the brokerage to purchase a gas station. The former DD failed to disclose that he owned 50 percent of the business or that he would receive at least \$65,000 of the loan proceeds for his personal use. He received approximately \$2 million in incentive bonuses and commissions from the bank's secondary market sales of SBA-guaranteed loans plus a base salary that eventually reached \$250,000. During the former DD's years at the bank, at least 17 borrowers seeking SBA-guaranteed loans submitted fraudulent documents, including falsified "copies" of tax returns. *(SBA)*

### **USDA OIG's Operation Talon Arrests Continue to Climb**

Operation Talon was designed and implemented by the USDA OIG to locate and apprehend fugitives by matching law enforcement agencies' felony fugitive files with state social services agencies' food stamp recipient files. During FY 2000,Operation Talon resulted in 2,350 arrests of fugitive felons during joint OIG,state, and local law enforcement operations throughout the country. Serious crimes perpetrated by those arrested included murder, attempted murder, manslaughter, sex offenses, kidnapping/abduction,assault, robbery, and drug/narcotics violations. Operation Talon's outstanding success was recognized when the OIG won the Hammer Award for making government work better and achieving results Americans care about. *(USDA)*

### **OPM OIG Investigation Confirms Laboratory Billing Scheme**

The OPM OIG continued its investigative work in the area of laboratory billing fraud. In one case, a national corporation with headquarters in Boston, Massachusetts, had engaged in "unbundling" laboratory tests for kidney dialysis patients. Unbundling occurs when, instead of charging for a group of tests customarily performed at the same time under one billing code, the laboratory deliberately uses a separate billing code for each test to increase profits.

The OIG conducted an extensive computerized review of payments to the corporation by Federal Employees Health Benefits Program (FEHBP) health plans and found that tests for kidney dialysis had been unbundled. Following negotiations with the DOJ, the corporation agreed to a settlement of approximately \$385 million to cover the financial losses to the FEHBP, Medicare, the VA, DoD's TRICARE program,and various states. *(OPM)*



### **Task Forces Investigate Social Security Number Misuse and Identity Theft**

The SSA OIG Philadelphia Field Division conducted an investigation as part of a multi-agency task force focusing on two individuals who used the Internet to obtain and adopt the names and social security numbers of more than 100 high-ranking U.S. military officials. The subjects used the information to fraudulently obtain credit cards that they applied for through the Internet. The individuals were convicted and ordered to pay restitution of more than \$287,000 to the companies victimized by the scheme. (SSA)

### **Investigation Results in \$120 Million Suit Against AID Grantee**

On September 26, 2000, the U.S. Attorney for the District of Massachusetts filed a \$120 million civil fraud lawsuit against a major AID grantee organization and two of the organization's employees and their spouses. The suit was the culmination of a 3-year AID OIG investigation that began with allegations that the grantee's employees and their spouses were engaged in personal financial activities that conflicted with the employees' contractual obligations under AID-sponsored cooperative agreements.

Through a wide array of investigative techniques and audit support, the OIG uncovered numerous personal financial dealings and business investments in Russia by the individuals named in the complaint while these individuals were being paid for their work on the AID project. Examples of the alleged conflicts of interest included the trading of Russian government debt, investments in privatized Russian equities, creation of a Russian real estate management company, and financial interest in a private business that is a part of the Russian financial market. This financial market was regulated by the same Russian government entity to which the individuals were providing advice under the AID project. (AID)

### **GSA OIG Helps Resolve Breach of White House Telephone Security**

In cooperation with a multi-agency task force, the GSA OIG successfully resolved a case in which two individuals fraudulently accessed the White House Communications Agency (WHCA) Private Branch Exchange (PBX) telephone system. Both individuals pled guilty to related charges. One individual, a U.S. Army sergeant assigned to the WHCA, supplied another individual with access numbers to the WHCA PBX. These numbers allowed that individual to access and make telephone calls from the WHCA system. (GSA)

### **EPA Contractor Enters Settlement Worth \$24 Million**

Kaiser Group International, Inc. entered into a settlement with the U.S. Attorney's Office under which the government will realize \$24 million in contract savings. The agreement settled a federal False Claims Act case that involved the EPA and 17 other federal departments and agencies and was the culmination of a lengthy investigation initiated following an audit. The investigation disclosed that Kaiser may have billed government contracts for computer center costs in excess of costs actually incurred. In addition, the EPA OIG questioned costs relating to the allocability, allowability, and reasonableness of Kaiser's direct and indirect costs dating back to February 1985. Under the terms of the settlement, the government's potential contract savings could reach \$390.1 million pending verification of unbilled obligated fund balances by the 17 other federal departments and agencies. In settling the final rates, the EPA to date will realize \$23.2 million in contract savings due to

Kaiser's agreement to relinquish all rights in potential claims in the form of retainages, rate variances, costs, profits, and fees accrued or otherwise owed in connection with services provided under a schedule of government contracts from March 1985 through December 1999. Additionally, Kaiser agreed to forgo more than \$800,000 in repudiated claims against two Navy contracts. This investigation was conducted jointly by the EPA and the NRC OIGs. *(EPA)*

### **Investigation into the Maritime Industry Reveals Widespread Corruption**

A 4-year undercover investigation into the maritime industry identified widespread corruption in the repair and maintenance of ships in the DoD Military Sealift Command (MSC) fleet and the DOT Maritime Administration fleet. Allegations focused on one of the largest private ship management companies in the United States, which held a \$200 million contract with MSC for maintenance and repair of eight Navy ships. This multi-agency investigation, which included the DoD OIG, led to more than 55 indictments against 39 companies and individuals, including government employees and high-level contractor personnel. Violations involved the Anti-Kickback Act, money laundering, fraud, bribery, and antitrust. Several subjects have been convicted and sentenced to jail time and ordered to pay fines and restitution totaling more than \$3.2 million. Other results include suspensions, debarments, and a \$3.6 million civil settlement. *(DoD)*

### **HHS OIG Achieves Success in Health Care Cases and Prevention Efforts**

During FY 2000, the HHS OIG conducted or participated in more than 586 investigations involving all aspects of the health care industry. One example of the OIG's success in this area included a global settlement with the world's largest provider of kidney dialysis products and services for \$486 million, at that time the largest amount ever recovered by the United States in a health care fraud investigation. In another case, the nation's largest operator of nursing homes agreed to pay the government \$175 million and also entered into one of the most comprehensive corporate integrity agreements established to date with the OIG. *(HHS)*

### **Investigation Leads to Conviction for Sexual Abuse in Prisons**

In the Western District of Texas, a former federal Bureau of Prisons (BOP) correctional counselor was arrested and convicted in a jury trial of sexually abusing female inmates while he was employed at the Federal Transfer Center in Oklahoma City. A DOJ OIG investigation led to an 11-count indictment alleging that on numerous occasions the correctional counselor engaged in sexual abuse, sexual abuse of a ward, and abusive sexual contact with multiple female inmates. He was convicted on all counts and was sentenced to more than 12 years' incarceration. This case represents one of the first felony convictions against a BOP correctional counselor for abusive sexual contact with an inmate. *(DOJ)*

### **Foreign Service Officer Arrested for Bribery**

A joint undercover investigation by the DOS OIG and the DOS's Bureau of Diplomatic Security resulted in the arrests of a Foreign Service officer and a foreign national for selling visas at a U.S. embassy. Three foreign nationals employed by the embassy who were involved in the

visa sale scheme were terminated from employment. Agents seized more than \$1.8 million in cash, gold bars, and other assets representing the proceeds of the visa sales. (DOS)

### **Government Purchase Cards Used to Buy Personal Goods and Services**

An NSF OIG investigation revealed that an agency employee used government purchase cards to buy more than \$10,000 in personal goods and services, including sports equipment, memberships to Internet sites, and the services of a law firm. The employee was terminated from government service and charged with one count of conversion of government property. In July 2000, the employee pled guilty, was sentenced to three years' probation, and was ordered to make full restitution to the NSF.

Subsequently, the directorate where the employee worked requested an audit of its use of purchase cards. The OIG found several types of transactions prohibited by federal regulations and NSF internal procedures. The directorate agreed with the OIG's recommendations for improving documentation, review, and security procedures. The OIG also recommended periodic internal reviews of approving officials and cardholders to test for compliance with regulations and procedures, as well as the reinstatement of annual training for all cardholders about their duties and responsibilities. (NSF)

### **EEOC OIG Investigates Misuse of Credit Card and Theft of Settlement Check**

The EEOC OIG investigated allegations that an EEOC field office investigator falsified her application for employment, misused the government *SmartPay* VISA card, and stole a settlement agreement and check. During the course of the investigation, the OIG determined that the employee submitted fraudulent academic information, as well as falsified the *Affidavit of Appointee* by failing to indicate prior felony theft convictions. The OIG established that the employee used the government credit card to obtain ATM cash advances totaling in excess of \$4,000, without proper authorization. The investigation also concluded that the employee attempted to cash the stolen settlement check. In addition, the OIG's investigation revealed that the employee was wanted on an outstanding fugitive warrant. The employee was arrested and later resigned from federal service. (EEOC)

### **Computer Hackers Charged**

The NASA OIG continued to devote considerable resources to detecting and prosecuting computer crimes. Examples of successful prosecutions in this area include the following:

- ◆ A 16-year-old hacker was sentenced to six months in a detention facility for computer hacking. He admitted to illegally accessing a total of 13 NASA computers and downloading proprietary software valued at approximately \$1.7 million. This case marks the first time a juvenile computer hacker has been sentenced to incarceration.
- ◆ A hacker was sentenced to six months home detention and ordered to pay \$10,744 in restitution for hacking into NASA Jet Propulsion Laboratory systems.
- ◆ A 15-year-old hacker was arrested in New York for hacking into three NASA computers. The youth defaced web pages and altered systems.

- ◆ A hacker pled guilty to illegally accessing a NASA computer and installing a “sniffer” program to capture login names and passwords. (NASA)

### **HUD OIG Investigates Bribery**

Pursuant to a joint investigation involving the HUD OIG, the FBI, and the IRS Criminal Investigation Division, a former Single Family Housing specialist at the HUD Santa Ana, California, Homeownership Center, pled guilty to one count of accepting a bribe and two counts of tax evasion. The specialist sold 82 HUD properties to various individuals that were valued by HUD at approximately \$9.1 million. She sold the properties for a total of \$2 million, resulting in a loss to HUD of more than \$7 million. She sold 20 of these homes to a real estate agent for approximately \$700,000 even though these properties were appraised at \$2.1 million. The real estate agent resold the properties for \$2.2 million. The specialist received more than \$80,000 in bribe payments and a BMW 325 convertible from the real estate agent. The specialist was sentenced to two years’ incarceration and three years’ supervised release, and ordered to pay \$1.4 million in restitution to HUD. Forty-six of the 82 properties have also been seized. (HUD)

### **DOI OIG Investigation Unravels Money Laundering Scheme**

The DOI OIG investigated allegations that several individuals stole approximately \$2.6 million from the Oglala Lakota College (OLC), an Oglala Sioux Tribe college located in Kyle, South Dakota. The investigation resulted in the convictions of 6 individuals on 128 criminal counts, including conspiracy, embezzlement, theft, money laundering, and asset forfeiture. The scheme involved the theft of checks belonging to the OLC followed by an elaborate scheme to create eight fictitious companies. The conspirators opened bank accounts in the fictitious companies’ names and used the accounts to launder the embezzled OLC funds for the personal benefit of the conspirators. During this period, the Bureau of Indian Affairs provided the OLC approximately \$12 million in funding. Among the defendants were two former vice presidents for Business Affairs at OLC and several local businessmen. (DOI)

### **ED Files Complaint for Forfeiture *in rem* and Recovers More Than \$1.6 Million**

Based on the work of the ED OIG and the FBI, and at ED’s request, a federal complaint for forfeiture *in rem* was filed in U.S. District Court. The complaint outlined evidence developed in an investigation into \$1.9 million of Impact Aid funds fraudulently wired from the Federal Reserve to improper bank accounts. These funds were intended for two school districts in South Dakota. The court entered a judgment of forfeiture of all the assets covered by the complaint – eight assets related to a money-laundering and wire-fraud scheme, including a total of \$1,657,980, a 2000 Lincoln Navigator, a 2000 Cadillac Escalade, and a piece of real estate in Maryland that was purchased with the diverted funds.

In September 2000, the DOJ Asset Forfeiture and Money Laundering Section granted ED’s Petition for Remission and ED received \$1,657,980, which was placed in the Impact Aid account for distribution to appropriate grantees. The remaining assets were sold, and ED received additional funds from the sales. The OIG is conducting a vigorous investigation of this diversion of funds. (ED)

### **Railroad Officials Plead Guilty to Employment Tax Fraud**

After receiving a complaint from a railroad worker, the RRB OIG conducted a joint investigation with the IRS Criminal Investigation Division concerning a Utah-based railroad owner who was not reporting service and compensation information to the RRB. The owner and the chief operating officer were also responsible for failing to pay approximately \$500,000 in employment taxes. This scheme denied benefits to more than 100 rail workers during their work careers and potentially impacted their eligibility for retirement benefits under the *Railroad Retirement Act*.

As a result of this investigation, the owner and chief operating officer were indicted on charges of conspiracy and violations of the Internal Revenue Code. During this reporting period, both individuals pled guilty and the owner also entered a guilty plea on behalf of the corporation. The railroad owner was sentenced to two years' probation and was fined \$40,000. The owner also paid restitution in the amount of \$540,000 and fines, penalties, and interest totaling \$250,000 on behalf of the corporation. The previous vice president was sentenced to four months' incarceration, four months' home detention, and one year of supervision. He was also ordered to pay a \$10,000 fine and a \$150 special assessment. (RRB)

### **TVA OIG Detects Fraudulent Product Substitution**

TVA OIG audit and investigative efforts revealed that a Tennessee coal corporation fraudulently supplied the TVA with a blend of coal and petroleum coke, or petcoke, which was prohibited by contract. (Petcoke is similar in appearance to coal but contains a higher sulfur content, among other differences.) As a result of the OIG's findings, the corporation pled guilty to one count of mail fraud and one count of major fraud against the United States. Additionally, the corporation's owner pled guilty to theft. Under a plea agreement, the corporation agreed to pay the TVA the estimated amount of the profit it made from using petcoke in coal shipments to the TVA. A federal judge ordered the company, through its owner, to pay \$40,000 in restitution to the TVA and placed the company on probation for five years. The owner was placed on three years' probation and ordered to pay \$657 in restitution to the TVA. (TVA)

### **Grantee Employee Embezzles Funds**

The CNS OIG completed an investigation after receiving a hotline call reporting an embezzlement of funds from an AmeriCorps grant. The OIG found that an employee working for the AmeriCorps program used forged travel vouchers and purchase orders to obtain rental vehicles, a cellular telephone, and other items for her personal use. The employee also received reimbursement for fraudulent travel expenses. The grantee fired the employee, who later pled guilty and was sentenced to 6 years' confinement, with all but 25 consecutive weekends suspended, and 6 years' probation and ordered to pay restitution of \$7,600. (CNS)

### **Two Bank Officials Sentenced for Obstructing a Bank Examination**

Following his conviction in April 2000 for obstructing a bank examination and conspiracy, the former senior executive vice president of the now defunct First National Bank of

Keystone in Keystone, West Virginia, and president of Keystone Mortgage Company, a subsidiary of the bank, was sentenced in July to 57 months' imprisonment and fined \$100,000. The former executive vice president of the mortgage company, who was also convicted on charges of obstructing a bank examination, was sentenced to 51 months' imprisonment and fined \$7,500.

The charges against these officials were based on their actions to obstruct an examination of the bank by the Office of the Comptroller of the Currency that ultimately culminated in the bank's closure on September 1, 1999. Among the actions taken to obstruct the examination was the burial of several dump truck loads of bank documents and microfilm on a ranch owned by one of the convicted officials and her husband. A search of the ranch by investigators resulted in the recovery of buried bank records that filled 370 file boxes. Special agents of the FBI, FDIC, Treasury, Postal Inspection Service, and IRS comprised a multi-agency task force that conducted the obstruction investigation and the corresponding investigation of the circumstances leading to the failure of the bank. (FDIC)

### **Treasury OIG Completes Material Loss Review of the First National Bank of Keystone**

As mandated by the *Federal Deposit Insurance Act*, the Treasury OIG completed a material loss review of the First National Bank of Keystone (Keystone). On September 1, 1999, the Office of the Comptroller of the Currency (OCC) closed Keystone after examiners were unable to verify \$515 million of Keystone's reported loans. This discrepancy represented nearly 50 percent of the bank's assets. Keystone's failure is expected to cost the Bank Insurance Fund more than \$700 million, making it one of the largest dollar losses in FDIC history.

The OCC's yearly examinations of Keystone from 1992 until its failure in 1999 repeatedly uncovered unsafe and unsound banking practices and regulatory violations. However, the OCC enforcement actions proved largely ineffective in getting Keystone to fully address its operational problems. Alleged fraudulent accounting practices, uncooperative bank management, and reported high profitability may have all served to mask the bank's true financial condition from OCC examiners. Nonetheless, indicators existed that may have dictated a more aggressive supervisory response by the OCC, such as verifying booked loans earlier, taking more timely enforcement actions, and curbing the bank's growth in high-risk activities until sufficient systems and controls were in place. The OIG made several recommendations focused on OCC examination procedures and enforcement actions needed when banks do not adequately address unsafe and unsound practices. The OIG also recommended that the OCC determine whether a different supervisory approach is needed to address banks' rapid growth in high-risk activities. In response, the OCC formed a committee of senior deputy comptrollers to address the recommendations. (Treasury)

### **FEC OIG Assesses Procurement of Training Services**

The FEC OIG conducted an audit of the procurement process for training services obtained by the FEC through outside vendors. The OIG identified a substantial number of

weaknesses in this area as a result of ineffective and inefficient management controls. The FEC is currently considering the OIG's proposals to correct such deficiencies. (FEC)

## Information Technology Issues

As federal agencies increasingly rely upon IT, monitoring and evaluating agencies' automated systems takes on added importance. OIGs have made vital contributions to the efficiency of their agencies by exposing weaknesses in automated systems, assessing the integrity of essential data, and promoting IT security.

### **DOE OIG Finds That Contractor Did Not Clear Sensitive Information From Surplus Computers**

An OIG review found that the Westinghouse Savannah River Company (WSRC) failed to comply with DOE and Savannah River Site (SRS) requirements for disposal of surplus computers. Specifically, WSRC did not clear stored information, including sensitive unclassified information and Unclassified Controlled Nuclear Information, from all surplus computers. In addition, WSRC did not certify that the computers were sanitized prior to disposal. When WSRC discovered that uncleared surplus computer equipment had been sold, it reacquired and destroyed the equipment. However, the OIG review disclosed that WSRC could not account for 30 disk drives formerly used in the site's security system. The OIG review also disclosed that in the July 1999 timeframe, other SRS computer equipment had been shipped to the People's Republic of China. The shipper stated that no records were kept, but believed the shipment did not contain hard drives. The OIG had no way to determine the exact content of this shipment but noted that more than 16,000 computers and related items were sold publicly by the SRS during FYs 1998 and 1999.

The OIG recommended that the DOE review its property management systems to ensure that high-risk personal property is properly processed and that the DOE determine whether any security vulnerabilities resulted from the release of the information at the SRS. DOE management officials concurred with the recommendations and agreed to take corrective action. In addition, the contractor's award fee for the six months ending March 31, 2000, was reduced by \$1 million because of weaknesses found in the protection of sensitive unclassified information. (DOE)

### **NASA OIG Assessment of International Space Station Communications Systems Identifies Needed Improvements**

An OIG assessment of the ISS's command and control communications found that NASA did not fully consider all possible alternatives in developing its strategy for upgrading the security of space station communications. In particular, NASA's proposed strategy did not fully address the issue of authentication. Without strong authentication, NASA could not ensure that the ISS would only obey commands sent by official sources. An OIG review of the ISS Portable Computer Systems (the primary crew interface for command and control of the ISS) found that there is a need for an integrated product team and independent verification of displays as well as improvement in usability. Without improvements, the space station could potentially execute erroneous commands. Additionally, the OIG found that the ISS



program did not have a coordinated, well-defined process for software engineering and software management. The lack of such a process results in numerous problems with requirements control, configuration management, cost and schedule estimates, and defect prevention. (NASA)

### **HUD OIG Documents Continuing Problems with Information Technology**

Several components of the HUD 2020 Management Reform Plan rely upon the successful development and implementation of new automated systems. However, developing systems that perform as intended, within schedule and at cost, remains a challenge for HUD. HUD OIG audits continue to report instances where inadequate controls over information technology operations and investments have put the information in HUD data systems at risk.

HUD lacks effective management in system development and operations. The ability of HUD to control information technology costs is limited because for many years HUD lacked an adequate project cost accounting system. Another issue is constant changes in scope and strategy. The Financial System Integration (FSI) project, the most ambitious and costly HUD information technology project, has suffered from frequent changes in project scope, strategy, and management. This project was an ambitious effort that started in 1991 to integrate approximately 100 HUD financial and program systems into nine consolidated systems at a projected total cost of \$103 million. In a cost/benefit study, Arthur Andersen indicated that the ongoing FSI Program costs through FY 1999 totaled \$206 million.

In FY 2000, HUD's flawed implementation of a standard general ledger for the Department – a cornerstone of FSI – led to a disclaimer of opinion on HUD's FY 1999 Financial Statements. As a result, the Department is considering yet another approach without completing the planned solution decided upon in 1997. This shift in approach will further delay correction of long-standing deficiencies, such as insufficient information regarding individual multifamily loans, inability to support adequate funds controls for the Federal Housing Administration, duplications of accounting entries due to a lack of integration between program and accounting systems, inability to timely identify excess funds remaining on expired project-based Section 8 contracts, and problems in reconciling cash balances with Treasury records. Despite all of these problems, in August 2000, HUD's 2020 Progress Review and Accomplishment Report said "HUD's once vulnerable financial management system is now reliable, accurate and timely." (HUD)

### **SSA OIG Questions Reliability of Codes in SSA Databases**

The sensitivity of the data maintained and the magnitude of funds expended make controls in automated systems critical to the integrity of the SSA's programs. The OIG conducted an audit to determine the impact on the SSA's operations when diagnosis codes on the Master Beneficiary Record (MBR) or Supplemental Security Record (SSR) are missing, invalid, or for unestablished diagnoses. The diagnosis code on the MBR and SSR should refer to the basic medical condition that rendered the individual disabled. The OIG estimated that 1.31 million MBR or SSR records did not contain diagnosis codes representing the medical condition related to the individuals' disabilities. Absence of such codes



affects the SSA's ability to properly select beneficiaries or recipients for Continuing Disability Reviews and precludes the SSA from identifying cases mandated for redeterminations. The OIG estimated that at least 3,539 recipients with incorrect codes should have had medical redeterminations performed as required under the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (referred to as the Welfare Reform Act). Because the SSA did not perform these redeterminations, the OIG estimated that at least \$8.97 million in Supplemental Security Income benefits were paid incorrectly. The OIG recommended that the SSA correct the diagnosis codes in its databases to ensure that, in the future, all beneficiaries' disabilities are represented by valid, specific codes. (SSA)

### **CPB OIG Assists CPB in Reducing Interconnection Charges By More Than \$2.3 Million**

On November 5, 1982, the CPB and the Public Broadcasting Service (PBS) entered into an agreement to fund the Public Television Satellite Interconnection System. The agreement provided that the CPB would fund 50 percent of the agreed upon allowable net costs. In addition, the agreement required that any revenue from the sale of excess satellite capacity over the amount needed for public television be used to reduce net operating expenses.

From 1996 to 1999, the annual reports submitted to the CPB for the period of the OIG audit did not present fairly the net operating expenses. Specifically, the PBS did not offset the revenue from excess satellite capacity against the costs of the system. In fact, the PBS received more than \$4 million in revenue from excess satellite capacity that should have been offset against costs. As a result, the CPB paid an excess of more than \$2 million for its 50 percent share of the costs of interconnection. Also, a 1996 Price Waterhouse report identified excessive charges of more than \$600,000 for expenses incurred on the Variable Small Aperture Terminal. The OIG found no indication that the CPB had authorized this charge. As a result, the CPB inappropriately funded 50 percent of the overcharge.

At the time of the OIG's draft report, the CPB and PBS were in the process of negotiating a new agreement for the Interconnection System. In doing so, the CPB and PBS management resolved the OIG's concerns. In July 2000, the CPB and PBS agreed to a 2-year contract. This contract called for a reduction of Interconnection costs of \$1.165 million a year in FYs 2001 and 2002 to offset the overcharges identified by the OIG audit. (CPB)

### **Treasury OIG Documents Deficiencies in Customs' Automated Systems**

The Treasury OIG and GAO have been reporting on automated systems deficiencies since 1994. In particular, an August 1999 Limited Official Use (LOU) audit report on USCS continuity of operations capability disclosed serious vulnerabilities. An August 2000 LOU audit report disclosed that the vulnerabilities were not corrected and included new information about magnitude. A May 2000 LOU audit report identified serious security weaknesses that made the USCS vulnerable to a range of cyber-related attacks. When informed that identified vulnerabilities had not been corrected, that the time necessary to correct vulnerabilities was greater than previously reported, and that threats had increased, the Treasury IG reported these deficiencies to the Secretary of the Treasury through a "7-day" letter, issued May 26, 2000. The Secretary in turn reported the deficiencies to the Congress and cited actions taken to mitigate the risks caused by the deficiencies. (Treasury)

## **TIGTA Identifies Security Weaknesses in Key IRS Programs**

In the past, the security of taxpayer data has been an Achilles' heel for the IRS, particularly in the area of unauthorized browsing of taxpayer records. The TIGTA recommended that the IRS actively review audit trail records to identify unauthorized accesses to taxpayer information and other inappropriate activity on its computer systems. As the primary revenue collector for the United States, the IRS is a target for both terrorists and hackers. Disgruntled employees also represent a major threat, particularly with the turmoil the IRS is experiencing during its reorganization process. The IRS has conducted comprehensive security reviews of its major facilities and has significantly reduced previously identified security weaknesses. While the IRS has made significant progress in bolstering computer security, further improvements are needed.

During FY 2000, the TIGTA identified weaknesses in key programs, such as security certification and accreditation of sensitive systems, virus protection, and mainframe operating system controls. Until these weaknesses are resolved, IRS systems and taxpayer data remain vulnerable to tampering, loss, or unauthorized disclosure. (TIGTA)

## **USPS OIG Aids in Investigation of Computer Hacker**

As a result of a joint investigation involving the USPS OIG, Texas Department of Public Safety, Royal Canadian Mounted Police, and Canadian Forces National Investigative Service, a computer hacker who had compromised and defaced approximately 60 websites from both government and private industry pled guilty to six intrusions, including the compromising and defacement of the USPS OIG's website. (USPS)

## **NLRB OIG Stops Company From Using Agency's Acronym for Pornographic Website**

The OIG learned that a company was using the domain name "[www.nlrb.com](http://www.nlrb.com)" as a gateway for a pornographic website. NLRB is not commonly used except to identify the National Labor Relations Board. The only reasonable inference, therefore, that could be drawn from the company's use of "NLRB" was that it was intending to lure individuals to the website by falsely pretending to be acting on the authority of NLRB. After being notified by the OIG that 18 U.S.C. § 912 makes it unlawful for any person to falsely pretend to be, and to act as, an officer or employee acting under the authority of the United States, or any agency thereof, the company ceased using the domain name "[www.nlrb.com](http://www.nlrb.com)." (NLRB)

## **FCC OIG Reviews Spectrum Auction Activities**

In response to a referral from the FCC's Computer Security Officer, the OIG performed a special review of IT security on a critical sub-network within the FCC's IT infrastructure. The affected sub-network is used to support the FCC's spectrum auction activities. Working with the IT staff from the auctions group, the review team was able to re-create the system behavior displayed during a previous incident to support the hypothesis that the incident was the result of a database management system feature. Based on these event re-creations and examination of the security boundary surrounding the auctions technology, the review team concluded that the incident actually resulted from a feature of the Sybase database management system and that the security boundary is configured correctly.

The review also focused on the plans, policies, and procedures that were in place to ensure that the systems in question are administered in a secure manner. The OIG found that adherence to the existing plans, policies, and procedures were not sufficient to ensure adequate security for the auctions. As a result, several recommendations to strengthen controls over specific components of the IT infrastructure were made and subsequently implemented. (FCC)

### **FCA OIG Analyzes IT Infrastructure**

In FY 1999, the FCA OIG contracted with Planning Technologies, Inc., (PTI) to perform an analysis of the FCA's information technology infrastructure. Based on the recommendations in PTI's report, the FCA has improved protection against computer viruses, reduced security risks of unauthorized entry to the FCA's computers, improved employees' use of the FCA's investment in technology, streamlined the collection of financial data from banks and associations, initiated ergonomic evaluations as a proactive approach to injuries at workstations, and established a service agreement for the FCA's technology. (FCA)

### **ITC OIG Reviews Information Resources Management Function**

The OIG conducted an audit to evaluate the ITC's compliance with the *Clinger-Cohen Act of 1996* and to determine what improvements should be made in the ITC's current organization and processes for Information Resources Management (IRM). The OIG found that the ITC was not in full compliance with the Clinger-Cohen Act and its associated amendments to the Paperwork Reduction Act. The OIG found that the IRM at the ITC was fragmented, with responsibilities spread across several offices. This contributed to an uneven application of resources across the ITC and a lack of focus on supporting the ITC as a whole. The OIG also found that the ITC's Information Resources Management Steering Committee (IRMSC) was not effectively performing its primary function of aligning IT investments with the ITC's strategic objectives. Based on the audit findings, the OIG made several recommendations for improving the ITC's IRM function. The most important recommendation was that the ITC appoint a Chief Information Officer (CIO) and assign sufficient responsibilities and resources to this position so that the CIO could provide unified direction to the ITC's IRM. The OIG also made recommendations for strengthening the IRMSC, updating the IRM Strategic Plan, improving the management of the ITC's IRM personnel, and improving information security planning. (ITC)

### **FLRA OIG Completes Audit of Computer Information Security**

The FLRA OIG performed a comprehensive audit of the FLRA's computer information security. The audit objective was to render a baseline evaluation of the FLRA's compliance with federal information resource security requirements and to assess the quality of the FLRA's electronic information security system and the procedures used to protect vital and sensitive electronic information. The audit also assessed the FLRA's communication hardware/software, internal management controls, application software development, change controls, system software, network analysis, and penetration tests. The results of this audit facilitated more senior management focus on computer information security and supported the programming of more resources for the IRM Division to enable the FLRA's progression into the e-government era. (FLRA)

## Government Performance and Results Act Activities

In 1993, the Congress passed and the President signed into law the GPRA. Under this law, programs are evaluated on the basis not of outlays or objectives, but of actual results. IGs play an important role in this governmentwide effort. By reviewing their agencies' implementation of GPRA and offering suggestions or recommendations for improvement, IGs make indispensable contributions to improving agency performance. The following are examples of efforts by IGs in this area during FY 2000.

### DoD OIG Attains Measurable Results

In consonance with the emphasis being placed on GPRA, the DoD OIG is making every effort to achieve performance-oriented, measurable results based on the investment the American taxpayer makes in the agency. Over the period October 1, 1999, to September 30, 2000, OIG auditors caused the DoD to realize \$207.8 million in monetary benefits and provided more than 980 recommendations that were agreed to by DoD managers, with an impressive 96 percent recommendation success rate. For the same time period, the efforts of the Defense Criminal Investigative Service resulted in \$980.7 million in investigative recoveries. The OIG also initiated a series of audits to verify the accuracy of DoD performance reporting. *(DoD)*

### HHS OIG Reports Improper Medicare Fee-for-Service Payments

The HHS OIG's GPRA review plan is directed toward measures related to mission-critical issues and areas at high risk of fraud, waste, and abuse. For example, the OIG's continuing financial statement audit work at the Health Care Financing Administration (HCFA) relates directly to assessment of HCFA-generated financial performance data. The HCFA uses the OIG's annual estimate of improper Medicare fee-for-service payments as a basis for setting performance goals and for measuring performance. For FY 1999, the OIG reported that these improper payments totaled an estimated \$13.5 billion, which represents a 7.97 percent error rate. This estimate is \$9.7 billion less than that for FY 1996, the year that the first error rate was developed.

The OIG believes that the HCFA has demonstrated continued vigilance in monitoring improper payments and developing appropriate corrective action plans. As stated in its FY 2000 performance plan, the HCFA's goal is to reduce the error rate to 7 percent by 2000, 6 percent by 2001, and 5 percent by 2002. The HCFA also plans to develop a new methodology for measuring the FY 2003 error rate. *(HHS)*

### ED OIG Evaluates Performance Data of State Educational Agencies

The ED OIG conducted a review on the process state educational agencies (SEAs) use to collect and report specific kinds of data. ED uses the data to monitor and evaluate SEA programs and includes it in the annual performance report to the Congress required by GPRA. The review focused on two of ED's major formula grant programs: Grants for Schools Serving At-Risk Children (Title I) and Vocational and Technical Education Assistance to the states (Perkins). Based on work performed at ED and at five SEAs, the OIG made the following observations:

- ◆ The process of collecting data is complex,with data coming from several sources.
- ◆ Each SEA has its own unique process for collecting data,as well as a unique control structure. The method of collecting data from local education agencies varied.
- ◆ Most of the states did not submit their data on time.
- ◆ The data may not be consistent over time.
- ◆ When used for national aggregation or comparison,the data are not likely to be comparable across states.

ED agreed with the OIG's findings and has begun working with the states to develop a better data collection system. *(ED)*

### **NARA OIG Evaluates Accuracy of NARA's Performance Measurement Data**

The OIG conducted an evaluation to verify the validity of data entered into the NARA's new Performance Measurement Reporting System. The OIG noted that data could not always be verified because (1) source documents were missing or they did not substantiate database entries, (2) incorrect data was in the database, (3) pertinent program information was not included, and (4) NARA officials did not enter data consistently into the system. Additionally, the OIG found mathematical errors in the declassification database.

The OIG recommended that (1) performance measurement guidance be revised or created to ensure that source documents exist and are maintained, (2) staff members responsible for maintaining support documents be trained on how these documents should be maintained, (3) staff members responsible for reporting performance measure data are aware of the reporting requirements and that data is entered in the database in accordance with the guidance, and (4) management clarify, in the performance measurement guidance, the definition of "research room pull," and how to handle training and workshop questionnaires when the participant does not give the course an overall rating. Management concurred with the recommendations and, prior to the completion of the draft report, began taking corrective actions. *(NARA)*

### **TVA OIG Audits Performance Indicators**

The TVA developed 24 performance indicators as part of the annual performance plan submitted to the Congress in response to GPRA. The TVA OIG audited eight indicators during FY 2000. The objective of each audit was to determine whether information systems providing source data for indicators were reasonably accurate and reliable and indicators were reported correctly. The OIG found that the information used to support five of the eight indicators was accurate and reliable and that indicators were reported correctly.

One audit found the TVA did not maintain sufficient documentation to verify the reported indicator, and TVA management agreed to develop the necessary policies and procedures

to ensure that sufficient documentation will be maintained in the future. The OIG could not assess the adequacy of the data and information systems supporting the remaining two indicators because (1) one of the indicators was not measured in accordance with the criteria given in the Annual Performance Plan, and (2) the other indicator was not calculated as defined in the Annual Performance Plan and the TVA did not maintain sufficient documentation to verify the indicator. (TVA)

### **NEH OIG Voices Concern Over Validation Process**

The NEH OIG reviewed the NEH's annual performance plan to determine the agency's progress towards meeting requirements of GPRA. The OIG disclosed that the validation process is a major concern because most of the performance information is obtained from grantees themselves. The OIG made several recommendations, and the NEH has taken a number of steps in response to the OIG report. (NEH)

### **FMC OIG Evaluates FY 2001 Performance Plan**

The FMC OIG conducted a review to determine if the FMC has developed a performance plan that meets the requirements of GPRA. Specifically, the OIG wanted to determine whether the FMC's plan provided (1) a succinct and concrete statement of expected performance for subsequent comparison with actual performance;(2) a linkage between the FMC's performance goals and the FMC's mission, strategic goals, and program activities; and (3) coordination between related strategic goals and performance goals. The OIG found that the FMC's plan addressed all key issues and contained no significant deficiencies. The OIG made suggestions to ensure that performance measures were more objective and quantifiable and that performance information was verifiable. (FMC)

### **NLRB OIG Instrumental in Improving Strategic Planning Documents**

The OIG reviewed NLRB's FY 1999 performance plan and found that some goals were not defined or expressed as tangible, measurable objectives. Support was missing or not readily available for some performance measures. A revised performance plan for FY 1999 was not prepared timely or clearly. The results in the draft performance reports did not include specific data on some measures or comments necessary for readers to understand the data; most significantly, substantial periods of time or cases were excluded from the results.

The strategic plan for FYs 2000 - 2006 and the performance plan for FY 2001 were developed after the OIG report was issued. The strategic plan eliminated two goals that relate to program areas. The goals have performance measures that are quantifiable and the plans provide that verification and validation of performance data will be performed continuously throughout the year. (NLRB)

### **FTC OIG Finds Consumer Benefits Are Not Apparent in Some Performance Measures**

The FTC OIG received select agency performance measures for FY 2000 that were contained in the FY 2001 proposed OMB budget request to determine whether systems are in place to capture performance information both accurately and timely. The OIG's review of 9 of the agency's 13 performance measures found that, generally, systems are in place to collect and

process data and to report it in a timely manner. However, the OIG also found that methodology used for the accumulation of selected performance data was not sufficiently defined to allow for the reporting of measures in an accurate and consistent manner. The OIG believes that the best way to address this weakness is for the agency to define the rationale behind each of the 13 performance measures, i.e., clearly articulate how consumers and/or businesses are better off when the FTC meets or exceeds its performance targets. *(FTC)*

## Grants Management

OIGs perform a valuable service by monitoring recipients of federal grants to ensure that those recipients use grant monies appropriately and account for expenditures as required. Diligence on the part of OIGs results in significant cost recovery and savings.

### HHS OIG Uncovers Medicaid Payment Abuses

Based on work in three states, the HHS OIG testified before the Senate Committee on Finance regarding states' use of manipulative financing schemes that exploit a provision in Medicaid's "upper payment limit" regulations governing enhanced payments to certain providers. This issue was brought to the OIG's attention by HCFA officials, who provided information to assist the OIG in selecting states for this ongoing review.

The OIG noted that some states are using intergovernmental transfers to artificially generate excessive federal matching payments at the expense of other states and contrary to the intent of the program. These abusive practices increase the federal share of Medicaid without a corresponding increase in the states' share or in the amount or quality of services provided to Medicaid patients. In response to these findings, the HCFA drafted a regulation to redefine the types of facilities properly included in upper payment limit classifications. Compliance with this regulation could save an estimated \$55 billion over the next ten years. The OIG also offered recommendations should the Congress want to act to close this loophole. *(HHS)*

### DOI OIG Recommends Improved Grants Management

The DOI OIG found that the U.S. Fish and Wildlife Service (FWS) did not have effective management oversight and accountability for Federal Aid Program grant funds. The FWS allowed grantees to draw down \$424 million on letters of credit without requiring all grantees to periodically submit documentation on costs actually incurred. Consequently, the FWS could not verify that payments were for costs incurred or for advances. The FWS has agreed to improve its grants monitoring activities, and the DOI has reported the lack of adequate audit follow-up and management controls in the program as a material weakness in its latest Accountability Report. *(DOI)*

### EPA OIG Identifies \$14.3 Million in Needed Cost Recovery From Construction Grant

EPA's Region 4 needs to collect \$14.3 million in cost recoveries from the City of Fort Lauderdale, Florida (City) to compensate the EPA for a compost facility that was



prematurely abandoned. In August 1983, the EPA awarded the City a \$15.8 million construction grant to build a dewatering facility and an off-site compost facility. The City closed the compost facility after approximately two years of operation because of mechanical and odor control problems. In September 1990, the EPA offered the City a \$1.3 million grant amendment that funded 100 percent of the costs to correct the problems. However, the City declined to use the supplemental grant because it believed that the technology failed and the facility was incapable of operating satisfactorily. The City never reopened the compost facility and requested approval in June 1998 to demolish the facility and sell the land. The EPA's policy on Abandonment of Wastewater Treatment Works generally requires that grant recipients operate and maintain treatment facilities over their useful life consistent with the Clean Water Act. The policy also obligates the EPA to pursue cost recovery if grant recipients terminate use of treatment facilities without adequate justification. (EPA)

### **DOL OIG Identifies Deficiencies in Grants Management**

The DOL OIG identified accounting and management deficiencies related to grants awarded by the Employment and Training Administration (ETA) and the Bureau of International Labor Affairs (ILAB):

- ◆ An OIG audit determined that the ETA's grant cost accounting system, which was used to account for almost \$9 billion in grant costs, is not in compliance with the *Federal Financial Management Improvement Act*. The OIG found that hundreds of millions of dollars in grantee cost reports were not entered into the ETA's accounting system. Between year-end and issuance of the audit report, the ETA redirected staff to input delinquent grantee cost reports, bringing reported grant costs substantially up to date. However, the ETA needs to establish systems and routines to ensure the timely and accurate recording of grantees' cost reports.
- ◆ In FY 2000, the ILAB received \$70 million for programs to assist countries to apply core labor standards and reduce exploitative child labor. In FY 2001, the ILAB received \$167 million, a 112 percent increase. An OIG review of ILAB activities found that the ILAB did not have the appropriate grants management structure to ensure accountability over the substantial funds appropriated. The OIG is working with the Assistant Secretary for Administration and Management and the ILAB to identify necessary controls over the issuance of grants, the best way to disburse the money, and the level of monitoring needed. (DOL)

### **ARC OIG Aids in Closing Grants**

OIG and agency emphasis on grant management, including timely project closing and deobligation of funds, remained a high priority at the ARC. As a result, 353 projects were closed during the fiscal year with deobligations approximating \$3.4 million; among those, \$860,000 of deobligations involved projects that were identified by the OIG for follow-up action. Since the inception of the OIG in 1960, agency actions in this area have resulted in more timely recovery of more than \$20 million in unused funds. Ongoing agency actions include the establishment of a quick response follow-up system that will identify projects for which the grant period is expiring and generate automatic follow-up requests where funds remain unexpended. (ARC)



### **NSF OIG Audits Grant Awards**

The NSF OIG identified significant problems with several awardees' ability to fulfill agreements to share in the costs of their research projects. For example, the NSF provided an awardee \$7.5 million in funding under a cooperative agreement that required the recipient to contribute \$10.1 million as its share of the costs. The OIG determined that all the claimed cost sharing was "at risk" because the awardee did not adequately account for or document the costs. The OIG was unable to identify cost sharing specific to the award and, therefore, could not ensure that cost-sharing expenditures would not be claimed for more than one federal award. Due to the serious nature of this deficiency, the OIG recommended that the NSF require the awardee to address the matter immediately. In July 2000, the NSF notified the awardee that the agency would not make the next scheduled award increment available until the awardee had shown the NSF that an adequate system was in place for tracking and accounting for its cost sharing. (NSF)

### **DOT OIG Takes Proactive Approach to Prevent Grant Fraud and Improve Oversight**

The *Transportation Equity Act for the 21st Century* provides \$217 billion to rebuild the nation's surface transportation infrastructure. To safeguard investments in DOT highway and transit infrastructure programs from fraud, waste, and abuse, the OIG will provide critical oversight of such programs and implement proactive initiatives. For example, \$942 million in hidden cost increases in Boston's Central Artery Project led to the implementation of OIG recommendations for better grant oversight. The Boston project is the most expensive highway construction project in the United States and has drawn considerable congressional interest. To coordinate fraud prevention, detection, and investigative efforts with federal, state, and local transportation components, the OIG designated a national contract and grant fraud coordinator and five regional specialists. Among cases involving fraud on highway and transit construction projects, OIG investigations, since 1997, have resulted in approximately 98 indictments, 53 convictions, and \$38 million in fines, restitution, and recoveries. (DOT)



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\*With the enactment of Public Law 106-422 on November 1, 2000, the President was given the authority to appoint the TVA IG.

# Glossary of Acronyms and Abbreviations

AID	Agency for International Development
AIG	Assistant Inspector General
ARC	Appalachian Regional Commission
CFO	Chief Financial Officers
CFTC	Commodity Futures Trading Commission
CNS	Corporation for Community and National Service
CPB	Corporation for Public Broadcasting
CPSC	Consumer Product Safety Commission
DCAA	Defense Contract Audit Agency
DOC	Department of Commerce
DoD	Department of Defense
DOE	Department Of Energy
DOI	Department of the Interior
DOJ	Department of Justice
DOS	Department of State
DOT	Department of Transportation
ECIE	Executive Council on Integrity and Efficiency
ED	Department of Education
EEOC	Equal Employment Opportunity Commission
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FCA	Farm Credit Administration
FCC	Federal Communications Commission
FDIC	Federal Deposit Insurance Corporation
FEC	Federal Election Commission
FEMA	Federal Emergency Management Agency
FHFB	Federal Housing Finance Board
FLRA	Federal Labor Relations Authority
FMC	Federal Maritime Commission
FRB	Federal Reserve Board
FTC	Federal Trade Commission
FY	Fiscal Year
GAO	General Accounting Office
GISRA	Government Information Security Reform Act
GPO	Government Printing Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
HCFA	Health Care Financing Administration
HHS	Department of Health and Human Services

HUD	Department of Housing and Urban Development
IG	Inspector General
IG Act	Inspector General Act of 1978
IGATI	Inspectors General Auditor Training Institute
IGCIA	Inspector General Criminal Investigator Academy
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
ISS	International Space Station
IT	Information Technology
ITC	U.S. International Trade Commission
LSC	Legal Services Corporation
NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NCUA	National Credit Union Administration
NEA	National Endowment for the Arts
NEH	National Endowment for the Humanities
NLRB	National Labor Relations Board
NRC	Nuclear Regulatory Commission
NSF	National Science Foundation
OGE	Office of Government Ethics
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSC	Office of Special Counsel
PBGC	Pension Benefit Guaranty Corporation
PCIE	President's Council on Integrity and Efficiency
PC	Peace Corps
PDD	Presidential Decision Directive
RRB	Railroad Retirement Board
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SI	Smithsonian Institution
SSA	Social Security Administration
TIGTA	Treasury Inspector General for Tax Administration
Treasury	Department of the Treasury
TVA	Tennessee Valley Authority
USCS	U.S. Customs Service
USDA	U.S. Department of Agriculture
USPS	U.S. Postal Service
VA	Department of Veterans Affairs









President's Council on  
Integrity and Efficiency

Executive Council on  
Integrity and Efficiency

