



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

The Role of Federal Inspectors in Investigating Wrongdoing in Public Procurement

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Federal Inspectors General in U.S.A.

- Military origins: George Washington appointed first Inspector General (IG) for Continental Army during Revolutionary War.
- Congress passed Inspector General Act in 1978 after Watergate (many states and local governments also have created IGs).
- Today, 73 federal agencies have IGs employing about 14,000 staff at a cost of \$2.5 billion per year. On average, each year IGs:
 - identify over \$20 billion in potential cost savings
 - recover over \$15 billion through civil and criminal cases
 - investigate cases resulting in about 5,000 criminal prosecutions
 - obtain over 5,000 suspension and debarments
 - issue misconduct reports resulting in about 4,000 personnel actions against agency employees



Department of Justice Inspector General

- 10th largest federal IG, with about 470 employees and a \$95 million budget
 - IG Staff includes about 200 auditors, 125 federal agents, 30 policy analysts, and 40 lawyers
 - We oversee a Department (DOJ) with 110,000 employees and a \$28 billion budget
 - DOJ awards about \$6 billion in contracts and issues about \$5 billion in grants
 - Oversight includes federal prisons and all DOJ law enforcement components, including FBI and DEA



Presidentially Appointed IGs vs. Agency Appointed IGs

- Presidentialy nominated/Senate-confirmed IGs (36 of 73 IGs)
 - cabinet-Level departments and large agencies
 - can only be removed by President after providing 30 days notice to Congress with reason
- Agency Appointed IGs (37 of 73 IGs)
 - independent agencies and other Federal agencies/entities
 - agency head appoints IG



IGs are Politically Neutral

IG Act of 1978:

- An IG “shall be appointed...without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations.”



IGs are Independent

- Dual reporting to agency head and Congress
- Choose their own work; agency head cannot tell them what to work on or not to work on
- Have access to all agency records and personnel
- Have their own budget line and budget authority
- Hire their own staff and make all personnel decision
- Have independent contracting authority
- Have their own general counsel
- IGs have no term and IG pay set by statute
- Congress must be notified 30 days prior to removing an IG with reason for removal



IGs are Transparent and Accountable

- Statutory requirement to post on IG website all reports and audits, with limited exceptions (i.e., national security)
- Issue Semiannual Reports to Congress
- CIGIE issues Annual Progress Report to the President
- IGs conduct regular peer reviews to ensure IG offices are following community-wide standards in their audits, inspections, and investigations
- CIGIE's Integrity Committee investigates any misconduct allegations against IGs (FBI investigates criminal allegations)



What do IGs do?

- Conduct audits, inspections, and evaluations of agency programs and activities
 - Make recommendations to improve effectiveness and efficiency of government programs
- Investigate allegations of criminal wrongdoing and administrative misconduct by agency employees, contractors, grant recipients, and other third parties
- Operate a hotline to receive information from the public and agency employees
- Conduct whistleblower training programs and investigate allegations of whistleblower retaliation



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FROM 2011-2015 IGs... IDENTIFIED NEARLY \$200 BILLION IN POTENTIAL SAVINGS AND NEARLY \$80 BILLION IN INVESTIGATIVE RECOVERIES

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The site is operated and maintained by CIGIE. The reports and information are uploaded to this site by the IGs.

Potential Savings Identified in Reports on this Site

| Fiscal Year | Potential Savings |
|-------------|-------------------|
| 2013 | \$37.46B |
| 2014 | \$13.8B |
| 2015 | \$28.25B |
| 2016 | \$21.54B |
| 2017 | \$21.25B |

Reports Uploaded to Oversight.gov (5208 total reports)

- Investigation
- Semiannual Report
- Review
- Audit
- Top Management Challenges
- Inspection / Evaluation
- Other
- CIGIE Report

Number of IG Recommendations in Reports on this Site

| Fiscal Year | Number of IG Recommendations |
|-------------|------------------------------|
| 2013 | 6.83K |
| 2014 | 6.77K |
| 2015 | 6.38K |
| 2016 | 7.44K |
| 2017 | 6.8K |

What do these charts mean?

Read Reports

- 2016 List of Major Management Challenges for the CFPB
- Healthcare Inspection – Delayed Access to Primary Care, Contaminated Reusable Medical Equipment, and Follow-Up of Registered Nurse Staffing Concerns, Southern Arizona VA Health Care System, Tucson, Arizona
- AUDIT OF GLOBAL CLAIMS-TO-ENROLLMENT MATCH FOR BLUE CROSS AND BLUE SHIELD PLANS
- AUDIT OF THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM OPERATIONS AT GLOBALHEALTH, INC.
- Memorandum for the Director of the Federal Bureau of Investigation: Referring Alleged Misconduct to the FBI's Inspection Division and the Department of Justice's Office of the Inspector General

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Investigative Authority

- Criminal, civil, and administrative investigations of agency employees and of third parties that affect agency programs and operations, including procurement violations
- Can seek to suspend or debar contractors/grantees
- Administrative subpoena authority for documents and records
- Can compel agency employees to testify (but not third parties)
- Audits can lead to investigations, and many IGs have forensic auditors working with agents; growing use of data analytics
- IG agents can conduct arrests, perform undercover work, and execute search warrants – full investigative authority
- IGs do not have power to prosecute – must bring investigative results to DOJ prosecutor who decides whether to prosecute



Example of IG Cartel Investigation: US v. Rivera-Herrera et al. (2017)

- Dept. of Education (DOE) funded school bus contracts
- Before auction, bidders agreed to allocate contracts, raise bid prices, and submit inflated “complementary” bids to create appearance of competition
- Conspirators submitted false certificates of non-collusion.
- DOE-IG and FBI joint criminal investigation; DOJ Antitrust Division prosecution
 - 4 school bus company owners convicted of conspiracy to rig bids and allocate markets, conspiracy to commit mail fraud, and multiple counts of mail fraud



Example of IG Cartel Investigation: US v. McDonald et al. (2016)

- Environmental Protection Agency (EPA) funded clean-up at two Superfund sites
- Project manager of prime contractor got kickbacks from 3 sub-contractors in exchange for awarding them sub-contracts and providing them competitors' bid prices so they could submit highest possible bid yet still win contract
- EPA-IG criminal investigation; DOJ Antitrust Division prosecution
 - 10 individuals and 3 companies convicted of bid-rigging, kickback, and fraud resulting in jail sentences of 5 to 168 months and over \$6 million in fines and restitution.

Questions?



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