
BY THE COMPTROLLER GENERAL

Report To Senator Jim Sasser

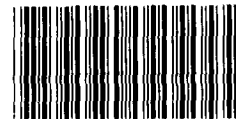
OF THE UNITED STATES

5-Year Summary Of Results Of GAO Fraud Hotline

GAO's nationwide, toll-free hotline, which was established in January 1979 to help combat fraud, waste, and abuse in the federal government, has received over 53,000 calls in its 5 years of operation. Over 10,600 allegations have been referred for investigation. About 1,100 cases were substantiated, resulting in recovery of money, or legal or administrative action. In the 5 years, GAO reports the hotline identified millions of dollars in misspent federal funds.

This report gives details about the hotline, including (1) numbers and types of calls, (2) procedures for handling callers and allegations, (3) analyses of allegations by type and agency with examples of substantiated cases, and (4) legal and administrative actions taken.

GAO encourages both the public and federal employees to call the hotline. The nationwide hotline phone number is 1-800-424-5454 and in the Washington, D.C., area, the number is 633-6987.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-171019

The Honorable Jim Sasser
United States Senate

Dear Senator Sasser:

This report responds to your request for a 5-year summary of the GAO hotline operation, including numbers and types of calls and other data, procedures for handling callers and allegations, and analyses of allegations by agency with examples of substantiated cases. The report discusses the results of the hotline operation from its start on January 18, 1979, to January 17, 1984, and its effectiveness in identifying fraud, waste, and mismanagement in federal programs.

REPORT HIGHLIGHTS AND
EXAMPLES OF SUBSTANTIATED CASES

In the 5-year period, the hotline received over 53,000 calls. We referred over 10,600 allegations to agency inspectors general (IGs) or other investigative units for further investigation. About 1,100 allegations were substantiated. In addition, there were 398 other allegations in which the specific allegation was not substantiated, but action was taken to prevent or minimize the possibility of an improper activity from occurring in the future. The remaining 42,000 calls did not warrant investigation for various reasons, such as the allegation not involving a federal program. Those callers who have information on a nonfederal matter are redirected to the appropriate state or local agency.

We estimate the hotline referrals have identified about \$20 million in misspent federal funds and have projected savings of another \$24 million. However, this amount is derived from only 20 percent of the substantiated cases. In many of the other substantiated cases, we or the agencies could not estimate the amount of money that was saved or misspent.

The allegations involved the funds of all executive branch agencies and many other federal agencies. Over half of the allegations were referred to four agencies--the Social Security Administration, Department of Defense (DOD), Internal Revenue Service or

Department of Health and Human Services (HHS)--for further investigation. Appendix I summarizes the number and status of the allegations for individual agencies. Appendixes II through XXVIII contain additional data for these agencies on the allegations, including examples of substantiated cases.

Following are brief summaries of some substantiated cases initiated by calls to the GAO hotline:

- A caller alleged that space rented by the General Services Administration (GSA) in a New York City office building had remained vacant for months. GSA's IG confirmed the situation had existed for 15 months and said more than \$300,000 in rent had been paid on the empty floor. The lease was terminated and GSA is reviewing the case. (See app. IX.)
- An anonymous informant claimed two University of Wisconsin professors had extorted money from trainees in a federal program and converted federal funds to their personal use. HHS's IG substantiated the charges. The professors were convicted on 14 counts of federal criminal violations, sentenced to 3 years in prison, and ordered to repay the government over \$165,000. (See app. IV.)
- An anonymous caller said a Department of the Interior employee working in Virginia was using a government account with a local auto dealer to embezzle money. Investigation by Interior's IG revealed that the individual had purchased nearly \$4,000 in auto replacement parts for personal use and resale. After pleading guilty to federal embezzlement charges, the employee received a suspended sentence and a \$1,000 fine, and was required to do 300 hours of community service work. He also resigned his job pending removal action and paid back the money. (See app. X.)
- An informant sent photos of a veteran on a full disability pension operating a commercial fishing boat in Texas. The Veterans Administration, which concluded the veteran had committed fraud, reduced his pension and recommended prosecution. The individual also owes over \$55,000 of the \$70,000 he collected illegally. He must repay that sum before he can begin receiving the reduced monthly pension. (See app. VIII.)
- An informant alleged a major general, the commanding officer of an Army installation, bought an interest in a nearby hotel after he was advised by DOD of a planned troop increase and possible housing shortage at the installation. A DOD review determined a conflict of interest existed and the general retired a short time later. (See app. III.)

--An anonymous caller said a family member, who had worked under several different names, was receiving social security checks at different addresses and was claiming false dependents for social security purposes. Following an investigation, the defendant pleaded guilty and was sentenced to 2 years in prison. He also must pay back nearly \$13,000 in social security overpayments. (See app. II.)

In most of the substantiated cases, administrative actions have been taken against employees, federal contractors, and others. Employees of the federal government or contractors have been fired, suspended, demoted, or transferred, and others have resigned or were warned by their employers about their activities. Government contracts have been cancelled and contractors barred or suspended from further government work. Persons who fraudulently obtained government benefits have been declared ineligible for further participation in government programs and ordered to make repayments.

Cases involving possible criminal violations of federal law are sent to the Justice Department which decides whether to prosecute.

Further details on the hotline operation and its accomplishments follow:

CURRENT HOTLINE ORGANIZATION AND PROCEDURES

We received calls from every state and overseas indicating widespread awareness of the hotline. This results from extensive coverage in the news media about the hotline and from public service announcements shown on TV throughout the country.

The hotline operates 24 hours a day, 7 days a week. Callers can discuss their allegations with the hotline staff from 8 a.m. to 4:30 p.m. (eastern time), Monday through Friday. After business hours and on weekends, callers can leave a recorded message or are asked to call back during normal working hours. In the Washington, D.C. area, the hotline phone number is 633-6987 and the nationwide toll-free number is 1-800-424-5454. The mailing address is Fraud Hotline, General Accounting Office, Room 6134, 441 G Street, N.W., Washington, D.C. 20548.

Our employees also report to the hotline office possible violations of federal criminal laws, or potential fraud or abuse found during the conduct of routine audits. The office received over 150 such referrals in the 5 years. We have also received numerous requests from members of Congress to review allegations of fraud and mismanagement.

We provide a "pledge of confidentiality," which assures callers that their names will be known only to the hotline staff. However, we prefer that callers provide a means for subsequent contact since additional information is often needed to pursue an allegation. Frequently, allegations cannot be pursued because the caller remains anonymous and additional information cannot be obtained. As a result, many cases have been closed because of insufficient investigative leads or inadequate evidence.

THE HOTLINE GROUP

The hotline operation is handled by our Accounting and Financial Management Division's fraud referral and investigations group (hereafter called the Hotline Group). We have increased the Group's staffing level and expanded the hotline role to include audit follow-up and investigative responsibilities. The Group also provides leads to our audit divisions.

In addition, the Hotline Group refers allegations and follows up on them with agency heads, IG offices, and the Justice Department. Since IG offices perform most of the audits and investigations generated by hotline allegations, coordination with them is an important function.

Our estimated total cost for the hotline operation was about \$3.4 million for the 5-year period. These expenses included salaries, toll-free phone lines, and overhead.

The Hotline Group's structure

The Hotline Group is divided into referral and investigation sections. The fraud referral section consists of four teams who

- screen incoming allegations and process them for referral to the appropriate federal agency,
- identify major findings or audit leads for use by our auditors or IGs, or both,
- follow up on allegations to ensure that all issues have been investigated, and that the investigator's findings are resolved and corrective action has been taken,
- serve as the referral point for potential fraud found during our audits, and
- conduct prompt inquiries when allegations require immediate action.

The investigations section conducts inquiries and audits of allegations involving agencies without statutory IGs.

Interviewing and screening process

When interviewing a caller, the auditor attempts to elicit the following information to establish the materiality of the alleged wrongdoing or mismanagement:

--Is the allegation a federal matter? We want to determine whether the program or area is federally funded.

--What are the particulars of the allegation?

--What is the geographical location of the reported allegation? We need to know the names of places where these incidents occurred.

--Is documentary evidence available to factually support the allegation? We like to obtain written or photographic evidence if possible.

--What are the names of the federal agencies, contractors, or other organizations involved?

--What are the names, addresses, and phone numbers of persons involved in the alleged wrongdoing or mismanagement?

At the time of the call, the auditor screens the allegation for substance and decides whether to accept or reject the allegation based on the information provided. If the allegation is sufficient, the caller is given a case control number. If the allegation is incomplete, the caller is encouraged to get back with us if substantive information can be obtained.

The referral process

Even though a case receives a control number, additional screening is done before referral of the allegation. The director of the Hotline Group makes the final referral decision based on knowledge of federal programs, agency policies and procedures, and results of previous hotline allegations. The allegations that do warrant further scrutiny are referred to the IGs, other agencies with which we have referral agreements, or the Hotline Group's investigative staff. The IG is asked to provide us with an initial disposition within 60 days and inform us of the final outcome.

Some allegations identify potential audit areas, tie into our previous or current audit work, or may benefit the entire federal government. In these instances, the Hotline Group makes limited inquiries which may result in an advisement memorandum to auditors in our division with program responsibility in that area. Sometimes a report of the problem is sent to an agency head for corrective action.

Follow-up procedures

Follow-up action on an agency's final case disposition occurs when the Hotline Group questions the substance of the agency's response. For example, the investigation or audit may not properly address the issues in the referral or the response may be incomplete because it lacks specific information on such matters as amounts of fines, possible dollar recoveries, and the types of administrative or legal action taken. This information is required by the Hotline Group and is used in its analysis of trends and patterns. Follow-up work also occurs when subsequent information indicates the agency may have made errors in judgment or may not have done a thorough review.

BACKGROUND AND HISTORY OF GAO HOTLINE

In the mid-1970's we increased our emphasis on fraud prevention and detection, and conducted a special inquiry into the government's ability to combat fraud. Subsequently, we sent to the Congress, in September 1978, a report entitled, Federal Agencies Can and Should Do More to Combat Fraud in Government Programs (GGD-78-62, Sept. 19, 1978). We determined that the exact amount of fraud, waste, and abuse was difficult to show but it was definitely a serious problem.

Our special task force on fraud prevention

Shortly after the report was issued, the Comptroller General established a special task force to further address the issue of fraud, waste, and abuse. The task force had three goals:

- Determine the extent of fraud and other illegal activities against the federal government, as well as the adequacy of existing procedures for dealing with fraud.
- Develop selected agency profiles to show the susceptibility of individual programs to fraud and other illegal activity.
- Establish a nationwide, toll-free GAO hotline to combat fraud, waste, and abuse in the federal government.

We established the hotline at your request to allow the public to participate in this fraud prevention effort by calling in leads to us. The hotline was officially opened on January 18, 1979.

CATEGORIES OF HOTLINE ALLEGATIONS

The Hotline Group categorized the 10,641 referrals of allegations according to participants. The following five participant categories were established:

1. Federal employees only.
2. Federal employees in conjunction with others.
3. Federal contractors or grantee organizations.
4. Individual and corporate recipients of federal financial assistance.
5. Other individuals or corporate entities.

In the federal employees only category, the Hotline Group referred such allegations as employee work-hour abuses, private use of government property, theft, unneeded contract awards, and unnecessary purchases of equipment or supplies.

In the second category payment of a bribe or kickback was the most frequent allegation.

Among federal contractors and grantees, the allegations included improper expenditures of government grant funds, contract nonperformance, theft of government funds or property, and use of federal funds for other than intended purposes.

Among the most prevalent charges in the fourth category involving individual and corporate recipients of government financial assistance were cheating on welfare, social security and food stamps, and collecting disability benefits improperly.

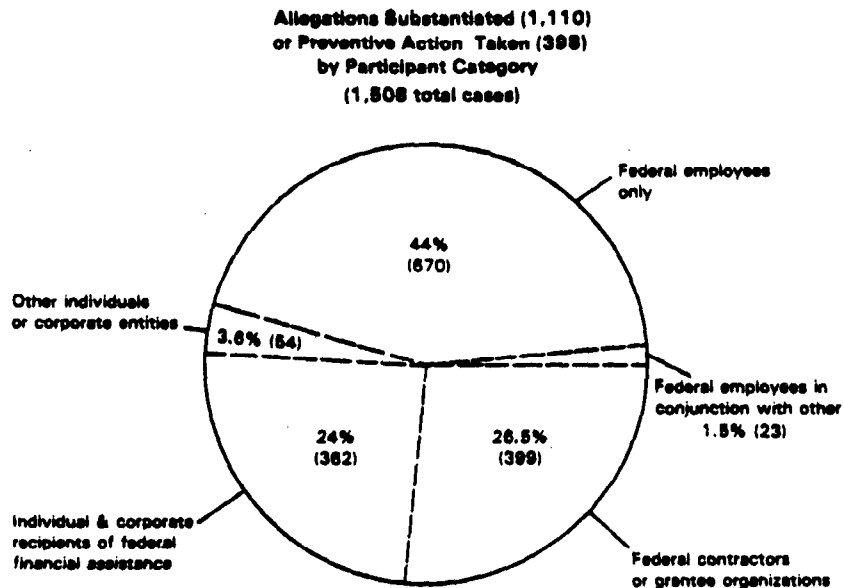
The fifth category, other individuals or corporate entities, included allegations of personal and corporate income tax cheating and other improper activity.

ACTION ON REFERRALS

Of the 10,641 referrals, 7,418 cases have been closed. Of the closed cases, 1,110 were substantiated, and in another 398 cases, the reported allegation could not be substantiated, but action was taken by the agency to prevent or minimize the possibility of a violation or other improper activity. For example, some allegations of the improper receipt of disability benefits by employed individuals could not be documented. However, the Social Security Administration (SSA) often would schedule an individual involved in such a case for a medical reexamination, which could lead to disqualification from disability payments.

In another example, the informant alleged that upon retirement a high-ranking government executive conspired with another official not to process his retirement claim until the executive could repay the money he had withdrawn from his retirement fund. Although the specific charge was not substantiated by the Office of Personnel Management (OPM), it ended a practice known as the offset method. Under this method, annuitants who were repaying the government for withdrawals from the retirement fund were permitted to receive their retirement annuities at a rate calculated as if the annuitant had already repaid in full. The government was receiving its repayments through monthly withholdings or offsets from the annuitant's retirement check. Because of this procedural change, OPM projected savings of \$6.5 million for annuitants who retired in fiscal year 1983. (See app. XXVI.)

The following chart shows the percentage for each participant category of the total number of cases in which allegations were substantiated or preventive action was taken:



The most common substantiated cases were work-hour abuse by federal employees, private use of government property, fraud by recipients of such payments as welfare, disability, and food stamps, and lack of compliance with agency procedures.

Agency and Hotline Group investigations have resulted in administrative or legal actions, including monetary recoveries, by the agency, the Justice Department, or both.

Administrative Action

Administrative actions were taken against federal employees, contractors, and other individuals. Some of the agencies' actions included employee dismissals, resignations pending dismissal, or suspensions, demotions or transfers. About 100 contractors and grantees were suspended, had their contracts or grants cancelled, or were issued a warning about their work.

Legal Action

If an investigation discloses a violation of criminal law, the allegation is forwarded by the agency involved to the Justice Department or state prosecutor for review and possible prosecution. In the 5 years, 179 hotline cases were referred in this manner. The agencies told us the Justice Department had prosecuted 85 of the cases. Defendants were convicted of criminal violations in 37 cases. Civil remedies or some other legal action was taken in 46 cases. In one case the charges were dismissed and in another case the defendants were acquitted.

The Justice Department declined to prosecute 94 cases for such reasons as insufficient evidence for prosecution, lack of jury appeal, or insignificant loss of federal money. In 39 of these cases, Justice declined to prosecute in favor of the agency taking administrative action.

Appendixes II through XXVIII provide more detail about those substantiated cases in which administrative and legal actions were taken by the agencies.

Misspent funds recovered and projected savings identified

Administrative and legal actions based on our referrals to the agency or Justice Department have assisted agencies' efforts in recovering federal funds and assessing penalties against individuals and organizations involved in mismanagement or wrongdoing.

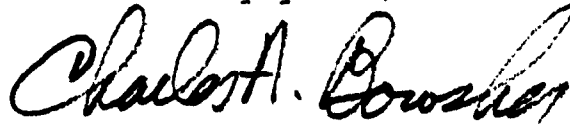
Of approximately \$20 million in misspent funds identified through hotline referrals, \$6.5 million was actually recovered, \$10.9 million is being collected, and \$2.2 million is uncollectable. In addition, we have projected that \$24 million was saved because of our referrals. For example, when benefit payments were terminated because of ineligibility, we estimated the money that was not improperly spent for a 1-year period. This means an individual who received improper welfare payments of \$200 per month would count as avoiding \$2,400 in misspent funds.

In many cases, the agencies told us funds had been recovered or payments terminated, but they could not provide a dollar figure.

Therefore, misspent funds identified by our referrals exceed these estimates. Also, this does not take into account that, without the hotline allegation, improper activities may have continued indefinitely without detection, resulting in even greater loss to the government.

We are sending copies of this report to the Director of the Office of Management and Budget and to the heads of departments and agencies with IGs or organizations with which we have referral agreements.

Sincerely yours,

A handwritten signature in dark ink, reading "Charles A. Bowsher". The signature is fluid and cursive, with the first name "Charles" being the most prominent.

Comptroller General
of the United States

C o n t e n t s

		<u>Page</u>
APPENDIX		
I	Summary of hotline allegations referred to agencies as of January 17, 1984	11
II	Summary of hotline allegations referred to Social Security Administration	12
III	Summary of hotline allegations referred to Office of Inspector General (OIG), Department of Defense	16
IV	Summary of hotline allegations referred to OIG, Department of Health and Human Services	21
V	Summary of hotline allegations referred to OIG, Department of Housing and Urban Development	24
VI	Summary of hotline allegations referred to OIG, Department of Labor	29
VII	Summary of hotline allegations referred to OIG, Department of Agriculture	32
VIII	Summary of hotline allegations referred to OIG, Veterans Administration	35
IX	Summary of hotline allegations referred to OIG, General Services Administration	37
X	Summary of hotline allegations referred to OIG, Department of the Interior	39
XI	Summary of hotline allegations referred to OIG, Department of Transportation	42
XII	Summary of hotline allegations referred to OIG, Department of Education	44
XIII	Summary of hotline allegations referred to OIG, Environmental Protection Agency	46
XIV	Summary of hotline allegations referred to OIG, Department of Commerce	47
XV	Summary of hotline allegations referred to OIG, Department of Energy	48

		<u>Page</u>
XXIV	Summary of hotline allegations referred to OIG, Community Services Administration	50
XVII	Summary of hotline allegations referred to OIG, Small Business Administration	51
XVIII	Summary of hotline allegations referred to OIG, National Aeronautics and Space Administration	53
XIX	Summary of hotline allegations referred to OIG, Agency For International Development	55
XX	Summary of hotline allegations referred to OIG, Department of State	56
XXI	Explanation of hotline allegations referred to OIG, Internal Revenue Service	57
XXII	Summary of hotline allegations referred to General Accounting Office	58
XXIII	Summary of hotline allegations referred to deputy assistant attorney general, Department of Justice	61
XXIV	Summary of hotline allegations referred to U.S. Postal Service	64
XXV	Summary of hotline allegations referred to OIG, Department of the Treasury	67
XXVI	Summary of hotline allegations referred to OIG, Office of Personnel Management	69
XXVII	Summary of hotline allegations referred to OIG, Federal Emergency Management Agency	70
XXVIII	Summary of hotline allegations referred to general counsel, Tennessee Valley Authority	71

ABBREVIATIONS

AFDC	Aid to Families With Dependent Children
AID	Agency For International Development
APU	auxiliary power unit
CETA	Comprehensive Employment and Training Act of 1978
CSA	Community Services Administration
DLA	Defense Logistics Agency

DOD	Department of Defense
DOE	Department of Energy
DOT	Department of Transportation
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FEMA	Federal Emergency Management Agency
FmHA	Farmers Home Administration
GAO	General Accounting Office
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IG	Inspector General
IRS	Internal Revenue Service
NASA	National Aeronautics and Space Administration
NBS	National Bureau of Standards
NCUA	National Credit Union Administration
OIG	Office of Inspector General
OPM	Office of Personnel Management
RRB	Railroad Retirement Board
SBA	Small Business Administration
SES	Senior Executive Service
SSA	Social Security Administration
SSI	Supplemental Security Income Program for the Aged, Blind, and Disabled
TVA	Tennessee Valley Authority
USDA	Department of Agriculture
VA	Veterans Administration
WIC	Special Supplemental Food Program for Women, Infants, and Children

SUMMARY OF HOTLINE ALLEGATIONS REFERREDTO AGENCIES AS OF JANUARY 17, 1984

Agencies with statutory IGs ^a	Total cases referred	Cases Closed			Cases pending
		Sub- stantiated	Not substantiated but action taken ^c	Unsub- stantiated	
SSA ^b	1900	172	49	1070	609
DOD	1592	204	72	935	381
HHS	1019	97	36	625	261
HUD	691	111	14	462	104
Labor	605	72	9	436	89
USDA	554	72	21	373	88
VA	486	74	9	320	83
GSA	334	37	60	215	22
Interior	226	22	8	133	63
DOT	210	29	9	148	24
Education	156	13	8	121	14
EPA	116	4	-	80	32
Commerce	111	8	-	60	43
DOE	109	11	7	75	16
CSA	90	7	20	23	40
SBA	86	11	6	58	11
NASA	38	7	3	26	2
AID	18	3	2	10	3
State	15	2	1	7	5
Agencies with nonstatutory IGs ^a					
IRSC	1084	-	-	-	-
GAO	309	43	26	198	42
Justice	290	43	14	132	101
Postal Service	247	32	11	168	36
Treasury	148	10	4	104	30
OPM	76	8	-	47	21
Other ^d	59	6	4	40	9
FEMA	43	4	3	28	8
TVA	35	8	2	23	2

^aNames of departments and agencies with statutory IGs listed by abbreviations, and not previously mentioned, are Department of Health and Human Services (HHS), Department of Housing and Urban Development (HUD), Department of Agriculture (USDA), Veterans Administration (VA), Department of Transportation (DOT), Environmental Protection Agency (EPA), Department of Energy (DOE), Community Services Administration (CSA), Small Business Administration (SBA), National Aeronautics and Space Administration (NASA), and Agency for International Development (AID). Names of agencies with non-statutory IGs listed by abbreviations, and not previously mentioned, are Internal Revenue Service (IRS), General Accounting Office (GAO), Federal Emergency Management Agency (FEMA), and Tennessee Valley Authority (TVA).

^bSSA is part of HHS but is treated as a separate agency for referral purposes.

^cSee app. XXI for details.

^dThis includes referrals to the D.C. Government-IG, Nuclear Regulatory Commission, Legal Services Corporation, Railroad Retirement Board, Office of Management and Budget, and the Merit Systems Protection Board.

^eThis category represents cases in which the reported allegation could not be substantiated, but action was taken to prevent or minimize the possibility of a violation or other improper activity.

SUMMARY OF ALLEGATIONS REFERRED
TO THE SOCIAL SECURITY ADMINISTRATION
AS OF JANUARY 17, 1984

The Hotline Group has referred 1,900 allegations of wrongdoing or mismanagement involving SSA funds and programs to the Department of Health and Human Services' (HHS) Office of the Inspector General (OIG) for investigation or audit. Currently, 609 cases are under investigation or audit by the OIG and 1,291 cases have been completed. The OIG has substantiated 221 instances of wrongdoing or mismanagement.

Of the 221 cases, individual recipients of federal financial assistance were involved in 204, federal employees in 8, contractors or grantees doing business with the government in 3, and other individuals or corporate entities in 6. The substantiated allegations involving individual recipients consisted of 97 for welfare cheating, 60 for receiving social security benefits improperly (other than disability), 43 for receiving disability benefits improperly, and 4 for miscellaneous improprieties.

Of the eight cases against federal employees, four cases were for failure to work during duty hours, two for abuse of authority, and two for other instances of mismanagement. The three cases involving government contractors or grantees consisted of one each for nonperformance or partial performance of grantee services, non-compliance with established procedures, and other mismanagement. The six cases involving other individuals or corporate entities concerned improper activity which could not be classified in any other category.

Forty-seven of the substantiated cases were presented for federal or state prosecution. Sixteen of these cases were declined for prosecution - 4 because of insignificant dollar loss, 2 in favor of administrative action, 1 due to lack of jury appeal, and 2 for other reasons--and in 7 cases the reason for declination was unknown. Of the remaining 31 cases, 15 involved criminal convictions and 2 others each resulted in a criminal and a civil case with the results unknown. In 14 cases, the specific type of legal action taken was not known.

The following is a sample of substantiated allegations or instances where preventive action was taken:

--An anonymous caller reported a woman who had previously been cut off from Aid to Families with Dependent Children (AFDC) because her husband lived with her, reapplied under her maiden name and received benefits for 3 years. An investigation verified the allegation and an overpayment of \$23,115 was established. The subject was convicted on the charge and ordered to make full restitution.

- An anonymous caller alleged a family member who had worked under several names was drawing multiple social security checks which were sent to addresses in two states. In addition, he was claiming his 20-year-old daughter and former wife as dependents for social security purposes. Following an investigation, the allegation was confirmed. The subject pleaded guilty to 2 counts of a 10-count indictment and was sentenced to a 2-year prison term and 3 years probation. The overpayment of \$12,650 is under collection by SSA.
- An informant reported an SSA field supervisor attended college during working hours. The manager also allegedly asked employees to type his term papers during working hours. If they refused, it was held against them. An investigation revealed field management had already begun action at the time of the report. The field supervisor was reduced one grade from operations supervisor (GS-11) to a nonsupervisory claims representative (GS-10).
- An anonymous caller alleged a woman was receiving AFDC benefits improperly because her checks were sent to one address while she actually lived with her children's grandmother. She also used one name for welfare and another for other transactions. Following an investigation, the benefits were terminated and a \$9,000 overpayment established. Arrangements have been made to recover this money administratively.
- A social security office manager allegedly hired his 13-year-old grandson for clerical work and used federal funds to pay him. The grandson also allegedly operated the computer inquiry system. In addition, the manager reportedly owned an outside business and used government time and equipment in its operation. An OIG investigation substantiated these allegations. Action has been taken to recover the funds used to pay the grandson.
- An anonymous caller reported a woman in California had been collecting supplemental security income (SSI) disability payments for about 4 years while she continued to earn about \$18,000 annually. An investigation revealed she had not reported this work to SSA and had fraudulently received over \$10,000 in SSI benefits. She was placed on probation and ordered to pay back the money.
- An anonymous caller alleged that a woman received social security student benefits but actually worked and did not attend school. According to the caller, the woman had forged the registrar's name on the attendance card from SSA and her checks were sent to her mother's address. An investigation revealed the allegation was correct and benefits were terminated. There was an overpayment of \$579. The U.S. attorney declined prosecution because the woman had already returned \$429 of this amount.

- An anonymous caller reported a California resident was using multiple social security numbers and surnames to claim welfare benefits for herself and her two dependent sons. An investigation revealed that while she had not received social security benefits, she had filed improper welfare claims which resulted in an overpayment. The state has recovered the overpayment in lieu of prosecution.
- An anonymous caller reported an individual who had improperly collected student social security benefits for 2 or 3 years. The individual allegedly had enrolled at a New Jersey college, but he never attended classes. An agency investigation showed the individual was overpaid \$1,700 because he had failed to notify SSA he was no longer a student. The U.S. attorney decided not to prosecute after the individual agreed to repay the debt.
- A federal employee reported an employee in the headquarters of the Office of Family Assistance had come to work late and left early for over 2 years. An agency investigation revealed that while this employee had received permission to adjust her hours to care for her sick husband, she continued the pattern after he had died. She was reprimanded for her actions and subsequently retired.
- An anonymous caller reported a woman who was receiving SSI and disabled widow's benefits also owned and operated a business. An investigation confirmed the allegation. The woman had received erroneous benefits totaling about \$6,000, but SSA is not pursuing criminal prosecution because of the subject's age and physical condition. However, she has agreed to repay the debt in monthly installments.
- An anonymous caller alleged that an Alabama resident continued to collect social security disability for one of his daughters after the daughter's marriage. An investigation revealed the individual had not notified SSA of the marriage and an overpayment of \$786 had resulted. Although the U.S. attorney declined to prosecute, the overpayment was recovered by administrative action.
- An anonymous caller alleged a woman in California who had been separated from her husband continued to receive welfare benefits although they had reconciled. In addition, she was working under her sister's name. An investigation confirmed this allegation and an overpayment of \$1,213. However, the district attorney did not prosecute because the woman signed a voluntary restitution form and has begun the repayment.
- An anonymous caller alleged a man was receiving social security disability but had returned to work as a truck driver. An investigation revealed he had received overpayments of \$4,700 in social security disability and \$2,663 in SSI. In the meantime, the subject had another heart attack and refiled for benefits. Under these circumstances, his

reentitlement weakened prosecution consideration, but recovery of his overpayment can be made by deducting from his current benefits.

- A husband reported that his former wife was receiving social security survivor benefits for herself and her child but had failed to report her remarriage. This report was confirmed and the woman's benefits were terminated. The overpayment of \$4,856 is being recovered by withholding a portion of the benefits she receives on behalf of the child.
- An anonymous caller said a man who was collecting social security disability had returned to his previous job without notifying SSA. An investigation confirmed the allegation. The man was entitled to a trial work period, but he should have told SSA about the work. As a result of the hotline report, SSA was able to terminate his benefits before an overpayment occurred.
- A woman who had custody of her daughter reported her former husband was receiving social security benefits on behalf of this child who lived with her mother. An investigation revealed the father had received and misused \$6,124 intended for his daughter. Criminal prosecution was not planned because of the husband's severe disability. However, SSA is taking action to recover the overpayment.
- An anonymous caller claimed a man receiving social security disability benefits continued to work as he did before his disability. An investigation showed the man did work part time as a supply pastor at a church but SSA decided this work did not constitute "substantial gainful activity." In the meantime, because of his improved medical condition, the subject was removed from disability benefits.
- An anonymous caller alleged a man was receiving social security disability benefits improperly because he had failed to report he had been working for a petroleum company for about 3 years. Although the investigation could not establish any gainful employment, the subject did undergo a medical reexamination and was declared no longer disabled. His benefits were terminated, but the evidence was insufficient to prove a violation and prosecute this case.
- An anonymous caller said a woman continued to receive social security survivors benefits for herself and her child, but she failed to report her remarriage for over 2 years. An investigation revealed the woman had concealed her remarriage resulting in an overpayment of \$3,363. The government is recovering this sum from benefits she receives on behalf of her child. The overpayment has been reduced to about \$2,000. Since the overpayment is being recovered, no prosecution was recommended.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO DOD'S OIGAS OF JANUARY 17, 1984

The Hotline Group has referred 1,592 allegations of wrongdoing or mismanagement involving DOD funds to the Department's OIG. Currently, 381 cases are under investigation or audit by DOD's IGs and 1,211 cases have been completed. DOD has substantiated 276 cases of wrongdoing or mismanagement. Of these substantiated cases, 226 involved federal employees, 43 government contractors, and 7 recipients of federal assistance.

The federal-employee cases involved 48 working-hour abuses, 36 improper uses of property or equipment, 22 thefts of government property, and 120 other instances of wrongdoing or mismanagement. The government-contractor cases consisted of 8 cost inflations, 7 nonperformance or partial performances of duty, 3 providing false information, 4 noncompliance with established procedures, and 21 other situations of wrongdoing or mismanagement.

Twelve of the 276 cases were presented for prosecution. Seven of these were declined for prosecution--four in favor of administrative action and three for other reasons. Of the remaining five cases, four resulted in criminal convictions and the result of the remaining case is unknown.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An informant said a major general had bought an interest in a nearby hotel after the Department of the Army told him about planned troop increases and possible housing shortages at the fort he commanded. The Judge Advocate General determined a conflict of interest existed. The major general retired a short time later.
- A caller alleged an Air Force contractor at an air base near Washington, D.C. was inflating the costs of repairs for maintenance. The salary data provided to the government contracting officer by the contractor increased Air Force costs by overstating salaries paid to employees. An Air Force and FBI investigation revealed the contractor submitted many fraudulent invoices. Two of the contractor's employees were found guilty and given suspended sentences.
- An anonymous caller alleged violations of standards of conduct by a Navy admiral including terminating employees who report mismanagement, employing government vehicles and drivers for personal errands, and using military aircraft and pilots improperly. Investigations disclosed training flights gave the appearance of a conflict of interest that violated the Navy's standard of conduct. The admiral also had used vehicles and drivers for personal errands and his

own staff in outside employment for his personal benefit. The Vice Chief of Naval Operations imposed sanctions and reprimands.

- An Army employee alleged the Defense Logistics Agency (DLA) purchased electronic parts (capacitors), which could be bought locally for 70 cents each, at costs ranging from \$22.49 to \$22.80. A Defense Department investigation determined the capacitor's cost could range from 60 cents to \$1.10 each. DLA claimed that the procurement of capacitors was a onetime purchase because the part was no longer a stocked item, and no longer in the Federal Stock System. The inquiry did not determine why the price of this electronic part was so high compared to the same item from commercial sources.
- An informant alleged overcharges and incompetent engineering by a major defense contractor on a missile systems project. Navy program and audit personnel found the potential for a \$16 to \$19 million cost overrun that was avoided by reducing the contract's scope, cutting contractor personnel from 400 to 240, and obtaining changes in key positions headed by the contractor's employees.
- An employee at an Army base in New Jersey charged that the installation had vaguely written contracts, failed to conduct proper negotiations, and did contract work of questionable value. An IG investigation found contract irregularities and wasteful payments ranging from \$110,000 to \$125,000, including a bill for training that cost \$13,683 but was never conducted. Government personnel had been derelict in ordering or tolerating purchases outside the scope of existing contracts. Administrative action was taken to recover funds and discipline personnel.
- A caller alleged a lieutenant colonel at an Ohio Air Force base conducted personal business during duty hours. Air Force inquiries showed the colonel represented two retail firms, spent duty hours selling these firms' products, and recruited employees to act as sales agents. The colonel, who admitted receiving company shipments at work, received administrative punishment, was fined \$817 a month for 2 months, and elected to retire rather than face a general court martial.
- An Air Force employee alleged a supervisor spent all his time managing his private law practice and real estate business and slept at work. The allegations were sustained and the supervisor was given a 5-day suspension and counseled.
- A caller alleged a military enlistee had obtained fire fighting equipment and supplies worth \$4,000 or more from Air Force friends and given this equipment to the local fire department. Investigation disclosed the individual had

signed out gear from Wright-Patterson Air Force Base for use by the fire department. The military member was found guilty of wrongful appropriation and reduced in grade.

- A complaint charged a government contractor operating the dining facilities at an Air Force base in South Dakota was engaged in various abuses, such as overcharging the government for meals served, inflating work hours, providing free coffee, and favoring certain employees. Air Force and FBI investigations substantiated the allegations. The U.S. attorney declined prosecution, but administrative action was taken to replace the contractor.
- An Air Force Reserve officer said eight senior officers illegally used a T-39 aircraft to fly to an Air Force base for a reserve conference. Also, nonactive duty reservists were improperly using military aircraft, especially in the Washington, D.C. area. The allegations were partially substantiated by the Air Force IG. Although the IG found the aircraft were not used illegally, the investigation was an impetus for the Air Force to take administrative action and clarify its policy in this area.
- A military officer alleged an Air Force commanding officer concealed a C-130 aircraft accident because the C-130 sustained \$25,000 to \$30,000 in damage from a reserve pilot practicing combat landing maneuvers he lacked the skills to perform. An Air Force IG investigation found no cover-up had occurred although the aircraft had \$15,000 in damage. The pilot was grounded and placed in a special program to regain proficiency.
- An informant alleged the mismanagement of \$2 million through cost overruns and kickbacks in the form of gifts that were given by a government contractor who developed an information processing system that did not meet contract specifications. An Air Force inquiry agreed with the mismanagement charge because the contractor had not incorporated information on subsystems into the overall management plan and had made cost overruns. However, the kickback allegations were unfounded. The Air Force decided it would award no follow-up contracts to this contractor.
- A university professor alleged mismanagement and wasteful use of Air Force funds at a university which holds classes at an Air Force base. Classes were provided for only a few students in each course. Travel was said to be excessive with as many as four instructors traveling at one time. The professor said two faculty members who had protested the mismanagement were forced to resign. Air Force inquiry determined the small classes resulted from student withdrawals from those courses. The contracts with the university were modified to limit professional development travel. The Air Force also decided to have three fewer faculty members.

- A quality assurance representative alleged an agency was procuring a part, called a rotating counter, for \$1,245 each, while its actual cost is approximately \$124.50. The DLA center is willing to pay this price because it claims there are no other bidders. DLA inquired and implemented procedures to find other competitive suppliers, and will monitor future purchases of this item.
- A government employee charged other employees with theft of government property, misuse of credit cards, and time and attendance abuses at Fort Dix, New Jersey. The investigation did not substantiate most of these charges. However, three civilians were charged with bowling during duty hours instead of working.
- An informant alleged misappropriation of funds at the Army's Non-Commissioned Officers' Academy, which is funded on the basis of the number of cadre and students. The informant believed funds should be distributed according to the number of instructors. An Army investigation substantiated the allegation but fraudulent activities were not found. Corrective action was taken to distribute funds equitably and prevent reoccurrences.
- A caller alleged an Army agency in Virginia had a long-standing policy of allowing its employees to take a holiday on their birthdays without having to take annual leave. An investigation substantiated the allegation and this improper policy was terminated.
- A caller alleged a contract employee was billing a private corporation and the Army for time spent teaching. An Army investigation found no evidence of willful intent to defraud but the contract employee was charging nongovernment-related teaching time on the Army contract. The employee was required to adjust time charges and credit was applied to the government contract for the improper time charges.
- An informant alleged two members of the military were using a Navy boat for their personal gain by engaging in commercial crabbing. A Navy investigation sustained the allegations and the two received nonjudicial punishment. Administrative action was taken to prevent similar abuses in the future.
- A former military auditor in the Navy's OIG recommended closing a Navy dairy farm in Annapolis, Maryland, because the facility had outlived its usefulness. As a result of the allegation, the Navy IG determined the dairy requires extensive facilities and equipment modernization if it is to continue to operate. We have asked for notification of the final action to be taken in this case.
- A Wurtsmith Air Force Base employee alleged that rail operations at the Michigan base have been at a standstill

for the past 2 years and train crewmen were working as transportation clerks or inspectors at crewman rates. Our report to the Secretary of Defense (LCD-80-58, May 12, 1980) had recommended rail operations be discontinued where the use was low. In addition, a need was indicated for awareness of equipment requirements, replacement plans, and other matters related to locomotives. DOD confirmed the allegations. As a result, railroad operation positions were downgraded and instructions were issued, entitled Management of DOD Locomotives.

- An informant alleged military officers at an Army medical center continually fly to Washington, D.C. for training. The caller viewed this travel as a "vacation." The Army determined blanket travel orders were used to recruit medical staff. These blanket orders were withdrawn in those cases where full justification was not evident. The charges of repetitive training were not sustained.
- An informant said a Navy captain hired and promoted an unqualified secretary three grades in less than three years, falsified her time and attendance records, and gave her unearned compensatory credit hours. Time and attendance records had been falsified. Charges of irregularity in the secretary's hiring, promotion, or qualifications were without merit. The captain received a letter of reprimand and 15 days restriction to quarters with suspension from duty. The secretary was suspended without pay for 10 days.
- An informant alleged nonperformance on a contract with the Corps of Engineers to protect public park grounds. A deputy sheriff was said to have hired his entire family and falsified time and attendance records were charged back to the contract. A Corp of Engineers' audit showed enforcement personnel were reporting their hours incorrectly and, in some cases, were working as security officers at businesses. Overpayments of \$4,393 were identified and scheduled for recovery. Administrative action was taken to prevent recurrences of overcharges in future contracts.
- It was alleged that two Army Aviation Commands were purchasing auxiliary power units (APUs) at a much higher cost from a manufacturer than a helicopter contractor was paying the same supplier. The contractor was paying its supplier between \$33,823 and \$38,041 for the APUs, while the Army was paying between \$42,000 and \$60,000 for the same APU. The Army IG investigation could not substantiate overcharging. The commands determined they will evaluate future APU procurements more closely.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO HHS'S OIGAS OF JANUARY 17, 1984

The Hotline Group has referred 1,019 allegations of wrongdoing or mismanagement involving HHS funds and programs to HHS's OIG for investigation or audit. This figure does not include the direct referrals to SSA. Currently, 261 cases are under investigation or audit by the OIG and 758 cases have been completed. The OIG has substantiated 133 instances of wrongdoing or mismanagement.

Of these substantiated cases, 29 involved federal employees, 1 federal employee in conjunction with others, 77 contractors or grantees doing business with the government, 25 recipients of federal financial assistance, and 1 involving other individuals. Among the substantiated allegations involving federal employees, 6 were for falsification of time and attendance, 6 noncompliance with established agency procedures or policies, 3 nonwork during duty hours, 2 favoritism in work assignments, 2 not processing claims or inquiries in a timely manner, and 10 other instances of fraud or mismanagement.

Ten of the substantiated cases were presented for prosecution with 1 resulting in criminal convictions. Five were declined in favor of administrative action and three declined for other reasons. In one case an arrest warrant was issued.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An anonymous caller reported that two professors at the University of Wisconsin's Center for Research and Training were converting federal funds to personal use and extorting money from program trainees. The investigation by HHS's IG substantiated the allegations and identified \$160,000 in misused federal funds. The U.S. attorney prosecuted both professors who were found guilty on 14 counts of conspiracy and conversion of federal funds. They were sentenced to 3 years in prison and ordered to repay the government \$165,974.
- A caller alleged a New Mexico medical center was systematically overbilling medicare for lab work. The medicare carrier in New Mexico informed HHS that the medical center has one doctor who does all lab work for the medical center. The carrier's program-integrity staff had the doctor under investigation for fragmentation of lab charges. An overpayment of \$24,566 has been computed. Additionally, the doctor has been placed on prepayment review to prevent further overpayment of medicare funds.
- An informant alleged an HHS IG official plans business trips for personal convenience and takes long lunches and breakfasts without charging leave. Investigations by HHS uncovered travel and leave irregularities. As a result, the official's leave records were changed to reflect annual

leave charged and reimbursement was made for excess travel expenses. Also, the individual was given an official reprimand for improprieties in annual leave charges and for requesting travel by private automobile as more advantageous to the government without substantial justification.

- The caller alleged a program official was embezzling money from an HHS-funded program for the elderly in Washington, D.C. Investigation disclosed the official used \$1,800 in grant funds for her personal use. According to agency officials, a warrant was issued, but it was never served because the individual had left the area.
- An anonymous caller reported a Florida hospital was keeping medicare patients in the hospital much longer than necessary to maintain a high occupancy rate. A review by Blue Cross of Florida revealed unnecessary service resulting in a \$6,513 overpayment.
- The caller alleged a case worker in a county welfare department provided false information concerning a mother's mental incompetence because the case worker was trying to arrange an illegal adoption for profit of the woman's 2-month-old child. As result of the allegation, a court hearing was held and the child was returned to its natural parents.
- Gross mismanagement and fraudulent activities were alleged in the South Dakota Head Start Program. It was charged the program director was at fault. Investigation revealed mismanagement was occurring but it was due to technical inexperience rather than criminal intent. HHS Regional Office personnel provided technical assistance to correct the situation.
- An anonymous caller reported the Amity Convalescent Home in Cincinnati, Ohio, mistreats patients and fails to properly maintain the home. An audit substantiated the allegation. A report was issued specifying the deficiencies and giving a correction plan.
- An anonymous caller alleged a San Bernardino, California man was receiving medical assistance that he was not entitled to. The allegation was substantiated and about \$3,000 was collected from the individual.
- An anonymous caller reported that physicians in a North Carolina city, who participate in an HHS program to provide doctors to communities without medical care, are difficult to reach because they work part time in nearby counties. An HHS investigation substantiated the allegation. The two physicians assigned to the city were not authorized to practice outside their assigned site. The physicians have left the program but each has agreed to forfeit approximately 30 days of annual leave.

- An anonymous caller reported numerous irregularities in the operation and management of a community mental health center in Ohio that receives HHS grants. An HHS investigation substantiated the allegation revealing ineffective management combined with ineffective operations of the board of directors. As a result, the executive director was terminated and the board took corrective action to improve management practices.
- The caller alleged medicare was billed for services of a doctor who never saw or treated him at a Miami Beach, Florida clinic. An investigation revealed that when the patient changed doctors, the doctor's office did not note the change, resulting in an incorrect bill for hospital visits. The doctor refunded the improper payments.
- An anonymous caller reported a division director at a medical center was misappropriating HHS grant funds for nonrelated projects. An HHS investigation did not disclose a fraudulent misuse of funds but did show that supply, travel, and service costs, amounting to over \$60,000, had been improperly charged to the grants.

SUMMARY OF HOTLINE ALLEGATIONS REFERREDTO OIG, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,AS OF JANUARY 17, 1984

The Hotline Group has referred 691 allegations of wrongdoing or mismanagement involving Department of Housing and Urban Development (HUD) funds and programs to HUD's OIG for investigation or audit. Currently, 104 cases are under investigation or audit by the OIG and 587 cases have been completed. The OIG has substantiated 125 instances of wrongdoing or mismanagement.

These 125 cases involved 18 federal employees, 88 contractors or grantees doing business with the government, 18 recipients of federal financial assistance, and 1 another individual or corporate entity. Among the substantiated allegations involving federal employees, seven were for inadequate inspection or acceptance of goods received or services rendered, two noncompliance with established agency procedures or policies, two cheating on travel, two falsification of time and attendance, and five other wrongdoing or mismanagement.

Of the 88 cases against government contractors or grantees, 11 involved improper expenditure of government grant or contract funds, 11 noncompliance with established procedures, 9 failure to adequately monitor subgrantees or subcontractors, 5 nonperformance or partial performance of contracted services, 5 using federal funds for other than intended purposes, and 47 other instances of wrongdoing and mismanagement.

Seventeen of the 18 cases involving recipients of government financial assistance concerned abuse of housing subsidies, and the other case was a fraudulent loan application. The one case concerning another individual involved an attempt to improperly collect federal funds.

Fourteen of the substantiated cases were presented for prosecution at the federal or state level. Six cases resulted in criminal convictions, one was declined for insufficient evidence, one was declined for lack of prosecutable merit, two were declined in favor of administrative action, and four were declined for other reasons.

The following is a sample of substantiated allegations or instances where preventive action was taken:

--An informant alleged that a county housing authority official, a contractor, and a former county judge, who were all related, improperly spent HUD funds and falsely claimed they owned a project built with county and federal funds. The caller also charged the project, an apartment complex, had construction deficiencies. A HUD audit review did find numerous construction deficiencies, local officials leasing the land for the project to the developer, and exaggeration of

the initial mortgage estimate. Also, the interest earnings on tax-exempt funds were not used to offset project costs. The investment of the tax-exempt funds provided the underwriter with an additional income of \$360,000 which, if used to reduce the mortgage, would reduce the rent subsidy assistance by \$950,000 over the 20-year period of the housing assistance payment contract. As a result, the mortgagor deducted \$790,000 of grants from certified costs to correct the overstated insured mortgage. A new agreement was initiated and this indicated a reduction of \$77,500 in the insured mortgage by excluding the value of donated land. Also, contract rents would be reduced. Finally, the HUD area office is considering qualifying the final endorsement of the mortgage, to permit repayment of a portion of the mortgage and bonds, and reducing contract rents in case the \$360,000 is recovered from the underwriter.

- A caller reported a county auditor's audit of a HUD grantee found \$300,000 in overpayments to the grantee for unallowable indirect costs. Although the audit report was issued in January 1982, the matter had not been resolved as of November 1982. The caller suspected HUD might be unaware of the audit. Review by HUD OIG disclosed that the complaint was valid--unallowable indirect costs totaling \$459,954 were charged to the grantee's Community Development and Block Grant program. The HUD area office asked the grantee to remit the funds to HUD.
- A caller alleged the executive director of a local community development agency had purchased a government vehicle from a relative, converted agency property to personal use, and used government funds to pay for entertainment expenses. An audit by an independent public accountant substantiated the allegations. As a result, the accounting system was completely revised and rewritten and all executive officers were fired.
- An informant alleged individuals receiving rent subsidies had moved out of an apartment complex, but had conspired with the apartment manager to continue to receive their subsidy checks. The manager reportedly received a cut from the checks. An audit review did not support the specific allegation. However, the audit did result in numerous findings pertaining to unauthorized, improper, and inadequate management practices. Expenditures of about \$24,300 were disallowed and expenses of about \$461,000 were questioned. In addition, the management agent's contract was terminated.
- An anonymous informant alleged the manager of a HUD-subsidized building urged tenants to illegally apply for money under HUD's Section 8 program. Investigation disclosed that six tenants may have falsified documents to qualify for the rent subsidy program. This resulted in subsidy overpayments totaling \$8,415 to the tenants. Collection procedures were initiated to recoup the overpayments.

- The allegation that government funds were misappropriated by the owner of a management firm under contract with HUD was found valid after investigation. Investigation determined that while serving as the managing agent at two HUD-subsidized housing complexes and receiving a fee in that capacity, the owner put herself on the payroll as a salaried employee and collected \$14,578.30. A temporary denial of participation was issued to the woman. In addition, repayment of the \$14,578.30 was demanded from the owner.
- Two complainants alleged HUD rehabilitation funds were mismanaged and tenants were overcharged for rent by the landlord, who had received a HUD subsidy for rehabilitating houses for low-income people. The landlord was the subject of an ongoing FBI investigation, which determined the landlord had submitted a false financial statement at the time of the loan application and, subsequently, fraudulently used approximately \$23,000 in funds. The landlord was convicted on federal charges of submission of false statements and theft of public funds, and was sentenced to 2 years in prison with 18 months suspended.
- A caller reported a local official had defrauded HUD of thousands of dollars in rehabilitation funds. Investigative review determined the town could not adequately document spending over \$95,000 in ineligible rehabilitation expenditures. The local official was convicted of state criminal charges unrelated to the HUD program. The rehabilitation grant was terminated and the unused portion of the original grant cancelled. HUD initiated action to recover the ineligible expenditures.
- An allegation was proved that a HUD employee falsely claimed overtime, and the supervisor improperly authorized it. Investigation showed that 16 hours of overtime were unauthorized. A revised time and attendance report was submitted, one employee resigned from HUD, and the other received a verbal admonishment.
- A caller alleged a subcontractor on two HUD-financed housing developments was circumventing federal wage law requirements and misappropriating federal funds. HUD's OIG investigation disclosed the subcontractor's employees were misclassified and underpaid. The assistant U.S. attorney declined prosecution in favor of HUD administrative action. Escrow monies were prorated among the affected employees and the subcontractor was temporarily denied participation in the program.
- A caller alleged an individual provided false information to officials to get "block grant" funded work done on the house she occupied. The person also was charged with improperly collecting a HUD rent subsidy. A HUD OIG investigation substantiated the allegation. The individual represented

herself as a tenant when, in fact, she jointly owned the property with her daughter and had been the sole owner before recertification. The findings were forwarded to the local housing authority to collect \$1,622 of overpayment from the woman.

- A HUD rent-subsidy recipient was accused of receiving subsidy payments for 12 months a year even though the subject lived in the subsidized apartment only 5 months a year and spent the rest of the year with relatives in a different state. HUD program staff said the recipient had not violated any HUD regulation. However, the Office of Housing began a study of a possible policy change that would prevent a tenant from receiving a rent subsidy at one location for the whole year while living temporarily in another state for a major portion of the year.
- Two callers alleged a portion of a HUD Section 8 co-op loan was used as a political campaign contribution. An audit showed that \$1,000 of rehabilitation funds was used to buy dinner tickets for a political fund-raiser. The audit finding was presented to the company concerned, with the recommendation that it repay the \$1,000 because it was an ineligible expenditure. Also, the HUD area manager was asked to ensure the reimbursement was made.
- A caller alleged HUD was allowing illegal aliens to obtain rental housing subsidies. The problem apparently arose because the HUD application form did not stipulate whether the applicant is a U.S. citizen. In response to the allegation, HUD drafted regulations to address the problem and planned to make changes to the HUD application form.
- A recipient of HUD housing assistance allegedly was ineligible for the federal financial assistance. Investigation showed the individual was overpaid approximately \$10,000. The recipient was convicted, sentenced to 5 years probation, and ordered to repay the funds to the government.
- An informant reported the owner of a 280-unit apartment complex was not using HUD-guaranteed loan funds to repair and refurbish the rundown complex. The allegation was found to be partially valid. A meeting was held with the owner, management agents, mortgagee, and HUD representatives to resolve the numerous physical, financial, and managerial problems. Subsequently, a management review was completed. As a result, new roofing, carpeting, and linoleum were installed. Corrective actions were also taken to resolve the other problems.
- A caller reported several problems involving a local housing authority that uses HUD funds. The housing authority had segregated housing projects, keeping separate projects for white and black housing. In addition, other housing projects had construction deficiencies, such as leaking roofs.

A review validated the allegations. As a result, the authority signed a voluntary compliance agreement with HUD to remedy the segregation problem. The HUD area office monitored corrective actions on the construction deficiencies.

- The recipient of a HUD rehabilitation grant complained through a representative that, although the contractor's work on her home was inadequate, HUD had authorized payment to the contractor. Among her complaints were that the roof had not been repaired properly, bathrooms were left incomplete, and heating and wiring were inadequate. A review by HUD program staff determined the complaint was valid. The HUD area office carried out corrective action for the repairs.

SUMMARY OF HOTLINE ALLEGATIONS REFERREDTO OIG, DEPARTMENT OF LABOR, AS OF JANUARY 17, 1984

The Hotline Group has referred 605 allegations of wrongdoing or mismanagement involving Department of Labor funds and programs to Labor's OIG for investigation or audit. Eighty-eight cases are currently under investigation or audit and 517 cases have been completed. The OIG has substantiated 72 instances of wrongdoing or mismanagement.

The substantiated cases involved 50 grantees or contractors, 17 recipients of government financial assistance, 7 federal employees, 6 other individuals, and one government employee in conjunction with others.

Of the 50 grantee or contractor cases, 26 involved noncompliance with established procedures, 9 improper expenditure of grant or contract funds, and 3 either nonperformance or partial performance of grantee services. The remaining 12 instances involved various types of wrongdoing or mismanagement.

Of the 17 cases against recipients of government financial assistance, 9 involved cheating on unemployment, 7 collecting disability benefits improperly, and 1 Comprehensive Employment Training Act (CETA) eligibility abuse. The seven cases against federal employees included three involving the misuse of government equipment during duty hours, two noncompliance with established agency procedures, and two nonwork during duty hours.

Of the 21 substantiated cases presented for prosecution, 12 were declined and 9 were prosecuted. The prosecuted cases resulted in three convictions, one acquittal, and one judgment for the government. The results of the remaining four cases are unknown. Seven cases were declined in favor of administrative action, and two were declined because of insignificant dollar loss. The remaining declinations were for various reasons, such as no dollar loss to the government or insufficient evidence.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An anonymous informant alleged misuse of CETA funds by a grant recipient, including transfer of CETA funds to the recipient's operating funds, payment of loans incurred by the recipient, and use of CETA employees for outside work. An OIG investigation substantiated the charges. The U.S. attorney decided against criminal prosecution because the prime sponsor offered to pay back the questioned expenditure. The Department initiated action to collect over \$169,000 from the prime sponsor.
- An anonymous caller alleged various irregularities in the management of a CETA-funded nonprofit group, including \$360,000 earning interest in a bank rather than being used

as intended, business profiteering, failure to pay salaries, and contract favoritism by the group's executive director. An investigation by program officials and the OIG did not result in prosecution, but the grant officer established a debt of \$155,035.88. State withholding taxes were subsequently paid, and staff salaries have been donated to repay the remaining tax debt. In addition, friends of the group were raising funds to repay the obligation.

- An anonymous caller alleged a former federal employee was collecting a full disability but worked full time as an apartment manager. Allegedly, the man was paid by the apartment management in his wife's name. A Departmental investigation resulted in a 14-count indictment against the couple. After plea bargaining, the husband entered a plea of no contest to one count of making false claims, with all other charges dismissed. He was sentenced to 1 year in jail, suspended on the condition that he pay back \$8,000. In addition, his monthly disability benefits were reduced, saving the government \$11,934 annually.
- A CETA grantee, who had received program funds to give job training to the heads of households of migrant farm workers, allegedly was not performing the contracted services. The managers were supposedly raising staff salaries by over 40 percent while virtually ignoring field personnel. As a result, the migrant workers were not receiving instruction. An OIG review did not find criminal violations, but it did reveal a lack of documentation of costs and overcharging of indirect costs. The audit recommended disallowance of \$243,712, which was reduced to \$207,001 after the grantee's appeal. Labor subsequently sent a letter asking for that amount.
- The informant alleged the assistant director of a grant recipient was using CETA funds to rent and refurbish buildings owned by a private nonprofit corporation of which he was president and registered agent. An OIG investigation already underway supported the allegations, but the U.S. attorney declined prosecution in favor of administrative action. Labor disallowed \$1,996,898. A subsequent audit revealed similar violations had continued and, as a result, two individuals have been indicted.
- An anonymous informant alleged a city councilman's brother had failed to disclose his relative had a political position, and had falsified his address to appear eligible for a CETA opening for which he was eventually hired. A Labor investigation substantiated the allegations. The assistant U.S. attorney declined to prosecute in favor of administrative action, and the Department subsequently asked the prime sponsor to repay \$17,000.

- A caller alleged CETA employees were falsifying records and addresses and nepotism was occurring in the program. An investigation determined that a CETA employee had illegally enrolled his wife in a CETA-funded program for 17 months, a period in which she improperly received \$14,520. The employee fled the area before the investigation began and is currently sought by the FBI and the OIG.
- A former employee of a CETA contractor alleged the contractor had misused CETA funds by falsely showing employees as present for work, and by predating checks so that it would appear to CETA that the contractor's payroll was paid promptly. A Labor investigation failed to substantiate intentional fraud, but found a lack of proper accounting procedures and questioned costs totaling \$26,601.81. Although the contractor was asked to repay the funds, they have not been repaid, and an upcoming audit will recommend disallowance of the funds.
- An anonymous informant claimed the director of a CETA-funded organization had placed his wife and a noncitizen in the CETA program. A Labor investigation failed to substantiate the charges against the director's wife, but did disclose that one individual had provided false information to obtain work. The assistant U.S. attorney declined prosecution, and civil action was taken to recover \$17,340 in wages and penalties.
- An anonymous informant alleged a grantee was charging the CETA program a rental fee for a building provided free to the grantee in exchange for a maintenance agreement. A Departmental investigation revealed the regional office, in response to a request from city auditors, was already examining all administrative costs. A 28-count indictment was returned against the individual, who pleaded guilty to one felony count and agreed to restitution of \$2,831.32. The individual received 5 years probation.
- An anonymous caller alleged a CETA program director used improperly generated income from a CETA-funded day care project to begin a private business. An OIG inquiry failed to substantiate the specific allegation, but questioned funds totaling \$28,733. After appeal by the grantee, the questioned funds were reduced to \$25,785, and demand for that amount was made by the Department.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
DEPARTMENT OF AGRICULTURE, AS OF JANUARY 17, 1984

The Hotline Group has referred 554 allegations of wrongdoing or mismanagement involving Department of Agriculture (USDA) funds and programs to USDA's OIG for investigation or audit. Eighty-eight cases are currently under investigation or audit by the OIG and 466 cases have been completed. The OIG has substantiated 93 instances of wrongdoing or mismanagement.

These 93 cases concern 24 federal employees, 26 contractors or grantees doing business with the government, and 43 recipients of federal financial assistance. The substantiated allegations involving federal employees were four for nonwork during duty hours, three for falsification of time and attendance, three for improper use of government property and equipment, two for cheating on travel, one for conflict of interest, and three other cases of wrongdoing. In addition, two cases each involved inadequate inspection or acceptance of goods received or services performed, and not promptly processing claims or inquiries, and four other cases of mismanagement involving government employees.

Of the 43 cases against recipients of federal financial assistance, 28 involved cheating on food stamps, 6 fraudulent loan applications, 3 cheating on welfare, 2 housing subsidy abuses, 1 abuse of disaster benefits, and 3 other instances of fraud.

Nine of the 93 cases were presented to Justice for prosecution. Two were declined in favor of administrative action, three were declined for insignificant dollar loss or other reasons, and four involved convictions or other criminal or civil actions.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- The caller alleged the owners of two San Francisco stores were involved in food stamp trafficking, possibly including stamps stolen from the Redwood City, California, food stamp office. After a nationwide investigation, both owners were indicted, convicted, fined a combined total of \$50,000 plus restitution, and sentenced to 7 years in prison.
- The caller alleged misuse of federal government funds in the Illinois Department of Health's Special Supplemental Food Program for Women, Infants, and Children (WIC). As the result of a comprehensive audit, fiscal policies and fiscal claims were identified as two major areas of concern. To correct the problems, revisions were made in seven broad program areas. In addition, claims totaling \$5,935,737.21 have been identified and recovered.
- The caller alleged a Forest Service supervisor routinely used government facilities, equipment, supplies, and tree

products for his own personal gain. In addition, the supervisor allegedly used government funds to pay for the construction of his personal residence. After an investigation substantiated the allegations, the supervisor was relieved of his duties as a project leader and later was separated from the Service.

- The callers reported a contractor, who was building houses in Oklahoma insured by the Farmers Home Administration (FmHA), was constructing houses that were not in accordance with FmHA standards and generally of deficient quality. An OIG investigation that confirmed the allegation resulted in the barring of the construction company and its affiliates from participating in any FmHA program for 10 years.
- An anonymous caller alleged a Mississippi food store was trading nonfood items for food stamps and purchasing food stamps at discount rates of 50 percent or less. After the allegation was substantiated, the store was disqualified from the food-stamp program for 3 years. The store owner requested judicial review but later withdrew it and the store was subsequently sold. The disqualification stands until May 2, 1986.
- The caller alleged a vendor of a Michigan WIC program was supplying outdated food to recipients including broken eggs, moldy cheese, and perishable food with expiration dates more than a year old. After an investigation, the agency terminated the contract with the vendor.
- The caller alleged that a food-stamp recipient deliberately underreported his family's assets in order to qualify for the program. County officials investigated and confirmed the allegations. A repayment plan was initiated to recoup the overissuance.
- The informant reported a Louisiana day care center was intentionally filing overstated claims, failing to maintain records in support of claims for food and labor, and disposing of program equipment without authorization. An investigation substantiated the allegations and resulted in a five-count indictment charging the day care center's director with embezzling funds from the CETA program.
- The callers purchased a FmHA inspected and financed home, then discovered it was built on wetlands. The callers alleged this fact was known, but not disclosed by FmHA. The septic system subsequently failed and the house was condemned by the local health department. USDA review and intervention resulted in the contractor installing a new septic system satisfactory to the borrowers.
- The caller reported a welfare and food stamp recipient was receiving assistance for her infant son who did not reside

with her. The state of California confirmed the allegation and is collecting a \$3,780 reimbursement from the subject.

- The anonymous caller reported a Georgia resident was receiving increased housing interest credit from FmHA because of his reported unemployment, although he was employed by a construction firm. An FmHA investigation revealed the man had failed to report his proper income and job status, resulting in the cancellation of his interest credit agreement. An increase of \$2,112 was added to his debt and an additional payment agreement was drawn to recover excess credits.
- The informant reported that a Menlo Park, California food market, a participant in the WIC program, was tampering with WIC coupons by keeping the excess between the amount of the purchase and the maximum value of the coupon. After confirmation of the practice, the market owner was required to repay \$6,800 and was suspended from the program for 2 months.
- The caller alleged an individual underreported her assets when applying for food stamp benefits, using false rent receipts prepared by her mother with whom she lived rent free. After a USDA investigation substantiated the allegation, benefits were terminated. The woman is now serving a prison term for other criminal violations.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
VETERANS ADMINISTRATION, AS OF JANUARY 17, 1984

The Hotline Group has referred 486 allegations of wrongdoing or mismanagement involving Veterans Administration (VA) funds and programs to VA's OIG for investigation or audit. Eighty-three cases are currently under investigation or audit by the OIG and 403 cases have been completed. The OIG has substantiated 83 instances of wrongdoing or mismanagement.

The 83 cases involved 39 federal employees, 35 individual recipients of federal financial assistance, 7 contractors or grantees doing business with the government, and 2 federal employees in conjunction with others.

The 39 cases against federal employees concerned 12 employees not promptly processing claims or inquiries or not following agency procedures, 10 work-hour abuses including awarding unnecessary overtime, 6 misuse of government property, 3 thefts of government property, 3 improper financial activities such as cheating on travel or other government payments, and 5 other forms of mismanagement.

The 35 cases concerning individual recipients of federal financial assistance involved veterans, their widows, or beneficiaries cheating on VA benefits, such as claiming a disability when working full time or failing to report a marriage to VA. The seven cases against contractors or grantees involved not performing to the terms of the contract or grant. The two cases involving federal employees in conjunction with others dealt with conflicts of interest.

Five of the substantiated cases were presented for prosecution but were declined in favor of VA taking administrative action.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An informant alleged a VA pensioner, who was collecting a full disability pension because his mobility was restricted to the use of crutches, actually operated a commercial fishing boat in Texas. The informant provided pictures of the individual working without crutches and suggested investigators contact the sheriff's office for complaints filed about the individual. As a result, the VA regional office concluded the veteran had committed fraud in obtaining benefits. It reduced his disability and recommended prosecution. The veteran currently owes over \$55,000 of the \$70,000 he had illegally collected. His \$378 monthly disability payment will be applied to this debt until it is paid.

- An anonymous informant alleged a veteran's widow had not informed VA of her remarriage. After determining the allegation was correct, VA suspended payments to the woman until the entire \$23,000 is repaid from her monthly entitlements.
- An anonymous informant alleged a VA hospital chief in Texas was sending doctors to work in a private hospital while they were paid by VA. After VA's IG proved the charge, two doctors were admonished, one was billed for about \$4,000, and a fourth resigned.
- A VA hospital employee in Washington, D.C. alleged two hospital nurses were making frequent personal long-distance telephone calls to their relatives on government phones during work. The IG investigated and, as a result, the nurses were reprimanded.
- A VA employee complained a Washington state college was not returning VA education allowances for veterans who cancelled their course enrollments. VA's IG determined the college had overcharged VA for depreciation of equipment and other expenses, and also had invested VA's money and earned interest. The IG determined the college owed VA \$4.2 million, which VA is now collecting.
- The president of a health association alleged manufacturers were selling defective pacemakers to VA. Thus, many veterans had second surgeries to replace the defective pacemakers. VA's IG conducted an audit and recommended VA's Department of Medicine and Surgery apply more effective quality control procedures. The department agreed to draft an agency policy covering acquisition and implantation of pacemakers and to establish a central registry for veterans receiving pacemakers.
- An informant complained a VA mental hospital was mistreating patients by forcing them to stand out of doors during inclement weather, cleaning bathrooms only once a week, and in an economy effort serving leftovers instead of the fresh food specified on the menus. In addition, the hospital's management had not acted on safety hazards until someone was hurt. A VA medical center director investigated, found the allegations essentially correct, and assured VA's IG that these problems would be corrected.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO GSA's OIG,
AS OF JANUARY 17, 1984

The Hotline Group has referred 334 allegations of wrongdoing or mismanagement involving GSA funds and programs to GSA's OIG for investigation or audit. Twenty-two cases are currently under investigation or audit by the OIG and 312 cases have been completed. The OIG has substantiated 97 instances of wrongdoing or mismanagement.

In the 97 cases, 81 involved federal employees, 15 a contractor or grantee doing business with the government, and 1 another individual or corporate entity. Of the cases involving federal employees, 33 were allegations of improper use of government vehicles in which GSA asked the agency responsible for the vehicle to take the appropriate administrative action. Fourteen other cases involving federal employees also concerned improper use of government vehicles, 3 purchases of unnecessary equipment or supplies, 4 improprieties related to contracts, and 27 other instances of wrongdoing and mismanagement.

Of the 15 cases against government contractors or grantees, 1 involved nonperformance or partial performance of contracted services, 1 theft of government property, 5 other instances of wrongdoing, and 8 instances of mismanagement. The one case involving another individual concerned improper use of a government vehicle.

Of the six substantiated cases presented for prosecution, one was declined because of insignificant dollar loss, three were declined for other reasons, one resulted in an acquittal, and the final outcome of the indictment in the sixth case is unknown.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- A caller reported approximately 18,000 square feet rented by the government in a downtown New York City commercial building had remained vacant and unused for approximately a year and a half. GSA's OIG confirmed the allegation and concluded that approximately 26,000 square feet was a reasonable estimate of the total vacant space that could be created. This space has cost the government an estimated \$330,000 in rental payments. GSA regional officials disputed the OIG's findings, preferring to characterize the space as underutilized rather than "vacant."
- A federal employee reported a rental car agency with a GSA contract did not allow the 25 percent discount provided for in the contract as published in the Motor Vehicle Rental/Traveler's Pocket Guide. When the employee asked about it, he was told the discount was included in the rate, but according to the contract, this was not true. A GSA contracting officer reviewed the contractor's records and found the

contractor did not consistently give the GSA discount. The contractor was told of the deficiency and warned about the consequences of noncompliance. In view of the findings, a regionwide pilot program was begun to review the records of each car rental contractor in approximately 40 cities in 1 federal region. Based on the results of the pilot program, GSA's investigation eventually went nationwide. Money was recovered in various locales, particularly in the southeast and southwest regions.

- A caller reported a company responsible for security at a federal building, a GSA building manager, and a Federal Protective Service employee conspired to steal and fence items from offices in the federal building. A GSA investigation developed no evidence to support the original allegations. However, the inquiry did identify other violations which resulted in the indictments of three corporate officers.
- A federal employee alleged his area's GSA Interagency Motor Pool wasted funds by mismanaging repair and rental procedures. Investigation showed the fleet manager used poor judgment and did not exercise effective control over the motor pool's maintenance functions. The fleet manager resigned shortly after the allegation was reported to GSA, and since then significant improvements have been made in customer relations, dispatch procedures, vehicle utilization, and maintenance control procedures.
- A caller alleged a federal employee was using a government vehicle for personal business, such as trips to the grocery store, taking his children to school, and vacation outings. Investigation substantiated the allegation. Because the subject was found to be carrying unauthorized persons in a government vehicle, he was censured and put on probation.
- A knowledgeable informant reported a contractor was not supplying GSA with the type of material that was bid on under the contract purchase order. Rather, the contractor was using goods below specifications. After reviewing the auditor's records, the contractor admitted a mistake had been made, and GSA's contracting officer accepted the contractor's offer to reduce prices on the items in question. In addition, GSA's regional procurement division was requested to require inspection at source until a history of acceptable quality is established.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
DEPARTMENT OF THE INTERIOR, AS OF JANUARY 17, 1984

The Hotline Group has referred 226 allegations of wrongdoing or mismanagement involving Department of the Interior funds and programs to Interior's OIG for investigation or audit. Sixty-three cases are currently under investigation or audit by the OIG and 163 cases have been completed. The OIG has substantiated 30 instances of wrongdoing or mismanagement.

Twenty-eight of the 30 substantiated cases involved federal employees and 2 were against contractors. Among the substantiated allegations involving federal employees, 17 were for noncompliance with agency procedures, 3 for theft of government property, and 3 for improper use of government telephones. The remaining five were for various types of wrongdoing or mismanagement. Of the cases involving contractors, one was for noncompliance with established procedures, and the other involved a contractor ineligible to receive contract funds.

Two of the substantiated cases were prosecuted by the Department of Justice, both resulting in convictions.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An anonymous informant alleged an agency employee working in Virginia was using a government charge account with a local auto dealer to purchase automobile parts for his personal vehicle. A Departmental IG investigation disclosed that during a 10-month period the employee made 20 fraudulent automobile replacement part purchases, totaling \$3,994.44, and had submitted the invoices to Interior for payment. The employee resigned after receiving notice of proposed removal. In addition, he entered a guilty plea to three counts of embezzlement, and agreed to \$3,994.44 being withheld from his retirement funds. He received a 1-year suspended sentence on each count and 2 years probation, and was required to do 300 hours of community service and pay a \$1,000 fine.
- An informant alleged that four service contractors were conspiring to inhibit competition and increase contract prices on four contracts totaling over \$1 million, by deciding among themselves who would bid on a particular contract. For each service contract, only one firm would bid forcing the agency to award the contract to the sole bidder. An investigation by Interior's IG confirmed irregularities in the handling of the contracts. Future service contracts will be formally advertised to obtain competitive bids. In addition, it was recommended two service contractors not receive any future contracts because they did not fully qualify under the set-aside guidelines. Prosecution was declined by the U.S. attorney based on Interior's corrective actions.

- An informant alleged two Interior employees used government purchase orders to obtain material and equipment for personal use and used government personnel during duty hours to perform personal work. An FBI investigation substantiated the allegation. The employees returned the government property and pleaded guilty to embezzlement. Both employees were sentenced to 30 days in jail and given 6 months probation.
- An informant alleged an Interior timekeeper and officer-in-charge was falsely claiming and receiving overtime pay. The employee allegedly accomplished this by approving his own time sheets. An Interior investigation did not substantiate falsification of time and attendance reports, but did disclose questionable management practices which had resulted in \$19,935 in overtime compensation being paid to an employee during an 8-month period. The Department corrected the matter by instituting new overtime procedures and orally admonishing the employee responsible.
- An anonymous caller alleged the principal of a Bureau of Indian Affairs school falsified a student lunch count, rented government quarters for personal gain, made personal use of a government snowmobile, and diverted USDA school-lunch supplies. An Interior investigation substantiated the employee's misconduct and subsequently he was fired as the school's principal.
- An anonymous caller alleged Interior was mismanaging government funds by failing to collect outstanding travel advances totaling \$19,392. Allegedly, some of the advances had been outstanding for several years. An investigation by the central region audit manager substantiated the allegation, which apparently resulted from inadequate management controls and lack of policy regarding the prompt liquidation of travel advances.
- An informant alleged a concessionaire who operated a government facility was violating the terms of his contract. An investigation did not substantiate criminal activity, but administrative problems with the concessionaire were discovered. The Department purchased all property and interest in the facility from the concessionaire and cancelled the contract to operate the facility. A claim for \$27,133 was filed against the concessionaire in the District of Columbia Superior Court.
- An anonymous caller alleged several Interior employees were using a government vehicle repair facility at a national park to repair personal automobiles after work hours and on weekends. An Interior investigation substantiated that two employees had used the facility to repair a personal vehicle. One of the employees received a notice of proposed reprimand, and the other received a written warning for the misuse of government equipment.

- An informant alleged various abuses by an Interior supervisory employee, including time and attendance abuse, wrongful appropriation of government property, and use of on-duty personnel for personal business. An investigation substantiated use of government equipment and theft of gravel, as well as the use of on-duty personnel to unload material at the supervisor's home. The employee was suspended for 10 working days, and was required to reimburse the government to cover the cost of gravel and equipment used, and the man-hour costs for on-duty personnel.
- An anonymous caller alleged two employees were making long-distance calls to family members and acquaintances on government telephones. An Interior investigation substantiated that one of the employees had made 47 personal phone calls costing a total of \$116.29. The employee was billed for this amount and formally reprimanded for his actions.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,DEPARTMENT OF TRANSPORTATION, AS OF JANUARY 17, 1984

The Hotline Group has referred 216 allegations of wrongdoing or mismanagement involving Department of Transportation (DOT) funds and programs to DOT's OIG for investigation or audit. Twenty-four cases are currently under investigation or audit by the OIG and 192 cases have been completed. The OIG has substantiated 38 instances of wrongdoing or mismanagement.

Of the 38 cases, 35 involved federal employees, 2 contractors doing business with the government, and 1 corporate entity. Among the substantiated allegations involving federal employees, 11 were for work-hour abuses, 5 for theft of government property, 4 for not properly following agency policy and procedures, 3 for improper use of government property, and 12 for other mismanagement or wrongdoing. The two contractors had not performed properly on their contracts and the corporate entity had violated an agency regulation.

Two of the substantiated cases were presented to Justice for prosecution but were declined in favor of DOT taking administrative action.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An anonymous informant alleged a DOT official had awarded a contract for services that duplicated work already being performed by a DOD contractor. DOT's IG substantiated the allegation and withdrew \$86,000 from the project.
- An informant alleged a FAA supervisor used his position to lease to FAA an airplane that he owned through a partnership. The individual retired from federal service the day after he was interviewed by investigators.
- An anonymous informant alleged a FAA regional official used a FAA-rented aircraft to fly to and from a North Carolina resort to inspect his beach property. As a result of the investigation, the official was not considered for promotion to a high position and was formally reprimanded.
- An anonymous informant alleged an individual who was in the process of being discharged in a reduction-in-force was selling DOT furniture. The DOT IG proved that this was occurring. The individual resigned and his supervisors were admonished. An inventory of the building was conducted as a result of the complaint.
- An anonymous informant alleged a time and attendance clerk, who was charging employees leave when they were late to

work, consistently took long lunch breaks, and came back from lunch intoxicated but never charged leave. The DOT IG investigated and, as a result, the individual was counseled on his conduct.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
DEPARTMENT OF EDUCATION, AS OF JANUARY 17, 1984

The Hotline Group has referred 156 allegations of wrongdoing or mismanagement involving Department of Education funds and programs to Education's OIG for investigation or audit. Fourteen cases are currently under investigation or audit by the OIG and 142 cases have been completed. The OIG has substantiated 21 instances of wrongdoing or mismanagement.

Of these 21 substantiated cases, 18 involved a contractor or grantee doing business with the government, 2 individual recipients of federal financial assistance, and 1 federal employee. The substantiated cases involving contractors and grantees included 10 for improper expenditure of grant or contract funds, 3 for noncompliance with established procedures, and 1 each for nonperformance or partial performance of contracted services, providing false information on a grant or contract, using federal funds for other than intended purposes, failing to adequately monitor a subcontractor, and other mismanagement.

The two cases involving individual recipients of federal financial assistance were a fraudulent loan application and a nonrepayment of a government loan. The one case involving a federal employee concerned extortion of favors from other employees.

Two substantiated cases were presented to Justice for prosecution but were declined in favor of administrative action.

A sample of allegations substantiated by the OIG follows:

- An anonymous caller alleged the grantee of a project for gifted and talented students was misusing funds by purchasing needless equipment and computer time in addition to other instances of mismanagement. A review at the school system by the Office of Grant Procurement Management found numerous disallowable expenses charged to the grant. The school system was notified these disallowable costs totaled over \$20,000 and Education would not reimburse them. According to the OIG, the findings did not disclose intentional misuse of funds but rather a lack of understanding of grant procedures and practices.
- An anonymous caller alleged a grantee was misusing funds. When this complaint was received, the grantee's organization was already being reviewed by the OIG. The audit review disclosed unallowable costs of \$160,000. This included amounts claimed in excess of recorded costs, undocumented expenses, unapproved salaries, and various other discrepancies. The matter was referred to the Department's Office of General Counsel but the recovery of the funds was considered doubtful because the organization was dissolved.

--An anonymous caller alleged an individual who held a public office in a city had defaulted on a student loan. The Office of Postsecondary Education found the individual had two outstanding federally insured student loans totaling over \$3,000. A contract collection agency is collecting this debt and so far has recovered \$1,270.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
ENVIRONMENTAL PROTECTION AGENCY, AS OF JANUARY 17, 1984

The Hotline Group referred 116 allegations of wrongdoing or mismanagement involving Environmental Protection Agency (EPA) funds and programs to EPA's OIG for audit or investigation. Thirty-two cases are currently under investigation or audit by the OIG and 84 cases have been completed. The OIG has substantiated four instances of wrongdoing or mismanagement, all against federal employees. One was presented to Justice for prosecution and was declined in favor of administrative action.

Two examples of substantiated allegations follow:

- An anonymous informant alleged two audits of an EPA regional office had revealed shortages in the imprest fund. Allegedly, the cashier was embezzling the funds and her supervisor was aware of her actions, but covered up the matter. An investigation substantiated the allegation. The imprest fund cashier admitted altering documents and taking from the fund. She agreed to make restitution and resigned from the agency. In view of the administrative actions, the U.S. attorney declined prosecution.
- An anonymous caller alleged an EPA editor was abusing time and attendance by not reporting for work and by arriving late, taking long lunches, and leaving early on the days he reports for work. In addition, the employee allegedly conducted union business during working hours and took government property for his personal use. An investigation substantiated the employee had a poor attendance record and that he conducted union-related business during working hours. However, the employee was separated from the agency by a reduction-in-force before the investigation was completed.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
DEPARTMENT OF COMMERCE, AS OF JANUARY 17, 1984

The Hotline Group has referred 111 allegations of wrongdoing or mismanagement involving Department of Commerce funds and programs to Commerce's OIG for investigation or audit. Forty-three cases are currently under investigation or audit by the OIG and 68 cases have been completed. The OIG has substantiated eight instances of wrongdoing or mismanagement.

The three substantiated cases presented to Justice for prosecution were declined - two in favor of administrative action and in the third case the reason was not known.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- It was alleged a Commerce contractor, while indebted to the U.S. government for \$378,130, not only continued to receive federal funds but also had the indebtedness waived through collusion with federal personnel. An investigation found no evidence of collusion, but the Department's contract administration division was urged to resolve the matter. An accounts receivable was established for the \$378,130, and the contractor was given 90 days to pay.
- A charge was substantiated that a Department official had a conflict of interest. The official had used his position, and government time and resources, to subsidize his private business. The investigation established the appearance of a conflict of interest. The employee was reprimanded and he subsequently resigned from the agency.
- An individual reported a consultant with the National Bureau of Standards (NBS) allowed one of his private clients to attend two government-sponsored seminars at NBS. During the investigation, the consultant admitted to this allegation, and was orally reprimanded by NBS's director of administration and instructed to return the client's money. The personnel office also prepared a written policy concerning seminar admissions that was given to all persons conducting NBS-sponsored classes.
- A contractor alleged Commerce's Request for Proposals publication on which his company relies for information to submit proposals is inordinately late preventing him from submitting bid proposals on time. According to the OIG, the Commerce operating unit will take corrective action by incorporating the 4-day mailing log time into its publication schedule. It also plans to decentralize part of its function to save an additional day.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
DEPARTMENT OF ENERGY, AS OF JANUARY 17, 1984

The Hotline Group has referred 109 allegations of wrongdoing or mismanagement involving Department of Energy (DOE) funds and programs to DOE's OIG for investigation or audit. Sixteen cases are currently under investigation or audit by the OIG and 93 cases have been completed. The OIG has substantiated 18 instances of wrongdoing or mismanagement.

Of the 18 cases, 7 involved federal employees, 10 a contractor or grantee doing business with the government, and 1 a recipient of federal financial assistance. Among the substantiated allegations involving federal employees, two were for falsification of time and attendance, one improper use of a government computer, one for excessive travel, two noncompliance with agency procedures, and one for overstaffing.

Of the 10 cases against government contractors or grantees, 4 involved noncompliance with established procedures, 1 theft of government property, 1 nonperformance or partial performance of grantee services, 1 misuse of government property, and 3 other instances of mismanagement. The one case involving a recipient of government financial assistance concerned the nonrepayment of a government loan.

Of the two cases presented to Justice for prosecution, one was declined in favor of administrative action, and in the other case, the individual was convicted.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An informant alleged the purchasing agent for a DOE operating contractor was engaged in improper procurement practices, including conflict of interest, failure to purchase from the lowest bidder, and selection of a contractor before closing the bidding process. Information developed by a preliminary DOE investigation was referred to the FBI, resulting in an indictment and conviction of two contractor employees for conspiracy, conflict of interest, bribery, and theft. One employee received a suspended 30-month sentence and 4 years probation, and the other received 4 years probation.
- An anonymous informant alleged a DOE employee was guilty of making personal use of a government vehicle, and arranging to meet in locations which resulted in unnecessary travel and expenses for himself and his staff. A Departmental investigation disclosed evidence of poor management regarding the location of meetings, causing the unnecessary expenditure of DOE funds. No further action was taken by the

Department because a change in government regulations had terminated the office and eliminated the jobs of all its employees.

--An informant alleged a GS-14 DOE employee was abusing work hours by failing to come to work. After an investigation the results were referred to Justice, which declined to prosecute. No further action was taken because the employee had left the Department.

--An anonymous informant alleged a Senior Executive Service (SES) employee with DOE did no work during duty hours because the employee had not been given any duties to perform. A DOE investigation determined the employee's position had been abolished because of a reduction-in-force and that he had been referred to the Office of Personnel Management (OPM) for possible placement in a vacant SES position. DOE stated that if a position was not found within 120 days, he would be released by the Department. The office in which the SES employee worked was also reminded by DOE of its obligation to keep the individual gainfully employed in the interim.

--An anonymous informant alleged an employee in DOE's Office of the General Counsel had defaulted on his student loan. A DOE investigation substantiated the allegation and arrangements were made to have the employee repay the loan.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,COMMUNITY SERVICES ADMINISTRATION, AS OF JANUARY 17, 1984

The Hotline Group referred 90 allegations of wrongdoing or mismanagement involving the Community Services Administration (CSA) funds and programs to CSA's OIG for investigation or audit before September 30, 1982. (CSA was abolished as of September 30, 1981, but CSA's OIG continued his duties for 1 year.) Fifty cases had been closed and the 40 open cases were transferred to HHS, CSA's successor agency.

Of the closed cases, CSA's OIG substantiated 27 instances of wrongdoing or mismanagement. In these cases, 2 involved federal employees, 1 a federal employee in conjunction with others, 23 a contractor or grantee doing business with the government, and 1 other individual.

A sample of allegations substantiated by the OIG follows:

- The caller alleged a grantee of a CSA-funded project was liquidating federally purchased land and equipment worth over \$600,000 and diverting the funds to the grantee's board of directors for their personal use. A CSA investigation substantiated the allegations and funds for the project were eliminated. The U.S. attorney declined prosecution.
- The caller alleged a nonprofit CSA grantee in Texas was mismanaging and misusing federal funds. Investigation by CSA substantiated the allegation and funds to the grantee were terminated.
- An anonymous caller reported the comptroller of a community action agency in New York State was falsifying time and attendance, and mileage voucher records for herself and her friends on the payroll. After a CSA investigation substantiated the allegation, the comptroller was removed from the payroll. CSA instituted sign-in procedures and other management systems to eliminate falsification of records.
- An anonymous caller alleged a CSA grantee in Washington State did not provide the community services it was funded to provide. A CSA investigation revealed mismanagement of grant funds at the center, and, subsequently, the grantee's director and assistant director were dismissed. The case was referred to the prosecuting attorney for further investigation.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
SMALL BUSINESS ADMINISTRATION, AS OF JANUARY 17, 1984

The Hotline Group has referred 86 allegations of wrongdoing or mismanagement involving Small Business Administration (SBA) funds and programs to SBA's OIG for investigation or audit. Eleven cases are currently under investigation or audit by the OIG and 75 cases have been completed. The OIG has substantiated 17 instances of wrongdoing or mismanagement.

These 17 cases involved 10 federal employees, 1 contractor or grantee doing business with the government, 4 recipients of federal financial assistance, and 2 individual or corporate entities. The substantiated allegations involving federal employees concerned five instances of intentional wrongdoing and five of mismanagement. The one case against a contractor or grantee involved noncompliance with established procedures. The four cases involving recipients concerned three fraudulent loan applications and one nonrepayment of a government loan. The two cases involving other individuals or corporate entities concerned improper use of government funds or property.

Of eight substantiated cases presented to Justice for prosecution, three were declined because of insufficient evidence, one for lack of prosecutable merit, one in favor of administrative action, and two for other reasons. One case was prosecuted and resulted in a civil judgment for the plaintiff.

A sample of allegations substantiated by the OIG follows:

- A caller alleged a mortgage holder and an SBA employee conspired to use SBA funds improperly. Investigation by SBA's OIG showed a substantive conflict-of-interest situation on the part of the employee and also failure to obtain required permission for outside employment. As a result, the employee was suspended from work for 2 weeks without pay.
- An informant reported SBA was providing \$220,000 to \$2 million in loans to farmers in a small southern town at 3 to 5 percent interest repayable over 20 years. These farmers, who allegedly were already wealthy, used the SBA funds to purchase certificates earning 8 to 10 percent interest. SBA conducted an investigation and presented the findings to the U.S. attorney, who decided the borrower was not restricted in what could be done with the loan funds pending their application to the loan's purposes. The loan is disbursed in a lump sum for crop expenses for the year, and until expenses are incurred or creditors demand payment, the borrower is free to manage the unused funds to the best advantage. Although SBA officials and the U.S. attorney agreed the Congress did not intend to permit SBA to provide disaster relief funds to farmers to invest in interest-bearing accounts, the program, unfortunately, contained no enforceable prohibitions against such abuse. Several of the

farmers in this case received large sums which they reinvested and even re-lent to the government at a substantial profit. Two of the farmers repaid their loans in full during the investigation. Although no legal action can be taken in these cases, they expose a gigantic loophole in the program and reveal the urgent need for a thorough review and revision of the administrative controls to prevent such profiteering.

--A caller reported a presidential appointee was making unnecessary trips at government expense from his SBA office back to his hometown. The individual's travel vouchers were investigated and, as a result, he was suspended for 5 days.

--Our audit of disaster loans made after Boston's February 1978 blizzard revealed several instances of loan abuse. Seven of the loans which involved duplication of benefits by SBA with a Massachusetts program were referred to the Massachusetts Attorney General's office for possible prosecution. SBA's OIG investigated the remaining loans. In two cases, individuals had submitted fraudulent bills or contracts to SBA. The U.S. attorney decided not to pursue criminal action against the individuals if they restored the wrongfully appropriated money. The individuals repaid a total of \$7,665.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION,
AS OF JANUARY 17, 1984

The Hotline Group has referred 38 allegations of wrongdoing or mismanagement involving National Aeronautics and Space Administration (NASA) funds and programs to NASA's OIG for investigation or audit. Two cases are currently under investigation or audit by the OIG and 36 cases have been completed. The OIG has substantiated 10 instances of wrongdoing or mismanagement. Of the substantiated cases, nine were against federal employees and one was against a contractor.

A sample of allegations substantiated by the OIG follows:

- An informant alleged a NASA employee was operating two privately owned businesses from his government office, using government office space, telephones, copying equipment, and computers. During an OIG investigation the employee admitted using office space and telephones to conduct his businesses, but he denied using copying equipment or computers and said his activities did not occur on government time. The employee, who was near retirement, agreed to move all materials related to his personal business from the office.
- The caller alleged officials in the Goddard Space Flight Center ordered microfilming of obsolete 3-year-old documents that should not be used. It was also charged the microfilming was ordered stopped, but began again. An OIG investigation disclosed that many of the problems in the section responsible for the microfilming stemmed from the supervisor, who was relieved of his duties and placed in a nonsupervisory position. After a review, the new supervisor discontinued the microfilming practice.
- An informant alleged a NASA station director was making personal use of a government vehicle. The employee allegedly used the vehicle for transportation to and from work, as well as for recreation and errands. The director also allegedly used government fuel for his personal vehicle, failed to file an accident report on a government vehicle, and took station equipment for his personal use. The FBI investigated, and when the employee was presented with a list of charges, he responded in writing. Because his explanations were not fully satisfactory and his effectiveness as a station director had been diminished, he was transferred and placed in a staff position.
- An anonymous caller alleged a NASA employee frequently used government telephone lines to make personal long-distance

calls to her daughter. An agency interview with the employee substantiated the personal calls. The employee, who was given a verbal reprimand, assured agency officials that the violation would not happen again.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
AS OF JANUARY 17, 1984

The Hotline Group has referred 18 allegations of wrongdoing or mismanagement involving Agency for International Development (AID) funds and programs to AID's OIG for investigation or audit. Three cases are currently under investigation or audit by the OIG and 15 cases have been completed. The OIG has substantiated five instances of wrongdoing or mismanagement.

Of the substantiated cases, two involved federal employees and three a grantee or contractor doing business with the government. One allegation against a federal employee involved improperly creating or increasing the amount of government payment to oneself or others, and the other case was an instance of mismanagement. The three cases involving a contractor or grantee concerned improper expenditure of government grant or contract funds, ineligibility to receive government grant or contract funds, and mismanagement.

One case was presented to Justice for prosecution and resulted in a criminal conviction.

An example of a substantiated allegation follows:

--The caller alleged a consulting firm under contract to do independent studies for AID misallocated resources, misappropriated funds, and caused costs overruns during the 4 to 5 years of its contract. AID's investigation revealed that beginning in December 1977, and continuing monthly for 3 years, the firm's president had the firm pay his child support payments of \$400 per month. He also had a \$10,400 expense charged to the firm's indirect costs under its AID contracts. The individual pleaded guilty to a charge of making a false statement. He was given a 5-year suspended sentence, fined \$10,000, placed on probation for 5 years, and required to reimburse the government the \$10,400 in false charges billed to AID. In a separate civil agreement stemming from the investigation, the man agreed to reimburse the government \$65,000 as a settlement for unallowable costs billed to AID contracts between 1977 and 1981. The billings resulted from excessive indirect charges on several AID contracts. In addition, the consulting firm was suspended from contracts with AID for 2 years, and AID initiated action to debar the firm.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
DEPARTMENT OF STATE, AS OF JANUARY 17, 1984

The Hotline Group has referred 15 allegations of wrongdoing or mismanagement involving Department of State funds and programs to State's OIG for investigation or audit. Five cases are currently under investigation or audit by the OIG and 10 cases have been completed. The OIG has substantiated three instances of wrongdoing or mismanagement.

All three cases involved federal employees. One concerned improperly creating or increasing government payments, another an instance of wrongdoing, and the third mismanagement.

An example of a substantiated allegation follows:

--An allegation was substantiated that a State Department Foreign Service officer was improperly collecting an educational allowance for one of his children. The officer reportedly received \$7,900 per year from the State Department, although the child's education was completely paid for by other sources. The opinion of the Department's legal counsel was that the individual was not entitled to the allowances claimed, but there was no basis for a criminal investigation. The matter was referred to the Department's comptroller for appropriate action.

EXPLANATION OF HOTLINE ALLEGATIONS REFERRED TO OIG,
INTERNAL REVENUE SERVICE, AS OF JANUARY 17, 1984

The Internal Revenue Service (IRS) sends GAO hotline referrals from its headquarters to 1 of the 10 regional IRS service centers, where the allegation is reviewed by the criminal investigations section. If the allegation does not appear to involve a criminal matter, the case is sent to the Examinations Branch. It determines whether a return has been filed and was filed correctly, whether the return appears to be fraudulent, and if an audit adjustment is necessary. If the allegation does not appear to warrant any action by Examinations, it is sent to the Collections Branch, which determines whether any funds are still owed to IRS.

Because of the laws covering tax-related information and the IRS process used to review these allegations, the Hotline Group does not obtain feedback on individual tax cases. However, allegations against IRS employees for wrongdoing or mismanagement are referred by us to Treasury's IG.

SUMMARY OF HOTLINE ALLEGATIONS REFERREDTO GAO, AS OF JANUARY 17, 1984

During the 5 years of hotline operations, 309 allegations have been handled within GAO, including allegations of wrongdoing and mismanagement at numerous federal and quasi-federal organizations, as well as allegations against GAO employees. Forty-two cases are currently under investigation or audit and 267 have been completed. GAO has substantiated 69 instances of wrongdoing or mismanagement. In addition, 35 other allegations have been provided to GAO divisions for planning future audit work or to congressional committees and offices for appropriate action.

Of the 69 substantiated cases, 50 involved federal employees, 3 a federal employee in conjunction with others, 14 a contractor or grantee doing business with the government, and 2 a recipient of federal financial assistance. Among the substantiated allegations involving federal employees, 4 were for improper use of government telephones, 3 for falsification of time and attendance, 3 for cheating on travel, 13 for noncompliance with established agency procedures or policies, and 27 other instances of wrongdoing or mismanagement. Two of the allegations against a federal employee in conjunction with others involved conflict-of-interest situations.

The 14 cases against government contractors or grantees involved 3 nonperformances or partial performances of contracted services, 3 improper expenditures of government grant or contract funds, 2 thefts of government property, and 6 other instances of wrongdoing or mismanagement.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An anonymous informant reported GAO employees were performing administrative functions for a private concern during government work hours. A review revealed the applicable regulation does not specifically provide that GAO employees may be used to furnish administrative support to professional organizations. Therefore, the unit was directed to discontinue such activities.
- A U.S. government bookstore manager allegedly often used his office telephone to make personal long-distance calls. After an investigation substantiated the allegation, the manager was confronted with the findings. He acknowledged his guilt and stated he was retiring from federal service as a result of the investigation. The manager was also required to reimburse the government for the illegal calls.
- A report was received that a contractor running an Amtrak parking lot was using a second set of tickets to generate revenue that was not reported to Amtrak, and that certain

Amtrak officials knew this and might be getting kickbacks. Through contacts with Amtrak officials, GAO learned an audit of the contractor by Amtrak auditors was nearly complete. The report substantiated the allegation the contractor had used a second set of tickets and not reported that revenue to Amtrak. No evidence of collusion between the contractor and Amtrak officials was found. The report only recommended that Amtrak terminate the contract and recoup the unreported revenue. Based on GAO's questions, Amtrak's general counsel is considering prosecution.

- A recipient of survivor's benefits allegedly failed to report her marriage date correctly, and improperly collected checks based on her deceased father's eligibility for railroad retirement benefits. GAO's investigation confirmed the allegation. Railroad Retirement Board officials were informed and began collection procedures to recover the overpaid funds. In addition, the Board planned to audit the case further to ensure that benefits to two other family members, who were no longer eligible, were properly terminated.
- A federal employee alleged a high-ranking official of the National Credit Union Administration (NCUA) was not entitled to a reimbursement of approximately \$20,000 spent for relocation expenses. It was also claimed the official had improperly used a leased government vehicle to travel from his home to the office. After reviewing information obtained from inquiries and applicable regulations, GAO's Office of General Counsel in a decision (63 Comptroller General 31 (1983)) said the general rule is in the absence of a specific statute, an employee must bear the expenses of relocating to his first duty station. The official did not qualify for any of the exceptions to the general rule. Therefore, he should not have received relocation expenses, and must reimburse \$21,250 to NCUA. Regarding the use of a leased vehicle, it had been included in GAO's decision (62 Comptroller General 438 (1983)) that since there had been much confusion among GAO, other agencies, and the Congress, about what uses of leased vehicles constitute "official business," it would not be appropriate to seek recovery from any officials who had benefitted from home-to-work transportation up to then. Therefore, the official did not have to reimburse such vehicle use.
- Allegations were received of theft of government property and several irregularities in contract administration at the Occupational Safety and Health Review Commission. Most of the reported irregularities were too small in dollar amounts to warrant pursuing them. One allegation concerned a cost overrun of approximately \$42,000. It was determined the monies for the cost overrun had been expended properly. However, while reviewing the contract file, GAO found the contractor's proposal for a contract modification involving

time and materials contained a profit factor of 43 percent of cost, whereas, under the original contract, the Commission only allowed a 10 percent profit. Other irregularities were also found. They were reported to the Commission Chairman, who agreed with GAO's findings and acted to correct the problems. Employees are receiving training in contracting procedures and an internal oversight officer was appointed.

--Several allegations concerned the use of free tickets received by federal employees as a result of government travel with certain airlines. The allegations were of particular concern because a number of U.S. carriers were conducting promotional campaigns to help increase business. A digest of a Comptroller General decision (B-199656, July 15, 1981) says:

"It is a fundamental rule of law that a federal employee is obligated to account for any gift, gratuity, or benefit received from private sources incident to the performance of official duty, and therefore an employee may not retain any "half-fare coupon," "bonus point," or similar item of value received from a commercial air carrier on the basis of the purchase of an airline ticket to be used for official travel."

Based on a preliminary inquiry, it appeared this decision had not been widely publicized after its original release, and thus all agencies and employees might not be aware of this policy, especially as it relates to "bonus points." Therefore, GAO sent a letter to the GSA Administrator advising him of the potential abuse and the need to advise agencies about the Comptroller General decision concerning the ownership of these tickets.

SUMMARY OF HOTLINE ALLEGATIONS REFERREDTO DEPUTY ASSISTANT ATTORNEY GENERAL,DEPARTMENT OF JUSTICE, AS OF JANUARY 17, 1984

The Hotline Group has referred to the deputy assistant attorney general 290 allegations of wrongdoing or mismanagement involving Department of Justice funds and programs for investigation or audit. Currently, 101 cases are under investigation or audit and 189 cases have been completed. Fifty-seven instances of wrongdoing or mismanagement have been substantiated.

These 57 cases involved 24 federal employees, 1 federal employee in conjunction with others, 8 contractors or grantees doing business with the government, and 24 other individuals or corporate entities. The substantiated allegations involving federal employees were 6 for noncompliance with established agency procedures or policies, 4 falsification of time and attendance, 4 improper use of government property or equipment, and 10 other instances of wrongdoing or mismanagement. The one case involving a federal employee in conjunction with others was a kickback and bribe situation.

Of the eight cases against government contractors or grantees, three were for inflating costs on contracts, two for using federal funds for other than intended purposes, and three other instances of wrongdoing or mismanagement. The 24 cases against other individuals or corporate entities included various improprieties.

One of the 10 substantiated cases presented for prosecution resulted in a criminal conviction. Of the other nine cases, five were declined in favor of administrative action and four were declined for other reasons.

The following is a sample of substantiated allegations or instances where preventive action was taken:

--An allegation was substantiated that a Government Printing Office official was accepting kickbacks from the president of a company that had a contract with the Office in return for accepting short deliveries of material. The Justice Department conducted an investigation and found the official maintained an improper credit account with the contractor by cancelling portions of government orders immediately before delivery, thereby causing the Government Printing Office to pay for the entire order. The official admitted maintaining the improper credit and converting approximately \$500 to personal use. The official was charged in federal court with theft of government property, a misdemeanor, and he pleaded guilty. The sentence was 6 months probation and a \$250 fine. Prosecution of the company president was declined.

--An informant alleged improper conduct by a Justice official. Although allegations of sexual improprieties were not

sustained, the inquiry determined the official had been involved in other wrongdoing. It was found the official had misused government funds, misrepresented facts in the preparation of government documents resulting in unlawful expenditures, and made false statements in the course of the inquiry. As a result, dismissal proceedings were initiated against the official.

- An informant reported a Law Enforcement Assistance Administration grantee was improperly spending the grant funds aimed at developing halfway houses. The grantee allegedly used some of the funds to pay legal fees. The grantee was audited, and \$6,500 in legal fees was disallowed.
- An informant alleged several physicians at a federal penitentiary falsified their time and attendance records to show them at work when they were not. An inquiry found no specific evidence of falsification of time and attendance records. However, it did discover the physicians had occasionally used "informal compensatory time" when they attended evening or weekend training in their medical specialty and when a rotating physician made weekend ward rounds or emergency visits after hours. The use of "unofficial compensatory time" was stopped and all cases of earning or using compensatory time are officially recorded.
- An anonymous informant tipped the hotline that a California factory was hiring illegal aliens, including a man who was using the social security card of his two-year-old, American-born child. The Department's Immigration and Naturalization Service apprehended six undocumented aliens at the factory as a result of the hotline report. In addition, the individual who had used his child's social security card was arrested for residing illegally in the United States.
- Two informants alleged officers at a federal correctional facility were extorting favors from other employees and fraternizing with ex-convicts. Investigation determined some officers had frequented a club also patronized by ex-convicts. One officer had been counseled previously about this, but had failed to take steps to avoid the appearance of unprofessionalism or excessive fraternization. Although no evidence was found to substantiate the extortion allegation, certain incidents that had occurred created an appearance of impropriety. As a result of the investigation, three officers were admonished by their regional director and one was allowed to retire.
- An anonymous informant alleged several employees of a contractor were using government electronics parts to produce converter boxes which could be used to pick up Home Box Office pay TV satellite transmissions on television sets. The employees reportedly were not only producing the converter boxes when they supposedly were working on the government

contract, but also were selling them for personal profit. The investigation revealed that two electricians had failed their senior electrician tests, and their supervisors allegedly told them to practice improving their electronics skills in their spare time at their workbenches. The FBI could not substantiate that employees had sold circuit boards or that boards or parts had been taken from the plant. Nonetheless, the contractor's upper-level management acknowledged that, in one instance, cable TV receivers were made by employees in the plant. The employees were suspended for a few days without pay.

--During our survey work at the U.S. Parole Commission, our auditors were told by Justice employees of improprieties, and the information was turned over to the hotline. The informants reported inconsistencies and irregularities in the manner with which the Commission's five regional offices apply the Department's travel policies. Justice conducted an internal audit which identified several irregularities, discrepancies, and problems in the Commission's travel policies, practices, and procedures. The Commission was asked to report, within 45 days of the audit report, on steps it intended to take to resolve these problems. In late 1982, Justice reported the problems had been satisfactorily resolved. The Commission implemented procedures and internal controls which should prevent the recurrence of problems identified by the audit.

SUMMARY OF HOTLINE ALLEGATIONS REFERREDTO U.S. POSTAL SERVICE, AS OF JANUARY 17, 1984

The Hotline Group has referred 247 allegations of wrongdoing or mismanagement involving Postal Service funds and programs to the Postal Service's Government Relations Department for investigation or audit. Thirty-six cases are currently under investigation or audit by the Postal Service, and 211 cases have been completed. The Postal Service has substantiated 43 instances of wrongdoing or mismanagement.

Of the 43 cases, 39 involved federal employees, 2 were against grantees or contractors, and the remaining 2 involved a government employee in conjunction with others and other individuals. Among the substantiated cases involving federal employees, 23 were for noncompliance with established agency procedures, 10 were for non-work during duty hours, 2 were for theft of government property, and 2 were for not processing claims promptly. The remaining cases involved various instances of wrongdoing. Of the two cases against grantees or contractors, one involved nonperformance of contracted services, and the other noncompliance with established procedures.

Of the two substantiated cases presented to Justice for prosecution, one was declined by the U.S. attorney and the other was prosecuted.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An anonymous informant alleged a postmaster was guilty of time and attendance abuse and conducting personal business during working hours. In addition to leaving early without charging leave, the postmaster allegedly allowed other employees to perform personal tasks for him. An investigation substantiated the allegation. The U.S. attorney declined to prosecute in favor of administrative action. The postmaster was removed from the Postal Service.
- An anonymous informant charged that a postmaster was operating a personal business during working hours. Allegedly, the postmaster had an extension phone at his personal business office so callers would believe he was in the postal building. The informant said persons who wanted to purchase stamps or mail packages had to call the postmaster ahead of time so he could meet them to transact business. During the Postal Service's investigation of the situation, the postmaster resigned and a new postmaster was appointed.
- An informant alleged postal carriers were accepting payments for providing special mail service to certain firms within a particular building. Because of the payments, the firms

allegedly received their mail before anyone else. An investigation by the Inspection Service confirmed that some carriers were accepting payments from customers. As a result, three arrests were made.

- An anonymous informant alleged a vehicle maintenance department was so poorly run that engines costing a total of \$50,000 were ruined because they were run without sufficient oil. In addition, it was claimed the department purchased approximately 800 gallons of motor oil which were later discovered to be contaminated and, for a year, the department had taken no corrective action. The informant also alleged GSA supplied very poor quality tools and shop materials. An investigation found nine diesel engines were replaced because a lack of supervision resulted in insufficient oil. The investigation also substantiated the poor tool quality and, as a result, corrective measures were taken by the Postal Service. The 800 gallons of motor oil were not contaminated, but were less than the stated viscosity. The supplier was asked to reimburse the Postal Service.
- An informant alleged a postmaster was receiving kickbacks from local businessmen who, in turn, received preferential treatment. It was claimed the businessmen were charged less than the proper amount of postage to send advertisements to customers. An investigation did not substantiate the kickback charge, but numerous deficiencies were found in computing postage on second-class mail. Demand for payment was made to the publishers of three local publications. In addition, during the process of appeal by the publishers, the postmaster resigned.
- An informant claimed an Inspection Service employee was falsifying time and attendance records. Allegedly, the employee did not charge leave for the time he was absent from work. An investigation substantiated the allegation. Disciplinary action was initiated against the employee, and he subsequently resigned his position.
- An informant alleged misuse of a permit to send out non-profit bulk mail. Allegedly, an unauthorized mailer had been given the permit and was mailing political material. An investigation determined it was a cooperative mailing, which is subject to the higher postage rates for regular bulk third-class mail. The postmaster was instructed to collect the difference between the special bulk and the regular third-class rates.
- An anonymous informant claimed an employee's union owed the Postal Service approximately \$9,000 for administrative services and time. The debt was alleged to be growing continuously without any attempt by the Postal Service to collect the debt. A Postal Service inquiry substantiated the union owed funds to the Postal Service. The postmaster presented a bill of \$6,435.63 to the union, and received payment of

\$1,000. The union subsequently submitted a payment schedule to the Postal Service for liquidating the remainder of the debt.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
DEPARTMENT OF THE TREASURY, AS OF JANUARY 18, 1984

The Hotline Group has referred 148 allegations of wrongdoing or mismanagement involving Department of the Treasury funds and programs to Treasury's OIG for investigation or audit. Thirty cases are currently under investigation or audit by the OIG and 118 have been completed. The OIG has substantiated 14 instances of wrongdoing or mismanagement. Twelve of these cases were against federal employees, 1 against a contractor, and 1 against an individual. Two substantiated cases were presented to the Department of Justice for prosecution, resulting in one pretrial diversion, and conviction of an individual.

The following is a sample of substantiated allegations or instances where preventive action was taken:

- An anonymous informant alleged a secretary in the Office of the Secretary of the Treasury consistently falsified her time card regarding hours worked, sick leave, annual leave, and overtime. The informant stated the employee had her leave and earnings statement delivered to a different location so she could avoid examination of the statement for accuracy. An OIG investigation resulted in a referral to the U.S. attorney for the District of Columbia with a recommendation for prosecution. The employee pleaded guilty to one felony count, and agreed to have \$2,172 deducted from her retirement.
- An informant, an IRS employee, alleged another employee was using the federal telephone system to call relatives long distance. The informant supplied several dates and the phone numbers called, and stated the employee often used a three-way conference call on the personal calls. An investigation substantiated the allegation. The employee received a written reprimand and agreed to make full restitution for the cost of the calls.
- An informant alleged a contractor for the Bureau of the Mint was preparing to deliver two pieces of equipment used in the melting of gold which did not meet the contract's specifications. It was claimed some of the welds on the equipment were done improperly, some operation switches were incorrectly positioned, the surfaces to be painted were not properly prepared, and some equipment tolerances were adjusted to ensure that equipment would fit together. An investigation determined the changes would not materially affect the equipment's operation. However, to ensure the equipment functioned properly, a substantial portion of the equipment's cost was withheld until the Mint staff was satisfied the equipment functioned according to standards.
- An informant alleged the Baltimore Police Department had arrested a father and son who were attempting to use

counterfeit food stamps at a local food store. As a result of a joint investigation by the Secret Service and the police, the father received probation before judgment. The case against the son was stayed for 1 year and will be dismissed if no further violations occur. The information that was developed led to the apprehension of the printer/manufacturer of the forged food stamps.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,OFFICE OF PERSONNEL MANAGEMENT, AS OF JANUARY 17, 1984

The Hotline Group has referred 76 allegations of wrongdoing or mismanagement involving Office of Personnel Management (OPM) funds and programs to OPM's OIG for investigation or audit. Twenty-one cases are currently under investigation or audit by the OIG and 55 cases have been completed. The OIG has substantiated eight instances of wrongdoing or mismanagement.

Of these eight cases, one involved a federal employee, six a recipient of federal financial assistance, and one another individual or corporate entity. The allegation involving a federal employee was an instance of mismanagement. The six cases against recipients of federal assistance involved collecting disability benefits improperly. The one case against another individual involved improperly accepting government funds intended for another.

The following is an example of an allegation in which preventive action was taken:

--A caller alleged that upon retirement a high-ranking government executive conspired with another official not to process his retirement claim until the executive could repay money he had withdrawn from his retirement fund. The annuity was reportedly retroactive to the retirement date. Although the specific charge was not substantiated, OPM used this allegation to seek guidance from its general counsel on the application of the retirement contribution redeposit procedures [5 U.S.C. 8334(d)]. As a result, a practice known as the offset method was ended, thus avoiding outlays of \$6.5 million to federal annuitants. Under the offset method, annuitants repaying the government for retirement contributions received before retirement (such as voluntary collection of retirement contributions upon leaving federal employment) were permitted to receive their retirement annuities at a rate calculated as if the annuitant had already repaid in full. The government received its repayments through monthly withholdings from the annuitant's retirement check. During fiscal year 1982, 267 annuitants were using the offset method, resulting in excessive potential annuity payments of \$13 million over their actuarial lifetimes. By ending the offset method, OPM will save \$6.5 million for annuitants who came onto the retirement rolls in fiscal year 1983.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO OIG,
FEDERAL EMERGENCY MANAGEMENT AGENCY,
AS OF JANUARY 17, 1984

The Hotline Group has referred 44 allegations of wrongdoing or mismanagement involving Federal Emergency Management Agency (FEMA) funds and programs to FEMA's OIG for investigation or audit. Eight cases are currently under investigation or audit by the OIG and 36 cases have been completed. The OIG has substantiated seven instances of wrongdoing or mismanagement.

Five of the substantiated cases involved federal employees and two concerned a contractor or grantee doing business with the government.

An example of a substantiated allegation follows:

- An anonymous informant alleged a FEMA contract to reimburse the Red Cross for costs incurred during disasters was unnecessary because FEMA, states, and local governments had adequate resources to handle these contingencies. The FEMA IG investigation found that while the contracting was appropriate, the responsibilities of the Red Cross in the event of a disaster needed to be more sharply defined. As a result, the contract was revised.

SUMMARY OF HOTLINE ALLEGATIONS REFERRED TO GENERAL COUNSEL,
TENNESSEE VALLEY AUTHORITY, AS OF JANUARY 17, 1984

The Hotline Group has referred 35 allegations of wrongdoing or mismanagement involving Tennessee Valley Authority (TVA) funds and programs to TVA's general counsel for investigation or audit. Two cases are currently under investigation or audit by the OIG and 33 cases have been completed. The OIG has substantiated 10 instances of wrongdoing or mismanagement.

Eight of the 10 substantiated cases involved federal employees, one a contractor or grantee doing business with the TVA, and the other an individual or corporate entity.

Two of these cases follow:

- An anonymous informant alleged a TVA manager purchased hardware items at inflated prices from his brother's store. While the investigation did not disclose TVA paid inflated prices, it did determine certain purchases did not follow proper procurement procedures. TVA took steps to ensure that procurement procedures prevented similar occurrences and that all managers were aware of these procedures.
- An informant alleged TVA was burying useable equipment at a nuclear plant under construction. While TVA could not find evidence to support this allegation, TVA's auditors initiated a review of disposal procedures for small tools and equipment to help improve current procedures.

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