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Efforts to Prevent Fraud, Waste and Mismanagement

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President's Council on Integrity and Efficiency



A Progress Report to the President



First Six Months
Fiscal Year 1985

Efforts to Prevent Fraud, Waste and Mismanagement

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



**A Progress Report
to the President**

**First Six Months
Fiscal Year 1985**

President's Council on Integrity and Efficiency

Foreword

Since I took office, I have made the elimination of waste and abuse of Federal resources a high national priority. The President's Council on Integrity and Efficiency (PCIE), which I created only two months into my first term, is one of the shining stars of our Administration. Since 1981, \$54 billion has been put to better use as a result of the outstanding efforts of the PCIE, working with agency management. The PCIE has also supported our government-wide management improvement program, Reform '88, proving that good management is the key to the prevention of fraud, waste and abuse.

The Council has also become a respected vehicle for advancing traditional auditing and investigative skills by applying modern automated technology to increase government's capability to detect and prevent waste and abuse—whether it occurs within the government or its many private contractors. This capability is exercised by a cadre of professional employees who are extraordinarily dedicated, motivated, and skilled. I share with them the conviction that integrity and efficiency can be, and in fact are being, restored to the management of government resources.

We can all contribute toward stemming the drain of waste and abuse, and delivering the best possible government to the citizens of the United States; a goal and responsibility shared with the Legislative Branch. To continue the progress we have made so far, my Administration will soon transmit to the Congress a series of proposals to address systemic impediments to reducing fraud against the government, and to further reduce the misdirection of Federal benefits payments through error or fraud, which together waste billions of dollars each year.

The existence of fraud and waste in government and by some contractors is a tenacious problem, but we are just as tenacious in fighting it. The American taxpayer can be justifiably proud of the continuing fraud detection and prevention efforts of the President's Council on Integrity and Efficiency. I know that I am.

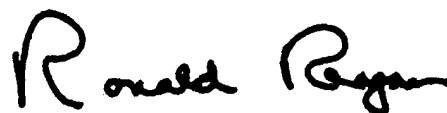
A handwritten signature in cursive script, reading "Ronald Reagan". The signature is written in dark ink and is centered on the page.

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INTRODUCTION

The President's Council on Integrity and Efficiency (PCIE)

Progress Report October 1, 1984 - March 31, 1985

Four years ago, the President established the President's Council on Integrity and Efficiency (PCIE) to improve the Federal Government. The PCIE is chaired by the Deputy Director of the Office of Management and Budget (OMB). Its members include the Deputy Attorney General, the Director of the Office of Personnel Management, the Executive Assistant Director of Investigations of the Federal Bureau of Investigation, all statutory Inspectors General, and a designee of the Department of the Treasury.

In January 1985, the PCIE presented a progress report to the President covering the first four years of the Council's existence. This report highlighted the accomplishments of the combined efforts of the Inspectors General in working on Government-wide anti-fraud and mismanagement programs. It also reflected on the leadership of the PCIE and the Administration's continued commitment to more effectively root out fraud, stop waste, and to assure integrity and efficiency in Federal programs and operations.

The PCIE mapped out two overall themes to guide its efforts over the next four years. The first of these themes centered on management improvement with an emphasis on holding managers accountable for their decisions and actions. The second theme will continue to focus on Government operations and activities that will produce dollar savings with budgetary impact.

This is the ninth semiannual report issued by the PCIE. The report highlights the accomplishments of the Inspectors General to hold

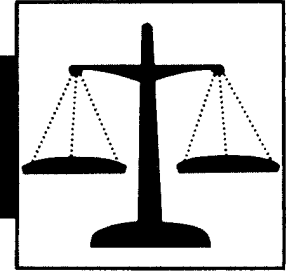
managers accountable for their programs and to achieve dollar savings including:

- 1,882 successful prosecutions (Table 1);
- \$81.2 million in investigative recoveries (Table 2);
- 538 debarments and suspensions of persons or firms doing business with the Government (Table 3);
- 1,039 administrative sanctions against Federal and contractor employees (Table 3);
- \$706.2 million in management commitments to seek recoveries of funds (Table 4);
- \$4.7 billion in management commitments to use funds more efficiently (Table 5);
- \$2.6 billion in questionable costs sustained by contracting officials resulting from audits by the Defense Contract Audit Agency (Table 5); and
- 10,370 allegations of fraud, waste or mismanagement received over IGs' hotlines from agency employees and the public (Table 6).

The approximately \$8 billion cited for this six-month period brings the cumulative results of the Inspectors General, as reported to the President's Council, to more than \$54 billion in improved use of funds since the Council was established.

The remainder of the report presents six statistical tables and numerous case examples which further detail the results of the PCIE for the six-month period ending March 31, 1985. The report also contains narratives on the accomplishments of PCIE standing committees and projects during the reporting period.

SUCCESSFUL CIVIL AND CRIMINAL PROSECUTIONS



The Inspectors General (IGs) conduct investigations of contractors, program participants, and Government employees, that can lead to civil or criminal actions. These prosecutions result in prison terms or judgments or convictions that require the defendants to pay fees, penalties, settlements, or recoveries to the Government.

During the last six months IGs, working independently or with other Federal and non-Federal agencies, have obtained 1,882 successful prosecutions. This total includes the number of individuals who, as a result of Office of Inspector General (OIG) investigations, are either found guilty by the courts or are the subject of pre-trial diversion. Over the past four years, the PCIE has been responsible for 12,223 prosecutions.

Table 1
Successful Prosecutions

Agencies	Agency Alone	With Other ^{1/} Federal Agencies	With Non- ^{2/} Federal Agencies	Total
Agriculture	237	N/A	N/A	237
Agency for International Development	3	0	2	5
Commerce	2	3	0	5
Defense ^{3/}	344	0	N/A	344
Education	32	43	5	80
Energy	0	0	0	0
Environmental Protection Agency	5	0	0	5
General Services Administration	32	9	0	41
Health and Human Services	403	25	104	532
Housing and Urban Development	109	12	N/A	121
Interior	9	1	4	14
Labor	246	59	21	326
National Aeronautics and Space Administration	6	1	0	7
Small Business Administration	4	0	0	4
State	1	0	0	1
Transportation	35	2	0	37
Veterans Administration	107	14	2	123
Totals	1,575	169	138	1,882

^{1/} Joint investigations with other Federal agencies include cases in which an agency expended significant investigative resources working in cooperation with another Federal agency (e.g., another OIG, IRS, INS, Postal Service, FBI, etc.) The majority of these are with the FBI. The FBI reported that governmental fraud or bribery cases conducted independently or jointly with the OIGs resulted in: 340 felony convictions; 25 pre-trial diversions; and 49 misdemeanor convictions.

^{2/} Joint investigations with non-Federal agencies include cases in which an OIG actually expended significant investigative resources in working with State or local investigative agencies which have concurrent jurisdiction.

^{3/} The DOD prosecutions include Department of Justice and Military Justice System actions.

Government Contractor Cases

Contractors' Violation of Wage Laws Results in 14 Convictions

A joint task force was established by the United States Attorney in the Southern District of California to investigate allegations that contractors on federally funded or insured projects were hiring undocumented workers at substantially lower wages. After an extensive 18-month investigation into potential violations of Federal wage and hour laws, at least nine contractors and/or their principal officers were indicted or had criminal informations filed against them. They have been cited for a total of \$756,377 in unpaid wages due 219 employees, and charged with other violations of law including making false statements, kickbacks, aiding and abetting, obstruction of justice, and conspiracy. To date, 14 convictions have been obtained (Department of Labor).

Construction Company Found Guilty on 75 Counts for Contract Fraud

The Naval Investigative Service, FBI, and IRS conducted a two-year investigation of a construction company and its two principal officers for violations involving five repair and rehabilitation contracts on Government housing units valued at about \$19 million. To keep the construction company from doing further business with the Government during the investigation, the Navy contracting officer recommended a preindictment suspension. A jury trial resulted in guilty verdicts against the contractor and its two officers on 75 counts for violations of the Racketeering, Influence and Corrupt Organizations Act, false statements and claims, mail fraud, income tax evasion, and false statements in connection with income tax findings. The Office of Inspector General, Department of Labor and Navy auditors assisted in the investigation (Department of Defense).

Government Employee Cases

Federal Employee Engaged in Loan Fraud Receives a Prison Sentence

As a result of an OIG investigation, an Air Force sergeant who received a \$65,000 SBA business loan to operate a sporting goods store was indicted by a Federal grand jury and convicted of transporting stolen property, making false statements, and converting silk screen equipment and a computer that had been pledged as collateral on the loan. The defendant received a prison sentence and was ordered to make restitution to SBA of \$5,100 (Small Business Administration).

Budget Officer Diverts Government Funds for Personal Use

An investigation by the OIG and the United States Attorney for the Eastern District of Virginia resulted in a Foreign Service Officer being convicted for embezzling Federal funds and mail fraud while serving as the Budget and Fiscal Officer at an overseas AID Mission. The defendant diverted to a personal account more than 100 checks, worth over \$25,000, that belonged to the Federal Government. The defendant was sentenced to a prison term and placed on probation (Agency for International Development).

Director of a Laboratory Receives Prison Term and Fine for Engaging in Conflicts of Interest

An OIG investigation disclosed that the director of a NASA laboratory purchased equipment from, and entered into contracts with, a company in which the official and the official's spouse had a personal financial interest. After retiring from Government service, the official pled guilty to making false statements on financial disclosure documents and engaging in conflicts of interest. The defendant was sentenced to serve 60 days in a Federal penitentiary, pay a \$50,000 fine, and serve two years of supervised probation (National Aeronautics and Space Administration).

GSA Official Convicted of Accepting Bribes

The OIG and the FBI jointly investigated allegations that a GSA Deputy Regional Administrator solicited and accepted approximately \$64,000 in bribes from a GSA contractor. FBI and OIG agents arrested the Deputy Regional Administrator on August 9, 1984, after witnessing his acceptance of a \$4,000 payoff. On November 20, 1984, he pled guilty to charges of accepting bribes; he resigned from GSA thereafter. On March 21, 1985, he was sentenced to two years in prison and fined \$30,000 (General Services Administration).

Program Participant Cases

Family Members Receive Prison Sentences for Loan Fraud

Five members of an extended family, 21 of whose members had been indicted by a Federal grand jury on multiple counts of conspiracy, student financial assistance fraud, mail fraud, and fraudulent use of social security numbers, were sentenced to

prison terms ranging from three to 15 years. The group had applied for dozens of Guaranteed Student Loans and Pell Grants by using false identities. To date, 13 individuals have been sentenced (Department of Education).

Home Mortgage Fraud Results in Suspension and Prison Terms for Real Estate Officials

Three New Jersey real estate company officials were sentenced on false statement, conspiracy, and mail fraud charges. The individuals originated false documents that borrowers used to obtain over \$1.5 million in fraudulent mortgages insured by HUD. The defendants received prison sentences and have been suspended from doing business with HUD (Department of Housing and Urban Development).

Major Welfare Scam in California Uncovered

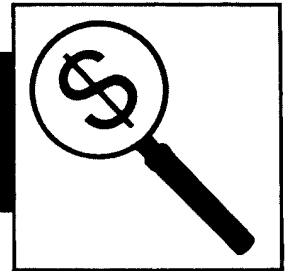
The OIG uncovered a major welfare scam in California involving more than 150 persons. Former benefit recipients had agreed

to allow a county welfare supervisor to use their social security numbers to reactivate welfare payments. The scam is believed to have cost Federal and State agencies more than \$1.2 million. To date, 50 persons have been prosecuted and found guilty (Department of Health and Human Services).

\$3.5 Million Fraud by Mobile Home Manufacturers

OIG investigations of VA's mobile home loan guaranty program revealed that "invoice padding" frequently occurs in the mobile home industry when manufacturers improperly include unit rebates in the invoice price. Veterans were also charged for accessories that were not actually provided, and the manufacturers included these items on invoices submitted to VA, which then became part of the guaranteed amount. As a result, VA has lost about \$3.5 million on repossessed mobile homes. To date, three manufacturers have pled guilty, were fined \$65,000 and have paid \$490,000 to the VA. Two of these companies have been suspended for 90 days from participation in the program. Investigations of other manufacturers are continuing (Veterans Administration).

INVESTIGATIVE RECOVERIES



Investigations conducted by the Offices of Inspector General often result in the recovery of money or property for the Federal Government. Such recoveries occur through legal actions instituted as a result of Inspector General investigations. For this reporting period, OIG investigations resulted in recoveries of \$81.2 million. This 37 percent increase over the previous six-month period brings total investigative recoveries to \$354 million over the past three and one-half years. Investigative recoveries include: (1) recoveries made during an investigation; (2) out-of-court settlements; and (3) legally or administratively ordered recoveries (e.g., fines, penalties, restitutions, judgments, settlements, etc.).

Many of these recoveries resulted from investigations conducted in cooperation with the FBI. During this reporting period, the FBI reported recoveries from investigations conducted independently or jointly with the OIGs resulting in \$2,385,049 in fines; and \$24,454,143 in recoveries, restitutions and court-ordered forfeitures.

The agency totals on the table below do not necessarily reflect the actual monetary recoveries by the Federal Government, but they are the amounts determined to be owed to the Government.

Table 2
Investigative Recoveries

Agencies	Total Recoveries
Agriculture	\$ 5,489,674
Agency for International Development	175,668
Commerce	1,169,788
Defense	37,284,953
Education	1,005,762
Energy	11,635
Environmental Protection Agency	897,272
General Services Administration	2,152,426
Health and Human Services	10,630,455
Housing and Urban Development	1,321,017
Interior	94,963
Labor	3,281,092
National Aeronautics and Space Administration	301,480
Small Business Administration	8,199,582
State	5,240
Transportation	6,857,471
Veterans Administration	2,300,000
Total	\$ 81,178,478

Government Contractor Cases

Bribery and False Statements Result in a \$154,000 Fine and a Court Ordered Restitution of \$7 Million

An investigation initiated by SBA's OIG and conducted in cooperation with the FBI, IRS, Army Criminal Investigative Command, and the Defense Contract Audit Agency resulted in the conviction of two corporations and three of their officers for conspiring to defraud the Government. In addition to bribing Government officials and making false statements, the defendants falsely certified that they were eligible to obtain \$13 million in government contracts set aside for small businesses. The defendants were fined a total of \$154,000, and were ordered to make restitution of \$7 million. The individual defendants were each sentenced to a term of imprisonment (Small Business Administration).

Bid Rigging Convictions Result in Civil Recoveries

Two companies and two of their officials, who had been previously convicted of conspiring to submit collusive and noncompetitive bids on a contract and sentenced to prison terms and fines totaling \$50,000, entered into a settlement agreement in January 1985 on a related civil suit. As a result of OIG investigations, the defendants agreed to pay the United States a total of \$800,000 (Environmental Protection Agency).

Three Contractors and One Federal Employee Receive Prison Terms for Submitting Fraudulent Invoices

Investigation of a U.S. Coast Guard contractor who was awarded a \$1.2 million oil pollution cleanup contract resulted in the conviction of three corporate officials and a Federal employee. All four individuals received prison terms ranging from three months to three years and three of the four each received five years probation. The corporation president was also ordered to make restitution in the amount of \$112,000 (Department of Transportation).

Government Employee Case

Buildings Manager Agrees to Pay \$276,435 to Settle Civil Claims

On November 5, 1984, attorneys from the Justice Department and the OIG reached a civil settlement agreement with a former GSA buildings manager. Under the terms of the settlement, he agreed to pay the Government \$276,435. The civil claims arose from a joint OIG and FBI investigation, which also resulted in a criminal conviction, finding that the buildings manager received bribes and kickbacks of \$614,000 in connection with rigging contract bids and waiving the Government's right to performance on repair and maintenance contracts (General Services Administration).

Program Participant Cases

Doctor is Fined and Suspended for Three Years for Submitting False Medicare Claims

The HHS OIG often relies on the Civil Monetary Penalties Law of 1981 to fight health care fraud, since it provides for the assessment of large fines and penalties for each false item claimed by a health care provider or practitioner. In one recent case, a dermatologist submitted 91 claims for major surgery, involving 17 Medicare beneficiaries over a two-year period, when the doctor had performed no surgery at all or very minor surgery. The overpayment resulting from the false claims amounted to approximately \$23,000. In a settlement agreement, the doctor agreed to pay \$311,500 in civil monetary penalties, assessments, and restitution. The doctor has also been suspended from participating in the Medicare and Medicaid programs for three years (Department of Health and Human Services).

Corporate Officials Make False Statements to Obtain \$1.4 Million Loan

The Economic Development Administration awarded a \$1.4 million direct loan to a corporation to modernize a foundry that

would manufacture railroad spikes and brake beams for rail cars. When the corporation defaulted on the loan, an OIG investigation disclosed that two corporate officials had submitted false claims to obtain the loan, and used the loan proceeds for personal benefit. One official pled guilty to conspiring to defraud the Government and agreed to make restitution by repaying \$234,475, and the second official has been indicted (Department of Commerce).

Farmer Sells Livestock and Crops Pledged to Government

A farmer who had received seven Farmers Home Administration loans totaling over \$493,000 unlawfully sold livestock and crops mortgaged to the Government. The farmer obtained more than \$154,000 from the sale. After the matter was investigated and scheduled to be presented to a Federal grand jury, the farmer

delivered \$185,000 as partial payment on the funds owed the Government (Department of Agriculture).

Vocational School Employee Receives Prison Term for Embezzling Federal Funds

A former business office employee of a vocational school pled guilty to charges of mail fraud. The employee prepared student financial aid checks payable to currently enrolled students, forged the students' endorsements, and then personally endorsed and negotiated the checks. When the cancelled checks were returned to the school, the employee erased the personal endorsement, leaving just the students' endorsements on the checks. The subject agreed to repay over \$15,000 in embezzled Federal and State funds, and was sentenced to a five-year suspended prison term and five years probation (Department of Education).

ADMINISTRATIVE SANCTIONS



Administrative sanctions continue to provide useful management tools for Federal agencies to take action against employees and contractors who have violated laws, rules, or regulations. These sanctions may be applied concurrently or separately from an ongoing civil or criminal proceeding.

Over the past six months, a total of 1,577 actions were levied, including 538 debarments and suspensions against individuals/entities doing business with the Federal Government and 1,039 administrative actions against employees. A total of 12,260 administrative sanctions have been taken against Federal employees and contractors over the past four years.

Table 3
Actions Against Federal Employees and Contractors

Individuals/Entities Doing Business With The Federal Government			Personnel Actions				Total
Agencies	Suspensions	Debarments	Reprimands	Suspensions	Demotions	Terminations	
Agriculture ^{1/}	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Agency for International Development	0	0	5	1	0	11	17
Commerce	0	0	5	1	0	4	10
Defense	91	145	184	40	344	225	1,029
Education	0	0	0	1	0	0	1
Energy	0	1	3	0	0	0	4
Environmental Protection Agency	1	12	23	1	0	1	38
General Services Administration	2	12	33	22	3	21	93
Health and Human Services	0	110	3	1	0	7	121
Housing and Urban Development	39	84	11	6	0	7	147
Interior	1	0	6	6	4	7	24
Labor	0	4	0	3	3	5	15
National Aeronautics and Space Administration	0	4	5	4	1	2	16
Small Business Administration	4	3	4	1	0	2	14
State	0	0	1	0	0	3	4
Transportation	0	18	2	0	1	2	23
Veterans Administration	1	6	2	3	2	7	21
Totals	139	399	287	90	358	304	1,577

^{1/} Information is not readily available.

Government Contractor Case

Contractor Debarred for Mischarging \$140,000 in Labor Costs

Two corporate officers of a defense contractor mischarged over \$140,000 in labor costs by altering employee timecards to charge labor incurred on commercial contracts to Army contracts. An Army employee was also involved in the mischarging scheme. The company and its officers were convicted and fined, and debarred from contracting with the Government. The Army employee pled guilty to accepting gratuities, and was fined and placed on probation (Department of Defense).

Government Employee Cases

Employees File False Unemployment Insurance Claims

Joint OIG investigations disclosed that nine National Park Service employees had filed false unemployment insurance compensation claims while employed by the Government. The Department of Interior terminated four individuals from employment, demoted three others, and suspended two employees for 30 days. In related criminal actions, two individuals have pled guilty (Department of Labor).

Federal Police Officer Misuses Government Credit Card

An investigation disclosed that a Federal police officer had used a Government credit card to purchase large quantities of gasoline and motor oil, as well as various items which were represented on the credit card records as gasoline. The agency suspended the employee for 30 days, and the individual reimbursed the Government \$2,400, which was the total amount attributed to misuse of the card (Department of Interior).

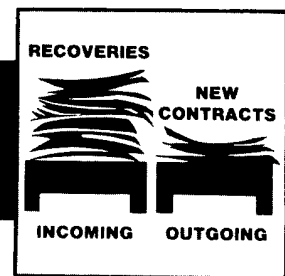
Program Participant Case

Doctor Receives Seven Concurrent Prison Terms and is Debarred for 20 Years

HHS uses administrative sanctions to protect Medicare and Medicaid patients by barring health care practitioners and providers guilty of fraud and patient abuse from participating in the programs. During this reporting period HHS debarred 110 persons, including a California doctor who drew blood unnecessarily from elderly patients, administered treatments using nonfunctioning equipment, inflated charges on 22 Medicare claims, and incorrectly informed patients that they had serious heart problems. As a result of the OIG investigation, the doctor has been barred from participation for 20 years, fined \$20,000, and has been sentenced to seven concurrent prison terms (Department of Health and Human Services).



MANAGEMENT COMMITMENTS TO SEEK RECOVERIES



Inspectors General audits and investigations often discover funds which should be recovered by the Government. These audit and investigative findings are then turned over to agency management which is responsible for recovering these funds. During this six-month period, agency managers have committed to seek recovery of \$706.2 million, which brings the cumulative total to approximately \$6.4 billion over the past four years. Management can recover funds by collecting from the organizations or individuals audited, offsetting against existing or future contracts or grants, or negotiating reductions in contract costs or fees.

Management commitments to seek recoveries is a quantification of agency action taken during the reporting period in response to the Inspectors General recommendations (without regard to when the recommendation was made) to recover and/or reprogram expenditures, call loans and cancel guarantees, as well as the voluntary restitution of funds.

Expenditures to be recovered and/or reprogrammed may include: (1) sustained monetary recommendations management has committed to recover through billing the recipient organization or

Table 4
Management Commitments to Seek Recoveries

Agencies	Agency	Defense Contract Audit Agency	Total
Agriculture	\$24,186,094	\$ 0	\$24,186,094
Agency for International Development	513,567	288,229	801,796
Commerce	4,046,523	79,613	4,126,136
Defense	42,000,000	266,205,083 ^{1/}	308,205,083
Education	24,600,000	0	24,600,000
Energy	3,755,141	1,112,027	4,867,168
Environmental Protection Agency	32,100,000	300,000	32,400,000
General Services Administration	2,345,813	0	2,345,813
Health and Human Services	77,670,396	0	77,670,396
Housing and Urban Development	44,527,895	654,688	45,182,583
Interior	42,945,108	93,507	43,038,615
Labor	67,275,685	0	67,275,685
National Aeronautics and Space Administration	0	5,000,000	5,000,000
Small Business Administration	16,874,213	0	16,874,213
State	119,642	0	119,642
Transportation	17,650,757	66,853	17,717,610
Veterans Administration	31,762,557	0	31,762,557
Totals	\$432,373,391	\$273,800,000	\$706,173,391

^{1/} These management commitments are related to audits of incurred costs, cost accounting standards and defective pricing performed by the Defense Contract Audit Agency and the U.S. Army Corps of Engineers.

individual, offsetting payments on existing and future grants and contracts, dollar adjustment resulting from IG recommendations related to interim or post-award work, or obtaining reimbursement from third parties for use in furthering overall program benefits; and (2) any additional revenue agency management has committed to obtain because of IG recommendations (e.g., royalties, timber sales, franchise fees, etc.) and tangible goods that management has committed to recover for the Government.

Loans called and guarantees cancelled include: loan amounts management has committed to call; and amounts of loan guarantees, insurance, or bonds management has committed to cancel.

Restitutions offered are amounts to be recovered as a result of voluntary commitments to compensate the Government which occur during the course of an IG audit, investigation, or other activity.

Examples

\$1,555,000 Mortgage Insurance Recovery

A combined audit-investigative review of a Puerto Rican mortgage company led to a court case against the company. As a result, the company, its officers and affiliates, and a joint U.S. and Puerto Rican company repaid \$1,555,000 to the Government. The company was withholding funds from the investors of mortgage-backed securities. The repayment compensated the Government National Mortgage Association for the largest single loss that it has experienced in its Mortgage-Backed Securities Program (Department of Housing and Urban Development).

\$1,084,558 in Ineligible Expenses at Hazardous Waste Site Referred for Collection

The State of Minnesota claimed costs totaling \$1,084,558 related to the Reilly Tar hazardous waste site that were not allowable under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA). The Act permits states to receive credit toward their cost-sharing requirements for cleaning up hazardous waste sites. However, Minnesota claimed ineligible costs which included: street construction; salaries, insurance and other costs; amounts used as a matching share to obtain funds from another Federal agency; and funds not obligated

by the Act's cutoff date. The entire \$1,084,558 was sustained by management and declared ineligible for payment (Environmental Protection Agency).

Potential Recovery of Over \$42 Million for Sale of Aircraft Engines

Auditors reported that the Air Force had not determined the amount of nonrecurring research, development, and production (NRC) costs that should be recovered on the direct commercial sale of the PW 1120 aircraft engine, derivative of the Air Force F-100 engine. DOD policy calls for the recoupment of nonrecurring costs on both Government-to-Government as well as direct commercial sales of U.S. Government products and technology to non-U.S. Government customers. The policy also requires that the NRC costs shall be based on both the current and predecessor models of an item or equipment. As a result, a per engine NRC cost was determined for application to all future sales of the PW 1120 engine. Based on current production estimates the Government will recover over \$42 million of NRC costs from the sale of these engines (Department of Defense).

Contractor Refunds \$369,000

A postaward audit found that a contractor for tool storage cabinets did not fully disclose its commercial discount practices when negotiating for General Services Administration multiple award schedule contracts. The Government purchased approximately \$19 million in merchandise under four contracts. After negotiations with the contractor, management made a commitment to recover \$369,000 and during December 1984, the firm paid the Treasury the full amount (General Services Administration).

Investment Company to Repay \$7 Million

A Small Business Investment Company (SBIC) licensed by the Small Business Administration to provide venture capital to small businesses agreed to repay \$7 million in Federal funds. The audits disclosed that the licensee had a history of regulatory violations, including conflicts of interest and use of excessive interest rates, and that it may have made false statements and misrepresentations to the Agency. Based on this, the SBIC has remitted \$5.5 million to the Treasury and has entered into an agreement to repay the remaining \$1.5 million (Small Business Administration).

\$1.8 Million Recovered During a Three-Month Period

An inspection report questioned the pricing mechanisms for the exchange of Naval Petroleum Reserve crude oil being transferred to the Department of Defense. This complex issue took 32 months to resolve with management and resulted in an increase in revenue to DOE of \$1,895,000 in just a three-month period, January-March 1985 (Department of Energy).

\$5.6 Million Recovery for Improper Labor Charges

A comprehensive Defense Contract Audit Agency review of a contractor's labor charges on a spare parts proposal found that significant labor costs were being diverted from an overrun production contract to undefinitized spare parts orders. When the contractor agreed to transfer the questioned labor charges and improve internal controls, a \$5.6 million savings to the Government was achieved (Department of Defense).

Close Down of Program Results in Recoveries

A review of the close down of the Comprehensive Employment and Training Act (CETA) program resulted in recommendations for the immediate recovery of \$65.7 million in residual cash balances or improper program charges. Improper charges in the following areas were made to the Employment and Training Administration (ETA), which administered the CETA program: prime sponsor financial reports not reconciled with cash balance records, receivables not turned over to the Government at closeout, unliquidated and unrecorded payables, subgrantee audit findings not addressed, indirect costs not charged to the Government, and unreported or improperly reported CETA-purchased property. Of \$32.5 million in cost exceptions resolved by ETA, \$18.8 million has been disallowed (Department of Labor).

\$5 Million Repaid to the Federal Highway Administration

A review of ineligible construction engineering (CE) costs found that the Federal Highway Administration's (FHWA) monitoring efforts had not disclosed excessive and inaccurate costs included in the computation of CE reimbursement rates. Recommendations were made to: obtain a refund of \$5 million; assess interest on any unpaid portion of the \$5 million after a due date for collection is established; and develop and uniformly apply more specific formal guidance for review and approval of CE rates. Management has agreed to implement the recommendations and \$5 million has been refunded to the FHWA regional office (Department of Transportation).

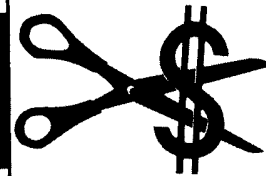
An Additional \$39 Million Recommended for Recovery

In Fiscal Year 1981, OIG and the Minerals Management Service began a program to audit the top 25 oil and gas royalty payors and, in Fiscal Year 1983, the program was expanded to include the next 25 royalty payors. In the 27 OIG audit reports issued so far, potential additional royalties of \$103.5 million have been identified. During this reporting period, management committed to recover an additional \$39 million. To date commitments have been obtained to recover \$79 million (Department of Interior).

California Agency to Repay \$2.4 Million

The OIG discovered that the California Medicaid agency had failed to credit the Federal Government with interest earned on \$16 million of recovered overpayments. The Department Grant Appeals Board had determined that interest earned on recoveries from Medicaid providers constitutes an overpayment and, in accordance with statute, the Federal share must be returned. The total amount of such interest to be paid by the California agency is around \$2.4 million (Department of Health and Human Services).

MANAGEMENT COMMITMENTS TO MORE EFFICIENTLY USE FUNDS



Management commitments to more efficiently use funds is a quantification of management action in response to the Inspectors General recommendations to prevent improper obligations for expenditure of agency funds or to improve agency systems and operations, and thereby avoid further unnecessary expenditures.

During the past six months, the departments and agencies sustained Inspectors General recommendations to avoid spending \$7.3 billion. Over \$47 billion in improved use of funds has been achieved since the Council was established four years ago.

The amounts shown represent funds or resources that will be used more efficiently as a result of management's commitment to implement IG recommendations, including:

- Deobligation of funds as a result of IG review of agency programs or operations;
- Costs proposed in contract or grant agreements which will not be incurred as a result of management's concurrence with pre-award recommendations (recorded based on the

Table 5
Management Commitments to More Efficiently Use Funds

Agencies	Agency	Defense Contract Audit Agency	Total
Agriculture	\$63,309,635	\$ 0	\$63,309,635
Agency for International Development	7,342,049	0	7,342,049
Commerce	5,395,884	0	5,395,884
Defense	922,900,000	2,361,931,958 ^{1/}	3,284,831,958
Education	^{2/}	^{2/}	^{2/}
Energy	2,417,649	0	2,417,649
Environmental Protection Agency	N/A	2,000,000	2,000,000
General Services Administration	107,201,531	6,831,025	114,032,556
Health and Human Services	2,989,500,000	0	2,989,500,000
Housing and Urban Development	22,776,209	0	22,776,209
Interior	409,287	0	409,287
Labor	9,219,184	0	9,219,184
National Aeronautics and Space Administration	11,736,531	214,300,000	226,036,531
Small Business Administration	2,989,500	413,268	3,402,768
State	117,954	54,004	171,958
Transportation	413,679,217	0	413,679,217
Veterans Administration	196,378,416	3,869,745	200,248,161
Totals	\$4,755,373,046	\$2,589,400,000	\$7,344,773,046

^{1/} These management commitments are related to audits of forward pricing proposals performed by the Defense Contract Audit Agency and U.S. Army Corps of Engineers.

^{2/} Although ED-OIG is unable to provide data reflecting management commitments to more efficiently use funds, OIG this period identified potential cost avoidances of approximately \$7.9 million, including \$2.7 million associated with preaward review of cost proposals.

negotiation and award of the contract or agreement). Additionally, amounts reported may include costs proposed on agreements not awarded specifically due to IG findings or recommendations. The largest amount of these costs are the result of Defense Contract Audit Agency work as shown in a separate column in Table 5;

- Estimated costs associated with agency operations and systems which will not be incurred as a result of management's commitment to implement recommended improvements;
- Estimated costs associated with a contractor's or grantee's operations paid for with Federal funds which will not be incurred as a result of management's commitment to require recommended improvements; and
- The Federal portion of interest subsidy costs on loans or loan guarantees, insurance, or bonds management has committed not to make based on IG recommendations.

The amounts also include the dollar value of loans or guarantees (including insurance and bonds) which management has committed not to make based on the IG recommendations.

Examples

Segregation of Radioactive Waste Material Will Save \$1.6 to \$2.1 Million a Year

An audit on segregation of transuranic waste (TRU waste) disclosed the opportunity to segregate this highly radioactive waste material from low-level waste products and reduce overall disposal costs. Disposal of low-level waste costs about \$740/drum, whereas disposal of TRU waste costs from \$2,367 to \$2,873/drum. It was found that all waste was being classified as suspect TRU because the proper certification equipment was not available, although it was projected to be available later in the fiscal year. Management's commitment to determine cost-effective measures needed for reducing TRU waste generation and disposal will conservatively produce savings of \$1.6 to \$2.1 million each year (Department of Energy).

Improved Management of Clean Water Act Grants

Ten state agencies received about \$88 million of Clean Water Act grant funds to control water pollution between FY 1981 and FY 1983 without EPA adequately ensuring that grant financial requirements were met. This occurred because the policies and procedures in certain regions were insufficient to ensure that grants were properly awarded. To earn these grants, the Act and its regulations require a state to spend a portion of its non-Federal

funds at least equal to the amount that it spent in specified base years (level-of-effort). As a result of an audit of the implementation of the Act, EPA regional offices agreed to work with states to increase their state expenditures to make up for past deficiencies. These actions should account for over \$10 million in improved efficiency of grant funds (Environmental Protection Agency).

Past Adjustments and Reductions in Subcontractor Costs Save \$10 Million

A Defense Contract Audit Agency audit of an \$85.2 million spare parts proposal resulted in the discovery that a contractor had proposed engineering labor at pay grades higher than were required to do the work. The auditors also found areas where significant reductions in subcontract costs could be made because of anticipated vendor price reductions. Because of the audit, the Government saved \$10 million (Department of Defense).

Alternative to Coronary Bypass Surgery Will Save \$60 Million Yearly

A review of the new Prospective Payment System for Medicare resulted in a recommended change to the reimbursement level for a procedure, Percutaneous Transmittal Coronary Angioplasty (PTCA), an alternative to coronary bypass surgery which is generally performed in the catheterization laboratory as opposed to the operating room. This procedure is currently included in a Diagnosis Related Group (DRG) that represents major open-heart procedures which require significantly more resources than PTCA. The Health Care Financing Administration will issue instructions to intermediaries to reassign PTCA to a lower-paying DRG category. This change in reimbursement level will save more than \$60 million a year (Department of Health and Human Services).

Cost Avoidance of \$6.8 Million Realized on Construction Contracts

A contractor as a result of a joint NASA/FBI investigation, pled guilty in 1983 to making false statements during performance on five construction contracts valued at approximately \$23 million. This amount included additional claims of \$7,050,424 for additional work, engineering, overhead, acceleration, and loss of efficiency. NASA rejected the additional claims, because of suspicions of irregularity, collusion, and fraud. After extensive litigation, including 22 appeals by the contractor to the NASA Board of Contract Appeals, an agreement was reached in January 1985, under which the contractor withdrew all claims against NASA

in exchange for NASA's paying the contractor \$238,000 retained during contract performance, netting a cost avoidance of \$6,812,424 (\$7,050,424 minus \$238,000) (National Aeronautics and Space Administration).

Local Realtors Finders Fees Eliminated

One post in South America was paying finders fees to local realtors for identifying houses suitable for American employees to rent. The auditors determined that an incoming U.S. employee, with nominal assistance from Embassy service personnel, could easily locate and rent housing without the aid of local realtors. The Embassy agreed to stop using realtors to locate suitable housing, thus saving the Government an average of \$33,000 a year (Department of State).

Improved Management Could Reduce FECA Program Costs by \$93 Million

A review of the Federal Employees' Compensation Act (FECA) job-related injury compensation program disclosed that the program was not effectively managed. Program costs and caseload had increased at rates significantly higher than the agency's salary costs and staffing levels. Cost containment efforts such as contesting questionable injury claims and monitoring claimant's recovery, varied greatly among the medical centers reviewed due to the lack of agency-wide guidance. In addition, no official or organizational element had overall responsibility for management and oversight of the program. Program cost reductions totaling as much as \$93 million over the next five years could be achieved based on management's commitment to develop specific guidance and assign responsibility for the program to a designated official (Veterans Administration).

Grantee Violations to Result in Savings of \$14.7 Million

The Economic Development Administration (EDA) received \$100 million under the Emergency Jobs Act of 1983 to create new job opportunities for the unemployed and under employed. OIG auditors have been reviewing EDA's implementation of this program. By the end of March 1985, 82 projects had been reviewed. Reports on 22 of these projects recommended termination of the award or partial deobligation of funds because of grantee violations of law, regulations, or provisions of the grants. As of March 31, 1985, EDA had closed out seven of the projects reviewed, saving \$2.7 million. Total savings from IG-recommended actions will add to more than \$14.7 million (Department of Commerce).

Management Agrees to Use \$40.8 Million More Efficiently

A preaward audit of a pricing proposal for ADP equipment and software found that the firm's initial offer did not clearly portray the pricing concessions it gave to its non-GSA customers. Using the information developed through audit, management negotiated lower contract prices and better discount rates that equated to savings of \$40.8 million, based on estimated sales of \$519.5 million. Total pricing concessions of \$62.3 million were reflected in the awarded contract (General Services Administration).

ALLEGATIONS OF FRAUD, WASTE, OR MISMANAGEMENT



The Inspectors General maintain telephone hotlines and other mechanisms for receiving allegations of fraud, waste, or mismanagement from agency employees and the public. Allegations are usually made directly over the IG hotlines or are referred by the Congress, other Executive Branch agencies, and the

General Accounting Office. During the past six months, Inspectors General received 10,370 allegations of fraud, waste or mismanagement. A total of 77,257 allegations have been received over the past four years.

Table 6
Allegations of Fraud, Waste, or Mismanagement
Reported to Inspectors General

Agencies	Total Allegations Received
Agriculture	606
Agency for International Development	124
Commerce	186
Defense	3,941
Education	97
Energy	100
Environmental Protection Agency	46
General Services Administration	186
Health and Human Services	1,853
Housing and Urban Development	186
Interior	135
Labor	1,496
National Aeronautics and Space Administration	149
Small Business Administration	466
State	110
Transportation	338
Veterans Administration	351
Total	10,370

Examples

Financial Statements Misleading and Incorrect

An investigation was initiated based on allegations that a portion of U.S. Fish and Wildlife Service (FWS) Fiscal Year 1983 obligations were withheld from agency accounting records. The investigation disclosed that certifications by FWS to the Treasury and OMB regarding the financial status of the FWS at the close of Fiscal Year 1983 were incorrect and misleading. In addition, it was determined that misconduct by a FWS official contributed to the incorrect certifications and resulted in a concealment of the actual financial status. Several actions have been or will be taken by FWS such as: reporting violations to OMB; revising performance standards of regional directors and program managers to provide more specific critical elements addressing responsible financial management; and initiating a monthly reconciliation certification process, adjusting the obligation cut-off date and describing penalties for various violations of internal controls related to financial management (Department of Interior).

Overpriced Plug

A complainant alleged that a plug assembly was overpriced at \$206. The part, described as a 4" x 8" piece of wood with a small metal handle, could be constructed for \$3 to \$6. A Defense Logistics Agency (DLA) inquiry revealed that the \$206 price reflected a 1982 sole source procurement cost. The contractor later made an in-house review and reduced the price to \$101.32 per item because of the large quantity ordered. DLA found a new supply source for the item and the cost was further reduced to \$29.62. Based on the lower pricing data, a price reduction in two contracts with sole source contractors was negotiated. This resulted in a reduction of \$57,810.92 in one contract and a refund of \$69,838.58 in the second (Department of Defense).

Kickbacks and Bribes Result in a Four-Year Prison Term

A Hotline letter alleged that a contractor and a Government employee were involved in the payment of kickbacks and bribes. The investigation disclosed that the contractor had created a shell company to give the illusion of contract competition. The contractor provided kickbacks to buyers from other DOD prime contractors. As a result of the inquiry, the firm and the owner were suspended from doing business with the Government until 1987. The company's owner, found guilty of 10 charges of bribery and nine charges of mail fraud, was sentenced to four years in prison and fined \$208,000. The company was ordered to pay \$159,000 in fines. The DOD employee pled guilty to one charge of receiving illegal gratuities and one charge of conspiracy, and was sentenced to a year and a day in prison (Department of Defense).

Mail Theft Scheme Uncovered

Based on allegations that a SBA mail clerk was stealing money from the mail, an investigation was opened in cooperation with the U.S. Postal Inspection Service. As part of the investigation, marked bills which were placed in several wrongly addressed letters and sent to the SBA office were not returned to the Post Office from which they originated. While under surveillance, the suspect was later observed purchasing lottery tickets with the marked money. After the employee was arrested and additional marked bills were found in the subject's possession, the clerk admitted to taking money from the mail. In addition, two other mail clerks admitted that they had knowledge of the thefts, and that they had also accepted stolen money from the suspect. The suspect was subsequently convicted and received a two-year suspended sentence, placed on probation and ordered to make restitution. The Agency then took administrative action against the other two mail clerks by officially reprimanding them and transferring them to other work areas (Small Business Administration).

Contractor Debarred for Three Years for Inflating Construction Costs

A complainant alleged that the owner of a general contracting firm inflated labor charges on a HUD contract for renovating an apartment complex. An investigation disclosed that the contractor inflated construction costs by falsifying labor charges, padding the number of employees and hours actually worked for payroll reporting purposes, and altering or forging lien waivers which enabled the contractor to retain money owed to various subcontractors. The contractor pled guilty to submitting false statements and was sentenced to 30 days in a work release program, placed on five years probation and debarred from further participation in HUD programs for three years (Department of Housing and Urban Development).

Nurse Falsifies Licensing and Injury Records

An investigation of a VA nurse who received compensation for six on-the-job injuries disclosed she had submitted falsified and forged documents to support her injury claims. In addition, the investigation determined she had fraudulently obtained a Registered Nurse (RN) certification, upon which her employment was based. The subject pled guilty and agreed to repay over \$106,000 in Federal funds, and was sentenced to five years in prison (Veterans Administration).

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY - COMMITTEES, PROJECTS, AND ACTIVITIES

The President's Council on Integrity and Efficiency (PCIE) provides leadership for Government-wide activities to reduce waste and abuse in Federal programs and operations. Since it was established by Executive Order in March 1981, the Council has coordinated interagency efforts through standing committees and projects chaired by its members. The Committees comprise an integral part of the IG community. By sharing past experiences and applying new ideas, the Inspectors General are able to develop useful material for application throughout the Government.

Assisting the PCIE in its interagency efforts are the following standing Committees:

- Accounting and Auditing Standards Committee
- Computer Committee
- Investigation/Law Enforcement Committee
- Legislation Committee
- Performance Evaluation Committee
- Prevention Committee
- Project Selection Committee
- Single Audit Coordinating Committee
- Training Committee
- Paul R. Boucher Memorial Award Committee

Accounting and Auditing Standards Committee

The Committee works to assure that IGs as a group have input into formulating standards which affect them.

Computer Committee

During this reporting period, the Computer Committee completed and distributed to all Inspectors General MICROCOMPUTER AUDIT GUIDELINES. This document highlights those new aspects of the audit management process that result when considering the use of microcomputers.

In order to obtain a more current status of the overall microcomputer program, the committee initiated a study to gather data on

planned microcomputer procurements and projected training requirements. The Committee will use this information to complete existing projects and evaluate future efforts.

The Committee has initiated a new project to evaluate Generalized Audit Software packages in a continuing effort to increase productivity through automated technology.

Investigation/Law Enforcement Committee

The Investigation/Law Enforcement Committee began work on a project to determine whether the Offices of the Inspector General encounter difficulties in obtaining timely and appropriate referral of cases for criminal, civil or administrative action. The project will also determine the difficulty in obtaining appropriate administrative action by agencies after the Department of Justice declines cases referred by the Inspectors General. Also during the period, the Committee was assigned a project dealing with civil fraud referrals to the Department of Justice as a result of Inspector General investigations. This project will examine techniques for achieving better results through parallel administrative, contractual, or civil proceedings, in conjunction with a criminal investigation.

Legislation Committee

The Legislation Committee reviews and monitors all legislation impacting on Inspector General activities. The Committee makes an active effort to increase IG participation in the legislative process by working with the Office of Management and Budget and appropriate Members and Committees of Congress.

During the last six months, the Committee put together a package of legislative initiatives, programs, or modifications to existing law that, if adopted, should enhance the operations of all IG offices. Items in this package included Government-wide Civil Monetary Penalty Legislation, an expanded Computer Crime Bill, the IG Technical Amendments, and Amendments to the Federal Torts Claims Acts.

The Committee staff also distributed an analysis and summarization of the Comprehensive Crime Control Act of 1984 to PCIE members.

Performance Evaluation Committee

Interim standards were issued to the PCIE in September 1984. These standards are providing a qualitative method for measuring the management operation and conduct of the Offices of Inspector General. The standards are being used by the IG community on a trial basis before being issued in final form.

Prevention Committee

The PCIE is continuing to focus on preventive measures and expanded use of current technology to further lessen Federal programs and operations' vulnerability to fraud, waste, and abuse. During the reporting period, the Prevention Committee completed work on the following three projects:

- **Legislative and Regulatory Review Procedures.** This project examined the experiences of the Inspector General community in reviewing proposed legislation and regulations. A survey was made to identify common elements, requirements, and best practices. The survey results, including comments on the ability of the Inspectors General to have direct access to the Office of Management and Budget and to the Congress, were reported to the Committee.
- **Inspection Activities of the Inspector General.** This project inventoried existing inspection activities of the Inspectors General and evaluated them for wider application within the IG community.
- **Cooperative Efforts with Federal Contractors.** This project identified joint efforts between Federal contractors and the Inspectors General for use by contractor employees to prevent and detect fraud. A 34-minute videotape entitled "Integrity in Government Contracting" and an accompanying pamphlet were approved by the Committee and submitted to the PCIE chairman.

The Prevention Committee initiated the following three projects during this reporting period:

- **Implementation of the Model Prevention Plan.** This project will determine the progress made by departments and agencies in using the plan as an assessment tool and in adopting a comprehensive, planned strategy for preventing fraud, waste, abuse and mismanagement.
- **Computer Fraud, Waste, and Abuse Handbook.** This project will develop a handbook that can be used to assist in training mid-level Federal managers to recognize indicators of fraud and abuse in computer operations.
- **Use of Technical Experts by the IG Community.** This project will identify opportunities for joint efforts by Inspector General organizations to provide for the sharing of technical expertise and information, and advanced oversight techniques.

Project Selection Committee

The Project Selection Committee solicits and coordinates the suggestions for projects to be undertaken by the Council during the current fiscal year. Each member of the PCIE was requested to suggest and describe projects for consideration, and identify potential benefits, resources required, and members most likely to participate.

The projects receiving the most interest included:

- A study of audit software packages;
- Computer security/data base integrity;
- Telephone review to assist in setting Federal telephone procurement standards;
- Development of standard procedures for conducting parallel proceedings (criminal/civil);
- Use of Internal Revenue Service data to assist audit and investigative efforts;
- Development of common training programs; and
- Development of a concise set of budget reporting requirements for the Offices of Inspector General.

Several of these projects have been initiated and are reported upon in this report.

Single Audit Coordinating Committee

This Committee addresses issues concerning IG single audit responsibilities and provides authoritative interpretations and answers to questions concerning single audit requirements. Since passage of the Single Audit Act, the Committee has worked closely with OMB in its development of an implementing circular.

Training Committee

The PCIE Training Committee consists of four subcommittees: Auditor Training, Investigator Training, Executive Development Training, and Support Activities Training. Representatives from various Government departments and agencies participate in subcommittee activities. The objective of the Training Committee is to identify, develop, and implement training programs that are responsive to the needs of all Offices of Inspector General.

Some of the major training efforts accomplished by the Committee during this reporting period were:

- developing and presenting the first four in a series of six FY 1985 half-day seminars for OIG executives;

- sponsoring a Federal Managers' Accountability Seminar for attendees of the 7-week Executive Leadership Program at the Federal Executive Institute;
- publishing a Compendium of Executive Level Courses for OIG personnel;
- continuing to sponsor, in cooperation with the Department of the Army, the attendance of OIG personnel at the Army's Personnel Management for Executives Course;
- developing a draft Guide for Allocating Audit Resources Through Operations Risk Analysis; and
- establishing a fourth subcommittee on Support Activities Training to deal with this important facet of Inspector General operations.

Paul R. Boucher Memorial Award Committee

The Paul R. Boucher Memorial Award was established in memory of Paul R. Boucher, former Inspector General of the Small Business Administration, to honor outstanding contributions of an employee of a PCIE member. The Committee reviews nominees for the annual award.

Additional PCIE Projects in Progress (those not under control of a standing committee)

In addition to standing Committee work, the Council has initiated several projects which examine issues transcending traditional agency boundaries or exceed the capability or jurisdiction of an individual agency. Some of these Government-wide issues include:

Evaluation of Centralized Register for Entry Level Hiring

The PCIE undertook this project as part of an overall effort to improve the ability of IG organizations to attract and hire well-qualified entry level employees.

Based on the work of the group, the PCIE asked the Office of Personnel Management (OPM) to implement changes in its current staffing practices and require certifying officers nationwide to issue recruitment bulletins for all GS-5/7 audit and criminal investigator vacancies, rather than using the traditional standing register approved in such areas. In addition, the PCIE recommended that OPM take a more aggressive role in targeting staffing efforts toward college graduates. In the interim, OPM proposed using a nationwide centralized register for GS-5/7 auditors.

The PCIE subsequently revised its recommendation to accept OPM's centralized register approach for a one year trial.

A questionnaire was developed to collect data/statistics for future analysis in such areas as timeliness, quality of applicants referred, numbers of women/minorities certified, declination rates, etc. OPM has agreed to attach a copy of this form to each IG Certificate issued since May 1984 at the GS-5/7 levels. The work group has compiled two quarterly statistical summaries from these questionnaires. An evaluation and final report is projected to be completed in September 1985.

Long-Term Computer Matching Project

The Long-Term Computer Matching Project promotes the development and improvement of computer matching techniques at Federal and State levels. This project includes: (1) the application of computer technology to screening of benefit and similar direct payment claims; (2) front-end ADP systems evaluation techniques; and (3) the expanded use of microcomputer technology.

- **Income and Eligibility Verification.** Almost all of the recommendations made by the Computer Matching Project over the last two years were implemented in the Deficit Reduction Act of 1984, P.L. 98-369. The Project's recommendations regarding front-end automated eligibility screening and verification, wage reporting, and standard data exchange formats were implemented by the Congress in the Omnibus Bill. The project staff is playing a key role on the Task Force the Office of Management and Budget created to coordinate implementation of the new statutory requirements.
- **Federal Matching Inventory.** During this reporting period, the Computer Matching Project developed a supplement to the "Inventory of Federal Computer Applications to Detect/Prevent Fraud, Waste and Mismanagement." The supplement contains synopses of over 200 Inspector General and program agency applications and will be available for distribution in June 1985.
- **Standard Formats.** The eight-State test of the Computer Matching Standardized Formats was extended through September 1985. A draft of the revised formats has been developed based on preliminary test results. Final formats and instructions will be sent to Federal, State, and local agencies in August 1985. Evaluation and cost/benefit reports will be issued when State tests are completed.
- **Front-End Eligibility Verification.** The Front-End Eligibility Verification Systems work group was established to stimulate technology transfers among the States and to prevent erroneous benefit payments. To accomplish these goals, the work group surveyed States about front-end use of computer applications to verify eligibility for Aid for Dependent Children, Food Stamps, Medicaid, and

Unemployment Insurance. Preliminary results revealed that front-end verification usually focuses on verifying income data or verifying that an applicant does not receive duplicate benefits. Survey findings have been compiled in a catalog and made available to State officials for comment. The final catalog is due in the summer of 1985.

Computer Security Project

The Computer Security Project, initiated in 1982, provides the PCIE with a perspective on the nature and scope of computer-related fraud and abuse in Government agencies and the need for increased expertise in computer auditing and security within the IG community. The project's report, "Computer-Related Fraud and Abuse in Government Agencies," outlined survey findings and made recommendations to increase training and awareness, increase scrutiny of automated systems controls, and perform further survey work. The project has accomplished the following:

- **Perpetrator Interviews.** The project work group has interviewed perpetrators from fraud cases in the original study, plus subsequent cases. A total of 28 perpetrators from the original study and 17 from new cases were interviewed. The final report should be issued in May 1985.
- **Front-End EDP Systems Review and Security.** To improve audit involvement and effectiveness during the design, development, implementation or major modification of automated information systems, this work group prepared a functional matrix and critical documentation guide for the life cycle stages of an automated information system. In March 1985, the project cosponsored with the National Bureau of Standards, a three-day invitational workshop on prioritization of EDP audits during an automated information system's life cycle. The functional

matrix and workshop synthesis product will become part of an audit guide which is being developed under contract.

Productivity Data Collection Formats

The PCIE's Productivity Data Collection Format Project was undertaken in December 1984 to develop uniform OIG productivity factors and promote the use of recurring productivity analysis. The project reflects the PCIE's emphasis on productivity and desire to do more with available resources.

Review of Federal Telecommunications System (FTS) Utilization

There have been recent indications that significant management improvements are needed to reduce Government telecommunication costs. The primary objective of the review is to evaluate the utilization of telecommunications resources and to identify ways of reducing costs by more effectively and efficiently managing the consumption of such resources. The review will be conducted in two phases.

Phase I of the review deals with agency telecommunications management and will evaluate agency controls over ordering, receipt, and verification of telecommunication services. The purpose of these internal controls is to minimize agency telecommunication costs by ensuring that (1) only needed services are procured, (2) billings are accurate, and (3) existing services are being effectively utilized.

Phase II of the review deals with unauthorized use of telecommunications resources and will evaluate agency internal controls for effectively managing telephone usage.

MEMBERSHIP OF THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

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Joseph R. Wright, Jr.
Deputy Director and Chairman of the Council

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John V. Graziano
Inspector General
447-8001

U.S. Agency for International Development
Herbert L. Beckington
Inspector General
632-7844

Department of Commerce
Sherman M. Funk
Inspector General
377-4661

Department of Defense
Joseph H. Sherick
Inspector General
695-4249

Department of Education
James B. Thomas, Jr.
Inspector General
453-4041

Department of Energy
James R. Richards
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252-4393

Environmental Protection Agency
John C. Martin
Inspector General
382-3137

General Services Administration
Charles R. Gillum
Acting Inspector General
566-0450

Department of Health and Human Services
Richard P. Kusserow
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Department of Housing and Urban Development
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Department of the Interior
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633-2101

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Federal Bureau of Investigation
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324-4260

Department of Labor
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National Aeronautics and Space Administration
Bill D. Colvin
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453-1220

Office of Personnel Management
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632-6106

Small Business Administration
Mary F. Wieseman
Inspector General
653-6597

Department of State
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632-8842

Department of Transportation
Joseph P. Welsch
Inspector General
426-8584

Department of Treasury
John C. Layton
Inspector General
566-6900

Veterans Administration
Frank S. Sato
Inspector General
389-2636

OFFICES OF INSPECTOR GENERAL AND HOTLINE NUMBERS

Department of Agriculture Room 247E, Administration Building Washington, DC 20520	(800) 424-9121
U.S. Agency for International Development 21st and Virginia Avenue Room 5644, New State Building Washington, DC 20523	(FTS) 235-3528
Department of Commerce 14th and Constitution Avenue, N.W. Room 7898-C Washington, DC 20230	(800) 424-5197 (202) 377-2495
Department of Defense The Pentagon, Room 1E-482 Washington, D.C. 20310	(800) 424-9098 (202) 693-5080 (Autovon) 223-5080
Department of Education 330 C Street, S.W. Room 4006, Switzer Bldg. Washington, D.C. 20202	(800) 646-8005 (202) 755-2770
Department of Energy 1000 Independence Avenue, S.W. Room 5D-039, Forrestal Bldg. Washington, D.C. 20585	(FTS) 252-4073 (202) 252-4073
Environmental Protection Agency 401 M Street, S.W., Room 2714 Washington, D.C. 20460	(800) 424-4000 (202) 382-4977
General Services Administration 18th and F Streets, N.W., Room 5340 Washington, D.C. 20405	(800) 424-5210 (FTS) 566-1780 (202) 566-1780
Department of Health and Human Services 330 Independence Avenue, S.W. Room 5250, North Building Washington, D.C. 20201	(800) 368-5779 (800) 638-3986 (MD. Only) (301) 597-0724
Department of Housing and Urban Development 451 7th Street, S.W., Room 8256 Washington, D.C. 20410	(FTS) 472-4200 (202) 472-4200
Department of Interior 18th & C Streets, N.W., Room 5239 Washington, D.C. 20240	(800) 424-5081 (202) 343-2424

Department of Justice (202) 633-3365
 Counsel, Office of Professional Responsibility
 Room 4306, Main Justice Building
 Washington, D.C. 20530

Deputy Assistant Attorney General
 Room 1111, Main Justice Building
 Washington, D.C. 20530

Department of Labor (800) 424-5409
 200 Constitution Avenue, N.W., Room S1303 (202) 357-0227
 Washington, D.C. 20210

National Aeronautics and Space Administration (800) 424-9183
 400 Maryland Avenue, S.W., Room 6075 (202) 755-3402
 Washington, D.C. 20546

Office of Personnel Management (FTS) 632-4423
 1900 E Street, N.W., Room 7558 (202) 632-4423
 Washington, D.C. 20416

Small Business Administration (FTS) 653-7557
 1441 L Street, N.W., Room 1018 (202) 653-7557
 Washington, D.C. 20416

Department of State (202) 632-3320
 2201 C Street, N.W.
 Room 6821, New State Building
 Washington, D.C. 20520

Department of Transportation (800) 424-9071
 400 7th Street, S.W., Room 92110 (202) 755-1855
 Washington, D.C. 20590

Department of Treasury (202) 535-6150
 15th & Pennsylvania Avenue, N.W., Room 2412
 Washington, D.C. 20220

Veterans Administration (800) 368-5899
 1425 K Street, N.W. (FTS) 389-5394
 Room 1100, McPherson Building (202) 389-5394
 Washington, D.C. 20420

OTHER AGENCY HOTLINE NUMBERS

General Accounting Office (800) 424-5454
 (202) 633-6987

Merit Systems Protection Board (800) 872-9855

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See pages 22 and 23 for listing of Offices of Inspector General and Hotline Numbers.