

**REVIEW OF THE OPERATIONS OF
THE OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

JANUARY 21, 1998

**OFFICE OF AUDIT
WASHINGTON, DC**

Review of Inspector General Operations: Major Findings

- **The Inspector General is unable to account for \$6.6 million of the \$7.5 million in funding provided to Operation Safe Home during the past two years. “Only \$900,000 or 13% of the \$7.5 million allocated for Operation Safe Home [in 1996 and 1997] was reported as expended” Pp. 6,7**
- **“OIG has no documentation to prove that expenditures were in accordance with Operation Safe Home rules” and has “no records to prove that Safe Home expenditures were used for their stated purpose”. p. 8**
- **The Inspector General’s employees were using government vehicles for personal use in violation of the law. “Rules regarding government owned and leased vehicles were not strictly enforced . . . OIG employees were using these vehicles for transportation between home and office”. p. 9**
- **The OIG circumvented government procurement rules by splitting credit card purchases to avoid the threshold for competitive procurement. In addition, auditors found “many instances where copies of credit card statements did not contain evidence of approval or documentation to adequately support the purchases made”. The report concluded that, “OIG is not complying with the procedures and internal controls established to assure that purchases made with the IMPAC credit card are proper and that approval is documented”. p. 5**
- **Cash advances using government issued American Express cards issued to special agents were misused. The report blames a “lack of specific policies and procedures governing the use of the American Express debit card” and a “lack of internal controls” in the Office of the Inspector General. P10 In one example cited in the report, a \$100,000 cash advance was made with no documentation. 1997 report, p. 3.**

- **No oversight over the purchase and use of computer equipment. As an example, the report cites notebook computers being given to non-OIG employees without any receipt. "OIG was not in compliance with procedures established to control ADP equipment" p.11**
- **The OIG improperly purchased sophisticated surveillance equipment and gave it away to local police departments. Pp. 4,5, 1997 report.**
- **The OIG failed to follow guidelines for the purchase of "high dollar technical equipment, such as surveillance vans, radio systems, and video/audio transceivers and microwave units". The report notes, for example, that "one district requested six sets of sophisticated surveillance equipment at over \$10,000 per set. The equipment request was approved by HQ without documented evidence". p. 7, 1997 report.**



JAN 21 1998

OFFICE OF INSPECTOR GENERAL

MEMORANDUM TO: Susan Gaffney, Inspector General

FROM: *Kathryn Kuhl-Inclan*
Kathryn Kuhl-Inclan, Assistant Inspector General for Audit

SUBJECT: Review of the Office of Inspector General Operations

As requested by you in May 1997, the Office of Audit conducted a review of the operations of the HUD Office of Inspector General for the period October 1, 1994 through March 31, 1997, including Operation Safe Home. Attached is our report which presents the results of our review and discusses our findings and other matters we identified. Our report also contains recommendations to assist HUD, OIG in its efforts to correct these problems. We appreciate the courtesies and cooperation extended to the Office of Audit staff by the Headquarters and District staffs.

Within 60 days, please give us, for each recommendation in this report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued to address our recommendations.

Attachment

EXECUTIVE SUMMARY

This review was performed of the Department of Housing and Urban Development's (HUD) Office of Inspector General (OIG) operations. The review included operations of the Immediate Office of the Inspector General, Office of Legal Counsel, Office of Management and Policy, Office of Audit, and Office of Investigation in Headquarters. The Offices of Audit and Investigation operations in all district offices were reviewed. We reviewed records and performed tests of transactions that occurred between October 1, 1994 and March 31, 1997 for both the Salaries and Expenses and Operation Safe Home appropriations.

The objective of this review was to determine if OIG Headquarters components and district Offices of Audit and Investigation had controls and procedures in place to provide reasonable assurance that funds expended by the OIG were planned, approved, properly supported and for eligible purposes. In order to accomplish this, we reviewed records from all aspects of OIG operations. These included but were not limited to funds control, payroll, credit card usage, ADP and other equipment, travel, and training.

We performed tests of transactions from the Salaries and Expenses appropriation for all Headquarters operations and the Offices of Audit and Investigation in all district offices. In addition, we performed tests of transactions for the Operation Safe Home appropriation in the Office of Investigation. Our tests covered expenditures from both appropriations by selecting a statistical sample of transactions excluding payroll and travel. Detailed results of our statistical sample are presented in Appendix A. Based on our sample of Salaries and Expenses expenditures, we have concluded with 95 percent confidence that errors in this appropriation did not exceed \$7,500. This equates to less than 0.1 percent, based on the population we tested. For our sample of Operation Safe Home expenditures, we concluded with 95 percent confidence that errors in this appropriation do not exceed \$16,100. This equates to less than 1.7 percent based on the population we tested.

As part of our statistical sampling we also tested internal controls in the Salaries and Expenses and Operation Safe Home appropriations to assess whether controls to ensure that transactions were properly recorded and assets were adequately safeguarded from loss or misuse were functioning as intended. Based on this testing, we concluded with 95 percent confidence that the exception rate for Salaries and Expenses expenditures was at least 4.2 percent. For Operation Safe Home expenditures, we concluded with 95 percent confidence that the exception rate was at least 12.6 percent (See Appendix A).

We used a judgmental sample to test payroll and travel. Results of this testing are presented in the "Results of Review" section of this report.

We classified findings disclosed by this review as major and minor. Major findings were categorized as such due to their being serious in nature or having occurred in numerous offices. Minor findings were less serious or occurred in only a few offices. This report does not identify specific offices where the findings occurred, but they did not occur in all offices.

Information regarding the number of offices where major findings occurred can be found in Appendix B.

Major Findings

Following are the findings that we classified as Major:

- Offices were not performing periodic reconciliations of amounts charged to their budgets.
- Payroll processing procedures and controls were not consistently followed by offices.
- OIG usage of the International Merchant Purchase Authorization Card (IMPAC) credit card was not always in accordance with established procedures.
- The official system for reporting Operation Safe Home funding shows that funds were being committed and obligated, but were slow in being liquidated and reported as expended.
- Transaction testing of Operation Safe Home funds revealed a number of conditions including lack of or inadequate supporting documentation, advances made for task forces that had cost reimbursable contracts, and expenditures for task forces that did not have agreements.
- Rules for the use of government owned and leased vehicles were not strictly enforced by offices.
- Controls over Operation Safe Home advances to special agents for evidence or information purchases were lax.
- Some offices were not enforcing established procedures for controlling ADP equipment.

Minor Findings

Following are the findings that we classified as Minor:

- Various problems with processing travel vouchers were discovered.
- Office equipment was not maintained as required.
- A few problems with Law Enforcement Availability Pay (LEAP) were discovered.

- Training procedures lacked Individual Development Plans. In addition, one office did not maintain training records for all agents located in that office.

Numerous recommendations have been made to management to correct the findings listed above. Some of the most significant were to perform reconciliations of amounts charged to office budgets, follow established procedures for processing payroll, improve administration of Operation Safe Home funds by more closely monitoring their expenditure, and implement provisions of the recently issued procedures and policies memorandum on Operation Safe Home funds control.

Upon completion of our work in each office, we gave a copy of our findings to the respective supervisors and asked for written comments. We received both written and oral comments to the findings. We took these comments into consideration when determining which findings to include in this report and how to classify them.

Background

In 1978, Congress created the Office of Inspector General (OIG) for the Department of Housing and Urban Development (HUD) and other Federal Agencies through the Inspector General Act of 1978. The OIG is an independent organization. Its mission is independent and objective reporting to the Secretary and the Congress for the purpose of bringing about positive change in the integrity, efficiency, and effectiveness of HUD operations.

The OIG is comprised of distinct organizational units with different authorities and responsibilities:

- the Office of Audit
- the Office of Investigation
- the Office of Management and Policy
- the Office of Legal Counsel

This review was conducted at the request of the Inspector General. Each of the above offices were reviewed during this examination, as well as the immediate office of the Inspector General. The OIG participates in an external quality control review program with other Federal Offices of Inspectors General and has an internal quality assessment review function in place. To our knowledge this is the initial review of this type of the OIG as a whole.

Objective, Scope and Methodology

Our overall objective was to determine if OIG had controls and procedures in place to provide reasonable assurance that funds expended by the OIG were planned, approved, properly supported and for eligible purposes. To accomplish this objective, we reviewed the operations of Headquarters and all District offices, for the period October 1, 1994 through March 31, 1997.

We reviewed regulations and guidance governing OIG operations to become familiar with systems and procedures. We interviewed key staff at Headquarters and each District Audit and Investigative office. We performed tests of transactions and reviewed records to determine whether procedures and controls were implemented and functioning properly. With respect to our analysis of Operation Safe Home obligations and expenditures, our procedures did not attempt to determine the validity of OIG obligations recorded in the Department's financial system at the end of our review period. We also did not review the effectiveness or qualitative results of any Safe Home task force. The procedures we performed related to the following:

- process for ensuring the accuracy of amounts charged to budgets,
- proper payroll processing to assure accuracy and reliability of payroll records,
- compliance with controls to ensure proper use of the government-wide credit card,

- funds control over Salaries and Expenses and Operation Safe Home,
- control of ADP and other equipment,
- controls over purchased or seized evidence, and
- controls over travel and training.

We performed work at Headquarters and each District level office during the period from June through September 1997. While we structured our review based on the requirements of Government Auditing Standards, this review was not in accordance with those standards. In this regard, the Office of Audit is not organizationally independent of the Office of the Inspector General.

RESULTS OF REVIEW

This report separates the results of our review into two categories, major and minor findings. Major findings were categorized as such due to their being serious in nature or having occurred in numerous offices. Minor findings were less serious or occurred in only a few offices. We also discovered two minor situations which are classified as other items. We feel that all findings need to be addressed in order to stop the occurrence of major findings and to prevent minor findings from becoming major.

MAJOR FINDINGS

Periodic reconciliations of amounts charged to office budgets were not performed.

OIG field and Headquarters components were not periodically reconciling charges to their budgets to ensure their accuracy and validity. The reconciliation becomes more important with revised procedures put into place by the Department in June of 1997. The new procedures state that all invoices below \$25 will be paid and not sent to the program office for approval. Invoices between \$25 and \$2,500 will be paid without program office approval but a random sample of these invoices will be selected for a post-payment review. All invoices \$2,500 or over will be sent to the program office for approval prior to payment. This places a greater importance on performing reconciliations of what is charged to an office's budget.

Our review of field office invoices revealed two disbursements in Fiscal Year 1996 totaling \$2,456 that were erroneously charged to an OIG office. They should have been charged to other program offices within HUD. This fact was not known until our review questioned them. This would have been discovered sooner if a monthly reconciliation had been performed. Steps are currently underway to charge the appropriate Departmental accounts.

The November 1996 publication on financial management responsibilities and Federal Financial Systems (FFS) states that the OIG has the responsibility of data stewardship for all transactions entered into FFS. Data stewardship addresses the process of managing information to ensure that information entered into FFS is accurate, accessible, timely and usable. Included in the management process is providing for segregation of duties, establishing a structure of approval and data entry authorities, and performing reconciliation and adjustment processes.

OIG officials gave various reasons for not performing periodic reconciliations. Among these were that they did not know of their reconciliation responsibilities and have not been given instruction on how to perform their reconciliations.

Due to the fact that periodic reconciliations were not being performed, OIG field and Headquarters components have not ensured the accuracy and validity of amounts charged to their respective budgets. As stated above, the advent of new procedures implemented by the Department places greater importance on reconciliations.

Recommendation:

We recommend that the Office of Management and Policy establish procedures requiring that offices perform reconciliations of amounts charged to their budgets. The policy should require offices to perform reconciliations of amounts charged to budgets at least on a monthly basis. This information should suggest a report from FFS to be used for this purpose and be explicit as to the extent of the reconciliations and resolution of discrepancies.

Payroll processing procedures were not consistently followed.

OIG was not consistently complying with procedures or internal controls established for processing payroll. Various conditions exist which were not in accordance with established procedures. First, timekeepers were preparing and maintaining their own Time and Attendance (T&A) report without proper approval. In addition, supporting documentation was not always attached to the T&A report or the supporting documentation that was attached was not approved or not approved in a timely manner. We also noted that some supervisors were not properly reviewing or documenting their review of TANDARPTs. We also found occasions when leave or credit hours from one pay period were being recorded in another pay period.

The Department's T&A Reporting Procedures require that only under extenuating circumstances can a timekeeper maintain and/or prepare his/her own T&A report. If a supervisor believes these circumstances exist, a request and justification must be submitted to the appropriate Departmental personnel office for approval. This was not done for any of the situations where timekeepers were maintaining and preparing their own T&A report. Reporting procedures also require that T&A reports contain supporting documentation that is approved in a timely manner. The reporting procedures also state that supervisors must compare TANDARPT data (generated by the National Finance Center) to the certified T&A report and document their review by initialing the TANDARPT.

These conditions existed because supervisors were not aware that the requirements existed or were not aware of the extent of the requirement.

Due to the existence of the above conditions, the OIG was not in compliance with procedures or internal controls established for processing payroll. Also, the OIG had insufficient assurance that its payroll records or those of its employees were accurate and reliable.

Recommendation:

We recommend that the Office of Management and Policy inform supervisors of provisions set forth in the Department's T&A Reporting Procedures. Supervisors should ensure that these procedures are followed in order to comply with established payroll processing procedures and ensure accurate and reliable payroll records.

IMPAC credit card usage was not always in accordance with established procedures.

Conditions in this area included copies of credit card statements maintained by offices not containing evidence that they were properly supported or approved, ADP equipment purchased with the credit card, statements not processed in a timely manner and one situation where an office appeared to split purchases to remain below the \$2,500 limit. We encountered many instances where copies of credit card statements did not contain evidence of approval or documentation to adequately support the purchases made. Adequate documentation includes items such as the invoice that supports the purchase on the credit card statement. The situation where it appeared purchases were split occurred during October 1996. In that month, an office had five transactions with one vendor which totaled \$4,784 for the purchase of furniture. Also, ADP equipment was purchased with the credit card. Regarding approval, some copies of credit card statements maintained by offices did not contain evidence that the approving official reviewed and certified purchases made during the preceding month.

HUD Handbook 2212.1, REV-2 requires that the cardholder certify the credit card statement within five working days of receipt and forward it to the approving official. The approving official must review and certify the appropriateness of all purchases within fifteen working days of receipt. Approving officials are tasked with establishing appropriate internal controls and documentation procedures. This entails maintaining copies of records including statements of transactions and accountability, all supporting invoices, and related documents. The handbook limits an individual purchase transaction to \$2,500 and states that purchases may not be split in order to stay within that limit. In addition, the handbook specifically prohibits the purchase of ADP equipment with the credit card.

Some offices stated that they did not maintain copies of supporting invoices or the approved statements because they did not want to bulk up their files. They stated that they can get a copy of the statement or invoice from the Office of Accounting should a discrepancy arise. They also state that the Office of Accounting will not pay the statement unless it is properly certified and approved so there is no need to maintain copies. We did encounter a situation where the approving official was out and the Office of Accounting instructed the cardholder to sign as the approving official in order to pay the monthly statement in a timely manner. This could lead one to conclude that timely payment is more important to the Office of Accounting than ensuring proper approval of statements. For ADP equipment purchases made using the credit card, offices have stated that they were told by the Office of Management and Policy that they could purchase ADP equipment with the credit card. We contacted the Office of Management and Policy who stated that HUD's Office of Administration gave OIG the authority to purchase ADP equipment with the credit card. However, the Office of Management and Policy could not produce a written document supporting this assertion.

Based on the above, OIG is not complying with the procedures and internal controls established to assure that purchases made with the IMPAC credit card are proper and that approval is documented.

Recommendations:

The following recommendations for the Office of Management and Policy should bring OIG into compliance with procedures and internal controls established for IMPAC credit card purchases:

1. Remind offices of procedures established in HUD Handbook 2212.1, REV-2 for approving statements in a timely manner and maintaining copies of supporting documentation. A second or alternate approving official should be assigned to approve the statements in the absence of the approving official.
2. Obtain written authority from the Office of Administration to purchase ADP equipment with the credit card. If this written authority is not received, OIG should comply with the provision not to use the credit card for this purpose.
3. Remind offices of the \$2,500 limit placed on purchases and the prohibition on splitting purchases to remain within that limit.

The official system for reporting Operation Safe Home funding showed that funds were being committed and obligated, but these commitments were slow in being liquidated and reported as expended.

The Office of Investigation was allocated \$2.5 million in Fiscal Year 1996 and \$5 million in Fiscal Year 1997 for Operation Safe Home activities. This is no-year money and as such is not lost at fiscal year end. As of July 10, 1997, the FFS reported the following regarding the total Operation Safe Home allocation of \$7.5 million:

- \$2.7 million has been committed
- \$1.8 million has been obligated
- \$0.9 million has been expended
- \$2.1 million was uncommitted/unobligated

Only \$900,000 or 13 percent of the \$7.5 million allocated for Operation Safe Home was reported as expended in FFS as of July 10, 1997. This means that \$6.6 million or 87 percent of Operation Safe Home funds were reported as unexpended in FFS on this date. The \$4.5 million of commitments and obligations were slow in being liquidated. The Office of Investigation has given several reasons for the slow liquidation of obligations and reporting of Safe Home expenditures. They include:

- Memorandums of understanding with local police departments call for reimbursement of overtime expenditures. Funds cannot be disbursed until police departments submit invoices with supporting documentation requesting reimbursement for services provided.

The police departments have been slow in producing the necessary invoices and documentation.

- It is difficult to estimate the amount of funds a task force will need for evidence buys and information purchases. This amount may be over estimated and result in an obligation that is too large.
- SACs have been delayed in purchasing larger equipment because it is necessary for these purchases to go through proper procurement channels which can be time consuming.
- Investigative assistants have had training on FFS but many still don't know what their responsibilities are when they receive invoices. Because of this, invoices remain in the field office for a long time prior to being paid.

Our review of two task forces in one office illustrates this point. The two task forces began during Fiscal Year 96 and obligated a total of \$201,122. As of July 1997, only \$6,090 (3 percent of the total obligated) had been reported as expended for these task forces. In another office, \$44,000 was obligated for a one year task force that was to expire on August 4, 1997. As of July 24, 1997, the task force reported only \$4,775 as expended.

This has resulted in Operation Safe Home funds that were slow in being liquidated and reported as expended. Some task forces may not be operating as originally planned or may not need the total amount of funds originally obligated. As a task force progresses, experience should provide information about whether the total amount obligated will eventually be expended. If the total obligation is not expected to be expended, an amount can be de-obligated. This would more accurately reflect the status of Operation Safe Home funds and provide management with better information when making funding decisions.

Recommendations:

We recommend that the Office of Investigation take the following steps to improve administration of Operation Safe Home funds:

1. By March 31, 1998, the Office of Investigation should perform a review of Operation Safe Home obligations in order to determine if all task force obligations are still valid and likely to be expended. Any obligations not likely to be expended should be de-obligated and made available for use by other Safe Home operations. For task forces with valid obligations that are slow in being expended, a legitimate reason for the slow expenditure should be documented in order to justify not de-obligating the funds. We further recommend that the Office of Investigation perform a similar review of Safe Home obligations at least quarterly to determine their validity.
2. Remind local police departments of their responsibility to promptly provide invoices and supporting documentation for expenditures relating to Safe Home operations. Task force agreements should be for a specified period of time and should include a clause setting a

deadline after which invoices for the task force will not be accepted or reimbursed. This deadline should be no longer than three months after expiration of the task force. If a task force still has funds obligated when the deadline is reached, they should be de-obligated and made available for use by other Safe Home operations.

3. Investigative assistants should be reminded of their FFS responsibilities and should process invoices in a timely manner in accordance with these responsibilities.
4. In formulating future budget requests for Operation Safe Home, the Office of Management and Policy should consider the availability of funds from prior years' appropriations.

Various conditions existed regarding Operation Safe Home expenditures.

Our review of Safe Home expenditures revealed a number of issues. First, supporting documentation for some expenditures was not available for review. Also, we concluded that some of the support that was available was inadequate. In addition, advances were made for task forces whose agreements called for cost reimbursements and expenditures were made for task forces that did not have agreements outlining the responsibilities of the parties. Moreover, offices expended funds for task forces and did not maintain copies of the task force agreements or the agreements were not signed by the other agency.

This occurred because formal written procedures were only recently established to control the expenditure of Operation Safe Home funds. Offices were given procedural guidelines which in many cases were distributed by CCmail. It is not known whether these guidelines were viewed as being authoritative. Based on the variety of methods offices have employed regarding Safe Home expenditures, it appears that offices did not view the guidelines as authoritative.

Guidelines that were set forth state that use of Operation Safe Home funds are limited to combating violent crime in public and assisted housing and cannot be used for normal operations or administrative expenses. This increases the importance of having adequate documentation to support expenditures.

For the situations where there was a lack of or inadequate supporting documentation, offices did not have records to prove that Safe Home expenditures were used for their stated purpose. When task forces did not have valid agreements there was no official written document governing expenditures made by the other agency to ensure that they are in accordance with the stated purpose of Operation Safe Home. Advances made on cost reimbursable agreements were not in accordance with the agreements and unless the other agencies provide an accounting of how advances were expended, OIG has no documentation to prove that expenditures were in accordance with Operation Safe Home rules.

Recommendation:

The Office of Investigation, in an August 27, 1997 memorandum to Special Agents in Charge of investigation offices, issued final procedures and policies relating to Operation Safe Home funds control. These procedures, if implemented as written, will address the condition noted regarding Safe Home expenditures. Paragraph 5 of this memorandum establishes specific procedures for requesting Safe Home funding and setting up task forces. It states the types of expenditures Safe Home funds will cover and requires appropriate documentation to support expenditures. Paragraphs 6 on processing requests for Safe Home funds and 7 on financial controls, establish controls over Safe Home expenditures. Paragraph 8 on using cooperative agreements states that funding for such is typically on a reimbursable relationship. We strongly recommend that the Office of Investigation implement the procedures and policies contained in the August 27, 1997 memo and enforce its provisions.

Rules regarding government owned and leased vehicles were not strictly enforced.

Rules for the use of government owned and leased vehicles were not strictly enforced by offices. OIG employees were using these vehicles for transportation between home and office without proper written justification and approval. Also, not all offices were maintaining an inventory of these vehicles. In addition, a review of vehicle records in one office led us to question the necessity for having two vehicles. The two vehicles were driven a total of 2,054 miles over a period of 16 months.

Offices only recently became aware of restrictions regarding the use of government owned and leased vehicles for transportation between home and office. They state that this usage is necessary for the efficient performance of their law enforcement duties but were unaware of criteria that had to be met for such use. At the time of our review, the Inspector General was in the process of developing a written policy. Offices who were not maintaining an inventory of these vehicles did not have knowledge of the requirement. As far as the necessity for having two vehicles, the office has agreed that two vehicles are not needed and has taken action to return one.

Recommendations:

1. On August 8, 1997 the Inspector General issued procedural requirements for the approval of home to office use of government vehicles for law enforcement duties. This includes quarterly certifications by first-line supervisors and annual certifications by second-line supervisors. The Office of Investigation needs to ensure that this policy is strictly adhered to.
2. The Office of Management and Policy should remind offices of their responsibility to maintain an inventory of government owned and leased vehicles under their control. The continuing need for such vehicles should be assessed on an annual basis.

Controls regulating advances of Safe Home funds to special agents for evidence or information purchases were lax.

Advances of Safe Home funds using the American Express debit cards were not always used for their stated purpose of evidence or information purchases. Offices were using these advances to purchase supplies and equipment. In addition, some advances were given verbal approval and this approval was not documented. In another situation, the supporting documentation for advances was maintained by the field agents who were not documenting expenditures or reporting outstanding balances to the district office on a regular or monthly basis. We also found situations where supporting documentation accompanied the advance but did not contain adequate information such as the related task force or the evidence or information purchased.

A memorandum from the Assistant Inspector General for Investigation dated September 5, 1996 established basic procedures for controlling the use of the debit cards. The memo stated that debit cards should only be used for drug buys or informants on projects or task forces that have been approved by Headquarters. This memo gave primary responsibility for establishing procedures and maintaining adequate documentation and ensuring appropriate use within the approved budget to the Special Agent in Charge of the district office.

Lack of specific policies and procedures governing the use of the American Express debit card has led to the conditions that existed in the field offices. There were no uniform internal controls or documentation requirements established to provide procedures for the use of the American Express debit cards.

This has resulted in some advances not being in accordance with the general guidelines established for their use. Moreover, the lack of uniform procedures and internal controls has led to a variety of methods for administering this program. This includes everything from approving advances to documentation requirements and the return of any unused amounts.

Recommendation:

The Office of Investigation, in its August 27, 1997 procedures and policies relating to Operation Safe Home funds control, if implemented as written, will address the condition noted in this finding. Paragraph 12 sets forth specific purposes for which advances can be used. Paragraphs 13, 14, and 15 establish specific procedures and controls for the requesting, approving, safeguarding, documenting and returning unused advances. We strongly recommend that the Office of Investigation implement the procedures and policies contained in this memo and enforce its provisions.

Because some offices were not following requirements for maintaining office equipment these offices may have a difficult time establishing responsibility or recovering on lost, stolen or destroyed equipment.

Recommendation:

We recommend that the Office of Management and Policy remind offices of their responsibilities under OIG Manual Chapter 1120 to establish and maintain a furniture and equipment inventory control system. This system should require that custody receipts be maintained for equipment assigned to employees on a temporary basis.

A few instances of problems with procedures regarding Law Enforcement Availability Pay (LEAP) were discovered.

Our review of LEAP records in one office found that there were discrepancies between the Investigative Case Management System (ICMS) monthly report and the agent's monthly LEAP report. Reconciliations of these two reports were not performed and the discrepancies were not discovered until our review. In another office, one of the three months of LEAP reports we attempted to test was not maintained. Also, we found that not all agents were retaining daily time records to substantiate their LEAP.

IG Bulletin 95-IG-01 states that the supervisor will perform a monthly review of each criminal investigator's hours worked. It states that appropriate supporting documentation should be generated using existing ICMS case hour input forms and report summaries. Although not required by regulation, agents should maintain some form of daily time records to substantiate LEAP.

This condition has resulted in these offices not being in complete compliance with LEAP documentation requirements and could lead to questions as to whether all agents performed the hours required for LEAP.

Recommendation:

The Office of Investigation should remind their offices of procedures required to perform monthly reviews of each criminal investigator's monthly LEAP report and appropriate reports from ICMS. Also, the Office of Investigation should require that all agents maintain some form of daily time records to substantiate LEAP. In a revision to the Investigation/Operations Manual dated September 12, 1997 the Office of Investigation requires that criminal investigators track and maintain a record of availability hours. However, it stops short of requiring that the record be maintained on a daily basis. We feel this requirement could be strengthened by requiring daily record maintenance.

Training process was not in complete compliance with established procedures.

The training process in many offices was not in complete compliance with established procedures because Individual Development Plans (IDP) were not complete or not current. In addition, we found that one office was not maintaining training records for all agents located in that office.

OIG Manual Chapter 1092 requires IDPs for all OIG employees.

Offices have stated that they thought IDPs were no longer required. They said it was their understanding that the new OASIS system made IDPs unnecessary.

As a result, employees are receiving training without formal planning. This could lead to employees receiving training which is not job related or will not enhance their performance.

Recommendation:

The Office of Management and Policy should determine if the training module in OASIS will adequately replace IDPs. If so, OIG Manual Chapter 1092 should be revised to reflect this change in policy. If it is determined that OASIS will not adequately cover planning, the Office of Management and Policy should remind offices of their responsibility for maintaining IDPs for all employees. Offices should also be told that they are responsible for maintaining training records for all employees.

OTHER ITEMS

We also encountered two other minor situations. One was that an evidence log maintained by one office did not contain enough information to adequately identify the evidence or its location. To remedy this, the Office of Investigation should remind offices that information contained in evidence logs should adequately identify the evidence and its location.

The other situation involved one office not performing unannounced counts of the cash/imprest fund at the location. This would be remedied by periodic cash counts being performed and documented by someone other than the responsible cashier. The Office of Management and Policy should remind offices that if they hold a cash/imprest fund a periodic (at least quarterly) unannounced cash count should be performed on the fund by someone independent from the responsible cashier.

STATISTICAL SAMPLE RESULTS

We tested transactions for both the Salaries and Expenses and Operation Safe Home appropriations in order to ascertain whether expenses recorded in these two appropriations were accurate. To accomplish this, we determined the maximum amount of errors that could have occurred during the period under audit. We selected a statistical sample of transactions from the audit period of October 1, 1994 through March 31, 1997 for each appropriation. We used stratified random sample methodology to select transactions for testing. Our statistical sample did not include payroll and travel expenditures because they were tested separately using a judgmental sample. Following are the results of our statistical sample for each appropriation.

For the Salaries and Expenses appropriation, our population totaled \$22,240,557 in expenditures. Based on our sample, we concluded with 95 percent confidence that errors in these accounts (due to expenditures that were in error, not allowable or not reasonable) did not exceed \$7,486. This equates to less than 0.1 percent of the tested population. For the Operation Safe Home appropriation, our population totaled \$946,450 in expenditures. Based on our sample, we concluded with 95 percent confidence that errors in these accounts (due to expenditures that were in error, not allowable or not reasonable) did not exceed \$16,047. This equates to less than 1.7 percent of the tested population.

As part of our statistical sampling we also tested internal controls in the Salaries and Expenses and Operation Safe Home appropriations to assess whether controls to ensure that transactions were properly recorded and assets were adequately safeguarded from loss or misuse were functioning as intended. For Salaries and Expenses expenditures, we tested sample transactions as to whether they were: (1) properly planned, (2) supported by vendor invoice where appropriate, and (3) approved by an authorizing official. If one or more of these conditions was not met for a given transaction, the transaction was considered an exception for purposes of evaluating our sample results. Based on this testing, we concluded with 95 percent confidence that the exception rate for Salaries and Expenses expenditures was at least 4.2 percent.

For Operation Safe Home expenditures, we tested transactions as to whether they were (1) properly planned, (2) supported by vendor invoice where appropriate, (3) approved by an authorizing official, and (4) covered by a cooperative agreement approved by Headquarters, where appropriate. If one or more of these conditions was not met for a given transaction, the transaction was considered an exception for purposes of evaluating our sample results. Based on this testing, we concluded with 95 percent confidence that the exception rate for Operation Safe Home expenditures was at least 12.6 percent.

To the extent that we considered these internal control deficiencies significant, we discussed them in the body of our report.

NUMBER OF OFFICES WHERE MAJOR FINDINGS OCCURRED

Following are the findings that we classified as Major followed by the number of offices where at least one of the items mentioned in the finding occurred:

- Offices were not performing periodic reconciliations of amounts charged to their budgets. (15 offices)
- Payroll processing procedures and controls were not consistently followed by offices. (22 offices)
- OIG usage of the International Merchant Purchase Authorization Card (IMPAC) credit card was not always in accordance with established procedures. (19 offices)
- The official system for reporting Operation Safe Home funding shows that funds were being committed and obligated, but were slow in being liquidated and reported as expended. (5 offices)
- Transaction testing of Operation Safe Home funds revealed a number of conditions including lack of or inadequate supporting documentation, advances made for task forces that had cost reimbursable contracts, and expenditures for task forces that did not have agreements. (6 offices)
- Rules for the use of government owned and leased vehicles were not strictly enforced by offices. (13 offices)
- Controls over Operation Safe Home advances to special agents for evidence or information purchases were lax. (4 offices)
- Some offices were not enforcing established procedures for controlling ADP equipment. (17 offices)

REPORT DISTRIBUTION

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Counsel to the Inspector General, GC

Assistant Inspector General for Management and Policy, GF

Assistant Inspector General for Investigation, GI

Deputy Assistant Inspector General for Audit, GA

Deputy Assistant Inspector General for Investigation, GI

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Special Agents in Charge, GI


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CONCURRENCES:

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 1/18/98
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