

The Importance of Bureaucratic Oversight Mechanisms: The Case of the Inspector General

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Introduction

Inspectors General (IG) have been playing an extraordinary role in exposing fraud, waste and abuse as well as promoting efficiency in federal agencies. This year will be the 30th anniversary of the 1978 Inspector General Act (P. L. 95-452.) So, this is the perfect time to evaluate the strengths and weaknesses of Inspectors General through a systematic evaluation of their interventions.

Recently, the President's Council on Integrity and Efficiency (PCIE) and Executive Council on Integrity and Efficiency (ECIE) announced that in Fiscal Year 2007, Offices of Inspector General identified significant potential dollar savings from a number of audits, investigations, evaluations, and inspections.¹ Cumulatively, these efforts resulted in: \$11.4 billion in potential savings from audit recommendations, \$5.1 billion from investigative recoveries and receivables, 6,800 indictments and criminal information, over 8,900 successful prosecutions; about 4,300 suspensions or debarments, and nearly 310,000 hotline complaints processed.² It is interesting to know that the outcomes from a number of Offices of Inspector General (OIG), such as those from the Department of Defense (DOD)³, Department of Health and Human Services (HHS)⁴, and Department of Homeland Security (DHS)⁵ show an increasing amount of total recoveries, fines and restitutions.

Furthermore, some OIGs like the DHS OIG have had a high percentage of their recommendations accepted by their host agencies' heads. These great achievements enhance the importance of the OIG in improving federal agencies' ethical management. This paper analyzes the context of these important results by focusing on the OIG of the DHS. This OIG has been

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¹ President's Council on Integrity and Efficiency, and Executive Council on Integrity and Efficiency. Media release issued on April 8th, 2008. "Offices of Inspector General Identify Billions in Potential Savings."

The PCIE and the ECIE were created in 1981 and 1982 respectively. They coordinate and enhance governmental efforts to promote integrity and efficiency and to detect and prevent fraud, waste and abuse in Federal programs (<http://www.ignet.gov/pande/mission1.html>)

² PCIE and ECIE: *A Progress Report to the President, Fiscal Year 2007*, available at: <http://www.ignet.gov/randp/fy07apr.pdf>

³ DOD OIG Semiannual Report to Congress, October 1, 2007-March 31, 2008. Available at: http://www.dodig.osd.mil/sar/SAR_062308.pdf

⁴ HHS OIG Semiannual Report to Congress, October 1, 2007-March 31, 2008. Available at: http://www.oig.hhs.gov/publications/docs/semiannual/2008/semiannual_spring2008.pdf

⁵ DHS OIG Semiannual Report to Congress, October 1, 2007-March 31, 2008. Available at: http://www.dhs.gov/xoig/assets/semiannlrpts/OIG_SAR_Oct07_Mar08.pdf

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highlighted not only because it has been continuously increasing the amount of recoveries but also, as mentioned before, because it has been achieving high percentages (over 90%) of recommendations accepted by its host agency. Thus, first this paper analyzes theories about bureaucratic oversight mechanisms such as the office of inspector general. Second, it describes the Inspector General Act. Third, it addresses what OIGs do. Fourth, it evaluates the context in which OIGs work. Fifth, it analyzes main findings from data analysis corresponding to DHS OIG's activities from Fiscal Years 2003 to 2007. Finally, it draws some conclusions.

Bureaucratic Oversight Mechanisms

The purpose of oversight mechanisms is to ensure that public officials conduct themselves ethically in the most effective and efficient manner.⁶ These control mechanisms may be internal or external. The former refer more to accounting evaluation (i.e. checking the accuracy and reliability of accounting data)⁷ and are usually conducted by an audit unit of the target agency. The latter refer more to investigations of activities and have been formally operated by legislatively created offices such as auditors, inspectors, independent counsels, and ombudsmen.⁸ But, both corruption and fraud have been seriously challenging these control mechanisms. Indeed, they remain critical problems for public administration.⁹ They undermine citizens' confidence and can even destroy the legitimacy of the political system. Hence, oversight mechanisms are needed to uncover, and investigate those unethical behaviors.

A number of scholars support the creation and strengthening of oversight mechanisms whether internal or external.¹⁰ They point out that public officials' behavior should be

⁶ Zimmerman, Joseph. *Curbing Unethical Behavior in Government*. (Wesport, CT:Greenwood Press, 1994).

⁷ Evans, John, et al in Mckinney, Jerome B. and Michael Johnston, editors. *Fraud, Waste and Abuse in Government. Causes, Consequences and Cures*. (Philadelphia: Ishi Publications, Institute for the Study of Human Issues, 1986).

⁸ Testimony of Project on Government Oversight (POGO)'s Nick Schwellenbach, before the House Oversight and Government Reform Committee "Examining the Executive Branch Reform Act of 2007 and the Whistleblower Protection Enhancement Act of 2007", February 13, 2007. Available at: <http://www.pogo.org/p/government/gt-070201-reform.html>

⁹ Anecharico, Frank. *The Pursuit of Absolute Integrity. How Corruption Control Makes Government Ineffective*. (Chicago: The University of Chicago Press, 1996).

¹⁰ Bhargava, Vinay, & Emil Bolongaita. *Challenging Corruption in Asia. Case Studies and Framework for Action*. (Washington DC: The International Bank for Reconstruction and Development/The World Bank, 2004).

Caiden, Gerald E., Dwivedi, O.P., and Jabbara, Joseph. *Where Corruption Lives*. (Bloomfield, Connecticut: Kumarian Press, Inc., 2001).

Fantaye, Dawit. "Fighting Corruption and Embezzlement in Third World Countries." *The Journal of criminal law*, Vol 68, April, 2004. pp. 170-176.

Johnston, Michael. *Syndromes of Corruption. Wealth, Power, and Democracy*. (New York: Cambridge University Press, 2005).

Klitgaard, Robert. *Controlling Corruption*. (Berkeley: University of California Press, 1988)..

Mckinney, Jerome B. and Michael Johnston, editors. Op. Cit.

Nelson, William E.. *The Roots of American Bureaucracy, 1830-1900*. (Cambridge, Massachusetts: Harvard University Press, 1982).

Rose-Ackerman, Susan. "Corruption and the Private Sector" in Heidenheimer, Arnold J., Michael Johnston, and Victor T. LeVine. *Political corruption*. (New Jersey: Transaction Publishers, 1989).

Thompson, Dennis. *Political Ethics and Public Office*. (Cambridge, Massachusetts: Harvard University Press. 1987, p..7).

scrutinized¹¹ and monitored.¹² Moreover, White¹³ and Wilson¹⁴ argue that efficient public administration could not be ensured without fighting corruption, and so they support the idea of having corruption controls to assure integrity.¹⁵ This is a constant challenge for all governments.¹⁶

On the other hand, several scholars fear that control mechanisms may create more bureaucratic problems¹⁷ or resistance to accomplishing goals¹⁸ or a system that causes a decrease in citizens' confidence in public agencies¹⁹, or a system that may violate fundamental precepts of democratic administration (e.g., discretion)²⁰, or a system that may create "bureaucratic pathology" and red tape²¹. Thus, some scholars suggest that public management should be flexible²² and final decisions should not take long or require multiple approvals. They argue that too many controls make government inefficient and may not reduce corruption and fraud. Others have gone even further arguing that corruption is sometimes efficient.

However, there is a lack of systematic and empirical evidence showing that oversight mechanisms are not working or are causing inefficiency.²³ While corruption and fraud are challenging and threaten never to disappear, it is true that oversight mechanisms diminish their effects. The challenge is to make these mechanisms accountable²⁴ and effective. They need to be

¹¹ Thompson, Dennis. *Ibidem*

¹² Bhargava, Vinay, & Emil Bolongaita. *Ibidem*

¹³ White, Leonard D. *Introduction to the Study of Public Administration*. (New York: The Macmillan Company, 1950).

¹⁴ Wilson, Woodrow. "The Study of Administration." *Political Science Quarterly* 2 (June, 1887): 197.

¹⁵ White, Leonard D. *Op. Cit.* 1950

Wilson, Woodrow. *Op. Cit.* 1887

In fact, Wilson's idea, when proposing separating politics from administration, was to pursue of having an ideal bureaucracy.

¹⁶ Nelson, *Op. Cit.* 1982, p.120.

¹⁷ Downs, Anthony. *Inside Bureaucracy*. (Boston: Little, Brown and Company, 1967).

¹⁸ Wilson, James Q. *Bureaucracy, What Government Agencies Do and Why They Do It*. (New York: BasicBooks, 1989).

¹⁹ Breyer, Stephen. *Breaking the Vicious Circle toward Effective Risk Regulation*. (Cambridge, Massachusetts: Harvard University Press, 1993) p.50.

²⁰ Kelman, Steven. *Procurement and Public Management: The fear of Discretion and the Quality of Government Performance*. (Washington DC: The AEI Press., 1990) p.1

Ostrom, Vincent. *The Intellectual Crisis in American Public Administration*. (Tuscaloosa, Alabama: The University of Alabama Press, 1989).

Gruber, Judith E.. *Controlling Bureaucracies, Dilemmas in Democratic Governance*. (Los Angeles: University of California Press, 1988).

Kaufman, Herbert. *Red tape, its Origins, Uses, and Abuses*. (Washington DC: The Brookings Institution, 1977). p. 25

²¹ Anechiarico, Frank. "Purging Corruption from Public Contracting: The "Solutions" are now Part of the Problem". *New York Law School Review*. 40, p143, 1995-1996.

Fesler, James W. and Donald F. Kettl. *The politics of the administrative process*. (New Jersey: Chatham House Publishers, Inc. 1991).

²² Osborne and Gaebler. *Reinventing Government, How the Entrepreneurial Spirit is Transforming The Public Sector*. (New York, Addison-Wesley Publishing Company, Inc., 1992)

²³ It is not difficult to find corruption and fraud cases. What is challenging is to show how bureaucratic control mechanisms are combating and preventing those problems.

²⁴ Moore, Mark H. *Creating Public Value, Strategic Management In Government*. Cambridge, Massachusetts: Harvard University Press, 1995), p.183

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evaluated in a systematic way.²⁵ Although nobody knows how much corruption or fraud exists, we do know that the problem will not go away of its own accord.²⁶ Hence, existing oversight mechanisms such as Inspectors General need to be evaluated to see how their interventions are helping with the search for integrity in public agencies.

Before addressing in detail the Inspector General it would be useful to discuss briefly what corruption and fraud imply. In fact, overall Inspectors General's interventions look at a variety of unethical behavior that may be classified as corruption or fraud. However, rather than presenting an exhaustive analysis on theories, this section briefly describes the types of misconduct classified as corruption or fraud.

The phenomenon of corruption has been a subject of study from a number of international organizations such as the Organization of American States (OAS), the Organization for Economic Cooperation and Development (OECD), the United Nations (UN), and the World Bank (WB). They have defined corruption in similar ways. For instance, the Inter-American Convention against Corruption (1996) of the OAS defines corruption as "any act or omission in the discharge of his duties by a government official or a person who performs public functions for the purpose of illicitly obtaining benefits for himself or for a third party". The Convention on Combating Bribery (1997) of the OECD defines "active corruption" or "active bribery" as the offense committed by the person who promises or gives the bribe; and "passive bribery" or "passive corruption", as the offense committed by the official who receives the bribe. The Manual on Anti-Corruption Policy (2001) of the UN defines corruption as "an abuse of public power for private gain that hampers the public interest. It entails the confusion of the private with public sphere or an illicit exchange between the two spheres". The World Bank defines corruption as the "misuse of a public position for private benefit".

In addition, Transparency International defines corruption as the "behavior on the part of officials from the public sector, whether politicians or civil servants, in which they unlawfully and improperly enrich themselves, or those close to them, by the misuse of the public power entrusted to them". As we can see the definitions significantly overlap. So, according to these international organizations, corruption may be defined as the misuse or abuse of the public power for private gain. Notice that they have not defined corruption as a crime, mainly because this is something that each country should do for itself.

The U.S. Code, Title 18, section 201 includes bribery of public officials as a crime. Between 1990 and 2002, federal prosecutors convicted more than 10,000 government officials of acts of official corruption, such as conflict of interest, fraud, campaign-finance violations, and obstruction of justice²⁷ By using a data set of federal corruption convictions in the U.S. from the Justice Department's Report to Congress on the Activities and Operations of the Public Integrity Section, Glaeser and Saks found that more educated states and, to a smaller degree, richer states

²⁵ Rose-Ackerman, Susan in Heidenheimer, Arnold. Op.Cit, 1989, p. 816

Jonas Prager (1994) argues that contracting out is inappropriate when the total costs of outsourcing –contractor charges plus contract administration- are greater than the costs of continued internal production.

²⁶ Mckinney, and Johnston, editors, Op. Cit, pp.v

²⁷ Glaeser, Edward L., Raven E. Saks. "Corruption in America". *Journal of Public Economics*. Vol. 90, pp. 1053-1072, 2006.

have less corruption. Interestingly enough, their results also show a strong correlation of the level of corruption with the level of income and less correlation with the size of government.

The common typology of corruption as explained above includes such behavior as “bribery”. The bribed public official typically agrees to undertake or to forego a designated action in return for a bribe.²⁸ Other corrupt activities include influence peddling, insider deals and kickbacks,²⁹ fraud,³⁰ nepotism and misappropriation of public resources committed by elective or appointive officials.³¹

Fraud is one of the many faces of bureaucratic corruption. It involves dishonesty, venality, awarding of jobs and contracts to unqualified persons, awarding decisions and services in exchange for bribes and kickbacks.³² Fraud also involves illegality and the obtainment of either money or benefits from governmental programs.³³ Fraud includes such practices as theft, embezzlement, false statements, illegal commissions, deceit by suppression of the truth, kickbacks, conspiracies, obtaining contracts through collusive arrangements, and intentional mischarging or misallocation of contract costs.³⁴ So, fraud is a form of corruption. In extreme cases, it can damage not only the effective management of public programs and resources, but also the citizen’s basic trust in and support of government.³⁵

So, more efforts should be made to control all kinds of corruption including fraud. Some cures have been suggested. For instance, to prevent fraud and kickbacks, very tightly drawn contracts and careful, close oversight are needed.³⁶ When the government is not a smart buyer it

²⁸ Noonan, John T. Jr. *Bribes*. (New York: Macmillan Publishing Company, 1984).

Reisman, Michael. *Folded Lies: Bribery, Crusades, and Reforms*. (New York: The Free Press, a Division of Macmillan Publishing Co., Inc., 1979) p.69

Rose-Ackerman. *Corruption: A Study in Political Economy*. (New York: Academic Press, 1978).

²⁹ Menzel, Donald C. *Ethics Management for Public Administrators. Building Organizations of Integrity*. New York: M.E. Sharpe, (2007), p.148

³⁰ Frederickson, H. George (1999). “Ethics and the New Managerialism”. *Public Administration & Management: An Interactive Journal*.. Vol. 4, issue 2, 1999, pp. 299-324

³¹ Nye, J.S., “Corruption and Political Development: A Cost-Benefit Analysis”. *American Political Science Review*, 1967, 61: 2.

Caiden (2001) observes that Nye’s definition includes almost all operational activities of corruption.

³² Caiden in Mckinney and Johnston (1986), Op. Cit., p.32

³³ Mckinney, Jerome B. “Concepts and Definitions” in Mckinney, Jerome B. and Michael Johnston, editors. *Fraud, Waste and Abuse in Government. Causes, Consequences and Cures*. Philadelphia: Ishi Publications, Institute for the Study of Human Issues. 1986) p.5

³⁴ Mckinney, Jerome B. Ibid, 1986, pp.5

³⁵ Johnston, Michael. “Corruption and Democracy in America” in Mckinney, and Johnston, editors. *Fraud, Waste and Abuse in Government. Causes, Consequences and Cures*. Op. Cit..1986.

³⁶ Apaza, Carmen. “Public Management Challenge: Ensuring Accountability and Controlling Corruption”. *Public Purpose*, vol. 3, 4 issue, May 2007, School of Public Affairs, American University, Washington DC.

Banfield, Edward C. “Corruption as a Feature of Governmental Organizations”. *Journal of Law and Economics*. 18 (3): 1975, pp. 587-605

Graeff, Peter. “Why Should One Trust in Corruption?” The Linkage Between Corruption, Norms, and Social Capital.” pp.40-58 in Johann Graf Lambsdorff, Markus Taube, and Matthias Schramm, *The New Institutional Economics of Corruption*, Routledge, New York, 2005.

Frederickson, H. George. “Ethics and the New Managerialism”. *Public Administration & Management: An Interactive Journal*.. Vol. 4, issue 2, 1999, pp. 299-324.

Rose-Ackerman, Susan in Heidenheimer, Arnold. Op.Cit, 1989

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will be open to corruption.³⁷ These control activities certainly should be done by experienced contracting specialists. In the accomplishment of their functions, they need to apply complex laws and regulations effectively. These activities will require great expertise from bureaucrats. This should not be a problem because those “virtues” are the “chief merit” of the bureaucracy.³⁸ However, the absence of these virtues along with weak control mechanisms would create opportunities for corruption including fraud. Thus, strong oversight mechanisms such as Inspectors General are needed to combat and prevent those unethical behaviors.

The Inspector General

Historically, in the United States the search for integrity and accountability in government has led to the passing of a number of ethics laws. It also led to changing perspectives on monitoring bureaucracies. These anticorruption mechanisms were usually a political response to the disclosure of serious corruption scandals. For example, after the Watergate scandal (1972-3), which may be depicted as a corruption derived from the ideas and practices of American democracy,³⁹ the U.S. government passed the Inspector General Act (1978) and the Ethics in Government Act of 1978. These acts established the Office of Inspector General (OIG)⁴⁰ and the Office of Government Ethics (OGE.)

By creating the OIGs, Congress wanted a consolidated oversight office within the major federal agencies that would know what was going on but would not be accountable solely to the head of any agency audited.⁴¹ The Inspectors General are independent of either executive or legislative political influence. They are appointed by the president and confirmed by the Senate, report directly to the head of their host department or agency and keep Congress and their agency head fully informed of any problems and deficiencies found in service delivery.

Over the past thirty years, Congress has established 64 statutory IGs who oversee federal government.⁴² They are members of the President’s Council on Integrity and Efficiency (PCIE)

³⁷ Frederickson, H. George. “Ethics and the New Managerialism”. *Public Administration & Management: An Interactive Journal*. Vol. 4, issue 2, 1999, pp. 299-324.

Prager, Jonas. “Contracting out Government Services: Lessons from the Private Sector. *Public Administration Review*. Vol. 54, No. 2. (Mar. – Apr., 1994), pp.176-184

According to Government Accountability Office (GAO, July 17, 2007) agencies continue to experience poor acquisition outcomes in buying goods and services in part because of challenges in setting contract requirements and ensuring sufficient oversight.

³⁸ Max Weber in Gerths and Mills, translators. *From Max Weber: Essays in Sociology*. (New York: Oxford University Press, 1946).

Merton, Robert K. *Social Theory and Social Structure*. (Glencoe IL: Free Press, 1957)

³⁹ Eisenstadt, Abraham S. “Political Corruption in American History” in Heidenheimer, Arnold J., Michael Johnston, and Victor T. LeVine, *Political corruption*. (New Jersey: Transaction Publishers, 1989) p.535

Emery, Fred. *Watergate. The corruption of American Politics and the Fall of Richard Nixon*. (New York: Times Books, 1994).

⁴⁰ and the Inspector General Act Amendments of 1988.

⁴¹ Hendricks et al, Op. Cit, 1990, p.11

Zimmerman, Op.Cit , 1994, p153

⁴² Claude M. Kcklighter, Inspector General of the U.S. Department of Defense, Foreword, *The Journal of Public Inquiry*, Fall/Winter 2007-2008, a publication of the Inspectors General of the United States, <http://www.ignet.gov/randp/fw07jpi.pdf>

(when presidential appointment of the Inspector General is required) and the Executive Council on Integrity and Efficiency (ECIE) (when Inspectors General are appointed by their agency heads). Inspector General (IG) offices play a significantly important role in advancing good government practices, but one important point to accomplish their goals is their independence. It allows them to do their job⁴³

The issue of Inspectors General's independency was broadly discussed during the Hearing before the Committee on Governmental Affairs of the United States Senate on September 9, 1998, (celebrating twenty years of the Inspector General Act.)⁴⁴ At that time the case of two IGs were discussed: the case of Susan Gaffney from Department of Housing and Urban Development (HUD) and June Gibbs Brown from Department of Health and Human Services (HHS). The HHS Inspector General highlighted that she had a successful working relationship with HHS Secretary Donna Shalala. For instance, HHS IG always had a seat at the HHS policy discussion table and Secretary Shalala had always supported HHS IG's work. HHS Secretary saw HHS IG as a resource rather than an adversary. In contrast, the HUD IG argued that HUD Secretary had exhibited a hostile attitude toward the independence of the HUD OIG. Nevertheless, even though this work environment was hard, HUD IG could still accomplish her mission. These are two different contexts in which IGs work.⁴⁵

What OIGs Do

The mission of the Office of the Inspector General (OIG), as spelled out in the original statute, is to: conduct and supervise independent and objective audits and investigations relating to agency programs and operations; promote economy, effectiveness, and efficiency within the agency; prevent and detect fraud, waste, and abuse in agency programs and operations; review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations; and keep the agency head and the Congress fully and currently informed of problems in agency programs and operations. In other words, the Inspector General community works to ensure that the interests of the U.S. citizens are represented when important governmental decisions are made.⁴⁶ To do so, OIGs are required to have independent and objective units to promote the economy, efficiency, and effectiveness of federal operations; and to prevent and detect fraud, waste, and mismanagement.⁴⁷

To accomplish their objectives, OIGs perform three principal activities: audits, investigations, and inspections. An investigation focuses on a single provider of a service to

⁴³ Testimony of POGO's (July 11, 2007) Danielle Brian before the Senate - House Homeland Security and Governmental Affairs Committee on "Strengthening the Unique Role of the Nation's Inspectors General. Available at: "<http://www.pogo.org/p/government/gt-070711-ig.html>

⁴⁴ "The Inspector General Act: 20 Years Later.", Hearing before the Committee on Governmental Affairs of the United States Senate, September 9, 1998

⁴⁵ Senator Glenn's statement before the Committee on Governmental Affairs, United States Senate, in "The Inspector General Act: 20 Years Later."

⁴⁶ Gregory H. Friedman, Inspector General of the U.S. Department of Energy and Vice Chair of the President's Council on Integrity and Efficiency: "Sunshine is the Best Antiseptic", *The Journal of Public Inquiry*, Fall/Winter 2007-2008, a publication of the Inspectors General of the United States, <http://www.ignet.gov/randp/fw07jpi.pdf>

⁴⁷ Hendricks et al. Op. Cit, 1990, p. 11

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determine if there is criminal or civil wrongdoing. An audit focuses on an agency or group of providers to determine if federal money has been spent appropriately. An inspection evaluates the broader management of an entity or examines the policies, operations, regulations, or legislative implications of a given issue.⁴⁸

Before the 90s, OIGs mainly conducted the financial audits and criminal investigations with which people associated IGs investigation and audit activities⁴⁹ Traditionally Inspectors General conduct more investigations in agencies that have significant numbers of contract.⁵⁰ Audits also have the greatest potential to further the goals of preventing fraud and improving the effectiveness and efficiency of public administration.⁵¹ However, according to Hendricks et al,⁵² inspections are more effective in preventing fraud than audits and investigations. In this regard, Moran⁵³ argues that the inspections function is a distinct and separate function from audits and investigations. The inspection function is basically an evaluation activity. Some inspections examine the extent to which individual federal programs or installations are complying with applicable laws, regulations and policies, while other inspections determine how entire programs might be amended or redirected.

At the beginning of the 90s, the reinventing government movement broadened Inspectors General's activities to include performance monitoring operations (i.e. performance audit.) In 1993 the first National Performance Review volume of recommendations asked the OIGs to broaden the focus of the Inspector General from strict compliance auditing to evaluating management control systems.⁵⁴ These new mandates affected Inspectors General's internal operations. In other words, OIG's audit units grew bigger than the inspections and investigations units. For instance, a survey conducted showed that the audit function was the largest sub-unit within the presidential appointed IG offices. Regarding investigations, for agencies with a great number of contractors, there were more investigations (e.g. Federal Emergency Management Agency, Defense, Justice, Agriculture, and Transportation).⁵⁵

Overall, OIGs mission is delicate as they are to look at transgressions committed by officials inside their host agencies (not to mention that inspectors general have to report these transgressions to both the head of the host agency and the Congress). When focusing on fellow agency officials and their transgressions, Inspectors General have often been cautious.⁵⁶ The picture is complex on bribery and kickbacks cases where outsiders and insiders are at fault. The case becomes even more complicated when the conflict of interest is within the OIG.

⁴⁸ Hendricks et al Ibid, 1990, p.13

⁴⁹ Hendricks, et al, Ibid, 1990.

⁵⁰ Newcomer, Kathryn E. "Opportunities and Incentives for Improving Program Quality: Auditing and Evaluating". *Public Administration Review*. Vol. 54, No. 2. (Mar. – Apr., 1994), pp. 147-154.

⁵¹ Anechiarico, Op. Cit. 1996

⁵² Hendricks et al.Op. Cit, 1990

⁵³ Moran in Hendricks et al. Op. Cit., 1990

⁵⁴ Gore, Al. *From Red Tape to Results. Creating a Government that Works Better & Cost Less, Report of the National Performance Review*. (Washington, DC: U.S. Government Printing Office, 1993), p.32

⁵⁵ Newcomer, Kathryn E. Op. Cit., 1994, pp. 147-154.

⁵⁶ Gormley, William. *Taming the Bureaucracy: Muscles, Prayers, and other Strategies*. (New Jersey: Princeton University Press, 1989) p. 124

The context in which OIGs work

When analyzing the context in which OIGs work many factors should be considered including: size and importance of the host agency, resources (i.e., staff and budget), training (e.g., procurement and ethical standards), the contracting out and procurement activities, whistleblowing and hotline complaints. This paper analyzes these issues within the Department of Homeland Security (DHS.)

Size of Host Agency

DHS is one the largest agencies in contract spending. Its contract spending has increased from \$3.4 billion in fiscal year 2003 to \$15.7 billion for FY 2006) That total makes DHS the third largest agency, after DOD (\$296 billion) and DOE (\$22 billion). However, DHS's number of alleged fraud cases has also been increasing. For instance, the Hurricane Katrina Fraud Task Force has referred 11,000 potential fraud cases to Homeland Security. Separately, the Government Accountability Office (GAO) identified another 22,000 fraud cases related to Homeland Security.⁵⁷

The Office of Inspector General (OIG) of the Department of Homeland Security (DHS) was established by the Homeland Security Act 2002 (P.L. 107-296). According to this law, the Inspector General is responsible for conducting and supervising audits, investigations, and

inspections relating to DHS' programs and operations. As a result of its evaluations OIG can criticize DHS's operations and activities, recommending ways for DHS to carry out its responsibilities in the most economical, efficient, and effective manner possible. Another important function refers to the oversight of the management and expenditures of all contracts, grants, and governmental operations related to the on-going hurricane relief efforts.

This oversight is to be accomplished through internal control reviews and contract audits to ensure appropriate control and use of disaster assistance funding.

Resources

At the end of the 90s, OIGs showed a growing concern over declining resources: 55% of OIGs had lost staff and their budgets declined.⁵⁸ In this regard, some support the idea of increasing OIG's staff and budget.⁵⁹ On the other hand, Light⁶⁰ argues that this may lead to ineffectiveness.

In the case of DHS, one of the areas that has critically experienced lack of staffing is the procurement area. In fact, DHS Inspector General has reported that the lack of staffing is preventing proper procurement planning and it severely limits their ability to monitor contractor

⁵⁷ Taxpayers Against Fraud, *USA Today*, July 10, 2007.

⁵⁸ Newcomer, Kathryn E. "The Changing Nature of Accountability: The Role of the Inspector General in Federal Agencies." *Public Administration Review*. Vol. 58, No. 2. (Mar. – Apr., 1998), pp. 129-136.

⁵⁹ Some supporters are McKinney and Johnston, Op. Cit., 1986.

⁶⁰ Light, Paul. "Federal Ethics Controls: The Role of Inspectors General" in Frederickson, H. George editor with a foreword by John A. Rohr. *Ethics and public administration*. (New York: M.E. Sharpe, Inc.1993.)

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performance and conduct effective contract oversight (DHS Inspector General Semiannual Report to Congress, Oct.2007.)⁶¹

The GAO reported in 2005 that the DHS's Office of the Chief Procurement Officer had only two people to conduct oversight on the eight separate procurement offices, which handled nearly \$10 billion in procurement activity during the fiscal year 2004. Many procurement offices reported that their lack of staffing prevented proper procurement planning and severely limited their ability to monitor contractor performance and conduct effective contract administration.⁶² In this regard, GAO recommended that DHS provide the Office of the Chief Procurement Officer with sufficient resources and enforcement authority to enable effective department-wide oversight of acquisition policies and procedures.⁶³

According to the DHS' Procurement and Program Management Operations Report, Sept. 2005, the amount of contract awards per procurement staff person ranges from \$3 million up to \$30 million depending on the DHS procurement organization. DHS purchased almost \$9.8 billion of goods and services in fiscal year 2004 through a variety of procurement methods such as contracts, delivery orders, interagency agreements, and purchases cards. In making these contracts, DHS processed almost 60,000 procurement actions.⁶⁴

In the 2006 report to GAO, DHS noted significant progress in providing staff for the component contracting offices.⁶⁵ Moreover DHS established a goal of aligning procurement staffing levels with contract spending at its various components by the last quarter of fiscal year 2009. Interestingly enough, GAO highlighted the fact that procurement specialists should not only be improved in quantity but also in quality - acquisition professionals should be well qualified and trained.⁶⁶

Training

As described above, the United States largely practices privatization (which is almost always achieved by contracting out) for urban projects, building, and for goods such as computers and weapons. Awarding and supervising contracts with private organizations is one of bureaucracies' most critical activities. It requires people with specific skills and knowledge.

⁶¹ According to DHS' Procurement and Program Management Operations Report, Sept. 2005, the amount of contract awards per procurement staff person ranges from \$3 million up to \$30 million.

⁶² DHS OIG 2005, Ibid, p.10

⁶³ Statement of Carlo Mann, Chief Inspector, Office of Inspections and Special Reviews, Office of Inspector General, U.S. Department of Homeland Security. Before a Joint Hearing of the Subcommittee on Economic Security, Infrastructure Protection, and Cyber-Security Committee on Homeland Security and the Subcommittee on Criminal Justice, Drug Policy, and Human Resources committee on Government Reform, U.S. House of Representatives, July 20 2006. pp.2-3

http://www.dhs.gov/xoig/assets/testimony/OIGtm_CM_072006.pdf

⁶⁴ DHS OIG Department of Homeland Security's Procurement and Program Management Operations. Sept. 2005, p.10, available at : http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_05-53_Sep05.pdf

⁶⁵ GAO 2006. Homeland Security. Challenges in Creating an Effective Acquisition Organization. Available at: <http://www.gao.gov/new.items/d061012t.pdf>

⁶⁶ GAO 2007. Ongoing Challenges in Creating an Effective Acquisition Organization. Available at: <http://www.gao.gov/new.items/d07948t.pdf>

Recently, the DHS Inspector General proposed emphasizing ethical procurement responsibilities and providing a robust support structure for both program and procurement management (DHS OIG Semiannual Report 2006). These programs would particularly include real examples of procurement fraud in addition to teaching applicable regulations. Expanded training and guidance on their ethical responsibilities would definitely benefit senior program managers and procurement officials.⁶⁷ Furthermore, these initiatives will affect OIGs' operations against fraud and other forms of misconduct.

The contracting out and procurement activities

Since Fiscal Year (FY) 2000, federal government contracting for goods and services has increased from \$219 billion to almost \$417 billion for FY 2006. The DHS contract spending was \$15.7 billion for FY 2006, according to April 12, 2007 data from the Federal Procurement Data Service. However, agencies experienced adverse selection problems with their contractors. For instance, according to a report of the GAO⁶⁸ agencies continue to experience poor acquisition outcomes in buying goods and services in part because of challenges in setting contract requirements, using the appropriate contract with the right incentives, and ensuring sufficient oversight.⁶⁹

DHS contracting out operations include a large number of procurement actions. This is basically due to the extent and importance of the department. DHS's mission is to prevent terrorist attacks in the U.S., reduce America's vulnerability to terrorism, and minimize damage from terrorism and natural disasters.⁷⁰ To fulfill this mission, DHS has a vast organizational mandate that ranges from protecting the President (U.S. Secret Service), protecting our oceans (U.S. Coast Guard), borders (Customs & Border Protection and Immigration & Customs Enforcement), airports (Transportation Security Administration), and to helping every town, city, county, and state in relief, recovery, and reconstruction efforts (Federal Emergency Management Agency)⁷¹ As a result, DHS has to be on the cutting edge of innovation, technology, and service to stay at least one step ahead of threats to America.⁷²

⁶⁷ Statement of David M. Zavada, Assistant Inspector General for Audits, U.S. Department of Homeland Security Before the Committee on Government Reform U.S. House of Representatives, July 27, 2006. P. 3

http://www.dhs.gov/xoig/assets/testimony/OIGtm-DMZ_072706.pdf

⁶⁸ GAO: "Federal Acquisitions and Contracting, systemic Challenges Need Attention", July 17, 2007, available at <http://www.gao.gov/new.items/d071098t.pdf>

⁶⁹ Violations to ethical regulations, insufficient oversight of procurement programs and inadequate management of disaster grants are some of the critical problems in DHS. Those issues are discussed in Apaza "The Administration of Ethics in DHS: Adherence to Ethical Conduct, Procurement, and Grant Management Ethics." June 2007. *PA Times*, The American Society for Public Administration (ASPA)'s Newspaper.

⁷⁰ DHS website: <http://www.dhs.gov/xabout/strategicplan/index.shtm>

⁷¹ DHS OIG Department of Homeland Security's Procurement and Program Management Operations. Sept. 2005, p.10, available at :http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_05-53_Sep05.pdf

⁷² Testimony of Project on Government Oversight (POGO)'s Scott Amey, General Counsel before the House Committee on Homeland Security "Responsibility in Federal Homeland Security Contracting" , April 20, 2007, available at:

<http://www.pogo.org/p/contracts/ct-070420-contracting.html#>. It is based on the following information: Federal Procurement Data Service - Next Generation, "FY 2003, Section III, Agency Views," p. 90 and "List of Agencies Submitting," as of April 12, 2007, p. 1.

The Importance of Bureaucratic Oversight Mechanisms: The Case of the Inspector General

In the accomplishment of its mission DHS has produced more than 60,000 procurement actions. However, DHS has left the effective monitoring of oversight mechanisms far behind. Even the OIG has not had enough capacity to monitor DHS contracting. For instance, the Project of Government Oversight (POGO) argues that DHS IG has not properly investigated very expensive complaints on DHS contracting disclosed by whistleblowers. Moreover, POGO claims that DHS OIG's staff has been ignoring whistleblowers with legitimate and critical information on serious and expensive fraud cases, such as the \$96.1 million fraud case on patrol boats acquisition.⁷³ POGO has repeatedly criticized the lack of oversight of a large number of government purchases.⁷⁴ The problem may be rooted in changes to the procurement system during the 90s.

In 1993, the New Public Management (NPM), also known in the U.S. as reinventing government, recommended crucial changes to the procurement system and that became the basis for the three major legislative changes signed by President Clinton: The Federal Acquisition Streamlining Act of 1994, the Federal Acquisition Reform Act of 1996, and the Information Technology Management Reform Act of 1996. These laws significantly focused on efficiency and cost-effectiveness.⁷⁵ With these reforms reinventors expected to save \$12.3 billion over five years.⁷⁶ However, numerous fraud cases accounted for billions of dollars as detailed above. Hence, NPM may have created more opportunities for corruption (especially in contracting.) Empowerment might indeed foster corruption when inexperienced and insufficiently trained contract managers “all of a sudden” have to bear financial and managerial responsibility for public money in an environment of market competition, risk and uncertainty.⁷⁷ In a situation of insecurity people tend to make mistakes, even unintentionally.⁷⁸ Some scholars called this corruption trend “unintended consequences” of the New Public Management reforms.⁷⁹ Furthermore, government's reliance on private contractors, through so-called service contracts, has increased dramatically. What it knows frequently comes from self-reporting by its own contractors or from contractors hired to oversee other contractors.⁸⁰

But several other issues form part of the critical context of DHS OIG. For instance, previous reports by DHS Inspector General revealed a variety of harmful and expensive violations of ethical norms that need to be addressed.⁸¹ According to a report of the Project on

⁷³ The letter is available at <http://www.pogo.org/p/government/gl-080131-deepwater.html>

⁷⁴ POGO: GAO Report Echoes POGO's Concerns with the DHS Katrina Purchase Card Program Jul.19, 2006. Available at: <http://www.pogo.org/p/contracts/ca-060702-katrina.html>

⁷⁵ Rosenbloom, David H. and Suzanne Piotrowski. “Outsourcing the Constitution and Administrative Law Norms”. *The American Review of Public Administration*. Vol. 35, No. 2, June 2005, 103-121.

⁷⁶ Gore, Al. *The Best Kept Secrets in Government. How the Clinton Administration Is Reinventing the Way Washington Works*. Fourth Report of the National Performance Review. (New York: Random House, 1996, p.17)

⁷⁷ Frederickson, Op. Cit.1999.

⁷⁸ Maravic, Patrick von, Christoph Reichard. “New Public Management and Corruption: IPM Dialogue and Analysis”. *International Public Management Review*. Vol. 4, Issue 1, 2003.

⁷⁹ Savoie, Donald J. “Fifteen Years of Reform: What have We Learned?” in B. Guy Peters and Donald J. Savoie, eds., *Taking Stock – Assessing Public Sector Reforms*. (Montreal: McGill-Queen's University Press: 1998) pp.394-414.

⁸⁰ DiIulio, John J., Jr., Gerald Garvey, Donald F. Kettl. *Improving government performance. An Owner's Manual*. (Washington DC: The Brookings Institution, 1993), p35

⁸¹ The importance of DHS does not only rely on its mission but also in its size. On November 25, 2002, President Bush signed the Homeland Security Act of 2002 (PL 107-296, as amended), officially establishing the Department of Homeland Security (DHS) with the primary mission of protecting the American homeland. On January 24, 2003,

Government Oversight (POGO), during FY 2005 nearly \$5.2 billion of the \$10.3 billion in contract awards were non-competitive. The government estimated that 58.8 percent of the Hurricane Katrina contracts awarded before November 30, 2005 were noncompetitive. The justification for allowing no-bid contracts was the urgent need for a rapid emergency response. However, other government reports have found that 50.5 percent of the contracts have continued to be awarded noncompetitively – despite the fact that an emergency action is no longer required and, therefore, no longer justifies no-bid contracts.⁸² The use of no-bid contracts increased from 23 percent in FY 2004 to 37 percent in FY 2005.

Competitive bidding requires a public agency willing to purchase goods or services to advertise its specifications and invite bids. Then an interested individual or firm submits a sealed bid, offering to perform the contract for a specified price. The bids are opened at a public meeting, and the contract is awarded to the lowest “responsible” bidder. This process, at least in theory, should assure efficiency (i.e. lowest price), but how about accountability? Awarding contracts according to lowest cost might cause the choice of a firm that is not the best one in their field of operations.⁸³ To insure quality and to guarantee against kickbacks, skimming and fraud it is essential to have very tightly drawn contracts and careful, close oversight.⁸⁴ Objective information on fraud disclosed by whistleblowers can also significantly help uncovering fraud.

Whistleblowing and Hotline Complaints

For Inspectors General the information disclosed by whistleblowers is crucial for their investigations. For instance, the DHS OIG annually receives an average 9,693 complaints from internal and external whistleblowers.⁸⁵ External whistleblowers usually blow the whistle through hotlines available in public agencies (e.g. hotline of DHS IG) and mostly the disclosed information starts OIGs’ investigations and final prosecution of the corruption case.⁸⁶ Hence, external whistleblowers’ disclosures are significant to the success of misconduct investigations,⁸⁷ and so they need to be adequately protected.⁸⁸ But, internal whistleblowing should also be strengthened. Thus, a legislative proposal to provide whistleblower protection for all employees

DHS became operational and on March 1, 2003, 22 agencies and approximately 181,000 employees were transferred to the new department.

⁸² POGO's Report *Federal Contracting: Lessons Learned from Hurricane Katrina*
<http://www.pogo.org/p/contracts/katrina/co-KatrinaContractingB.html>

⁸³ Anechiarico Op. Cit. 1996

⁸⁴ Frederickson, Op. Cit. 1999

⁸⁵ This average is estimated according to the number of complaints received reported in the Semiannual Reports to Congress from 2003 to 2007.

⁸⁶ The number of Complaints received by the DHS Office of Inspector General (OIG) totaled: 7,716 in 2003, 11,724 in 2004, 16,140 in 2005, 8,826 in 2006, and 3,715 in 2007-1st semester (DHS OIG Semiannual Reports 2003, 2004, 2005, 2006 and 2007).

⁸⁷ Glaeser, and Saks, Op. Cit., 2006 ,p. 241, Westman, Daniel. *Whistleblowing: The Law of Retaliatory Discharge*. (Washington, DC, The Bureau of National Affairs, Inc., 1991.)

⁸⁸ Dworkin, Terry Morehead, and Melissa S. Baucus. “Internal vs. External Whistleblowers: A Comparison of Whistleblowers Processes”. *Journal of Business Ethics*. Vol. 17, No. 12. Sep., 1998.

The Importance of Bureaucratic Oversight Mechanisms: The Case of the Inspector General

serving in DHS is currently being considered.⁸⁹ This is strongly supported by the Project on Government Oversight (POGO) and the Government Accountability Project (GAP).⁹⁰

Data analysis corresponding to DHS OIG's activities

Table 1. DHS OIG Enacted Budget Authority - FY 2004 - FY2008

	Fiscal Years				
	2004	2005	2006	2007	2008
DHS OIG Total Budget Authority Enacted	80,318,000	82,317,000	82,187,000	98,685,000	108,711,000
DHS OIG Employees (FTE)	457	502	540	545	551

Source: DHS Budget in Brief FY 2004-FY2008⁹¹

Since Fiscal Year (FY) 2004 DHS OIG has maintained an increasing number of employees, with the highest increase in FY2005 and the least in FY 2007. In FY 2005 DHS OIG got 45 more employees than in FY2004. In the same vein, in FY2007 DHS OIG had 5 more employees than in FY2006. The budget has also been experiencing a moderate increase during FY 2004 - FY 2008 with a high increase in FY2007 and a very slight decrease in FY2006. In FY2007 DHS OIG's budget totaled \$16,498,000 more than in FY2006. However, in FY2006 the budget obtained was \$130,000 less than in FY2005.

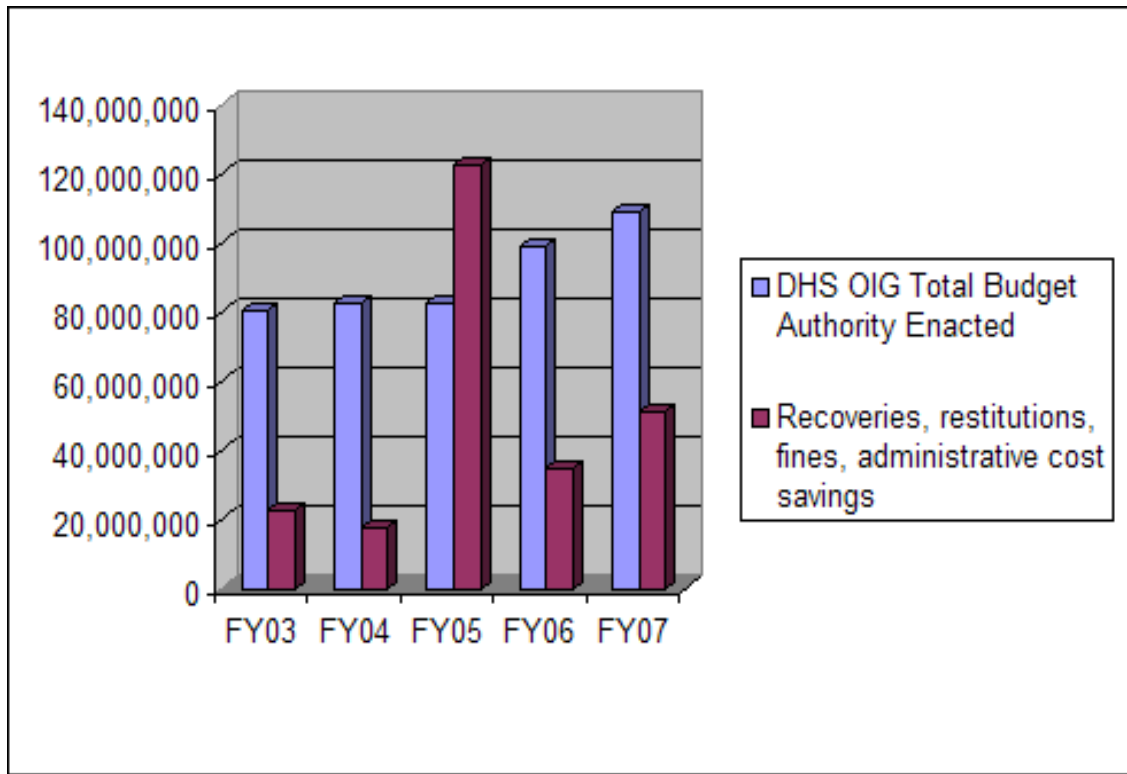
⁸⁹ DHS Inspector General Semiannual Report October 2006, p.66 OGE ethics training programs http://www.usoge.gov/pages/comp_web_trng/cwt_modules/oge450_wbt_06/33f.html

⁹⁰ However, POGO highlights a number of cases where DHS's whistleblowers' rights are not respected. For instance, in October 2006, the Government Accountability Project (GAP) challenged a decision by the Department of Homeland Security's (DHS) Transportation Security Administration (TSA) to fire a Federal Air Marshal for revealing an unclassified plan that would have removed air marshals from nonstop long-distance flights, similar to those hijacked for the 9/11 terrorist attacks (October 30, 2006 Department of Homeland Security Violates Whistleblower Protection Laws. *TSA Fired Air Marshal for Exposing Operational Plan that Endangered Public Safety* <http://www.pogo.org/p/government/ga-061001-tsa.html>)

⁹¹ http://www.dhs.gov/xlibrary/assets/budget_bib-fy2009.pdf
http://www.dhs.gov/xlibrary/assets/budget_bib-fy2008.pdf
http://www.dhs.gov/xlibrary/assets/Budget_BIB-FY2007.pdf
http://www.dhs.gov/xlibrary/assets/Budget_BIB-FY2006.pdf
http://www.dhs.gov/xlibrary/assets/FY_2005_BIB_4.pdf
http://www.dhs.gov/xlibrary/assets/FY_2004_BUDGET_IN_BRIEF.pdf

Note: Fiscal Year goes October 1st to September 30th

Figure 1: DHS OIG Enacted Budget Authority vs. Recoveries



Source: DHS Budget in Brief FY 2004-FY2008

DHS OIG Semiannual Report to the Congress: Oct. 1, 2002 – Mar. 31, 2003; Apr. 1 2003 – Sep. 30, 2003; Oct. 1, 2003 – Mar. 31, 2004; Apr. 1, 2004 – Sep. 30, 2004; Oct. 1, 2004 – Mar. 31, 2005; Apr. 1, 2005 – Sep. 30, 2005; Oct. 1, 2005 – Mar. 31, 2006; Apr. 1, 2006 – Sep. 30, 2006, Oct. 1, 2006 – Mar. 31, 2007, Apr. 1, 2007- Sep. 30, 2007.⁹²

During FY2003 to FY2007, the total amount of recoveries including restitutions, fines, and administrative cost savings averaged a yearly recovery of approximately 60% of the budget. The highest total recovery was obtained in FY2005 when recoveries totaled \$122,206,185 surpassing their own budget by approximately 49%. The second highest recovery was in FY2007 when the total DHS OIG recovery was 51,155,750, which was 47% of their budget enacted for that Fiscal Year. The least amount of recoveries was in FY2004 with \$17,172,516, representing 21% of the budget for that fiscal year.

⁹² http://www.dhs.gov/xoig/assets/semiannlrpts/OIG_Spring_2003_SAR.pdf
http://www.dhs.gov/xoig/assets/semiannlrpts/OIG_Fall_2003_SAR.pdf
http://www.dhs.gov/xoig/assets/semiannlrpts/OIG_Spring2004SAR187c.pdf
http://www.dhs.gov/xoig/assets/semiannlrpts/OIG_SARApr_Sep04.pdf
http://www.dhs.gov/xoig/assets/semiannlrpts/OIG_SAR_Oct04_Mar05.pdf
http://www.dhs.gov/xoig/assets/mgmttrpts/OIG_SAR_Apr05_Sep05.pdf
http://www.dhs.gov/xoig/assets/OIG_SAR_Oct05_Mar06.pdf
http://www.dhs.gov/xoig/assets/semiannlrpts/OIG_SAR_Apr06_Sep06.pdf
http://www.dhs.gov/xoig/assets/semiannlrpts/OIG_SAR_Oct06_Mar07.pdf
http://www.dhs.gov/xoig/assets/semiannlrpts/OIG_SAR_Apr07_Sep07.pdf

Table 2. Statistical Highlights of OIG Activities/ Dollar Impact

	Fiscal Years					Cumulative
	2003	2004	2005	2006	2007	
Questioned costs	46,230,246	42,381,398	58,747,978	65,353,765	85,770,552	298,483,939
Recoveries, restitutions, fines, administrative cost savings	22,466,116	17,172,516	122,206,185	34,805,631	51,155,750	247,806,198
Management Reports Issued	67	125	82	62	79	415
Reports Issued (Investigations)	10	408	498	471	1006	2,393
Grant and Contract Audit Reports Issued and/or Processed	25	78	231	304	228	866
Investigations initiated	451	1,468	1,902	1,494	1,004	6,319
Investigations closed	588	392	639	507	1052	3,178
Arrests	67	202	200	521	598	1,588
Indictments	76	203	135	583	596	1,593
Convictions	69	119	109	366	393	1,056
Complaints received including hotline	5,828	9,411	19,722	30,520	13,290	78,771
Complaints closed	3,435	6,392	12,219	15,183	14,161	51,390

Source: DHS OIG Semiannual Report to the Congress: Oct. 1, 2002 – Mar. 31, 2003; Apr. 1 2003 – Sep. 30, 2003; Oct. 1, 2003 – Mar. 31, 2004; Apr. 1, 2004 – Sep. 30, 2004; Oct. 1, 2004 – Mar. 31, 2005; Apr. 1, 2005 – Sep. 30, 2005; Oct. 1, 2005 – Mar. 31, 2006; Apr. 1, 2006 – Sep. 30, 2006; Oct. 1, 2006 – Mar. 31, 2007, Apr. 1, 2007- Sep. 30, 2007

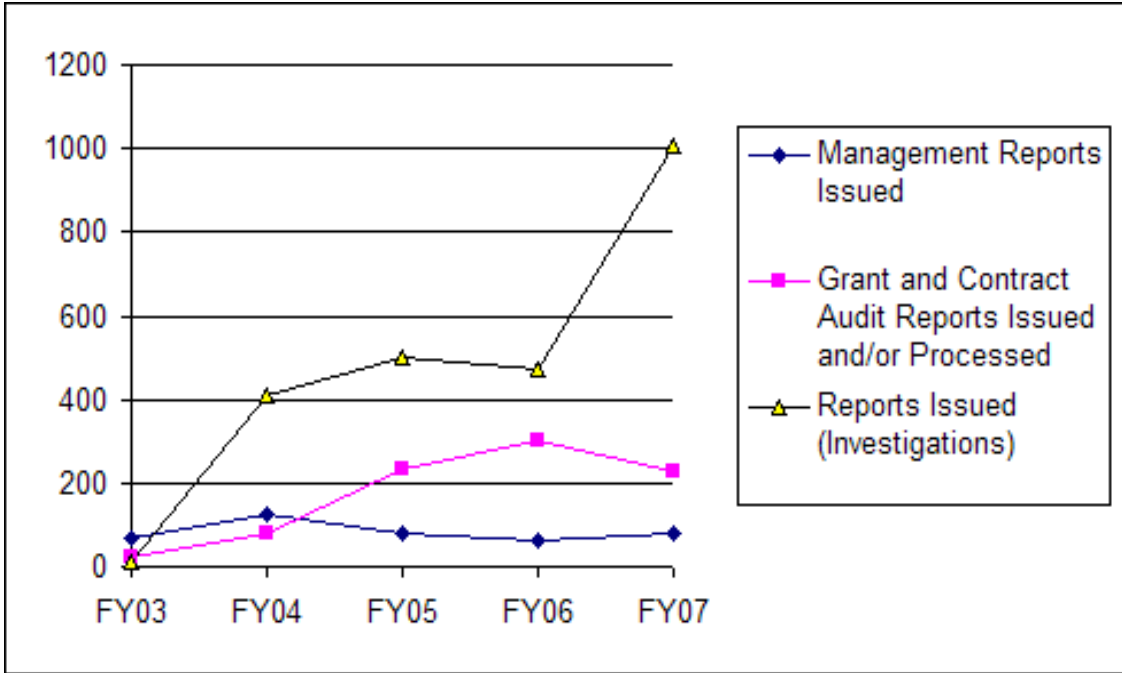
This table summarizes key activities and accomplishments of DHS OIG. During Fiscal Years 2003-2007, DHS OIG identified significant potential dollar savings from a range of audits, investigations, evaluations, and inspections. Cumulatively, these efforts resulted in: \$298,483,939 in questioned costs, \$247,806,198 from investigative recoveries and receivables, 1,593 indictments; over 1,056 convictions; and about 51,390 complaints processed.

According to notes and explanations detailed in DHS OIG’s Semiannual Reports to Congress, a “questioned” cost is a finding in which, at the time of the audit, is not supported by adequate documentation or is unreasonable or unallowable. Total recoveries result as final outcomes of investigations. Management reports are referred to inspection and performance audit activities. Investigation reports are specifically related to investigation activities. Grand and Contract Audit Reports address financial audit activities.

The figure shows an increasing number of investigations reports during FY2003-FY2007. The number of reports for investigations in this period is significantly higher than the number of management reports, grant and contract audit reports. The highest increase occurred in FY2007 when there were 1,006 investigation reports, which represents an increase of 214% in relation to FY2006. The number of grant and contract audit reports are second in terms of increasing number of reports. They have been modestly growing, reaching their highest number in FY2006 when there were 304 grant and contract audit reports, which represents an increase of 132% in comparison to FY2005. Management reports show a slight variance during FY2003 - FY2007.

Their highest variance and increase occurred in FY2004 when there were 125 management reports which represents an increase of 187% in relation to FY2003.

Figure 2: Evolution of DHS OIG Reports on Management, Grant and Contract Audit, and Investigations



Source: DHS OIG Semiannual Report to the Congress: Oct. 1, 2002 – Mar. 31, 2003; Apr. 1 2003 – Sep. 30, 2003; Oct. 1, 2003 – Mar. 31, 2004; Apr. 1, 2004 – Sep. 30, 2004; Oct. 1, 2004 – Mar. 31, 2005; Apr. 1, 2005 – Sep. 30, 2005; Oct. 1, 2005 – Mar. 31, 2006; Apr. 1, 2006 – Sep. 30, 2006; Oct. 1, 2006 – Mar. 31, 2007, Apr. 1, 2007- Sep. 30, 2007

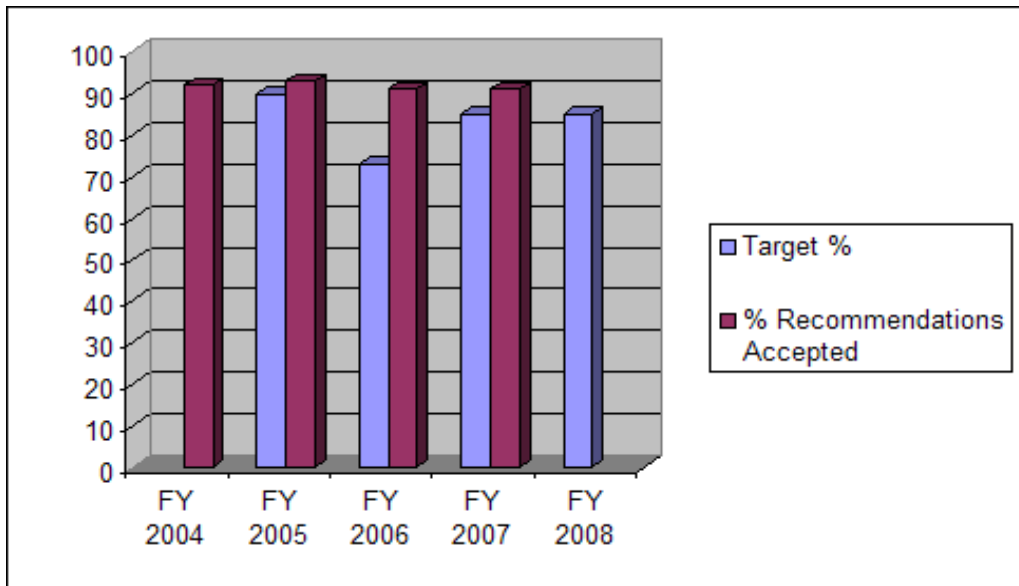
On average, during FY2003-FY2007, the number of investigation reports is approximately 6 times more than management reports and almost 3 times more than grant and contract audit reports. This confirms the theory that in agencies with more contracting and procurement activities, OIG’s investigations are likely to be higher than other OIG activities.

Table 3: DHS OIG's Recommendations Accepted

	Fiscal Years				
	2004	2005	2006	2007	2008
% Recommendations Accepted	92%	93%	91%	91%	
Target %	n/a	90%	73%	85%	85%

Source: DHS's Annual Performance Report FY 2007 - 2009 available at http://www.dhs.gov/xlibrary/assets/cfo_apr_fy2007.pdf

Figure 3: DHS OIG's Recommendations Accepted by DHS vs. DHS' Targets



Recommendations suggested by DHS OIG have been positively received by DHS managers. They have concurred with higher percentages of OIG's recommendations. The percentage of recommendations accepted average approximately 93% per fiscal year. This is indeed an excellent accomplishment of DHS OIG.

Conclusions

Bureaucratic oversight mechanisms are to ensure that public officials conduct themselves ethically as well as effectively and efficiently. These control mechanisms may be internal or external. The former refer more to accounting evaluation and are usually conducted by an audit unit of the target agency. The latter refer more to investigations activities and have been formally operated by legislatively created offices such as auditors, inspectors, and independent counsels.

Inspectors General (IG)'s independence is a key point when evaluating the achievements of IGs in the accomplishment of their mission. This critical point was broadly discussed during the Hearing before the Committee on Governmental Affairs of the United States Senate on September 9, 1998, (celebrating twenty years of the Inspector General Act.) They claimed the need of strengthening IG's independence so they can adequately perform their job.

Overall, the outcomes from the Office of the Inspector General of the Department of Homeland Security (DHS OIG) have been moderately increasing during FY 2003 to FY 2007. The amount of recoveries averages a yearly recovery of approximately 60% of the budget for that period.

The Importance of Bureaucratic Oversight Mechanisms: The Case of the Inspector General

In average during FY2003-FY2007, DHS OIG's number of investigation reports is far higher than the number of management reports as well as the number of grant and contract audit reports. This confirms the theory that agencies with more contracting out and procurement activities, OIG's investigations are likely to be higher than other OIG activities. Moreover, the percentage of DHS OIG's recommendations accepted by DHS' managers average approximately 93% per fiscal year during the period FY2004 - FY2008.

Overall, the data analysis shows that DHS OIG has been efficiently accomplishing its mission. The high percentage of its recommendations accepted by DHS managers show that OIG is viewed as a resource rather than an adversary.