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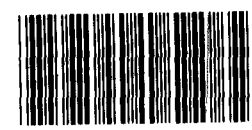
Testimony

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GAO Fraud Hotline

Statement of
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of the United States

Before the
Subcommittee on Government
Efficiency, Federalism, and
the District of Columbia
Committee on Governmental Affairs
United States Senate



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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you to discuss the experience we have had with the GAO Fraud Hotline.

GAO created the Hotline some 9 years ago as a mechanism for combatting fraud, waste, and abuse in federal expenditures. We established it following your own suggestion, Mr. Chairman, and with the support of the full committee. Based on nearly a decade of experience, I am pleased to report that the GAO Fraud Hotline has been a significant success. That success can be measured in several ways.

First, by numbers of calls. As of January 1988, GAO had received more than 94,000 calls on our toll-free hotline. This is an impressive number. Moreover, this number does not include the large volume of calls received on similar hotlines maintained by the 19 statutory Inspectors General; various federal, state, and local agencies; and private contractors.

A second measure of success is results achieved. As of January 1988, we had made about 14,000 referrals of Hotline calls to federal agencies. Approximately 11,250 of the referred cases had been closed. Of these, nearly 20 percent were either substantiated or resulted in preventive action by the agencies. In addition, in 146 of the substantiated cases, criminal actions were brought, resulting in 47 convictions. In many others, the

agencies took strong disciplinary actions against federal employees, contractors, and individuals. These actions included dismissals, suspensions, demotions, debarments, and cancelled contracts and grants.

A third indication of success is that additional hotlines, similar to those operated by the GAO and the Inspectors General, have been established by various federal, state, and local agencies. We believe this expansion of hotlines has resulted from the success GAO and the Inspectors General have had. Moreover, many Defense contractors have instituted their own hotlines as mechanisms for detecting employee misconduct and answering questions from employees concerning business ethics and contract compliance.

Fourth, the important information generated by the Hotline has alerted agencies to take needed actions to prevent or deter conduct that can result in waste, fraud, or mismanagement. In addition, this information often has been of significant help in generating agency audits and supporting ongoing agency investigations. Further, we believe the existence of the Hotline has been a deterrent factor.

On the basis of substantiated cases, there is good reason to believe that millions of dollars in waste, fraud, abuse, and mismanagement have been uncovered as a result of calls to the GAO

Fraud Hotline. Indeed, of the substantiated cases against Defense contractors, some have involved very large sums of federal money. It is, at the least, uncertain whether those cases would have been uncovered if not for the Hotline.

We have examined our hotline operation in some detail to learn as much as possible from our 9-year experience so as to be in a position to shape the Hotline mechanism into an even more effective instrument in the future. I would like to briefly highlight some of the statistics from our 9-year Hotline summary we provided you this morning.

For example, who makes use of the Hotline? We have found that of the calls warranting further review, 7 of every 10 persons wished to remain anonymous. At least 25 percent were federal employees.

We have also determined that the calls warranting further review tended to focus on particular agencies. Two agencies collectively received nearly half the cases we referred--the Department of Health and Human Services (27 percent) and the Department of Defense (19 percent).

Further, nearly 40 percent of the allegations were against federal employees concerning matters such as work-hour abuse, private use of government property, and theft.

Of the substantiated cases, nearly half were against federal employees. Nearly one-fourth were against federal contractors or grantee organizations for such violations as improper expenditures of government contract or grant funds, noncompliance with established procedures, and failure to perform contract or grant services in an acceptable manner. Slightly more than 1 of every 5 substantiated cases involved individual recipients of federal financial assistance accused of fraud in welfare, social security disability, and housing programs.

We have also attempted to determine the major elements necessary for a successful hotline. On the basis of our 9 years of experience, we have identified the following necessary elements:

- a clear statement of the hotline's mission and objectives;
- staff with interview skills and program knowledge, in sufficient numbers to handle call volume;

- controls to protect the confidentiality of callers, which is extremely important because many of the allegations are sent outside Inspector General offices and many callers fear recriminations;
- internal guidelines to evaluate and classify allegations received through calls or letters;
- policy that inquiries into the allegations are performed by independent and qualified personnel, and
- procedures to monitor cases to assure they are being handled and resolved properly.

Another element that warrants special attention is the reciprocal support among the hotline community. One example of this support is case referrals. Another is training. GAO, for example, is involved in joint training efforts with officials of several Inspector General hotlines so each hotline can benefit from the experience of others.

The success of other government hotline operations has led to a reduction in the use of GAO's hotline. The fact is, we receive fewer calls today than in the past. As you know, this has prompted us to make changes in our hotline procedures.

These changes are designed to expedite action and eliminate unnecessary redundancy, while assuring the continued efficiency and effectiveness of our operation. Specifically:

- We now suggest to persons who allege that individuals have fraudulently received government benefits that they call the toll-free hotline of the responsible agency.

- In matters of less serious concern, we no longer ask that the agency to which we refer cases provide us with final disposition reports. However, we continue to track through to completion allegations of a serious nature, or those that suggest a systemic problem. Further, we continue to conduct our own investigations of allegations against Inspectors General and those concerning agencies without Inspectors General.

With these changes, and without increasing our staff size, we are able to devote more effort to overseeing agency hotlines.

Our objective in implementing the GAO Fraud Hotline has been not only to uncover individual abuses (which have led to policy and procedure changes), but to detect patterns of such abuses and suggest the need for specific program and policy changes. Based on information received through the Hotline we have advised Inspectors General and agency officials of the need

for certain program and policy changes designed to eliminate abuses in the future. We have also alerted GAO officials and congressional staff members to potential abuses in program areas.

Mr. Chairman, I have stated my belief that the GAO Fraud Hotline has proven its value over the past 9 years. I have also tried, through various statistical and other objective data, to measure that value in several ways.

But there is one major value of the Hotline that is not readily susceptible to statistical or other precise measure. It cannot be calculated in terms of dollars recovered or convictions obtained. Nonetheless, it should not be underestimated. Through the Hotline, we are actively involving the public in our effort to root out fraud, waste, and abuse in the expenditure of federal funds. We are providing the American people with credible evidence of our concern over the problems of fraud and waste and of our resolve to end them.

This, in our view, is as significant as the other more tangible measures of the Hotline's success.

Mr. Chairman, this concludes my statement. I will be glad to respond to any questions that you or other members of the Subcommittee may have.