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Report to Congressional Requesters

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FRAUD HOTLINE

DOD Fraud Hotline: Generally Effective but Some Changes Needed

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The Honorable William V. Roth, Jr.
Chairman, Senate Committee on
Governmental Affairs

The Honorable Jim Sasser
United States Senate

This report responds to your request of February 11, 1984, in which you asked us to evaluate the efficiency of the Department of Defense Hotline as a means of receiving and processing allegations of waste, fraud, and mismanagement in the Department of Defense. We met with committee staff and agreed to focus our review on

—the adequacy of Hotline procedures for receiving, recording, and referring allegations for investigation;

—the independence of investigators working on DOD Hotline allegations;

—the completeness and thoroughness of the investigative work; and

—the extent of the Hotline effort to review and analyze completed investigative report findings for possible patterns, trends, and systemic weaknesses in DOD programs and operations.

This report provides information on our review. It also discusses the need for the Department of Defense to better ensure that individuals who follow up on Hotline allegations are objective and that the investigations are properly documented and thoroughly reported.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of the report. At that time, we will send copies to the Director of the Office of Management and Budget; the Secretary of Defense; the Department of Defense Inspector General; the Secretaries of the Army, Navy, and Air Force; and interested congressional committees and staffs. Copies will also be made available to others upon request.

Frederick D. Wolf
Director

Executive Summary

The Department of Defense (DOD), like several other federal agencies, has a fraud hotline for receiving allegations of fraud, waste, abuse, and mismanagement. The DOD Hotline is operated by the department's Office of Inspector General (DOD OIG).

At the request of Senators William V. Roth and Jim Sasser, GAO reviewed the DOD Hotline operation. GAO's review focused on

- the adequacy of Hotline procedures for receiving, recording, and referring allegations for investigation;
- the independence of investigators working on DOD Hotline allegations;
- the completeness and thoroughness of the investigative work; and
- the extent of the Hotline effort to review and analyze completed investigative report findings for possible patterns, trends, and systemic weaknesses in DOD programs and operations.

Background

The DOD OIG has the latitude to determine when and where to conduct audits and investigations in all branches of DOD. To help address allegations of fraud, waste, abuse, and mismanagement, the DOD OIG uses the Hotline as one avenue for obtaining information on areas of potential wrongdoing. The Hotline is located in the DOD OIG's Office of Investigations and currently has a staff of 11. The Hotline uses a nationwide, toll-free number (800-424-9098), a National Capital Region number (202-693-5080), and a Worldwide Automatic Voice Network (AUTOVON) number (223-5080).

The DOD OIG refers the majority of Hotline allegations to the inspectors general of the three military services for investigation. In this regard, the services established Hotline coordinators to decide where the Hotline allegations should be sent for follow-up.

While allegations can be referred by the coordinators to independent audit and investigative entities (for example, Naval Investigative Service, Army Audit Agency), most allegations are eventually referred to military command levels.

GAO reviewed 127 allegations covering the period July 30, 1982, to August 1, 1984, and included all investigative case files associated with each allegation. The files consisted of those retained by the DOD OIG, the military offices of inspectors general, and the investigative entities which conducted the investigation.

Results in Brief

The Hotline has established adequate processes for receiving, controlling, and screening allegations of fraud, waste, abuse, and mismanagement. However, the DOD OIG needs to better ensure that

- Hotline allegations are investigated by individuals who are sufficiently objective,
- investigative files contain proper documentation,
- investigator conclusions and findings are fully supported, and
- final investigative reports contain sufficient detailed evidence and information on which to base proper case closure decisions.

Principal Findings

GAO observed Hotline staff and reviewed 127 selected allegations. Through these activities, GAO determined that the Hotline has a good system for receiving, controlling, and screening allegations. However, the review also found that 66 of 127 case samples contained two or more deficiencies which caused GAO to question, among other things, investigator objectivity, investigative thoroughness, and/or the quality of the investigative effort.

Some Investigators Lack Objectivity

Hotline allegations are investigated by individuals who may be too closely associated with the area of the alleged wrongdoing.

From a sample of 127 allegations, GAO found that investigations for 16 of them contained deficiencies which raised a question as to the overall objectivity of how the cases were handled. In one case, the investigator was a colleague of the subject and worked with the subject on a daily basis.

Case Files Documentation and Support

DOD directives provide guidance to investigators on the types of data and documents which should be included in case files. However, GAO auditors determined that 49 of the 127 allegations reviewed did not have sufficient documentary evidence to fully support investigator findings and conclusions. For example, of the 49 cases, GAO noted the following:

- In 33 cases, investigative notes and/or write-ups of interviews conducted by the investigator were missing.
- In 23 cases, investigative reports listed findings and conclusions which were not supported by the case documentation.

- In 11 cases, documents showing specific action against the subject of a substantiated allegation were not in the file.

Investigative Reports Often Incomplete

The investigators send final reports to the Hotline. These reports are the primary documents which the Hotline uses to evaluate the overall investigative effort. GAO's review found that in 38 of the 127 sampled allegations, the reports were incomplete in two or more categories. For example,

- 31 cases did not indicate that applicable regulations or policies had been reviewed, and
- 27 cases did not show any conclusions or recommendations.

Recommendations

GAO recommends that the Secretary of Defense reemphasize to the Secretaries of the Army, Navy, and Air Force the need to ensure that (1) Hotline allegations are investigated by individuals who are independent and objective and (2) investigations are properly documented and thoroughly reported. Also, we recommend that the DOD inspector general (1) revise appropriate directives to provide the services with better guidance on the types of documents and evidence which should be obtained and kept in investigative files and (2) enforce the requirements and standards contained in DOD directives as revised. (See chapter 3.)

Agency Comments

DOD agreed with GAO's recommendations and promised corrective action. According to DOD, in most cases corrective actions had already been initiated. DOD noted that revisions to appropriate directives should be completed by July 15, 1986, and that the revisions will reemphasize Hotline requirements. Also, DOD stated that it is developing both quality assurance and follow-up capability for the Hotline operation.

DOD raised concerns about (1) GAO not distinguishing between preliminary inquiries and full investigations when applying general independence and documentary evidence standards and (2) GAO's use of the President's Council on Integrity and Efficiency (PCIE) standards when measuring DOD Hotline performance. GAO's evaluation of these issues is given in chapter 3.

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Abbreviations

AUTOVON	Automatic Voice Network
DOD	Department of Defense
FTS	Federal Telecommunications System
GAO	General Accounting Office
OIG	Office of Inspector General
PCIE	President's Council on Integrity and Efficiency

Introduction

The Congress, federal officials, and private citizens want and need to know not only whether federal agencies are investigating Hotline allegations of fraud, waste, abuse, and mismanagement, but also whether the allegations are being investigated objectively and thoroughly. They depend greatly on the inspector general offices to do the investigations.

The Department of Defense (DOD), like several other federal agencies, has a Hotline program to handle allegations of fraud, waste, abuse, and mismanagement. (See appendix I for other federal hotline numbers.) DOD's Office of Inspector General (DOD OIG) is responsible for directing, managing, and controlling the operations of the DOD Hotline, as well as for ensuring that allegations reported to the Hotline are properly investigated and that investigative findings are properly reported.

The Inspector General Act of 1978, as amended, and other legislation established an inspector general office in DOD and 17 other departments and agencies. Specifically, the 1983 Defense Authorization Act, Public Law 97-252, established the DOD OIG. This legislation mandates that the DOD inspector general be appointed by the President with the advice and consent of the Senate. The inspector general can perform audits and investigations throughout DOD; recommend action to the Secretary and the Congress to correct fraud, abuses, and program deficiencies; and report the progress in implementing corrective actions.

The legislation combined several existing DOD organizations—the Defense Audit Service, the Defense Criminal Investigative Service, and the Defense Logistics Agency Office of Inspector General—under the DOD OIG. The DOD OIG does not include auditors, inspectors general, or criminal investigators within the Army, Navy, and Air Force. Although the legislation did not combine all the Army, Navy, and Air Force audit and investigative units within the DOD OIG, it does require the DOD OIG to provide them with policy guidance and oversight.

Mission of the DOD OIG

The Inspector General Act of 1978 provides that the DOD inspector general has the duty to, among other things, conduct audits and investigations relating to programs and operations. Covering the universe of DOD programs and activities from an audit and investigative perspective is a large task. The responsibilities include conducting internal and management audits to determine if DOD operations are being run effectively and efficiently, plus investigating allegations of fraud, waste, abuse, and mismanagement in DOD programs and operations.

The inspector general uses the Hotline as one avenue for obtaining information on areas of potential wrongdoing or mismanagement. Some other means of obtaining such information include referrals from the DOD OIG audit and inspection groups and from GAO.

The Hotline was initially established by the Secretary of Defense in 1979 and was basically a one-person referral operation which forwarded allegations to the military services and other DOD components for investigation. After passage of the Defense Authorization Act, the Hotline was placed under the DOD OIG. The Hotline continues to be an important means through which individuals can report information on potential fraud, waste, abuse, and mismanagement. In the last 2 years, the DOD OIG estimates that 27 percent of the allegations reported to the Hotline were substantiated with identified savings of $5.3 million dollars or involved legal or administrative action.

The Hotline is located in the inspector general's Office of Investigations. At the time we began the review, the Hotline operated with a staff consisting of a Hotline chief, a secretary, and four criminal investigators who evaluate allegations received via telephone calls and correspondence. During our review, the staffing level increased by five—two auditors, two inspectors, and another secretary. The Hotline operates with a nationwide, toll-free Hotline number (800-424-9098), a National Capital Region number (202-693-5080), and a Worldwide Automatic Voice Network (AUTOVON) number (223-5080). Telephone lines are open 5 days a week from 8 a.m. to 5 p.m. During nonoffice hours, calls are handled by tape recorders which advise callers to call back during office hours.

The Inspector General Act of 1978 requires the DOD OIG to submit to the Secretary of Defense semiannual reports for transmittal to the Congress, summarizing the activities of the DOD OIG during the preceding 6-month periods ending March 31 and September 30. In its last report, which included the total number of calls since the DOD Hotline began, the DOD OIG reported that from April 1979 to September 1985 the Hotline handled over 28,600 contacts involving possible fraud, waste, abuse, and mismanagement issues. (See table 1.1.) Over 15,500 of the contacts merited follow-up.

Table 1.1: DOD Hotline Program Analysis

	Fiscal year		
Source of information	**1984**	**1985**	**1979 to 09/30/85**
DOD Hotline	7,616	8,826	26,087
GAO Hotline referrals	156	223	1,993
Letters and visits	48	106	532
Total	**7,820**	**9,155**	**28,612**
Allegation disposition			
Referred			
To other federal agencies	59	52	223
To DOD components for information only	386	284	1,229
To DOD components for administrative action	694	3,939	4,914
To DOD audit, inspection, or investigative components	1,770	1,873	9,187
Subtotal	**2,909**	**6,148**	**15,553**
Insufficient data for referral	4,911	3,007	13,059
Total	**7,820**	**9,155**	**28,612**

Services' Inspectors General Investigate Most DOD Hotline Allegations

The Secretary of Defense, in establishing the Hotline,allowed for the allegations to be referred to the military services and other DOD components. The majority of Hotline allegations are referred by the DOD OIG to the three services' inspector general offices. There are two reasons for this. First, the DOD OIG has limited investigative resources, and the investigative, audit, and inspection activities conducted by the DOD OIG, in addition to the Hotline, prevent the office from investigating every Hotline allegation. Second, because of the nature of many Hotline allegations (for example, telephone abuse, time and attendance abuse, mismanagement, issues unique to a particular service), many can be more appropriately handled by the services' inspectors general.

The services' inspector general offices can investigate or refer allegations. Most of the allegations which are referred to the services, 76 percent of our sample, are referred by them to other levels of command. For this purpose, the services established Hotline coordinators to decide where the allegations would be sent for investigation. While allegations can be referred by the coordinators to independent audit and investigative entities (for example, Naval Investigative Service, Army Audit Agency), most allegations are referred to military command levels. The services rely on inspectors general located at major command levels and local bases to conduct and/or supervise the investigations. These local

inspectors general, who are members of the personal staff of their commanders, assess and report on matters affecting mission performance, discipline, morale, and readiness of the activity in which they serve.

For purposes of this report, we use the term "investigator" to mean the individual who followed up on a DOD Hotline allegation. It does not necessarily refer to those investigators who are a part of the military criminal investigative organizations, although occasionally they also follow up on such allegations.

Standards for Conducting Hotline Investigations

The Secretary of Defense, in establishing the Hotline, set general operating procedures and standards in DOD Directive 7050.1, dated May 14, 1982, for investigating Hotline allegations. The standards are similar to those issued by the President's Council on Integrity and Efficiency (PCIE) and by the Association of Federal Investigators and the Association of Directors of Investigation.

Among other things, the directive states:

- All Hotline allegations should be controlled, monitored, and followed up on.
- Necessary controls should be established to protect the identity of informants.
- The allegations should be investigated by qualified auditors, inspectors, investigators, or when necessary, DOD components may use properly supervised individuals or groups with other professional or technical skills.
- Due professional care must be ensured and organizational independence needs to be observed. Allegations must be examined by officials outside and independent of the operation in which the complaint is alleged to have occurred.

The Secretary of the Army in December 1982, the Secretary of the Navy in January 1983, and the Secretary of the Air Force in June 1982 issued supplemental guidelines, instructions, or regulations for handling Hotline allegations. The standards contained in the Air Force regulations and Navy instructions are similar to those set by the Secretary of Defense. For example, the Air Force regulations state, in part, that:

- Inquiries and investigations must be processed at a command level, which prevents self-investigation or the perception of the same.

- The individual conducting each inquiry must be outside the chain of command and not a subject of the allegations to ensure that the reviews and findings are impartial and fair.
- Commanders may not initiate or direct investigations into disclosures lodged against themselves.

The Navy guidelines state, among other things, that:

- In sending the allegation through the chain of command, cognizant commanders or commanding officers should be especially sensitive to the need for sufficient organizational independence from the substance of the Hotline complaint.
- Complete assurance of impartiality and objectivity is necessary in conducting the inquiry.
- Allegations must be examined by officials outside and independent of the operation in which the complaint allegedly occurred.

The Army instruction does not provide any specific standards; it states that the instruction implements the Secretary of Defense directive.

In 1984, the PCIE issued Interim Quality Standards for Federal Offices of Inspector General, which applies to all statutory inspector general functions, including investigations. The standards note that the nature of the inspector general activities creates a special need for high standards of professionalism and integrity. Because of this special responsibility, the PCIE developed the standards. Also, in 1984, the Association of Federal Investigators and the Association of Directors of Investigation issued Interim Professional Standards for Investigations to supplement PCIE standards in guiding the operations of an investigation function. These professional standards are meant to apply to all types of government investigations, including background and security inquiries, all forms of misdemeanors and felonies, administrative and program related matters, and special investigations requested by any appropriate authority.

Briefly, the PCIE and professional standards state, among other things, that (1) allegations should be controlled, (2) informant names protected, and (3) investigative organizations and investigators are responsible for maintaining independence, so that judgments used in obtaining evidence, conducting interviews, and making recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. The standards also state investigative work should be done thoroughly. Evidence needs to be gathered and reported in an unbiased and objective

manner in an effort to support all the facts developed to prove or disprove an issue.

Objectives, Scope, and Methodology

We conducted this review at the request of Senator William V. Roth, Jr., Chairman, Committee on Governmental Affairs, and Senator Jim Sasser.

The request letter contained many questions and issues. We subsequently agreed to limit the review to

- the adequacy of Hotline procedures for receiving, reviewing, recording, and referring allegations for investigation;
- the independence with which allegations were investigated;
- the thoroughness and quality of completed investigations; and
- Hotline efforts to review and analyze completed investigative report findings for possible patterns, trends, and systemic weaknesses in DOD programs and operations.

We reviewed previous studies and congressional hearings to identify policies and procedures which could affect the Hotline's efforts to handle allegations of fraud, waste, abuse, and mismanagement. We (1) analyzed Hotline policies and procedures for receiving, reviewing, recording, and referring allegations, and for reviewing and analyzing completed investigative reports and (2) observed Hotline staff during work hours to determine if they were aware of and following the policies and procedures. Finally, we reviewed a 1981 Defense Audit Service report to the Assistant to the Secretary of Defense (Review and Oversight). The report concerned the Hotline, which at that time was located under the review and oversight office. We examined the report's findings to determine if reported deficiencies had been corrected.

To address the issues of investigative independence, thoroughness, and quality, we obtained a DOD OIG-generated list of 2,644 allegations drawn from the period of July 30, 1982, to August 1, 1984, for our review. Using DOD OIG case categories of (1) open investigations, (2) substantiated and partially substantiated allegations, (3) substantiated-no-action-required, nonsubstantiated, referred, and declined action, and (4) high-level military and civilian officials, we selected 211 cases for review, using random numbers. Because of time and staffing constraints, we stopped our work after only reviewing 91 allegations from the first three categories and 36 allegations specifically involving high-level military officers and senior civilians (generals, admirals, and GS-15's and

above). The sample is not projectable to the universe, but it should provide a good indicator of how well the DOD OIG Hotline cases for the period July 30, 1982, to August 1, 1984, were investigated.

We included in our review all investigative case files associated with the allegations. The files consisted of those retained by the DOD OIG, the military inspector general offices, and the investigative entities which conducted the investigations. We reviewed all available documentation and investigative case files for factors which could indicate possible impairments to an organization's or investigator's independence or objectivity, or were indicative of poor quality work. No specific criterion exists for evaluating issues of independence, objectivity, and thoroughness associated with investigating Hotline allegations of fraud, waste, abuse, and mismanagement. Therefore, we relied on discussions of characteristics associated with these issues as contained in PCIE interim quality standards, in interim professional investigative standards, and in the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, also known as generally accepted government auditing standards.

We recognize that (1) individuals who investigated Hotline allegations did not have to comply with the above standards, (2) the PCIE and professional investigative standards are subject to change and clarification, and (3) the standards were developed after most Hotline allegations we reviewed were investigated. However, the DOD inspector general is a member of the PCIE and is responsible for ensuring that investigations resulting from Hotline allegations are conducted in accord with DOD regulations and policies. These provide for standards of independence, objectivity, and thoroughness. Thus, we decided it was reasonable to apply PCIE and professional standards as they relate to independence, objectivity, and thoroughness to those who work on DOD OIG Hotline cases.

We used a data collection instrument to gather general information on each sampled case and to specifically focus on case factors which could indicate possible problems with investigation independence, objectivity, and thoroughness.

Some of the factors included

- investigators who were located in the same office as the subject of the inquiry,

- investigators of lower grade/rank investigating subjects in the same immediate chain of command,
- lack of a written investigative plan,
- indications that all reasonable leads were not followed,
- insufficient documentary evidence to fully support investigator conclusions and judgments,
- indications that the investigation may have been closed prematurely,
- evidence which appeared to be gathered and reported in a biased manner, and
- documentary support containing investigator conjecture and/or unsubstantiated opinions.

We acknowledge that considering each of the factors separately could not lead someone to conclude that a case was not investigated independently, objectively, or thoroughly. However, when evaluated together, we believe that valid conclusions can be drawn on the overall independence, or the perception thereof, of an investigator or organization, the objectivity with which a case was investigated, and the thoroughness or quality of the investigative effort. The data collection instrument used in our review was examined by the DOD Hotline chief. He agreed that the instrument could gather the type of information needed to draw conclusions on investigator independence, objectivity, and the overall quality of work done on Hotline allegations.

In reviewing the files, we analyzed all documentation collected during the investigation. If the data in the files were not sufficient to support investigative findings and conclusions, we interviewed DOD officials and/or individuals associated with the case, when available, to obtain additional information. Where the investigation left issues unresolved, we did not attempt to resolve them. Rather, we concentrated on evaluating the sufficiency of investigator objectivity and determining whether all relevant matters were followed up on.

We interviewed DOD OIG management officials and employees responsible for the Hotline program and numerous DOD employees including key headquarter officials of the Army, Navy, and Air Force inspector general offices. We discussed our findings with inspector general officials and considered their comments in preparing our report.

We conducted our review at the DOD OIG headquarters and at the Army, Navy, and Air Force, Offices of Inspector General, which are all in the Washington, D.C., area.

Our work was conducted from July 1, 1984, through July 31, 1985, and was performed in accordance with generally accepted government audit standards.

Hotline Administrative Processes Have Improved

Our work showed that since the Hotline has been under the DOD OIG, adequate policies and procedures have been established for receiving, controlling, and screening allegations of fraud, waste, abuse, and mismanagement. These administrative procedures represent improvements over the deficiencies identified in the 1981 Defense Audit Service report which noted, among other things, that the Hotline did not have guidelines for handling, screening, and controlling allegations.

Interim PCIE Standards

The PCIE interim standards list the following as general elements of a good system for receiving, controlling, and screening allegations. We found that the DOD OIG Hotline accepted these elements as viable standards and employs them in its operations. They direct that

- a simple, well-publicized way be developed for agency employees and other interested persons to submit allegations of fraud waste, abuse, and mismanagement, while preserving anonymity when possible and if desired;
- a retrievable record be maintained of each allegation received;
- each allegation be screened as soon as possible after receipt;
- based upon the nature, content, and credibility of the complaint, and in the light of priorities and resources, an appropriate decision on whether or not to refer the complaint for further inquiry be made for each allegation; and
- the rationale for the decision of each allegation be documented in the record.

Process Simple and Publicized

When first established, the Hotline was basically a one-person referral operation devoted to receiving and referring allegations to the services. Additional responsibilities included issuing follow-up letters until the investigations were complete and keeping general statistics on the program's operation. Currently, the Hotline has 11 individuals responsible for receiving, controlling, screening, and referring the allegations. Also, it has developed a computerized information system for maintaining general information on each allegation, developing statistical data, and generating follow-up letters to investigating entities.

The volume of allegations handled by the Hotline reached 28,612 by September 30, 1985. These contacts are provided via telephone, letter, or through office visits, and are made by DOD personnel, private citizens, the Congress, or GAO. The allegations are written up on a special form, evaluated, recorded on computer input forms, and put into a Hotline

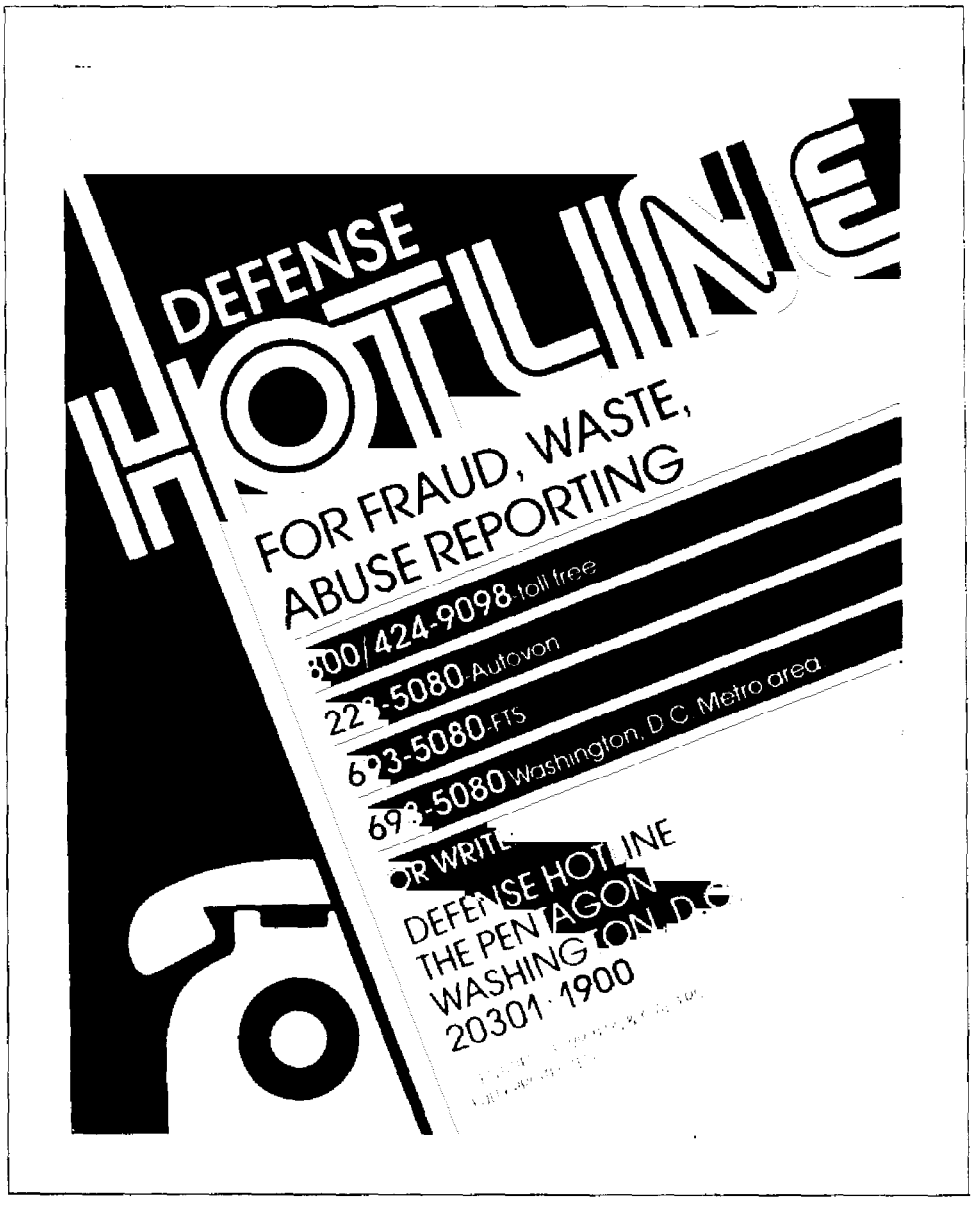
computerized data base. If the allegation is judged as nonsubstantive because of insufficient information, it is filed and receives no further action. If the allegation is judged to warrant further inquiry, it is referred to the Army, Navy, Air Force, or other DOD component for investigation. After the investigation is completed, the investigating entities report their findings back to the Hotline. The reports are then reviewed and, if judged sufficient, the cases are closed. This process was designed to be quick and to keep accurate information on the appropriate disposition of each allegation.

The Secretary of Defense initially publicized the Hotline operation through various memoranda and announcements to all DOD personnel. In addition, articles concerning the Hotline and its operations also appeared in various military publications. For example, when the Hotline was first established in 1979, the Navy, Army, and Air Force Times provided information on its overall operations. Currently, publicity continues through the use of Hotline posters (see figure 2.1) which invite people to report fraud. Also, the DOD telephone directory lists the Hotline numbers on its front cover. Finally, through his semiannual report to the Congress and through media coverage, the inspector general continues to publicize the value of the Hotline.

Retrievable Records Maintained

Our work showed that for the cases in our sample, Hotline case files usually contained a pro forma document for recording each allegation. We noted that the form bears a printed statement at the top listing basic information which should be obtained and recorded on the form, such as the nature of the offense; DOD component involved in the allegation; location of the offense; names, number, and occupations of people involved; and duration of offense. The information on the form establishes a retrievable record on the allegation and is also used to determine referrals if it is decided that the allegation warrants further inquiry. Each allegation is given a case control number and information on the allegation is computerized. Finally, after all processing decisions are made on the allegations, the pro forma document, the computer input documents, and other related materials are stored numerically in file cabinets.

Figure 2.1: Hotline Poster



Allegations Screened

The Hotline provides its staff with guidelines for judging the merits of allegations and for the general treatment of telephone callers. According to Hotline officials, the general guidance is supplemented with the experiences of the criminal investigators, auditors, and inspectors who are handling the telephones and reviewing the correspondence. We noted that the current staff has a combined total of over 127 years of federal

service, including 26 years with the uniformed services, 64 years of investigative experience, and 37 years of audit work. The background experiences of the staff members cover a broad spectrum of federal and state government. The agents have had service with the Federal Bureau of Investigation, the departments of State and Agriculture, the Secret Service, the Internal Revenue Service, the Army Military Intelligence, the Air Force Office of Special Investigations, the Naval Investigative Service, the Defense Investigative Service, the General Services Administration, and numerous state and local law enforcement agencies.

Allegations Referred

The Hotline takes an average of 16.7 calendar days from the time it receives an allegation to the time it refers the allegation for investigation. Allegations judged to be time sensitive are relayed by telephone to the investigating component to hasten the referral process. The telephone calls are then followed by applicable referral documents. Allegations against high-ranking military officers or senior civilians are forwarded to a DOD OIG Hotline advisory group for review prior to referral. The advisory group, consisting of the deputy inspector general and other DOD OIG managers, evaluates these allegations for merit and guides the Hotline on where the allegations should be sent for inquiry.

Informants Protected

The Hotline also has established procedures for protecting the identities of informants and for releasing informant names. The Hotline staff has general guidance on how to delete identifying information from written allegations before referring them. For example, any handwritten correspondence received would be typed without the correspondent's name, address, organization, or other identifying data. Finally, the Hotline will release an informant's name only when the informant has agreed to the release and the Hotline chief (or designee) has determined that a need exists for the name to be released.

Once the Hotline staff decides whether or not to refer an allegation, the decision is recorded and the entire case file is forwarded to the Hotline chief (or designee) for review and approval.

Improvements Noted Since 1981 Defense Audit Service Report

In 1981, the Defense Audit Service stated that the Hotline, among other things, needed to improve its procedures and standards for the receipt, screening, investigation, and reporting of Hotline calls. Specifically, the report noted that "The effectiveness and credibility of the DOD Hotline Program were impeded by weaknesses in the standards and controls

applied to the processing ... of hotline allegations." The report recommended, in part, that guidelines be developed for the handling of Hotline calls to ensure that sufficient information was obtained to (1) determine the significance and legitimacy of an allegation and (2) conduct a substantive investigation. It concluded that such improvements could enhance the quality and objectivity of investigations and reduce unnecessary program costs.

Conclusions

The Hotline is an important part of the DOD OIG's effort to combat fraud, waste, abuse, and mismanagement in DOD programs and operations. It provides individuals with a means to report allegations of wrongdoing, without fear of reprisal. We believe the Hotline has established adequate policies and procedures to ensure that proper information is gathered during the allegation receipt process. The Hotline has also created adequate controls to ensure that information is properly evaluated and recorded and that informant identities are protected. Through interviews, observation, and case file reviews of 127 sampled allegations, we reviewed and tested Hotline policies and procedures. We determined that the Hotline staff were knowledgeable of the policies and procedures and that they generally followed them.

Investigator Objectivity and Investigative Quality Should Be Improved

Hotline allegations should be examined by individuals who are objective. The work done on the allegations should be documented, and investigator findings should be properly reported. Our work showed that this is not always the case. We reviewed 127 investigations and found that 66 contained two or more deficiencies which caused us to question the sufficiency of investigator objectivity, investigative thoroughness, and/or report quality. In our opinion, the more important deficiencies were (1) investigators not being objective enough, (2) files lacking relevant and competent documentary evidence, and (3) investigative reports with minimal information on the work done.

The Hotline's overall integrity can be affected if allegations are investigated by individuals who are, or are perceived to be, not free from situations which might weaken the investigation in any way. Documentary evidence is important because it establishes a record of the basis for the investigators' judgments and conclusions. Finally, because the investigative report is frequently the only document received by the Hotline after the investigation is complete, it is important that the report present sufficient detailed information to provide a clear understanding of investigative findings and conclusions. For substantiated allegations, it is likewise important to include the remedial actions that are planned.

Investigator Objectivity

The majority of Hotline allegations are referred to the service inspector general offices. This means that the Hotline retains no control over who investigates its allegations and cannot ensure that assigned investigators are sufficiently objective. The effectiveness of the Hotline program is dependent on the adequacy of policies followed in assigning each allegation. We found that in 16 of our sample cases, our auditors did not perceive the investigator as being objective.

DOD Directive 7050.1 and the PCIE standards define independence. In addition, the directive notes that procedures must ensure that due professional care and organizational independence are observed, and impartial and objective examinations are made. The directive defines independence as follows:

"INDEPENDENCE: The state or quality of being free from the influence, or control of situations, things, or others. A general standard which incorporates this quality and places upon the auditors, inspectors, and investigators and their respective organizations, the responsibility for maintaining neutrality and exercising objectivity so that opinions, conclusions, judgments, and recommendations on allegations examined are impartial and will be viewed as impartial by knowledgeable third parties."

PCIE states that investigators "must be free from personal or external impairments to independence and shall consistently maintain an independent attitude and appearance."

Also, generally accepted government auditing standards state that in all matters relating to audit work, auditors "...should consider not only whether they are independent and their own attitudes and beliefs permit them to be independent, but also whether there is anything about their situation that might lead others to question their independence."

Of possible equal importance is the perception of individuals as to the credibility and effectiveness of the program. This means that high standards should exist to ensure that investigations are done objectively and thoroughly and that appropriate remedial actions are implemented. If individuals have doubts as to the credibility and effectiveness of the program, they will not bother to report instances of fraud, waste, abuse, or mismanagement. A Merit Systems Protection Board survey of federal employees in October 1984 showed that 70 percent of those that had direct knowledge or evidence of fraud and waste did not report it. The two primary reasons were (1) the belief that nothing would be done to correct the activity and (2) fear of reprisal.

Considering that the nature of many Hotline allegations involves waste, abuse, and mismanagement, rather than fraud (see table 3.1), investigation by the independent audit and investigative entities, such as the Army Audit Agency or the Naval Investigative Service, may not always constitute the best use of resources. Therefore, referral to another unit may be appropriate as long as the investigator is in a position to be objective. For purposes of this chapter segment, we focused on reviewing for investigator objectivity.

Table 3.1: Nature of Allegations in Our Sample

General description of allegation	Number of occurrences in our sample
Mismanagement by employees	36
Noncompliance with policies and procedures	22
Purchasing unnecessary supplies	20
Improper use of government equipment	16
Time and attendance abuse	11
Improper expenditure of government funds	4
Theft	2
Other	16
Total	**127**

Service IGs Refer Allegations Down the Chain of Command

Hotline staff generally refer service-related cases to the specific service's inspector general office. DOD Directive 7050.1, in describing the Hotline referral process, states that the Hotline should determine the DOD component to which the allegation should be referred. The Hotline staff interprets this to mean all cases involving a particular service should be referred to that service's inspector general office and thus the staff acts accordingly. Subsequent to our review, DOD officials stated that Hotline procedures were changed to ensure that allegations involving high-level officials are not referred to the services. The new procedures, which went into effect the last week of January 1986, require DOD OIG's Office of Special Inquiry to investigate all allegations specifically involving high-level officials.

For those cases that are referred to the services, we noted that the Hotline retains no control over who conducts the inquiry after a case is referred to a service inspector general and that the services use their discretion concerning further referral. In exercising this discretion, service inspector general officials told us that they consider the nature of the allegation before referring it further down the chain of command. However, like the Hotline, they retain little control over who finally conducts the actual inquiry.

Referring cases to lower levels may increase the chance of allegations being investigated by offices or groups closely associated with the alleged wrongdoing. For example, we found 16 of our sample cases were handled by individuals who, in our opinion, because of their positions

and/or proximity to the persons accused of wrongdoing, could not be considered objective. The following are three examples of the 16 cases.

In one case, a military executive officer associated with the Marine Corps Museum was accused of misusing his position by, among other things, holding his wedding reception in a gallery at the museum and ordering an $800 engraving machine to engrave his gifts to his ushers. This allegation was referred by the Navy Office of the Inspector General to the Marine Corps inspector general. The Marine Corps inspector general subsequently referred the allegation down to the Marine Corps museum director, who assigned his deputy director to investigate the alleged wrongdoing. The deputy director and the subject of the allegation worked together on a daily basis.

The investigative report states that use of the gallery was within museum guidelines. It describes the subject's duties and makes the observation that it is extremely unlikely that the subject would make such an unauthorized purchase. The report acknowledges that there was a procedural violation due to not having the purchase properly approved and that the subject had used poor judgment in using it to engrave his gifts. The report concluded that the engraver could be used for many museum projects and that, if proper procedures had been followed, its purchase would have been approved. Finally, the report states that the subject was counseled and admonished and that the matter would be reflected in his next fitness report. Our limited follow-up effort showed that the engraver was used only to engrave the subject's gifts and a second time to engrave a retirement gift. It had not been used for museum projects.

In another case, it was alleged that the commanding general of an Air Force command had ordered wasteful painting of air base signs. It was further alleged that the backs of stop signs, street signs, fire hydrants, and base emergency telephones were painted brown. The allegation was referred by the Air Force inspector general office to the commander's inspector general who subsequently sent the allegation to the base where the alleged wasteful painting had occurred. Eventually, the allegation was referred for investigation to the base civil engineer—the office directly responsible for doing the painting. The investigative report concluded that while the items had in fact been painted brown, this effort was part of a 5-year paint plan to change many items to earth tone colors.

In a third case, it was alleged that a Marine Corps base was wasting government funds by using military buses to transport dependent children to private schools. The allegation was referred by the Navy Office of Inspector General to the Marine Corps inspector general, who then referred it to the commander of the Marine Corps base where the alleged wrongdoing occurred. The investigative report stated that appropriate directives were followed and that the action was in accordance with regulations. We reviewed the local command file and noted a draft investigative report which contained a paragraph stating that on four occasions the Marine Corps base had to lease charter buses to meet military missions. In our opinion, the paragraph did not reflect favorably on the command decision to use military buses to transport dependent children to private schools and then charter buses for military needs. The investigative report that was forwarded to the Hotline did not contain the paragraph discussing the leasing of commercial buses.

Case Files Lacked Sufficient Documentation

Documentation in an investigative file should allow an independent reviewer to understand the rationale for conclusions reached by the investigator and should provide reasonable assurance that the same conclusions could be reached by a reviewer. We found that 49 of our sample cases lacked sufficient documentary evidence to fully support investigator statements, judgments, and conclusions.

The need for documentary support is addressed by professional investigative and generally accepted government auditing standards. For example, the professional standards state, "Evidence must be gathered and reported in an unbiased and objective manner in an effort to support all the facts developed to prove or disprove an issue." Generally accepted government auditing standards state that work papers should be complete and accurate to provide proper support for findings, judgments, and conclusions, and to demonstrate the nature and scope of the examination work. While these general standards apply to audits, we believe that they, in principle, are equally applicable to the types of investigations done on Hotline allegations because the evidence establishes a record of the basis for the investigator's work.

Concerning the need for supporting documentary evidence, DOD officials believed that during the review we should have distinguished between allegations involving preliminary inquiries and those requiring full investigation. They stated that preliminary inquires cannot, and need not, involve the same degree of case file documentation as full investigations. We were unable to determine whether an allegation was handled

as a preliminary inquiry or a full investigation because neither the services nor the Hotline made such distinctions.

However, regardless of whether an allegation is handled as a preliminary inquiry or a full investigation, we believe investigators should obtain sufficient, competent, and relevant evidence to support their conclusions and to ensure quality investigative reports. Further, it is important that a written record of the investigative work be kept in the form of work papers which are complete, accurate, clear, legible, and relevant.

DOD Directive 7050.1 is silent on the types of physical, testimonial, documentary, and analytical evidence which should be retained in investigative files, but does state that work papers and records should be kept for at least 2 years after an examination. We found that the Hotline relies on the services to provide guidance on the types of documents and evidence which should be retained in the investigative files.

DOD officials told us that, although the services do not have specific requirements for Hotline complaints, they had established standards and guidelines for the proper conduct of service-related investigations and the acquisition of documentary evidence to support investigative findings. We reviewed the standards and guidelines and believe that if an investigator followed the appropriate guidance, he or she should obtain sufficient, competent, and relevant evidence to support investigative conclusions and judgments. Any evidence gathered would then be kept in the investigative file.

For example, Air Force Regulation 123-2 states that case records must include (1) a copy of the allegation and any correspondence related to a referral for action, (2) written interim and final summary completion reports, and (3) reports of investigations or inquiries. Finally, the regulation notes that case records should leave an auditable trail. Army Technical Bulletin IG 4 states that the investigator, in closing an allegation, must ensure that all relevant documents, including memoranda and collected evidence, are present in the case file, and Navy Instruction 5370.5 directs that all working papers and files resulting from the inquiry into an allegation be retained for 2 years.

Poorly Documented Cases

We found that every case included in our sample was looked into in some fashion. However, our analysis of some cases showed that evidence in Hotline investigative files did not fully support investigator

findings and conclusions. Based on the supporting documentation in the case files and information in the investigative reports, we could not conclude that the investigations were properly supported. For example, we found 49 of our sample cases contained two or more documentary deficiencies. Documentary deficiencies consisted of the following:

- In 23 cases, investigative reports listed findings and conclusions which could not be supported by the case documentation.
- In 33 cases, names of witnesses and interviews were not included in the case files, and notes, if available, were too brief to provide any usable information.
- In 36 cases, case files did not have an investigative approach or plan showing the overall focus, direction, or anticipated work steps.
- In 13 cases, the names and locations of the case investigators were not identified in file documents.
- In 11 cases, specific action taken against the subject of a substantiated allegation was not evident in the file.

Selected examples follow where case files did not contain documentary support to demonstrate the nature and scope of the examination or to substantiate investigative findings, judgments, and conclusions.

In one case, a general was accused of wasting $75,000 to purchase and install 50 flag poles to create an avenue of United State flags. The case was referred by the Air Force's inspector general office to the base where the alleged wrongdoing occurred. The investigator assigned to review the case was from the unit which originally installed the 50 flag poles. The investigative report did not address whether funds were wasted as alleged, but instead explained the origin of the concept of an avenue of flags. It also stated that the project received proper command approval, the funding was spread out over two fiscal years, and the 50 flag poles were of high quality material. The report concluded that the allegation was unsubstantiated. The investigative case files associated with the allegation, among other things, did not contain (1) information on who was interviewed, (2) documentary evidence for where the avenue of flags concept originated, and (3) any evidence supporting a statement that the total expenditures were $18,249.84 for the project.

In another case, it was alleged that a high-level DOD official was spending time at his private business during government work hours. The information provided the name and address of the business. The allegation was handled by the DOD OIG. The investigative file only contained a memorandum from the investigator stating that the individual

was interviewed and that he disavowed any knowledge of the business mentioned in the allegation. The investigator did not pursue the allegation and did not follow up on the business information to corroborate the statements made during the interview. Our limited follow-up on the business information showed that while the DOD official and the actual business owner had similar names, the official was not associated with the business.

In a third case it was alleged that a military sealift command contract was awarded to a company owned by a foreign company, a violation of procurement regulations. The only document available for our review was the investigative report which stated that the informant was interviewed. The report said that after the informant had spoken with others, he concluded that procurement regulations had not been violated. The investigator closed the case as unsubstantiated. The file did not have a write-up of the interview nor was there any indication that the procurement regulations were reviewed by the investigator. There was also no evidence that the investigator tried to determine if the company was, in fact, owned by a foreign company and whether or not this violated regulations.

DOD Officials Concerned About Quality of Investigative Reports

During our review, Hotline officials expressed concern about the quality of some investigative reports. Although our work was not designed to specifically evaluate quality, it showed that investigative reports for 38 of our sample cases were incomplete and did not comply with DOD reporting requirements.

DOD Directive 7050.1 contains a sample of the Hotline investigative report format and lists information to be included. It states that the report should identify the allegation, applicable organizations and locations, the person against whom the allegation was made, the dollar significance of actual or estimated loss or waste of resources, and the results of the examination. It further states that the report should include comments on the nature and scope of the examination (documentary review, witnesses interviewed, evidence collected, and interviews with the subject of the investigation when appropriate). The report is also to provide comments on program reviews made, the adequacy of existing regulations or policies, and any system weaknesses noted. Finally, the directive states that the report should show the specific action planned or taken; include results of administrative sanctions,

reprimands, value of property or money recovered, actions taken to preclude recurrence, regulations or policies violated; and finally give conclusions and recommendations.

Professional investigative standards state that reports must thoroughly address all relevant aspects of the investigation and be accurate, objective, timely, understandable, and logically organized. In addition, reports should clearly record or reference all pertinent interviews and reflect what the investigation accomplished, including fines, savings, recoveries, indictments, convictions, and management recommendations.

During our review we noted that in 38 of our sample cases, the reports we examined did not meet DOD requirements and were incomplete in two or more basic data categories. Examples include:

- Thirty-six reports lacked the names of persons interviewed during the investigation.
- Thirty-one reports did not indicate that the existing regulations or policies had been reviewed.
- Thirty reports did not indicate that any type of documents were reviewed.
- Twenty-seven reports did not show any conclusions or recommendations.

Hotline officials told us that they are concerned about the quality of some investigative reports. For example, they stated that reports often lack (1) the names and locations of the investigators, (2) the names of individuals interviewed, (3) mention of whether the subject was interviewed, and (4) a list of the evidence gathered.

Hotline Report Review Process

Case investigative reports are the documents which the Hotline staff uses to close cases. In 72 of our sampled allegations, the investigative report was the only document the staff had for use in evaluating the quality of the investigative effort. When an investigative entity submits a report to the Hotline, the report is reviewed by three staff members. Each member judges whether the investigation was properly completed, the work thorough, and the effort objective. If the staff concur in their judgments, the case is reviewed by the Hotline chief or his designee and, if warranted, closed.

If the Hotline staff are not satisfied with the information presented in the investigative report, the report is referred to the director of the Hotline for additional review. The director determines whether or not a memorandum discussing the deficiencies and requesting additional information and/or work should be sent to the investigating entity.

We noted that, other than these brief reviews of the investigative reports, the Hotline has no formal process for evaluating the quality of the investigative efforts. DOD OIG officials said that they are considering establishing a Hotline quality assurance process to better evaluate the work done on Hotline allegations but have not yet done so. They stated that without a proper quality review process and standardized review criteria, there is no way for the Hotline to ensure the quality and consistency of the work done on allegations received.

Follow-Up on Planned Remedial Action Is Limited

We found that the Hotline staff does not comply fully with policies for following up on completed investigations. The staff followed up on only 1 of 40 cases where recommendations and/or remedial actions were promised. Directive 7050.1 states that the Hotline should monitor completed investigations to ensure that all aspects of the Hotline complaints were fully covered, investigations were properly conducted, and appropriate actions were taken based on investigation findings. Hotline officials also believe that selective follow-up is necessary to ensure the integrity of the Hotline program. They feel that such an effort could provide needed assurance that investigative work was done properly and that final actions have been taken. However, they state that limited staffing prevents them from establishing a viable effort in this area.

The following cases are from our review sample and show where promised actions did not occur.

In a Navy case it was alleged that over a 5-year period 200 oil paintings, valued at $500 to $1,000 each, were produced by Navy personnel and given, contrary to regulations, to individuals free. It was also alleged that the Navy could not account for the location of the paintings. These allegations were eventually substantiated. After receiving the investigative report, the Hotline requested information on the Navy's effort to recover the paintings and was told that the Navy was accounting for the paintings. Based on the Navy's response, the case was closed by the Hotline staff. However, the Navy then decided not to recover five of the paintings from three retired admirals. That decision was never relayed

to the Hotline, and the Hotline never followed up to see if the promised corrective action had been completed.

Another case involved a sole-source procurement for studies on behalf of a high-level DOD official. We noted the inquiry was conducted by the DOD OIG's Office of Special Inquiry and that the allegations were substantiated. The office recommended that the contract be terminated, procurement be competitive, and other general improvements be made in overall office procurement practices. Based on this information, the Hotline closed the case. Our examination of related contract records and the investigator's files showed that, subsequent to the Hotline case closure, the subject's office refused to terminate the contract because it was close to being completed, but agreed to improve procurement practices. At this point, the DOD OIG's Office of Special Inquiries closed the matter without notifying the Hotline of the changed corrective action. Our limited follow-up showed that the subject's staff failed to tell the DOD OIG that it had planned and subsequently purchased additional sole-source studies from the same contractor under the same circumstances as those objected to by the DOD OIG. Our interview with the DOD OIG investigator showed that he was unaware of the additional contract work and had accepted the promises to improve practices because the contract mentioned in the allegation was almost complete.

Similar Problems Noted in 1981 Defense Audit Service Report

In 1981 the Defense Audit Service reported numerous deficiencies in the work done on DOD Hotline allegations. The report noted that 70 of the 89 Hotline cases reviewed were deficient in one or more of the following areas:

- independence of individuals conducting investigations;
- scope, completeness, and objectivity of investigations;
- substance and completion of after-action report; and
- retention of investigative files.

The report recommended the Hotline establish better controls over the performance and reporting of Hotline investigations and also recommended that a follow-up system be developed to ensure that promised remedial actions are taken. As noted previously, our review determined that these controls have not been clearly established and that a follow-up system has not been established.

Conclusions

Our analysis of the 127 investigations showed that DOD Hotline allegations were not always being investigated by individuals who were sufficiently objective. In our opinion, while complete independence as described in the standards may not always be necessary, it is important that individuals who do Hotline investigations be objective.

We found the Hotline does not ensure that (1) work performed on its allegations adheres to established policies and procedures, (2) work is done objectively and thoroughly, (3) investigator findings and conclusions are properly supported and documented, and (4) investigative reports are completed. Finally we noted that the Hotline has no formal quality assurance process with standardized criteria for evaluating the quality of such work.

DOD OIG officials are aware that investigations into Hotline allegations contain these types of deficiencies, but they have not acted to ensure that such deficiencies are corrected or that investigative work is done according to standards. Without enforcing objectivity and quality standards nor ensuring that sufficient information is gathered on which to adequately base case closure decisions, the Congress, DOD, and the public cannot be sure that Hotline allegations are adequately investigated.

Recommendations

To ensure that DOD Hotline allegations are being investigated independently, objectively, and thoroughly, we recommend that the Secretary of Defense reemphasize to the Secretaries of the Army, Navy, and Air Force the need to ensure that (1) DOD Hotline allegations are investigated by individuals who are independent and objective and (2) investigations are properly documented and thoroughly reported.

Also, we recommend that the DOD inspector general revise DOD Directive 7050.1 to provide the services with better guidance on the types of documents and evidence which should be obtained and kept in Hotline-type investigative case files, and enforce the requirements and standards contained in Directive 7050.1, as revised. For example, the DOD inspector general could establish a process to periodically perform a quality assurance review on selected closed investigations to (1) evaluate compliance with DOD standards and requirements and (2) ensure that promised corrective actions have occurred.

Agency Comments and Our Evaluation

In commenting on a draft of this report (see appendix II), DOD said it concurs with the majority of our findings and conclusions and all our recommendations. DOD, however, only partially concurred with our finding that the Hotline retained no control over who specifically conducts an inquiry after a case is referred to a service inspector general. (See page 26.) DOD commented that there is a control element involved in the initial referral decisions in that some types of investigations simply will not be referred for follow-up. DOD also noted that a similar control element was involved during its post-investigative report review process (see page 33) where if Hotline staff reviews of a closing report revealed a lack, or perceived lack, of objectivity in the investigator, the staff telephones the appropriate service inspector general office or issues a memorandum of deficiency requesting reexamination of the allegation by a disinterested party.

We did not intend to imply that DOD did not have any controls over referral decisions or post-investigative reviews. Instead our concern was that although the DOD has policies and standards for assigning individuals who are objective to conduct Hotline investigations, the referring of cases to lower levels increased the chance of allegations being investigated by offices or groups closely associated with the alleged wrongdoing. After we discussed this matter with DOD officials, they agreed that there should be a reemphasizing of appropriate policies and standards concerning the assignment and conduct of Hotline allegations.

Our draft report also stated that investigative case file documentation should be complete and accurate in order to provide support for any finding, judgment, and conclusion, and to demonstrate the nature and scope of the inquiry. Although DOD did not disagree with our findings concerning the adequacy of case documentation, DOD stated that we did not distinguish between cases involving full investigations and those involving preliminary inquiries to establish the creditability of Hotline complaints. DOD noted that for economy and other reasons, preliminary inquiries cannot and need not involve the same degree of case file documentation.

In our report we do not distinguish between cases involving full investigations and those with preliminary inquiries because we were unable to do so. Neither the services nor the Hotline files made such distinctions. We recognize that follow-up on some allegations may not generate much evidence. We continue, however, to believe that investigators should be required to obtain and keep sufficient evidence—physical, testimonial, documentary, and analytical—to (1) afford a reasonable basis for their

judgments and conclusions, regardless of whether an investigation is a preliminary inquiry or a full investigation, and (2) allow an independent reviewer to understand the rationale for conclusions reached by the investigator and to provide reasonable assurance that the same conclusions could be reached by the reviewer.

Finally, DOD took exception with our use of interim PCIE standards in measuring DOD Hotline performance, stating that the standards existed only as interim and that it is not clear that they should be applied directly to Hotline investigations. We acknowledge that the standards are interim. However, they were adopted by PCIE for use in conjunction with other quality standards for federal offices of inspector general. While the standards were not developed directly for the Hotline, we believe that our use of the standards for assessing the DOD Hotline operation was appropriate. For example, the standards specifically note that:

"These standards are meant to apply to all types of government investigations, including background and security inquiries, all forms of misdemeanors and felonies, administrative and program-related matters, and special investigations requested by any appropriate authority."

DOD did concur with our recommendations. It said that the reissuance of DOD Directive 7050.1, with any necessary changes, would be the appropriate method for the Secretary of Defense to reemphasize to the service secretaries the need to ensure strict adherence and compliance with established investigative standards. Reissuance of the directive is projected for July 15, 1986. Besides the revision and reissuance of the directive, DOD said that it will develop and implement a quality assurance capability to conduct selected follow-up and quality assurance reviews of completed investigations.

Analysis of Hotline Data Base Could Prove Beneficial

The Hotline data base has information on about 10,300 completed investigations, but the Hotline has done only limited analysis of the information because most of its staff are needed for basic allegation receipt and referral requirements. A detailed analysis of the DOD Hotline informational data base could focus attention on particular problems warranting further review. Hotline officials agree that such analysis could be beneficial.

The lack of emphasis on data analysis was noted in 1981 when the Defense Audit Service recommended that the Hotline analyze, on a continuing basis, the results of its investigations in order to identify major deficiencies in internal control systems or identify trends warranting comprehensive examination on a DOD or armed services-wide basis. The report noted that results of investigations were not analyzed to identify patterns of deficiencies for similar activities or geographic areas, or other weaknesses of an administrative nature.

Standards Have Been Proposed for Information Management

The Association of Federal Investigators and the Association of Directors of Investigations wrote interim standards in 1984 which would supplement PCIE standards in guiding the operations of an investigation function. The standards state, "Results of investigation should be stored, retrieved, and crossed-referenced, addressing the concerns of law and regulations in a manner that is timely, efficient, and effective."

An efficient information management system provides an institutional memory which, in turn, enhances the entire organization's ability to conduct pattern and trend analysis. It also enhances the organization's ability to fulfill its mandate of detection and prevention of fraud, waste, and abuse.

Analysis Could Yield Useful Information

The Hotline has a computerized data base with information on approximately 10,300 completed investigations. According to Hotline officials, this information has not been analyzed for trends, patterns, and/or deficiencies in internal control systems which may warrant detailed audit coverage. For each case the data base contains such information as the subject's rank or grade, nature and place of the alleged wrongdoing, type of alleged wrongdoing, investigative results, and actions taken against the subject of a substantiated allegation.

Some Analysis Is Done

We noted that a summary of Hotline activity for every 6-month period appears in the DOD OIG semiannual report to the Congress. The statistical summary of data (see chapter 1) is an example of the information which is reported in the DOD OIG's semiannual report. This information is supplied by the Hotline along with some examples of the kinds of Hotline complaints received, such as prohibited practices, material mismanagement, property theft, and irregular procurement practices.

We also noted that the Hotline staff occasionally provides information from the data base in response to specific data requests. For example, the DOD OIG's Office of Inspection sometimes requests information from the Hotline on closed and open allegations at installations where upcoming inspection visits are scheduled. Discussions with an official from the inspection office showed that the information is reviewed to identify possible internal control weaknesses in installation operations and to obtain a general working knowledge of complaints associated with the location.

Analysis of Hotline Data Has Not Been Given Enough Priority

As discussed earlier, at the time of our review the Hotline staffing consisted of the Hotline chief, a secretary, and four criminal investigators assigned to handling telephone calls and correspondence. The Hotline did not have any staff assigned exclusively to the data base analysis. We were told that the inspector general was considering assigning staff to this task and recently designated five positions for a Hotline analysis branch. Two of the five position have been filled as of February 1986.

Analysis of available data could show which types of problems are frequent and widespread, as well as pointing to problems caused by lax standards or informal operating procedures.

For example, we noted one area where the Hotline acted on a pattern of interrelated telephone calls. The calls were from different locations and the staff noted that the allegations were being reported back as unsubstantiated. Four of the allegations were included in our review sample and were similar in nature to 21 that were eventually received by the Hotline operations. Generally, the calls concerned allegations that the commander of an Air Force command was ordering questionable painting and renovation work at command bases, for example, painting of everything in earth tone colors, including aluminum buildings, garbage cans, fences, and the backs of stop signs. Our review of the four sample case files showed the following:

- The allegations were referred by the Hotline to the Air Force inspector general office and were subsequently referred to the commander's inspector general for review.
- The actual inquiries were conducted by the components which did the painting.
- The Hotline expressed concern to the Air Force Office of Inspector General over the way the inquiries were referred and concern over the objectivity of the individuals who did the follow-up since they reported to the commander who allegedly ordered the painting.
- The Air Force Office of Inspector General said that it was satisfied with the process followed and the manner in which the allegations were handled and investigated.
- After expressing its concern, the Hotline staff did not pursue the issues of insufficient objectivity.

After receiving a total of 12 similar calls from different locations, the Hotline referred the matter to the DOD OIG deputy inspector general. The deputy inspector general met with the Air Force inspector general and stated that from the DOD OIG viewpoint, the pattern and frequency of complaints were indicative of a widespread problem which required action by senior Air Force officials. The Air Force inspector general stated that the Air Force could, should, and would address the matter in appropriate fashion.

The Hotline continued to receive similar calls and subsequently referred the matter to the DOD OIG's inspection group for additional inquiry. The inspection group followed up on allegations at two installations and reported that the allegations of wasteful painting were in fact substantiated. The DOD OIG inspection group subsequently issued a report to the Air Force inspector general office noting its findings. The Air Force, in responding to the report, took the position that the painting was necessary but acknowledged there were some instances of excessive maintenance and painting.

We believe that detailed analysis of Hotline data can yield information on where problems are occurring and/or can serve to highlight potential audit areas. Our review identified two such situations.

In one case, a Navy civilian reported that the Navy was wasting funds by having customs brokers prepare customs paperwork for incoming foreign equipment and then paying duty for equipment that had been sent back for repair under warranty. The Navy responded, in part, that directives concerning foreign military items were being revised and

noted that other DOD activities also used customs brokers. The Hotline closed the case without knowing if the directives were appropriately revised and if they adequately addressed the issue. Also, the Hotline did not consider the DOD-wide issue of other defense components possibly doing the same thing.

In another case, which is discussed in chapter 3, it was alleged that military buses were transporting dependent children to private schools. The investigation report cited DOD regulations which allowed this type of activity. As stated earlier, our review of a command draft investigative report showed that on four occasions it was necessary for the base to lease commercial vehicles to meet military needs because the command's buses were committed for school transportation. The fact that regulations allowed this situation to occur could be indicative of similar situations occurring elsewhere.

Other Matters for Consideration

DOD OIG should consider analyzing the information contained in the Hotline computerized data base. Analysis could focus attention on particular problems warranting review and may identify apparent chronic delays in completing investigations, repeated requests that work be redone, and inconsistencies between the services' handling of Hotline allegations.

Agency Comments and Our Evaluation

In commenting on a draft of this report (see appendix II), the DOD said it concurs that detailed analysis of the Hotline data base will provide data to assist audit, inspection, and investigative elements in identifying problem areas where they should devote their efforts to maximize resources and correct problems. They stated that two auditors who have been detailed to the Hotline are currently developing an analytical program to achieve such results.

Other Federal Agency Hotline Numbers

Department of Agriculture Washington, D.C. 20520	(800)924-9121 (202)472-1388
U.S. Agency for International Development Washington, D.C. 20523	(FTS)235-3528[a]
Department of Commerce Washington, D.C. 20230	(800)424-5197 (202)377-2495
Department of Defense Washington, D.C. 20301	(800)424-9098 (202)693-5080 (AUTOVON) 223-5080[b]
Department of Education Washington, D.C. 20202	(FTS)755-2770 (202)755-2770
Department of Energy Washington, D.C. 20585	(FTS)252-4073 (202)252-4073
Environmental Protection Agency Washington, D.C. 20460	(800)424-4000 (202)382-4977
General Accounting Office Washington, D.C. 20548	(800)424-5454 (202)633-6987 (FTS)633-6987
General Services Administration Washington, D.C. 20405	(800)424-5210 (202)566-1780
Department of Health and Human Services Washington, D.C. 20201	(800)368-5779 (301)597-0724
Department of Housing and Urban Development Washington, D.C. 20410	(FTS)472-4200 (202)472-4200
Department of the Interior Washington, D.C. 20240	(800)424-5081 (202)343-2424
Department of Justice Washington, D.C. 20530	(202)633-3365
Department of Labor Washington, D.C. 20210	(800)424-5409 (202)357-0227
Merit Systems Protection Board Office of the Special Counsel Washington, D.C 20415	(800)872-9855 (202)653-7188
National Aeronautics and Space Administration Washington, D.C. 20546	(800)424-9183 (202)755-3402
Office of Personnel Management Washington, D.C. 20416	(FTS)632-4423 (202)632-4423
Small Business Administration Washington, D.C. 20416	(800)368-5855 (FTS)653-7557 (202)653-7557

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[a]The Federal Telecommunications System (FTS) is the United States government's long-distance telecommunication network.

[b]The Automatic Voice Network (AUTOVON) is the Department of Defense's communications system. It serves most major installations in the United States and some overseas areas.

Comments From the Inspector General, Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

DEPARTMENT OF DEFENSE
INSPECTOR GENERAL
WASHINGTON, D.C. 20301

20 FEB 1986

Mr. Frank C. Conahan
Director, National Security and
International Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

This letter and the enclosed detailed responses to findings and recommendations (Enclosure 1), constitute the Department of Defense (DoD) response to the General Accounting Office revised Draft Report "DoD HOTLINE: Generally Effective But Some Changes Needed," (GAO Code 911046) OSD Case 6897. As indicated, the DoD concurs with the majority of the GAO findings and recommendations.

See comment 1.

The GAO report, however, raises some issues that warrant clarification or emphasis. First of all, most of the difficulties that the GAO identified in case documentation arose because the GAO applied general independence and documentary evidence standards to all DoD Hotline cases. The GAO should have distinguished between preliminary inquiries and full investigations. Preliminary inquiries cannot, and need not, involve the same degree of documentation as full investigations. The DoD, on the other hand, previously has not distinguished its guidance regarding documentation between these two distinct types of cases. As indicated in Enclosure 1, my office will, therefore, include some specific guidance on preliminary inquiries in the revised Hotline Directive 7050.1, which will be issued by July 15, 1986.

See comment 2.

In addition, the GAO recognized that its findings are not projectable to the universe of Hotline cases, and are indicative of operations only during the period covered by the review, i.e., July 30, 1982, through August 1, 1984. As indicated above, the DoD does not agree that the GAO findings are fully indicative of "investigations" during that period. More importantly, the findings are not indicative of current investigations. Many of the cases involved in that period predated the full implementation of DoD Directive 7050.1. In addition, the DoD implemented the Hotline operations as a new concept, and has continued to refine and improve the process based on actual experience. The additional knowledge and awareness which have come with that experience certainly have improved the quality of current investigations. Therefore, since the situation has changed significantly since the sample period, the GAO review results do not accurately reflect current Hotline operations.

See comment 3.

Finally, in assessing and adopting standards upon which to measure DoD Hotline performance, the GAO relied in part on interim standards by the President's Council on Integrity and Efficiency (PCIE). Those standards existed only as interim standards during the period covered by the GAO review. Furthermore, it is not clear that they should be applied to all Hotline-type investigations. More importantly, the documentary evidence aspects of the PCIE standards clearly should not be fully applied to preliminary inquiry cases.

For your information, also enclosed are copies of December 1985 memoranda from the Secretary of Defense (Enclosures 2 and 3) emphasizing the DoD Hotline as an important tool in combating fraud, waste and abuse. The DoD appreciates the opportunity to comment on the report in draft form.

Sincerely,

Joseph H. Sherick
Inspector General

Enclosures

GAO DRAFT REPORT - DATED DECEMBER 19, 1985
(GAO CODE 911046) - OSD CASE 6897

"DOD FRAUD HOTLINE: GENERALLY EFFECTIVE BUT SOME CHANGES NEEDED"

DOD RESPONSES TO GAO FINDINGS AND RECOMMENDATIONS

* * * * *

FINDINGS

- **FINDING A: The Hotline Is An Important Part Of The IG Effort To Combat Fraud, Waste, Abuse And Mismanagement.** The GAO noted that the Office of Inspector General (IG) is responsible for directing, managing and controlling the operations of the DoD Hotline (Hotline), as well as for ensuring that allegations reported to the Hotline are properly investigated and investigative findings are properly reported. The GAO reported that the IG uses the Hotline as one avenue for obtaining information on areas of potential wrongdoing or mismanagement, and estimates that 27 percent of the Hotline allegations reported in the last two years were substantiated, resulting in identified savings of $5.3 million or legal or administrative action. The GAO found that the Hotline currently is operated with a staff of 11, has a nationwide toll free number, a National Capital Region number and a Worldwide Automatic Voice Network number, and calls are handled by tape recorders during nonoffice hours. The GAO concluded that the Hotline is an important part of the IG efforts to combat fraud, waste, abuse and mismanagement in DoD programs and operations. The GAO also concluded that the Hotline provides individuals with a means to report allegations of wrongdoing, without fear of reprisal. (pp. i-ii, pp. 1-4, p. 19, GAO Draft Report)

Now on pp. 2-3, pp. 8-10, and p. 21.

DOD POSITION: Concur. The success of the Hotline operation and the increasing number of Hotline complaints have prompted the IG to increase staffing for the program. Currently, the authorized staff is 15 personnel; three administrative support and 12 professional employees. Management will continue to monitor the Hotline resource requirements and adjust the manning level as necessary to meet the workload.

See comment 4.

- **FINDING B: Adequate Policies, Processes And Procedures Have Been Established For Receiving, Controlling And Screening Allegations.** The GAO noted that a 1981 Defense Audit Service (now the Assistant Inspector General For Auditing)

ENCLOSURE 1

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report found, among other things, that the Hotline did not have adequate guidelines for handling, screening and controlling allegations. The GAO found that adequate policies and procedures have been established, since the Hotline has been under the IG. Specifically, the GAO found that the Hotline now has (1) a simple and publicized process designed to be quick and keep accurate information on the appropriate disposition of each allegation, (2) a pro forma document for recording each allegation, which establishes a retrievable allegation record also used to determine referrals, if there is a decision that further inquiry is warranted, (3) guidelines for the staff to judge the merits of allegations and generally treat callers, (4) an advisory group, consisting of the Deputy Inspector General and other OIG managers, to evaluate allegations against high-ranking military officials or senior officials for merit and guide the referrals for inquiry, (5) a process to hasten referrals of time-sensitive allegations by telephone and follow with the applicable documents, and (6) procedures for protecting the identities of informants and for releasing informant names (only when the informant has agreed and then only when a need exists). The GAO also found that the Hotline staff was knowledgeable of the policies and procedures, and generally followed them. The GAO concluded that the Hotline has established adequate policies and procedures to ensure proper information is gathered during the allegation receipt process. The GAO also concluded that the Hotline has established adequate controls to ensure the information is properly evaluated and recorded, and that informant identities are protected. (pp. ii, pp. 13-19, GAO Draft Report)

Now on p. 3 and pp. 18-21.

DOD POSITION: Concur. In a continuing effort to refine the manner in which cases are processed and controlled, the DoD has instituted full automation of the administrative processing of all complaints, with information being directly inputted to the computer system. This procedure reduces duplication of effort by eliminating the need for some draft reports, the need to complete some administrative forms by hand, and the need for secretarial support to final type draft complaint reports. This system also enables the IG staff to identify and rapidly retrieve investigations in the system, which will be critical in identifying candidates for future quality assurance reviews.

See comment 5.

- **FINDING C: Hotline Allegations Should Be Examined By Individuals Who Are Objective, The Work Done On The Allegations Should Be Documented And The Investigator Findings Should Be Properly Reported.** The GAO noted that

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the IG refers the majority of Hotline allegations to the three Service Inspector General offices, for two reasons: (1) the IG has limited investigative resources, preventing it from investigating every allegation and (2) many can be handled more appropriately by the Service Inspectors General, because of the nature of the allegations. The GAO found that the Service Inspectors General, in turn, refer most (76 percent of those sampled) to the Inspectors General at major commands and local bases to conduct or supervise the investigations. The GAO observed that this means the Hotline retains no control over who investigates the allegations and cannot ensure the assigned investigators are sufficiently objective and, like the Hotline, the Service Inspectors General retain little control over who actually conducts the inquiry. Pointing to an October 1984 Merit Systems Protection Board survey that showed 70 percent of those with knowledge or evidence of fraud and waste did not report it because they (1) believed nothing would be done and (2) feared reprisal, the GAO also observed that individual perceptions of the Hotline program are possibly of equal importance to investigator independence. Although acknowledging that the nature of many Hotline allegations may not constitute the best use of independent audit and investigative entity resources and referrals to another entity may be appropriate, the GAO concluded the Hotline's overall integrity can be affected if allegations are investigated by individuals who are, or are preceived to be, not free from situations which might weaken the investigation in any way. The GAO also concluded that documentary evidence is important because it establishes a record of the basis for the investigator's judgements and conclusions. Finally, the GAO concluded that, because the investigative report is frequently the only document received by the Hotline after the investigation is completed, it is important for the report to present sufficient detailed information to provide a clear understanding of investigative findings and conclusions and, for substantiated allegations, to include the remedial actions taken or planned. (The GAO noted advice from DoD officials that Hotline procedures have been changed to ensure those complaints involving high level officials are not referred to the Services.) (pp. 4-12, pp. 20-23, p. 34, GAO Draft Report)

See comment 6.

Now on pp. 10-16, pp. 24-26, and p. 35.

DOD POSITION: Partially Concur. The DoD concurs with the GAO finding, except it does not concur completely with the control aspect. The GAO focused on the extent of control retained by the Hotline where investigations are actually

See comment 7.

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referred to the Services for investigation. Although the GAO noted the procedural change with respect to referrals of complaints that involve high level officials, the GAO did not recognize the control element involved in the initial referral decisions. Some types of investigations, i.e., those involving high level officials, simply will not be referred. In addition, for cases actually referred, a report of findings must be provided to the Hotline as set forth in DoD Directive 7050.1. If separate, independent Hotline staff reviews of a closing report reveal a lack, or perceived lack, of objectivity in the investigator, the Hotline staff telephonically apprises the appropriate Service Inspector General office, or issues a Memorandum of Deficiency requesting reexamination of the allegation by a disinterested party. Through this approach, the Hotline retains some control over the investigations actually referred to the Services. In this regard, DoD Directive 7050.1 requires that the name of the "examining" official appear in the heading of the Hotline closing report. In some prior cases, however, examining officials have interpreted this requirement to mean the name of the approving official, not the investigator. The IG, DoD, is revising the Directive to specifically require the reporting of the investigator's name, grade, organization, position and duty telephone number. This information will enable the reviewing officials to better resolve issues relating to the independence of the investigator and, therefore, will further enhance this aspect of control.

See comment 8.

The DoD concurs with the GAO conclusion that case file documentary evidence is important and that inquiry reports should provide a clear understanding of the investigative findings and conclusions. It is significant to note, however, that after a lengthy and detailed review, the GAO did not identify any deficiency serious enough for it to recommend reopening a case.

The DoD is unique among the Executive Agencies in that each of its major subordinate components has an Inspector General, and therein the capability and responsibility for conducting or supervising the conduct of investigations. Each of the Military Departments also has an internal criminal investigative and audit capability. The Secretary of Defense has vested the responsibility for examining audit problems and criminal or regulatory violations with the Military Departments, as well as with the DoD Inspector General. The referral of Hotline complaints to the Services, therefore, is in accordance with established policy.

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- **FINDING D: Investigator Objectivity And Investigative Quality Should Be Improved.** In reviewing a sample of 127 allegations (36 selected on the basis that admirals, generals and GM-15 or SES civilians were involved), the GAO found 16 cases (12.6 percent) handled by individuals who the GAO concluded could not be considered objective because of their positions and/or proximity to the persons being accused. (The GAO presented three examples on pp. 23-25 of the Draft Report.) The GAO also found 49 cases (38.6 percent) that it concluded lacked sufficient documentary evidence to support fully the investigator statements, judgements and conclusions. (The GAO presented a listing of the types of documentary deficiencies on pp. 27-28, and three example cases on pp. 28-29 of the Draft Report.) In this regard, the GAO found that DoD Directive 7050.1 is silent on the types of physical, testimonial, documentary and analytical evidence to retain in investigative files. The GAO also found that the Hotline relies on the Services to provide guidance and, while they have not established specific requirements for Hotline complaints, they have established standards and guidelines for the proper conduct of Service-related investigations, including the acquisition of documentary evidence to support investigative findings. Although noting that its review was not designed to evaluate the quality of investigative reports specifically, the GAO additionally found 38 cases (29.9 percent) with incomplete investigative reports not complying with the DoD requirements. (The GAO presented a listing of example deficiences on pp. 30-31 of the Draft Report.) The GAO concluded that, while complete independence may not always be necessary, it is important that individuals who perform investigations be objective. The GAO also concluded that sufficient, competent and relevant evidence would be obtained and retained to support investigative conclusions and judgements, if an investigator followed the appropriate guidance. Finally, the GAO concluded that the Hotline does not ensure (1) work performed on allegations adheres to established policies and procedures, (2) work is done objectively and thoroughly, (3) investigator findings and conclusions are properly supported and documented, and (4) investigative reports are complete. (pp. ii-iii, p. 20, pp. 23-35, GAO Draft Report)

Now on pp. 27-28.

Now on pp. 29-31 and pp. 31-32.

Now on pp. 31-33.

Now on pp. 3-4, p. 24, and pp. 26-34.

DOD POSITION. Partially Concur. Although the DoD agrees with the specifics in the GAO finding, the DoD takes exception with the GAO use of interim President's Council on Integrity and Efficiency (PCIE) standards. Those standards were not available in final form during the period covered

See comment 9.

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See comment 1.

by the GAO review. It also is unclear whether those standards are applicable to Hotline investigations directly. In addition, the GAO has not distinguished between cases involving full investigations and those involving preliminary inquiries to establish the creditability of Hotline complaints. For economy and other reasons, preliminary inquiries cannot and need not involve the same degree of case file documentation. Many, if not most, of the case examples used by the GAO involved preliminary inquiries. This would appear to account for the GAO conclusion that the investigative standards and conclusions would, if followed, provide the relevant evidence and case documentation, while at the same time finding this was not the result in some of the cases it reviewed. In any event, as stated previously, the GAO did not identify any deficiency serious enough to warrant a recommendation that a case be reopened.

See comment 2.

The GAO acknowledged that its audit sample was not projectable to the universe, but stated that "...it should provide a good indicator of how well the DoD/IG Hotline cases for the period July 30, 1982, to August 1, 1984, were investigated." The DoD agrees, except to the extent that the GAO findings and conclusions are based on preliminary inquiries and not full investigations. As stated above, preliminary inquiries cannot and need not involve the same degree of case documentation. It also is important to emphasize that the GAO statement recognizes the findings are not fully indicative of the current Hotline operations. This is a proper recognition. Much of the period involved in the GAO sample predates the actual implementation of DoD Directive 7050.1, and also predates procedural refinements and increased experience by the Hotline and investigative staffs. Some of the GAO-sampled cases, for example, would predate changes in the Hotline procedures that now ensure allegations involving high level Service officials are not referred to the Service for either preliminary inquiries, or full investigations.

See comment 10.

With respect to the Marine Corps Museum case that the GAO used as an example of the lack, or perceived lack, of independence by the investigator, the GAO is correct that the investigation was conducted by a member of the same organization; however, the investigating officer was a full colonel and senior to the lieutenant colonel under investigation. As the GAO acknowledges, the investigation resulted in the lieutenant colonel being admonished and his fitness report noted adversely, which contributed to

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the officer's retirement from the Service. The actual results should completely offset any perceived lack of investigator objectivity in this case.

The objectivity of the investigator has always been of paramount concern to the IG DoD; however, it would be an insurmountable task for the IG or the Services to attempt to screen every investigation in advance to ensure independence and objectivily. Furthermore, based on the GAO analysis, 27 percent of the DoD Hotline complaints have been substantiated, which the DoD understands is record-high for similar operations in the Federal Government. This rate is substantial evidence of the independence and objectivity of the DoD investigators.

- **FINDING E: Hotline Report Review Process.** The GAO found that in 72 of its sample cases (56.7 percent), the investigative report was the only document the Hotline staff had to evaluate the quality of the investigative effort. The GAO reported that, when an investigative entity submits a report to the Hotline, it is reviewed by three staff members, each judging whether the investigation was properly completed, the work thorough and the effort objective. The GAO noted that if the staff concurs in the judgements, the case is reviewed by the Hotline Chief or designee and, if warranted, the case is closed. The GAO further noted that if the staff is not satisfied with the information presented, the report is referred to the Hotline Chief for additional review and to determine whether a memorandum should be sent to the investigating entity. The GAO found, however, that the Hotline has no formal process with standardized criteria for evaluating the quality of the investigative efforts. The GAO pointed out that IG officials are considering establishing a quality assurance process. The GAO also pointed out IG officials' statements that there is no way for the Hotline to ensure the quality and consistency of work on allegations without a proper quality review process and standardized review criteria. The GAO concluded that IG officials are aware of the deficiencies, but have not acted to ensure they are corrected, or that investigative work is done according to standards. The GAO also concluded that the Congress, the DoD and the public cannot be sure Hotline allegations are adequately investigated unless objectivity and quality standards are enforced, and there is assurance of sufficient information gathering on which to adequately base case closure decisions. (pp. 31-32, 35, GAO Draft Report)

Now on pp. 32-33 and p. 35.

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See comment 11.

DOD POSITION: Concur. The DoD has been aware of the shortcomings in the review process due to the lack of an internal quality assurance review capability. There was concern that information contained in the Hotline closing reports might not be supported by the data contained in the field case files; however, there has not been concrete evidence to substantiate the concern. A followup capability for the Hotline program was considered in early 1984, but the IG decided to delay action on the matter when the GAO announced its audit in June 1984. As intended at that time, based on the findings of the GAO review, the IG is now proceeding to develop a quality assurance and policy compliance capability in the Hotline program. When implemented, the Hotline will have the capability to conduct selected policy compliance and quality assurance reviews in the field. This implementation is tied to the revision and reissuance of DoD Directive 7050.1.

FINDING F: Followup On Planned Remedial Action Is Limited. The GAO noted that DoD Directive 7050.1 states the Hotline should monitor completed investigations to ensure all aspects of the complaints are fully covered, investigations are properly conducted and appropriate actions are taken based on the investigative findings. The GAO found that followup was conducted in only one of 40 cases in its sample where there were recommendations and/or promised remedial actions. The GAO identified two cases (5 percent) where promised actions did not occur. The GAO pointed out that the 1981 Defense Audit Service Report recommended establishing better controls over the performance and reporting of investigations, and development of a followup system to ensure promised remedial actions. Although noting Hotline officials' statements that limited staffing prevents the establishment of a viable selective followup effort, the GAO found the controls and followup system recommended in the 1981 report have not been clearly established. The GAO concluded that the Hotline staff has not complied fully with the policy for following up on completed investigations. (pp. 32-35, GAO Draft Report)

Now on pp. 33-35.

DOD POSITION: Concur. The DoD acknowledges that there has been only limited followup on planned remedial actions, due to the lack of resources. The Hotline workload has increased significantly each year and, although staffing also has increased, the additional personnel have been needed primarily for the growing number of Hotline complaints. Selective Hotline staff followup, however, has

See comment 12.

been conducted where the need was evident. An expanded followup program will be incorporated in the revised DoD Directive 7050.1 described in response to Finding E above.

- **FINDING G: Analysis Of Hotline Data Base Could Prove Beneficial.** The GAO noted that the Hotline data base has information on about 10,300 completed investigations, but there is limited analysis of the information because most of the Hotline staff is needed for basic allegation receipt and referral requirements. The GAO also noted the 1981 Defense Audit Service Report recommendation that the Hotline analyze, on a continuing basis, investigation results to identify major internal control system deficiencies, or trends warranting comprehensive examination on a DoD or Service-wide basis. The GAO found that some analysis is done--statistical summaries and examples of complaints for the IG semiannual reports to the Congress, as well as in response to specific data requests, i.e., by the Office of the Assistant Inspector General for Inspections for upcoming installation visits. The GAO also noted one area where the Hotline acted on a pattern of interrelated telephone calls, and concluded that analysis of available data could show types of frequent and widespread problems, as well as problems caused by lax standards or informal operating procedures. On the basis of situations in two cases in its sample, the GAO also concluded that detailed analysis of Hotline data can yield information on where problems are occurring and/or serve to highlight potential audit areas. The GAO noted that the IG recently designated five positions for a Hotline analysis branch, but found that the positions had not been filled as of November 1985. (pp. 37-42, GAO Draft Report)

Now on pp. 38-41.

DOD POSITION: Concur. The DoD concurs that detailed analysis of the Hotline data base will provide data to assist audit, inspection and investigative elements in identifying problem areas where they should devote their efforts to maximize resources and correct problems. Two auditors have been detailed to the Hotline staff and are currently developing an analytical program to achieve such results. The IG also has announced new ADP and clerical positions to assist in this area; however, recent budget constraints may preclude the filling of these positions.

See comment 13.

RECOMMENDATIONS

- **RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense reemphasize to the Secretaries of the Army, Navy and

Air Force the need to ensure (1) DoD Hotline allegations are investigated by individuals who are independent and objective, and (2) investigations are properly documented and thoroughly reported. (p. 36, GAO Draft Report)

Now on p. 35.

See comment 14.

DOD POSITION: Concur. The reissuance of DoD Directive 7050.1, with appropriate changes, will reemphasize the requirements. The Directive, as reissued, will include some specific guidance on data and other requirements related to preliminary inquiries, so as to ensure appropriate recognition of the differences between that type work and full investigations. As indicated in the response to Finding E above, reissuance of the Directive is projected for July 15, 1986.

- **RECOMMENDATION 2:** The GAO recommended that the DoD Inspector General revise DoD Directive 7050.1 to provide the Services with better guidance on the types of documents and evidence to obtain and retain with investigative case files. (p. 35, GAO Draft Report)

Now on p. 35.

See comment 14.

DOD POSITION: Concur. See response to Recommendation 1 above.

- **RECOMMENDATION 3:** The GAO recommended that the Inspector General DoD enforce the requirements and standards in the Directive 7050.1, as revised. For example, establish a process to perform periodically a quality assurance review on selected closed investigations to (1) evaluate compliance with DoD standards and requirements, and (2) ensure that promised corrective actions have occurred. (pp. 35-36, GAO Draft Report)

Now on p. 35.

See comment 14.

DOD POSITION: Concur. As indicated in the response to Finding E, the DoD is developing both quality assurance review and followup capabilities for the Hotline operation.

MATTER FOR CONSIDERATION

- The IG should consider analyzing the information in the Hotline computerized data base. Analysis could focus attention on particular problems warranting review and may identify apparent chronic delays in completing investigations, repeated requests that work be redone, and inconsistencies between Services' handling of Hotline allegations. (p. 42, GAO Draft Report)

Now on p. 41.

See comment 15.

DOD POSITION: Concur. See response to Finding G.

THE SECRETARY OF DEFENSE

WASHINGTON THE DISTRICT OF COLUMBIA

23 DEC 1985

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Defense Hotline

Please ensure that the enclosed memorandum is widely circulated. It emphasizes the President's and my personal commitment to the reduction of fraud, waste, and mismanagement in Defense programs and highlights the Defense Hotline as an important tool in this effort. Your continuing personal support of this vital program is essential to its success.

I would also like each of you to publicize the Defense Hotline within your organization. You should ensure your employees are aware of the existence of the Hotline and of your support for its use.

Please advise the Inspector General, DoD, of any specific publicity actions you have planned or taken.

Caspar W. Weinberger

Enclosure

23553

ENCLOSURE 2

THE SECRETARY OF DEFENSE

WASHINGTON THE DISTRICT OF COLUMBIA

23 DEC 1985

MEMORANDUM FOR ALL DEPARTMENT OF DEFENSE PERSONNEL

SUBJECT: Defense Hotline

A recent study by the U. S. Merit Systems Protection Board disclosed that Federal employees frequently do not report knowledge of fraud, waste, and mismanagement. This is, in part, due to fear of reprisals for such reports.

This Department continues to support the President's program to reduce fraud and waste in the Government and to improve management wherever possible. Since the inception of the Defense Hotline in 1979, we have received over 37,000 contacts. Of these, more than 10,000 substantive complaints have been referred for appropriate action. The program has documented savings of over $6.4 million.

The Defense Hotline is operated by the Defense Inspector General, who reviews all substantive issues and ensures appropriate criminal and administrative remedies are pursued. Protecting the confidentiality of Hotline users who prefer not to be identified remains a cornerstone of the program.

Taking or threatening reprisal against those who report irregularities will not be permitted. I fully endorse the Civil Service Reform Act of 1978, which provides protection against such reprisals. If you, as a DoD employee, believe that you are being punished for reporting irregularities, report it to the Special Counsel of the U. S. Merit Systems Protection Board. The numbers are: 800-872-9855 (toll free); 653-7188 (FTS); and (202) 653-7188 (commercial).

I ask each of you to continue to seek out and report needed improvements and suspected problems through established command channels or by calling or writing the Defense Hotline. Prudent management of our limited Defense resources requires constant vigilance and careful reporting of fraud, waste, or mismanagement.

The Hotline telephone numbers are: 800-424-9098 (toll free); 693-5080 (National Capital Region); and 223-5080 (Autovon). Mail can be addressed to the Defense Hotline, The Pentagon, Washington, D.C. 20301-1900.

ENCLOSURE 3

The following are GAO's comments on the Department of Defense letter dated February 20, 1986.

GAO Comments

1. Although DOD states that we should distinguish between allegations which were handled as preliminary inquiries and those handled as full investigations, we could not do so because neither the services nor the DOD Hotline made such distinctions. See page 28.

2. No change to report. We could not assess whether there have been significant changes to the Hotline process because (1) our fieldwork was stopped in July 1985, (2) the new Hotline procedures for handling high-level allegations were not implemented until late January 1986, and (3) the final revisions to DOD Directive 7050.1 are not scheduled for full implementation until July 1986.

3. No change to report needed. Agency comment addressed on page 37.

4. No change to report. See page 9.

5. No change to report. See pages 18-21.

6. Report changed to show the new procedure and the date the procedure began. See page 26.

7. No change made to report. Agency comment addressed in paragraph 3, page 36.

8. No change to report. See page 28.

9. No change to report. Agency comment addressed on page 36.

10. We do not agree that the actual results completely offset any perceived lack of investigator objectivity in this case. As was noted on page 25, a primary reason federal employees do not report known instances of fraud is a belief that nothing will be done to correct the activity. Any perception of an investigator lacking objectivity, in our opinion, could damage the integrity of the Hotline process.

11. No change made to report. See page 31.

12. No change made to report. See page 33.

13. Report changed to reflect that two of the five positions have been filled. See page 41.

14. No change needed. See page 35.

15. No change made to report. See page 41.

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