ONE

Searching for Fraud, Waste, Abuse, and Mismanagement

Family businesses, major corporations, nonprofit foundations, and
government agencies actively discourage fraud, waste, abuse, and
mismanagement. Similarly, they do all they can to promote economy, ef-

ciency, effectiveness, and accountability. The challenge is how to com-

petently, economically, systematically, and fairly identify the former and
embrace the latter.

In the late twentieth century, through the Inspector General Act of
1978 (IG Act of 1978), Congress enacted legislation establishing dis-


tinctively new federal offices to meet this challenge—Offices of Inspec-


tors General.
tor General (OIGs). Since passage of the act, these offices have grown in number to cover virtually every major U.S. government agency. The number of officials working in OIGs has increased to over 13,000 federal employees, with a combined budget of $2.7 billion in 2016. The responsibilities of these offices extends into such areas as oversight of financial management plans, guarding civil and constitutional rights, and protecting whistleblowers. Moreover, Congress has expanded the authority of these officials in law enforcement and management consultancy.

Acknowledging the track record of U.S. inspectors general (IGs) and their value to Congress, former Senator John Glenn (R, OH) noted the following in a 2015 letter to members of Congress:

The Inspector General Act has stood the test of time. The billions of dollars recovered for the government and the increased efficiency and effectiveness of government programs and operation are a testament to the Act’s continued success.⁵

Consistent with Senator Glenn’s observation, the most recent annual report of the Council for the Inspectors General on Integrity and Efficiency (CIGIE) for fiscal year 2017 showed that OIGs collectively produced $54.6 billion in potential savings and recoveries for the federal government; issued 3,828 audit and evaluation reports; and successfully pursued 14,562 criminal prosecutions, civil actions, debarments of federal contractors, and personnel actions in federal agencies.⁶

Often called watchdogs by the media, IGs regularly make front-page headlines with reports showing scandalous expenditures, foolish executive decisions, and ineffective programs. In fact, IGs and their respective offices are major players in the federal government, doing work that affects day-to-day activities of federal agencies. Congress protects IGs from executive interference and seeks their advice in overseeing federal programs, and with some frequency inspector general (IG) reports draw sufficient attention in the media to reset executive and congressional agendas.

This book takes a comprehensive look at the federal OIGs. It examines the legislation creating these offices, who serves as inspectors general, what IGs do, whether and how they make a difference, and the challenges they face today and in the future because of the legal mandate that they report to both the executive and congressional branches of the federal
government. Through case studies of six agencies, a survey of IGs, and analysis of public documents and statistical data, we describe a complex strategic environment in which IGs do their work. We conclude the book with recommendations regarding the operation of OIGs to take advantage of their distinctive skills and authority to improve the operation of U.S. governmental programs.

An Overview of U.S. Inspectors General and the Plan of the Book

The U.S. OIGs emerged in an era emphasizing accountability of government and at a time of heightened concerns about fraud and mismanagement of government programs. The IG Act of 1978 authorizes IGs to (1) pursue independent audits, investigations, or evaluations of agency programs and practices; (2) provide leadership and coordination of policies that promote economy, efficiency, and effectiveness of agency programs; and (3) prevent fraud, waste, and abuse. Distinctive among federal officials, IGs are legally required to report to both the executive and legislative branches of government. Inspectors general are expected to be nonpartisan appointments and to pursue their responsibilities without regard to political interests. The IGs and the offices they manage are expected to be independent, yet they are accountable to both executive offices and to Congress. Chapter 2 reviews the historical development of the 1978 act that institutionalized these features as well as major amendments in 1988, 2008, and 2016, which primarily increased responsibilities, authority, and resources for OIGs.

Consistent with expectations that IGs are nonpartisan appointees holding professional credentials tied to their responsibilities, few IGs have extensive partisan backgrounds. Moreover, except for the presidential transition from Jimmy Carter to Ronald Reagan, IGs typically remain in place through presidential transitions and agency head changes. Since 1989, IGs have not been subject to dismissal during presidential transitions due to the nonpolitical nature of IGs in their respective agencies. The nonpartisan nature of their appointment also strengthens the independence of IGs to pursue audits, investigations, and evaluations despite shifts in political winds.

Chapter 3 reviews the appointment processes for IGs, details who has
been appointed to these offices, and discusses challenges associated with open vacancies and allegations against IGs themselves.

The business of government involves the expenditure of trillions of dollars to contractors for buildings, weapon systems, and equipment, and to individuals for government salaries and pensions, Social Security, and tax refunds. Inevitably some of these payments involve fraudulent charges or administrative mistakes. Governing also involves the administration of complex programs requiring the development of regulations and procedures that government officials are expected to implement fairly, in keeping with budgetary and legal guidelines. Here, too, mistakes occur, programs fall short of expectations, and unintended consequences emerge following program implementation. Audits, investigations, and evaluations are the principal means by which IGs identify these shortcomings and make recommendations for their correction. Drawing on a survey of IGs, chapter 4 discusses how OIGs operate, including how audits and investigations are initiated, pursued, and reported upon. The chapter also presents data on how these activities vary across OIGs and what may account for this variation.

In pursuing audits, investigations, and evaluations, IGs must be mindful of their legal obligations to report to both their agency head and to Congress. They must balance expectations regarding their independence and nonpartisanship, their accountability for recommendations to the agency and to Congress, and their timely engagement with federal programs to offer recommendations for making these programs more economical, efficient, and effective. Balancing expectations and dealing with pressure from both executive leaders and Congress is often referred to as walking the barbed wire fence. Chapter 5 reports on case studies involving six IGs, their OIGs, and agency leadership, with a focus on how IGs manage potential clashes between these two principals and across the principles of independence, accountability, and engagement.

Supporters of IGs and the work they do often point to the substantial savings and successful prosecutions by OIGs. This, supporters argue, demonstrates the value of IG work and the difference it makes. Some advocates point out that every dollar invested in OIGs produces a return of $17 in savings and retrieved funds. Of course these measures do not
fully capture, and some may overstate, the difference IGs make in their respective agencies. And in many circumstances, the impact IGs have on agencies may not be easily quantified. Chapter 6 examines quantitative measures of the difference IGs make in their agencies and explores more nuanced ways that IGs may impact their respective agencies’ policies, practices, and decisions.

Despite positive press and support from Congress and the executive branch, IGs are not without critics. Moreover, the IG community faces challenges on numerous fronts, including increased partisanship in Washington, constrained budgets, and expectations of various groups about their work. Challenges involving management of OIGs themselves and the IG community are also on the horizon, involving delays in filling IG vacancies and auditing programs in policy areas administered by multiple agencies. Chapter 7 outlines several of these major challenges and highlights some of the concerns facing the IG community, executive leaders, and Congress. In the course of discussing these challenges and criticisms, the chapter offers recommendations that could address some of the issues embedded in contemporary discussions of IGs.

**Research Methods**

Findings and discussion in this volume are based on three principal sources. First, we conducted an extensive literature and document review that included the laws governing OIGs, semiannual reports to Congress, selected individual audits and evaluations, and publicly available data on the occupants of IG offices from 1978 through the end of the Barack Obama administration in January 2017.

Second, during the summer and fall of 2014, we conducted in-depth case studies of six IG offices representing a variety of agencies, including cabinet-level departments and smaller federal agencies. Reflecting the size of their home agencies, the size of the OIGs varied substantially, ranging from several hundred employees to a relatively small OIG with fewer than twenty-five employees. Three of the IGs were appointed by the president and confirmed by the U.S. Senate and are commonly known as PAS IGs, and three were appointed by agency heads or governing boards.
and are otherwise known as designated federal entities (DFEs). A copy of the general guide for our interviews is included in appendix A.

Third, we conducted an electronic survey of the IG community in fall 2016 to follow up on the findings from our six case studies, broaden our understanding about activities OIGs pursue to fulfill their mission, and identify factors that lead to their success. We pretested the survey with four sitting IGs and then sent the survey to at least five officials in each of the seventy-three IG offices in existence at that time, including the IG. We received responses from a total of fifty-nine IG executives. To ensure that we had comparable responses across OIGs, our analyses in later chapters draw on the twenty-six responses of the IGs representing 35 percent of all OIGs, which is most appropriate since we are primarily focused on interactions between IGs and leadership in the agencies and Congress. Appendix B includes a copy of the questions and instrument used for this survey.

Focusing on the IGs’ Strategic Environment

The IG Act of 1978 represents a reform that Beryl Radin, a public administration scholar and former special advisor in the Department of Health and Human Services, characterizes as a one-size-fits-all approach to management reform efforts. To a very large extent, each OIG has the same mission and authority to improve the efficiency of government and to rein in fraud and abuse. In reality, OIGs adapt their organization and activities to programs and policies that differ from one agency to another. These differences are reinforced by differences across the congressional committees to which IGs and their home agencies report. And there are expectations that differ among IGs and individuals with whom they work and to whom they report. Recognizing this aspect of OIGs, we explore the IGs’ strategic environment, which is composed of individuals and offices that substantially influence decisions made by IGs, how they conduct their work, and what impact they have on government operations. In very real terms, an IG’s strategic environment may significantly influence levels of success for his or her office.

The idea that organizations and government offices operate in an envi-
ronment that influences their activities is neither new nor surprising. Our conception of an IG’s strategic environment draws on James Eisenstein’s work on U.S. Attorneys, which describes the relationships central to the operation of local U.S. Attorney offices located in every federal judicial district. Eisenstein’s field work on U.S. Attorneys found that their appointment, decisionmaking, and priorities were substantially influenced by Department of Justice (DOJ) offices to whom they technically reported and by local officials with whom they interacted regularly, such as federal district judges, elected officials (including U.S. senators from their state), and private attorneys. Eisenstein reveals that, although confirmed by the U.S. Senate and nominally independent of both the DOJ and the local community, U.S. Attorneys pay attention to national and local constituencies as they make investigatory and prosecutorial decisions. Although IGs and U.S. Attorneys do not share the same attributes of independence, both function in an organizational environment that impinges on their day-to-day decisions. In many instances, their respective environments encompass and require contending with conflicting demands and expectations. We believe that understanding this strategic environment is critical to understanding IGs’ operations; how their work is accomplished; how their audits, evaluations, and investigations are received; and finally, what impact IGs have on their home agencies.

Our research suggests that an IG’s strategic environment is best described as being composed of three sets of elements that are key influences on what IGs do: stakeholders interested in and affected by an IG’s work; expectations held by the IG’s stakeholders; and system stressors creating challenges and opportunities for an IG. We conclude this chapter with brief descriptions of these three elements, providing a conceptual base for their use in later chapters.

**Stakeholders of IGs**

Inspectors general have two primary stakeholders with legal authority over them and to whom they officially report—namely, leadership in their home agency and Congress. While statutorily independent, an IG must pay attention to the preferences of and requests from these stakeholders.
We demonstrate in subsequent chapters that both of these stakeholders affect the day-to-day activities of the OIG and significantly impact an IG’s long-term success or failure.

A secondary group of stakeholders includes individuals, offices, or groups that hold no statutory authority over an IG but in fact have potential influence because of their expertise, legal authority in allied areas of interest, or power in the political system. These secondary stakeholders can serve as important allies or adversaries for an IG. Perhaps the closest secondary stakeholders to an IG are his or her OIG staff. While an IG has hierarchical authority over his or her staff, OIG staff members are entrusted with considerable responsibilities and have the sort of organizational authority, resources, and expertise that can constrain, alter, or advance an IG’s work.

Among secondary stakeholders external to an IG’s office, CIGIE holds a distinctive position of speaking for the entire IG community (once there is agreement among the IGs), setting professional standards for IG activities, and providing training opportunities to IGs and their staff. An IG is also likely to encounter other stakeholders in the federal system who have oversight responsibilities and who may be either competitors or partners in audits, investigations, or evaluations. Such stakeholders include the Government Accountability Office (GAO) and the DOJ, which draw their respective auditing and investigating authority from separate statutes. The Office of Management and Budget (OMB) also has a special relationship with IGs, especially since OMB’s deputy director for management serves as the executive chair of CIGIE.

Other secondary stakeholders include agency employees whose work IGs often review and upon whom IGs rely for information and for implementation of recommendations. Nongovernmental stakeholders include clients or consumers of an IG’s home agency (for example, contractors hired by the agency), groups affiliated with the home agency (for example, professional associations or employee unions associated with the agency), interest groups affected by agency programs, and groups dedicated to oversight of government programs (for example, the Project on Government Oversight [POGO]), all of which have the potential to impact an IG’s work—positively or negatively. In addition, the media can affect IG
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work in at least two ways: first, by reporting on government waste or mismanagement that lead to calls for IG inquiry and, second, by reporting on major findings of fraud or waste, as well as the political consequences of IG reports and recommendations.

Expectations of IGs

In creating OIGs, Congress set a number of expectations in law regarding their operation and their relationships with home agencies as well as with Congress. These responsibilities and authorities are best summarized in three broad areas that we believe shape the activities of an IG and influence how various stakeholders interact with that IG on a day-to-day basis: (1) the independence to initiate, conduct, and report on audits, investigations, and evaluations unencumbered by political constraints; (2) accountability to their home agency and to Congress for their initiatives, findings, and recommendations; and (3) engagement with agency management and with Congress to assure integrity and efficiency in agency programs. In accounting for the decisions of IGs and the operation of OIGs in subsequent chapters, we highlight that IGs and their stakeholders often have differing views about independence, accountability, and engagement. And, importantly, these differences affect the work an IG does and the impact of that work.

INDEPENDENCE

An IG’s independence is strongly rooted in the historical development of the IG Act of 1978, and the law provides detailed protections for that independence. For example, an IG is expected to be a nonpartisan appointment with the expertise needed to pursue audits, investigations, and evaluations in the home agency. With few exceptions, there are no terms or time limits for an appointee, which means he or she continues to serve through changes in presidential administrations. Indeed, as discussed in chapter 3, there have been no systematic dismissals of IGs when executive changes occurred, except at the beginning of President Reagan’s first term.
The Inspector General Act underscores an IG’s independence by providing that he or she is free to initiate and pursue audits, investigations, and evaluations unencumbered by agency management or (less clearly) congressional interests. Agencies are directed to cooperate with an IG and to provide information as needed for audits, investigations, and evaluations. In addition, an IG largely organizes his or her office and hires staff independent of agency management or congressional interests. Finally, unlike virtually all other administrative programs or departments, an IG may independently and publicly comment on budget recommendations for his or her office from agency management, the OMB, and the president; further, the IG may lobby Congress for budgetary support. Given these statutory protections, IGs can reasonably expect considerable latitude in audits, investigations, and evaluations they pursue. However, exercising this discretion may be influenced by organizational or political pressures from stakeholders.

**ACCOUNTABILITY**

While largely unrestrained in the conduct of audits, investigations, and evaluations, an IG is held accountable for outcomes in these activities, for management of the office, and for relationships with his or her stakeholders. Based on the idea that transparency produces accountability, the 1978 legislation requires IGs to file semiannual reports with agency management and with relevant committees of Congress. These reports detail activities for the past six months and the results of recommendations made in previous semiannual reports. Subsequent legislation also mandated posting individual and semiannual reports on the internet.

While the distribution and posting of reports may not guarantee close review of an IG’s work, his or her work is often subject to close scrutiny by agency leadership. This scrutiny may lead agency management to reject an IG’s recommendations or undertake a different approach to a problem identified by an IG. In any case, agencies are not legally obligated to accept recommendations, but they must give feedback to IGs on their reports and the status of their recommendations. The Department of Justice provides a check on an IG’s investigative activities by decid-
ing whether to prosecute individuals on whom OIG investigators collect evidence of alleged criminal or civil violations. As an ultimate form of accountability to the executive branch, disagreements between an IG and the administration could lead to the IG’s dismissal—an action that requires informing Congress about what led to the dismissal. Congress does not have dismissal authority, but it may hold hearings with and about an IG who is considered out of step with congressional views about the IG’s work.

While much of the federal budget process is incremental, review of an IG’s budget by agency management, OMB, the president, and Congress provides opportunities for review of his or her activities. Budget increases or cutbacks in response to positive or negative views of an IG’s record do not occur frequently, but they do occur—and IGs feel this weight of accountability in their respective offices.

An IG may also be held accountable by the community of IGs in two ways. First, the GAO sets government auditing standards and CIGIE issues quality standards for the work IGs do, and conformance with these standards is the subject of peer evaluations. Reports from these peer reviews are shared with an IG, the home agency, and Congress. Second, a CIGIE committee also conducts investigations of any alleged wrongdoing by an IG and makes recommendations regarding the allegations and follow-up actions by the home agency.

**ENGAGEMENT**

Independence does not mean isolation. The Inspector General Act clearly sets expectations for engagement by an IG with leadership in the home agency. These expectations include making recommendations on proposed legislation or regulations relating to programs and operations of the agency. An IG is also expected to make recommendations about the home agency’s relationships with other governmental and nongovernmental entities, and the efficiency of the home agency’s programs. Additionally, an IG is expected to keep agency leadership and Congress fully informed about discoveries of serious problems and actions needed to correct the problems. An IG is also expected to report on the progress
the home agency has made to implement corrective actions the IG has recommended.

None of these activities occur in isolation, and there is considerable interaction between an IG, the home agency, and Congress—especially if the issue is highly charged. Principals talk with each other, exchanging information before, during, or after an audit, investigation, or evaluation. The challenge is doing so in ways that maintain OIG independence, thereby avoiding concerns about whether the IG is deferential to either agency management or Congress—that is, whether the OIG is “captured” by either entity.

Occasionally, engagement is initiated by an IG’s stakeholders. Agency management, for example, might bring an issue to an IG for evaluation or investigation—sometimes to provide an independent review involving a politically hot issue. Similarly, Congress might pass legislation mandating that an IG review an issue, and individual members of Congress might request that an IG inquire into a matter of interest. Wanting to be responsive to these important stakeholders, an IG can work with agency management or Congress to clarify the boundaries of the request and the authority he or she might have to explore the issue.

**System Stressors**

In the U.S. political system, conflicts are routine between branches of the national government, between national and state governments, between political parties, between interest groups, and between public officials. These conflicts may involve differing views of how to address such matters as tax and spend policies, ending poverty and discrimination, government regulations, or the role of the United States in world affairs. Added to these concerns are occasional major events such as financial meltdowns, terrorist attacks, huge natural disasters, and international conflicts, which heighten stresses regarding government response. These events and pressures create stress for public office holders who balance conflicting interests, hold different priorities, and must account for their decisions (or the lack thereof).

As a high-level public official, an IG is not sheltered from these con-
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Conflicts, and he or she is not immune from these stressors—they are part of an IG’s strategic environment. As is the case with stakeholders in that environment and expectations of IGs, system stressors influence what an IG does and the consequences of those actions. While there may be numerous sources of stress for an IG—some idiosyncratic, some episodic, and some personal—we focus in this book on two system stressors that have routinely influenced OIGs since their creation in 1978: (1) shared powers in the U.S. national government and (2) partisan and particular interests of public office holders.

**SHARED POWERS**

Constitutional scholar Louis Fisher argues that the “American political system operates primarily on the basis of concurrent powers. One branch can do very little without the support and countenance of the others.” Fisher describes stresses created by concurrent or shared powers in a variety of areas, including control of the budget, setting foreign and defense policy, and oversight of the bureaucracy. The essence of his review is that members of Congress, executive officers, and (sometimes) judicial officials must come to an agreement by compromise or combat to settle on policies and actions for the national government.

Congressional and executive branch countenance is required in three major areas that constitute critical elements of an IG’s strategic environment: (1) the appointment and continued service of an IG, (2) the specification of an IG’s authority and resources, and (3) the follow-up on an IG’s findings and recommendations. Disagreements involving these elements often create stresses on IGs, collectively and individually, and influence their audits, investigations, and evaluations. Since an IG reports to both an executive official and members of Congress, conflicts involving these primary stakeholders can be critically important and prompt a careful walk on the previously mentioned “barbed wire fence” between executive and congressional officials.

Stresses stemming from shared powers emerge even before an IG is appointed to his or her office. For example, appointments of IGs that require Senate confirmation may be hastened or held up for a variety of rea-
sons by either the president or Congress, sometimes while that individual serves in an “acting” capacity. At other times, the continued service of an IG is called into question by members of Congress while the IG maintains continued support from executive officials.

The legislation creating OIGs required agreement by Congress and the president, and affected the powers of both institutions. In its final form, the IG Act of 1978 sketched out specific authorities and responsibilities of an IG. However, questions have remained, and changes in expectations over time have led to controversies about an IG’s authority and responsibility. For example, the IG Act grants unfettered access to most agency documents, but agencies and IGs have disagreed on whether IGs may have access to particular types of documents (for example, grand jury materials).

Budgets present recurring opportunities for shared influence over OIGs. Addressing these concerns in 2008 amendments to the IG Act, Congress created the means for an IG to disagree with budget decisions by an agency head or the president, granting an IG the power to say for the record that the budget is insufficient to carry out the responsibilities of the specific IG’s office.

Access issues and budgets are two examples of where and how an IG may find himself or herself pressed between assertive executive officials and assertive members of Congress—and both have shared powers over OIGs. An IG may influence conversations among executive officials, members of Congress, and other stakeholders, but he or she must live with uncertainties and stresses until the controversies are resolved.

In addition, audits, investigations, and evaluations often result in OIG recommendations to an agency for changes that would address inefficiencies or practices that led to alleged fraud, waste, or mismanagement. The agency might agree with the recommendations and have the authority and resources to implement the recommended changes. On the other hand, an agency might disagree with the recommendations, raising the ire of Congress. Or, the recommendations might require congressional action in the form of increased funding or changes in authorizing legislation. In the latter circumstances, agency leadership and members of Congress engage in discussions, conflicts, and compromises regarding the
shortcomings identified in a report. In these instances, an IG faces the stress-inducing prospect of intransigence by agency leadership, inaction by Congress, clashes between executive and congressional branches, or broadened discussion of recommendations by various secondary stakeholders who are interested in the issue.

**PARTISAN AND PERSONAL INTERESTS OF PUBLIC OFFICE HOLDERS**

Beyond conflicts rooted in shared powers, an IG may face conflicts that simply reflect the partisan divides that routinely affect national political institutions. In 2015, at the end of his two decades of service as IG in the Department of Energy, Gregory Friedman commented that the “largely toxic discourse in Washington” is hindering the work of IGs. Friedman goes on to say, “It’s a very, very difficult and challenging climate in which the discourse is not very pleasant. The IGs are part of the scene. It’s partisan, it’s unpleasant. It seems there’s a lack of common purpose that may not be helpful.”

In addition to partisan divides, a powerful member of Congress may ask an IG to conduct an inquiry on a matter that the individual representative feels is important. On some occasions, a powerful representative may target an IG for intense scrutiny if, for example, the member of Congress believes the IG failed to be sufficiently critical of an agency, was overly critical of that agency, or ignored a situation the representative thought was particularly important. We will see that IGs pay close attention to demands and requests from Congress, and develop strategies to accommodate, avoid, or gently push back such requests.

An IG can also find himself or herself in conflict with agency leadership, which leads to the OIG being isolated or undercut by agency managers, Congress, or other stakeholders. Public accounts of such conflicts are rare. For example, Clark Ervin, the acting IG for the Department of Homeland Security after its creation in 2003, had a highly conflicted relationship with Tom Ridge, secretary of the newly created department. Ridge and Ervin had very different views of what the department’s IG should do and the policies and risks the IG should examine. These dis-
agreements produced personal animosities that resulted in Ridge and Ervin meeting infrequently, and tainted communications between DHS staff and the IG. In the end, Ervin’s nomination as the permanent IG appears to have been scuttled in 2004 by mutual agreement of the George W. Bush administration and the congressional committee, which did not act on the nomination for nearly two years.15

**Conclusion**

U.S. inspectors general focus on finding fraud, waste, and abuse, and promoting economy and efficiency. Each year, IGs conduct numerous audits, investigations, and evaluations that assess shortcomings of federal officials and federal programs. Recommendations resulting from these inquiries are shared with the IG’s federal agency and relevant congressional committees; those recommendations that do not involve national security are posted on websites for public inspection. With some regularity, IG reports lead to congressional hearings and media reports highlighting questionable actions by federal officials. In pursuing this evaluative mission, IGs report to both executive and congressional leaders. Yet, IGs are also expected to be independent and nonpartisan as well as accountable and engaged. These reporting relationships and expectations create a strategic environment that is rooted in the history of the IG Act of 1978 and its subsequent amendments.

The next chapter discusses the development of the IG Act and how it created a distinctive set of environmental pressures, constraints, and challenges for U.S. IGs.