

April 1996

Investigations Issue Area Plan

Fiscal Years 1997-99



Foreword

As the investigative arm of Congress and the nation's auditor, the General Accounting Office is charged with following the federal dollar wherever it goes. Reflecting stringent standards of objectivity and independence, GAO's audits, evaluations, and investigations promote a more efficient and cost-effective government; expose fraud, waste, abuse, and mismanagement in federal programs; help Congress target budget reductions; assess financial and information management; and alert Congress to developing trends that may have significant fiscal or budgetary consequences. In fulfilling its responsibilities, GAO performs original research and uses hundreds of databases, or creates its own when information is unavailable elsewhere.

To ensure that GAO's resources are directed toward the most important issues facing Congress, each of GAO's issue areas develops a strategic plan that describes the significance of the issues it addresses, its objectives, and the focus of its work. Each issue area relies on input from congressional committees, agency officials, and subject-matter experts in developing its strategic plan.

GAO's Investigations issue area focuses on exposing and investigating potential criminal misconduct and serious wrongdoing in programs that receive federal funds. Through investigations, we develop examples of misconduct and wrongdoing that illustrate program weaknesses, demonstrate potential for abuse and serious mismanagement, and provide supporting evidence for GAO recommendations and congressional action. Our investigations often directly support GAO's other issue areas. Such collaborative efforts enhance the agency's overall ability to identify and report on wrongdoing. Key issues in the investigations area are

- fraudulent activity and regulatory noncompliance in federal procurement/contract administration systems;
- unethical conduct by federal employees and government officials, as well as organizational misconduct;
- fraud and misconduct in grant, loan, and entitlement programs;
- the vulnerability of emerging electronic commerce networks to fraud and their use in facilitating criminal activity;
- detection of fraud and abuse through the financial-statement-audit process; and
- the integrity of federal law enforcement and investigative programs.

In the pages that follow, we describe our planned work on these key issues.

Foreword

Because we believe that planning is a continual process, this plan allows for updating and provides the flexibility to respond quickly to emerging issues of concern to the Congress and the Comptroller General. If you have questions or suggestions about this plan, please call me at (202) 512-7455.

A handwritten signature in black ink that reads "Donald J. Wheeler". The signature is written in a cursive style with a large initial "D".

Donald J. Wheeler
Acting Director
Office of Special Investigations

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Table I: Key Issues

Issue	Significance
Contract and Procurement Fraud: How can exposing fraudulent activity and noncompliance improve management of the federal procurement and contract administration systems?	Investigations that target contract and procurement fraud will (1) support GAO's strategic priorities aimed at defense acquisition/procurement and (2) develop examples of contracting practices that do not conform to federal procurement laws and regulations. Such examples will demonstrate the effects of lax internal controls and regulatory weaknesses.
Ethics and Public Integrity: How can identifying and investigating unethical conduct and practices by federal employees and government officials enhance the integrity of government operations?	In supporting GAO's commitment to uncover waste, fraud, abuse, and mismanagement, investigations of unethical conduct by federal employees, contractors, and government officials often serve as a deterrent to others. Additionally, lessons learned from actual cases are valuable in developing mechanisms and controls for preventing future violations. While difficult to quantify, benefits for taxpayers and the government include improved program integrity and enhanced public trust.
Grants, Entitlements, and Program Fraud: How can identification of fraud and serious wrongdoing reduce losses in federal loan, grant, and entitlement programs?	GAO has estimated potential losses, overpayments, and loan defaults in the billions of dollars. Exposing fraud and serious wrongdoing in these areas supports the GAO strategic plan and provides case examples of the effects of poor management, weak oversight, and loose internal controls. As systems are changed to improve the efficiency and effectiveness of delivery systems and fewer resources are available for management and oversight, concerns for increased fraud and abuse will heighten.
Electronic Commerce: What are the vulnerabilities of electronic commerce to fraud, and how can its regulatory framework be strengthened by identifying fraud-related issues?	Enhancing the efficiency of the U.S financial system and strengthening its regulatory authority take on a new importance in the age of electronic commerce. In retail payment systems, the ease and speed at which monetary transactions occur and the potential for consumer fraud and money laundering make this issue important in protecting the public interest.
Financial Management: How can the investigative approach be used in financial audits to detect fraud, and how can it be used to identify or prevent emerging fraud and abuse in the electronic benefits transfer (EBT) systems?	Identifying lax controls in government financial systems and exposing actual abuses support several goals outlined in GAO's strategic plan: promoting a more efficient and cost-effective government, targeting spending reductions and improving accountability through financial and information management. Incorporating the investigative approach in financial statement audits can demonstrate the effect of weak internal controls. Monitoring the EBT system for fraud and abuse as it is implemented is critical, since it may ultimately disburse all social service payments.
Investigative Oversight and Review: Are federal investigations performed in an independent, objective, and comprehensive manner?	Faith in the integrity and fairness of our law enforcement and investigative processes is integral to the public's overall trust in government and its institutions. Oversight of these agencies is of continuing interest to the Congress.

Table I: Key Issues

Objectives	Focus of Work
<p>1. Demonstrate the government's vulnerability to fraud and abuse in contracting, and heighten awareness of responsibilities and penalties for fraudulent or abusive procurement practices.</p> <p>2. Provide data for legislative and/or agency internal-controls improvement.</p>	<ul style="list-style-type: none"> • Investigate instances of contract/procurement fraud and abuse that will illustrate weaknesses and vulnerabilities in high-dollar, multiyear contracts. • Focus on false statements, kickbacks, illegal gratuities, the Competition in Contracting Act, the Anti-Kickback Act, and violations of Federal Acquisition Regulations.
<p>1. Identify program areas vulnerable to conflicts of interest and other unethical practices.</p> <p>2. Identify mechanisms for deterrence and prevention to improve the integrity of government systems.</p>	<ul style="list-style-type: none"> • Work with the divisions to develop issues relating to organizational misconduct and misconduct by agency officials that surface during audits and evaluations. • Target bribery, gratuities, embezzlement, and conflicts of interest based on 18 USC Sec. 201 et seq. and 41 USC Sec. 53. • Investigate conflicts of interest by former government personnel employed by federal contractors. • Investigate potential misconduct in support of GGD/Tax issue area work.
<p>1. Demonstrate program susceptibility to fraud and related abuses through case-specific examples.</p> <p>2. Identify targets of fraud and other emerging issues.</p>	<ul style="list-style-type: none"> • Investigate questionable financial arrangements in federally-funded research and development, in the low-income housing tax credit program, and among health care service providers, including fraudulent medical practices and charges. • Identify programs vulnerable to fraud and abuse and describe the nature of emerging schemes.
<p>Identify opportunities for fraud, including money laundering, in developing retail payment and settlement systems for electronic commerce.</p>	<p>Work with GGD's Financial Institutions and Markets Issues (FIMI) to identify major issues affecting the soundness of payment systems as a result of recent developments in electronic commerce, to include safeguards against consumer fraud and money laundering.</p>
<p>1. Expose risks of loss from weak internal controls to ensure that assets are adequately safeguarded.</p> <p>2. Ensure that the EBT system includes safeguards to protect against fraud and abuse.</p>	<ul style="list-style-type: none"> • Work with AIMD in financial statement audits to employ investigative techniques as soon as material weaknesses are discovered. • Work with AIMD/ARO to identify inappropriate reprogramming of government funds. • Work with AIMD to monitor the Financial Management Service implementation of the EBT system and assess its effectiveness in reducing fraud and abuse in government benefits programs.
<p>1. Provide the Congress with an independent assessment of specific federal investigations.</p> <p>2. Assess the effectiveness of federal investigative programs.</p>	<ul style="list-style-type: none"> • Review Offices of Inspectors General policies and procedures for conducting internal employee misconduct investigations. • Verify investigative findings, the appropriateness of investigative operations and techniques, and the effectiveness of investigative programs' procedures and practices.

Table II: GAO Contacts

Acting Director	Donald Wheeler	(202) 512-7455
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