

**GAO**

September 1995

# Investigations Issue Area Plan

## Fiscal Years 1994-96



# 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 35 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 identifying and investigating potential criminal misconduct and serious abuse in programs that receive public funds. Through investigations, staff develop case-specific examples of misconduct and serious abuse that illustrate program weaknesses, demonstrate potential for abuse and mismanagement, and provide supporting evidence for recommendations by GAO and Congress. GAO's investigatory efforts often directly support work in its 34 other issue areas. The principal issues in the investigations area are

- fraudulent activity and noncompliance within the federal procurement/contract administration systems;
- unethical conduct by federal employees and government officials, resulting in erosion of public trust;
- fraud and misconduct in grant, loan, and entitlement programs resulting from policy and program weaknesses;
- detection of specific fraud and abuse in financial statement audits; and
- assurance that federal investigations are performed in an independent and objective manner.

---

Foreword

---

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

Because events may significantly affect even the best of plans, our planning process allows for updating the plan and responding quickly to emerging issues. If you have any questions or suggestions about this plan, please call me at (202) 512-7455.



Richard C. Stiener  
Director  
Office of Special Investigations

---

# Contents

---

Foreword	1
Table I: Key Issues	4
Table II: GAO Contacts	6

---

# Table I: Key Issues

Issue	Significance
<p><b>Contract and procurement fraud:</b> What are the best ways to address fraudulent activity and noncompliance within the federal procurement and contract administration systems?</p>	<p>Investigations that target contract and procurement fraud will support two priorities identified in GAO's strategic plan: (1) identifying "best practices" that will help streamline defense acquisition/procurement and (2) monitoring defense programs where billions of dollars have been spent on unneeded inventory and millions of dollars have been incorrectly paid. Through investigations, examples of contracting practices that do not conform to federal procurement laws and regulations can be developed that will illustrate where best practices have not been followed and will demonstrate in specific terms the cost of lax internal controls and exploited regulatory weaknesses.</p>
<p><b>Ethics and public integrity:</b> How can investigating unethical conduct by federal employees and government officials stop the erosion of public trust?</p>	<p>Waste, fraud, abuse, and mismanagement begins with breaches of ethics, public integrity, and fiduciary responsibility. In addition to supporting GAO's commitment to find waste, fraud, abuse, and mismanagement, investigations of unethical conduct by federal employees and government officials help to curtail such activity by deterring program managers and public officials. Although often difficult to quantify, the benefits for taxpayers and public servants translate into increases in public integrity and efficiency and enhanced public trust.</p>
<p><b>Grants, entitlements, and program fraud:</b> What are the best ways to reveal specific policy and program weaknesses in grant, loan, and entitlement programs?</p>	<p>GAO has estimated potential losses, overpayments, and loan defaults in federal grant, loan, and entitlement programs to be in the billions of dollars. As such, programs such as Medicare, Medicaid, Supplemental Security Income, social security disability payments, and small business and student loan programs are critical areas for investigation. In health care, government at every level is examining ways to make service delivery more effective and to bring down its escalating cost. Eliminating avenues for abuse is an important tool in achieving these goals. Likewise, with drastic curtailments in entitlement and other grant programs, program dollars must be awarded to qualified and legitimate recipients. Addressing fraudulent activity is vital to the integrity of these programs.</p>
<p><b>Financial management:</b> How can the investigative approach be used in financial statement audits to detect specific fraud and abuse?</p>	<p>The significance of financial statement investigation is to demonstrate the specific effect of weak internal controls. Identifying lax controls in military and other government financial systems that allow waste, fraud, and mismanagement to exist, as well as exposing the actual abuses, will support several goals outlined in GAO's strategic plan:</p> <ul style="list-style-type: none"> <li>. promoting a more efficient and cost-effective government;</li> <li>. targeting spending reductions; and</li> <li>. improving accountability through financial and information management.</li> </ul>
<p><b>Investigative oversight and review:</b> Are federal investigations performed in an independent and objective manner?</p>	<p>Coupled with issues of ethics and public trust, concerns about the objectivity and manner in which federal investigations are performed are important in supporting Congress' oversight needs.</p>

**Table I: Key Issues**

<b>Objectives</b>	<b>Focus of work</b>
<p>1. Identify ways to reduce government's vulnerability to fraud and abuse in contracting and heighten awareness of responsibilities and penalties of fraudulent procurement practices.</p> <p>2. Provide data for legislative and/or administrative internal controls improvement.</p>	<ul style="list-style-type: none"> <li>• Develop examples of contract and procurement fraud that will illustrate weaknesses and vulnerabilities in high-dollar, multiyear contracts.</li> <li>• Focus on false statements, conspiracy, kickbacks, and obstruction of federal audits in connection with the Competition in Contracting Act; the Anti-Kickback Act; 18 U.S.C. criminal violations; and violations of Defense and Federal Acquisition Regulations (DFAR and FAR).</li> <li>• Identify contractor-falsified test results and abuses of support contracts.</li> </ul>
<p>1. Identify program areas vulnerable to conflicts of interest and other unethical practices.</p> <p>2. Promote mechanisms for deterrence and prevention and restore public trust in government.</p>	<ul style="list-style-type: none"> <li>• Identify areas of high risk by working with Congress and key executive agencies.</li> <li>• Determine types of ethical concerns being reported to executive branch ethics officers.</li> <li>• Target bribery, graft, embezzlement, and conflicts of interest based on 18 U.S.C. 201 et seq. and 41 U.S.C. 53.</li> <li>• Investigate conflicts of interest by former government personnel employed by federal contractors.</li> </ul>
<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"> <li>• Identify and target emerging areas of entitlement, grant, and program fraud.</li> <li>• Develop methodology to investigate specific abuses, identify patterns of similar abuse, and apply patterns across other grant/entitlement programs.</li> <li>• Investigate questionable financial arrangements among service providers and investigate fraudulent medical practices and charges.</li> </ul>
<p>1. Expose risks of loss from weak internal controls.</p> <p>2. Provide information for legislative and administrative improvement of weak internal controls.</p>	<ul style="list-style-type: none"> <li>• Assist House and Senate Committees on Appropriations by identifying fraud and abuse issues.</li> <li>• Work with AIMD in financial statement audits to use investigative techniques as soon as material weaknesses are discovered.</li> <li>• Develop tests for material weaknesses and identify investigative techniques for fraud detection.</li> </ul>
<p>1. Provide Congress with an independent assessment of specific federal investigations.</p> <p>2. Assess the overall effectiveness of agency investigative programs.</p>	<ul style="list-style-type: none"> <li>• Focus on the investigative avenues available to Inspectors General to police themselves and the independence of those avenues.</li> <li>• Focus on verification of investigative findings, appropriateness of investigative operations and techniques, and effectiveness of investigative procedures and practices.</li> </ul>

---

## Table II: GAO Contacts

---

Director	Richard C. Stiener	(202) 512-7455
Deputy Directors	Carolyn Bowden	(202) 512-7454
	Gary Carbone	(202) 512-7456
	Donald Wheeler	(202) 512-7457
Assistant Directors	Barbara Cart	
	William Davis	
	Houston Fuller	
	Donald Fulwider	
	Barney Gomez	

---

---

---