What Do Recent Inspector General Reports Tell Us About Waste, Fraud, And Abuse?

I. DEPARTMENT OF AGRICULTURE

- The Department's Risk Management Agency spent $21 million to insure watermelons in three south Texas counties even though watermelons "are not a sustainable crop" in south Texas.

- An audit determined that the Department continued to pay overtime unnecessarily to 40 plants in three different districts, costing taxpayers almost $1 million.

- Michigan State University received $750,000 in funding from the Department to develop a vaccine against the bacteria causing swine pneumonia. A virulent strain of the pneumonia was stolen and remains unaccounted for.

- In an audit of the California food stamp program, the Inspector General found that program funds were being spent on microwave ovens, catering services for parties, lawsuit settlements against a county, and even to pay fees for marriage licenses.

- An audit discovered that six large Child and Adult Care Food Program sponsors squandered more than $2 million and escaped oversight because the computer system dispensing reimbursement never caught the fact that meals were being claimed every day of the month – including weekends and holidays.

- One school district claimed that they served 590,000 meals more than they had children attending school. The overpayment cost the federal government almost $1 million.

- A man connected to the terrorist group Hamas collected $65,000 worth of unemployment benefits, as well as $18,000 in food stamps and other welfare payments.

- After being caught five times previously for the same offense, a corporation was again discovered dumping thousands of pounds of mislabeled meat dumplings from South Korea. Currently, meat imports are banned from South Korea due to concerns of Foot and Mouth disease contamination.

- A Department employee shot himself after stealing $50,000 worth of government property, becoming the key suspect in the murder of a 15-year old girl, and sexually assaulting at least 35 women and girls over a 15-year period.

- In 2002, a fire service employee purposefully set a fire that consumed 137,000 acres and cost taxpayers more than $23 million in timber losses alone. It was the largest forest fire in Colorado history, and the employee was indicted.

- A Kentucky farm loan manager was caught making farm loans to fictitious persons over a two-year period and pocketing the funds for personal use.

- A Pennsylvania fire service employee embezzled more than $230,000 from 17 different accounts by using the names of fellow employees.

- A Maryland employee used government-issued travel cards to get cash from ATMs and make unauthorized purchases. The employee stole roughly $20,000 through the scheme.

- In just five individual cases, the Department was defrauded of almost $6 million in food stamp benefits.

- Certain food service companies received more than $6 million in benefits intended for local school districts as a result of poor oversight. However, many school districts were also to blame. Several of the 24 school districts were found to have improperly spent more than $1 million in National School Lunch Program funds.

Source: Department of Agriculture, Office of Inspector General, "Semiannual Report to the Congress," February 2003.

II. DEPARTMENT OF COMMERCE

- The Economic Adjustment Program provides resources to revolving loan funds (RLFs) for the benefit of local business in search of capital. 611 RLFs are in existence with a total of $550 million in federal dollars. An audit of six of them revealed that all six had excess cash reserves from low demand on the loans and eight had significantly violated guidelines on managing the funds. The Department's IG estimated that implementing its recommendations would save $9.2 million.

- The Economic Development Administration (EDA) awarded a public works grant to a city in Washington for the purposes of building a two-way access ramp over some railroad tracks. The grant would cover $3 million while the city and private sources would add another $9 million. It was later revealed that the city had also received a $10 million grant from the Department of Transportation for the same project. EDA was unaware of this other grant.

- A Census Bureau employee was convicted of embezzling $1,180 in government resources by using government purchasing cards for personal use.

- A California city received funding from the Minority Business Opportunity Committee Program. The $2 million project was not supposed to receive more than $1.3 million in federal support. An audit revealed that $424,000 was questionable or unallowable and that the federal share should be reduced.

- A fisheries research organization was awarded a $3 million research grant to study how better to protect salmon. There were 31 requirements for the organization to perform. Eight were conclusively not performed and the documentation supported a finding that the other 23 had not been either. The audit questioned roughly $424,000 of the organization's expenditures.

- A New Hampshire man embezzled $190,000 in research grant funding intended for the study and harvesting of green sea urchins. In addition to pocketing $109,000 of the grant money, he was also charged with selling $16,000 worth of the sea urchins.

- An accountant at the National Oceanic and Atmospheric Administration made about $19,000 in credit card payments with federal resources.

- The Office of Administrative Services discovered that payroll taxes were not withheld on a number of awards to employees because the office failed to provided the appropriate paperwork to the Office of Human Resources Management (which did not have a system to detect such problems).

Source: Department of Commerce, Office of Inspector General, "Semiannual Report to the Congress," April -- September 2002.

III. DEPARTMENT OF DEFENSE

- A Virginia home healthcare worker collected nearly $20,000 of her deceased mother's government annuity payments. She was not an eligible beneficiary.

- A New Jersey manufacturing company of aircraft parts for the F-14, F-15, and the F-16 was found guilty of mail fraud. After further investigation, it was discovered that the company falsely certified that their aircraft parts were being properly inspected when in fact they were not and had failed inspection.

- In 2000, a Navy facility improperly hosted a large convention for a major association which caused normal activities at the installation to be suspended for 11 days. The event violated the Pentagon's requirements for support of non-federal organizations.

- The Navy and Defense Logistics Agency purchased $12 million worth of the wrong mattresses. The mattresses were not fire resistance as specified by the contract, and the Agency failed to hold the contractor responsible for sending the wrong product.

Source: Department of Defense, Office of Inspector General, "Semiannual Report to the Congress," April -- September 2002.

IV. DEPARTMENT OF EDUCATION

- An ongoing investigation revealed that Department employees had used their government credit cards to purchase more than $163,000 worth of goods and services that were unauthorized and inappropriate.

- States are not complying with federal regulations for distributing IDEA funds to local education agencies. In a review of just six states, three – Florida, Tennessee, and Rhode Island – were found not to be complying, and as a result, 332 local education agencies received the wrong allotment. Some were under-funded by as much as $600,000 and over-funded by more than $800,000. The audit indicated that many other states are similarly at fault.

- Federal law provides that migrant children who are falling behind in school should receive priority for certain services. The Department discovered that the Texas Education Agency had not established an appropriate procedure for identifying and targeting such children even though it collected an extra $53 million in federal resources to be used on their behalf.

- The St. Croix School District of the Virgin Islands could not account for $1,017,416 worth of equipment purchased with federal funds.

Source: Department of Education, Office of Inspector General, "Semiannual Report to the Congress," October -- May 2003.

V. DEPARTMENT OF ENERGY

- Investigators were unable to obtain an accurate firearms inventory from the Los Alamos Nuclear Laboratory, and some firearms were found that laboratory officials had been unaware of

- In closing a Nevada office in an effort to downsize, the Department decided to sell much of the property to the surrounding communities. Unfortunately, they sold the property at far less than fair market value. For example, a drill rig was sold to a local organization for $50,000 that is now being resold for $3.9 million. In addition, in their haste, the Department sold equipment that was still needed, costing taxpayers roughly $2.5 million.

- The Department chose to store 2.5 million pounds of toxic waste at seven different sites instead of using its toxic substance incinerator to full capacity. The incinerator was used at only 31% capacity.

- In 1999, the Inspector General discovered that an internal audit performed was inaccurate and ineffective so now the Department is auditing its own auditors.

- A Department employee used a government-sponsored purchase card to pay for a down payment on an automobile and to purchase jewelry and groceries. A separate investigation at a different plant led to the conviction of another employee for purchasing personal electronics totaling more than $10,800 with a government purchase card.

- An employee of a Department subcontractor stole about $10,000 worth of government property over a four year period, including a computer, printer, and carpet. In another incident, a subcontractor stole more than $14,600 in government owned platinum.

- A Department vendor who was supposed to be responsible for training employees was removed for fraudulently charging the government $500,000.

Source: Department of Energy, Office of Inspector General, "Semiannual Report to the Congress," October 2002 -- March 2003.

VI. DEPARTMENT OF HEALTH & HUMAN SERVICES

- Medicare made $13.3 billion worth of improper payments or about 6.3% of the total $213 billion in fee-for-service payments. In 1996, Medicare made $23.2 billion in improper payments or 13.8% of total payments.

- In Maryland, the eight largest local education agencies received about $20 million more in federal Medicaid funding than they deserved. The state agreed that procedural safeguards were needed but wanted to keep the money.

- The Boston Public School System was overpaid $1.2 million in federal Medicaid funds for school-based healthcare services when schools were not open and the students were not in attendance.

- In New Jersey, Medicaid duplicated $55 million in payments because of one contractor's computer error from 1997 to 2001. Contrary to federal guidelines, the state relied solely on the contractor's word and failed to check the veracity of the claims. In addition, the federal payments

were deposited in the state's general fund where it earned $3 million in interest which the state refuses to cede to the federal government.

- In Texas, hospitals received DSH payments $511 million in excess of hospital-specific limits from 1996 to 1998.

- A Kansas physician bilked Medicare and Tricare for 15 years by convincing patients that they needed surgery through lies and deceit. This fraud not only cost the federal government, but it resulted in bodily harm to his victims.

- A Georgia durable medical equipment company hired a physician, who happened to be a fugitive since 1988, to give physical exams to Medicare beneficiaries to justify care. The physician never performed the exams, falsified the seniors' medical history, dispensed the medical devices, and proceeded to sign documents saying it was all medically necessary.

- An Idaho dentist was caught defrauding Medicare for services never performed, using exposed X-ray film, and reusing dental supplies intended for a single use. She also deleted computer files and medical records in an effort to cover her tracks.

- A California law student helped two companies bilk the Medicaid program out of $9 million in false claims from 1996 to 1998.

- A New Mexico hospital knowingly used false square footage measurements to inflate their reimbursements over an eleven-year period from 1988 to 1998.

- A Massachusetts nursing home made Medicare pay for diapers and incontinence products and labeled them "durable medical supplies" even though they were not eligible for reimbursement.

- An owner of a laboratory in Indiana and Pennsylvania triple billed Medicare for tests not ordered by physicians through the use of false physician identification numbers and stolen health insurance claim numbers.

- Three individuals in North Carolina bought Medicaid discount cards from Medicaid recipients and then forged prescriptions for themselves to obtain Valium, among other drugs, from pharmacies.

- A Pennsylvania man set up two ambulance services (one under an assumed name) to defraud Medicare and Medicaid. He billed the government for services that were not covered nor medically necessary.

Source: Department of HHS, Office of Inspector General, "Semiannual Report to the Congress," October 2002 -- February 2003.

VII. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

- In California, 25 individuals were caught fabricating and selling thousands of fake loan documents to over 100 investors and real estate agents. The fake documents included pay statements, W-2 forms, bank statements, and letters of credit, which were used to secure over 1,200 federally insured loans. The scheme cost the federal government between $26 and $31 million (including the cost of the defaults on the federally insured loans).

- In Los Angeles, a woman and three co-conspirators were convicted of wire fraud after they were caught helping unqualified borrowers obtain $70 million in fake FHA insured loans. The

defendant continued the scheme by selling forged tax forms, credit documents, and check stubs that could be used to obtain FHA loans. The woman created fictitious businesses to verify the documents and then sold the documents to real estate brokers. The scheme cost taxpayers approximately $30 million.

- A man in Maryland admitted to participating in a scheme where he purchased as many as 40 run-down houses in Washington, D.C. and then sold them at inflated prices to buyers. These unsuspecting buyers were lied to by housing inspectors who appraised the houses at far more than they were worth far – and received kickbacks accordingly. Many of the mortgages have foreclosed, costing taxpayers $1.4 million from defaults on FHA insured loans.

- A Maryland woman was indicted for theft relating to her participation in a scheme to defraud HUD's Section 8 Rental Assistance Program. The woman fraudulently received $19,881 in rental assistance after falsifying her annual assistance forms and by not disclosing her true family income.

- A former legislator on Long Island pled guilty in federal court to 10 counts of fraud after submitting false income documentation for mortgagors who did not qualify for FHA insured financing on properties they purchased through Amerifirst. As a result, $2.2 million in fraudulent loans were issued by the FHA.

- In Dallas, a man used a Social Security number belonging to another individual in order to obtain an FHA insured loan. He then later used the same Social Security number to file for bankruptcy. As a result of this scheme, taxpayers lost over $1 million.

- Another Dallas resident was indicted for promulgating false documents in order to secure fraudulent FHA loans for himself and others. The total potential loss to taxpayers is $2.6 million.

- HUD found that a housing authority in Los Angeles had improperly procured $1.1 million in contracts, paid $240,000 in ineligible and unsupported expenditures, and pocketed tenant receipts totaling more than $48,000.

- A group of Houston contractors convinced borrowers to apply for HUD insured Title I home improvement loans. The contractors would perform minimal work on the home, kickback between $2,000 and $20,000 to the homeowners, and keep the rest.

- A Georgia woman was sentenced in federal court to 57 months in prison and ordered to pay over $1.1 million in restitution for conspiring to defraud HUD by using false documents and fake companies to qualify borrowers for FHA insured loans.

- A man in St. Louis defrauded taxpayers of $1.1 million by burning HUD insured properties, collecting the insurance, filing false deeds at the recorder's office, and then selling properties without the true owners consent.

Source: Department of HUD, Office of Inspector General, "Semiannual Report to the Congress," April 2002 -- September 2003.

VIII. DEPARTMENT OF INTERIOR

- A Montana tribal chairman was indicted for his part in a scheme to use tribal funds to purchase cars for personal use. The man also used some of the Little Big Horn Casino's revenue inappropriately.

- The Department awarded a grant to the Virgin Islands Department of Health to build healthcare facilities. The $30 million grant was completely mismanaged. There was poor record keeping, little competitive bidding, and the appropriateness of many expenditures could not be judged.

- The Inspector General expressed concern that its recommendations made in prior audits were being ignored by Insular Area governments making use of federal resources. Of the 46 recommendations, only 15 were resolved.

- A Canadian man was indicted for collecting reservation fees over a three year period and transferring $3.5 million to the bank accounts of shell companies.

Source: Department of Interior, "Office of Inspector General, "Semiannual Report to the Congress," October 2002.

IX. DEPARTMENT OF JUSTICE

- The Department lost 775 weapons and 400 laptop computers due to poor inventory controls.

- The Drug Enforcement Agency contracts with the private sector to get translators and transcribers in many of its field divisions. However, the IG found extremely loose controls in place and questioned $2.8 million of the $9.4 million paid as going to unauthorized and unallowable expenses.

- Although its management practices have improved, the Bureau of Prisons program to construct prisons for new inmate bed space and replace old facilities continues to have problems. A number of contract modifications ranging from $300,000 to $1.6 million were deemed to be unnecessary and lacked the appropriate written justification required under federal regulations.

- INS employees collect user fees to process immigration applications at ports of entry. In a sample of eight ports of entry, the IG identified major failures in complying with federal regulations. "These findings left little or no audit trail and created an environment highly vulnerable to loss or theft without detection."

- The Baltimore Police Department received a nearly $43 million COPS grant to hire 366 new police officers and redeploy 185 others. The Department was found to have wrongly used much of the grant funding and to have eliminated many of the new positions prematurely that had been funded appropriately. $738,000 in grant costs were deemed questionable and another $356,000 were recommended for a better use.

- Amtrak received a $750,000 COPS grant to hire 10 additional law enforcement officers. The IG determined that Amtrak did not use the funds in an appropriate manner – by not hiring enough new officers – and questioned the use of the entire $750,000.

- The IG questioned an entire $622,000 COPS grant to the Crow Creek Sioux Tribe Police Department for not hiring the seven new officers it was intended for and failing to provide the local matching rate.

Source: Department of Justice, Office of Inspector General, "Semiannual Report to the Congress," April -- September 2002.

X. DEPARTMENT OF LABOR

- Over a six month period, the Inspector General tallied $184 million in "questioned costs," opened 228 new investigations and closed 211 old ones, indicted 337 individuals, and got 191 convictions.

- A California man submitted $130,000 worth of fraudulent unemployment insurance claims.

- The State of Florida made nearly $18 million in "transfers" with federal job training dollars that could not be substantiated as allowable expenses.

- The City of San Antonio received $5 million in grant money to develop a "unique and innovative" community-based system for low-wage workers to receive job information. It then contracted with the University of Kansas. After a period where it became clear that the project was not working, the City tried to terminate it and return the unused money to the federal government. However, the Department recommended that the project be redesigned and continued. An investigation revealed that the new design bore no resemblance to the original intended project and that the funds paid to the University of Kansas were inappropriate.

- The Abraham Lincoln Center in Chicago receives federal welfare-to-work dollars but has clearly not managed them well. An audit determined that of the sample reviewed 98% of the expenditures were questionable or unallowable.

- The director of the Senior Texans Employment Program embezzled about $120,000 over a five year period through a number of methods. For instance, he overpaid workers compensation premiums so that he could pocket a refund check dispensed at the end of the year for personal use.

- A Virginia attorney submitted thousands of false labor certifications over an 18 month period and then sold them to aliens for between $7,000 and $20,000. The scheme made over $11 million for the attorney.

- The IRS charges the Unemployment Trust Fund to collect employers' FUTA taxes, processing returns, and investigating unpaid tax liabilities. But as a result of inadequate controls, the IRS overcharged the Fund $174 million from 1999 to 2002.

- The State of Wisconsin spent $3.8 million of federal grant funding inappropriately from 1998 to 2000. The State has questioned the audit's determination, and the Department has had to initiate formal resolution proceedings.

- The Employment Training Administration grant accounting is consistently poor. For example, transfers of Workforce Investment Act funds are not noted in the agency's books.

Source: Department of Labor, Office of Inspector General, "Semiannual Report to the Congress," October 2002 – March 2003.

XI. DEPARTMENT OF STATE

- Almost $2 million in suspect charges were charged by the U.S. embassy in Zambia for bogus vendors who had provided no services to the embassy.

- A U.S. embassy in Niger still has not followed the IG's recommendation to relocate an office and warehouse to the embassy compound where there is ample space. Such a move would save

$17,000 in leasing costs and $10,000 in guard costs annually while providing much less wear and tear on embassy vehicles.

- Two Miami passport agents were indicted for embezzling $850,000 in passport fees from 1997 to 2000.

Source: Department of State, Office of Inspector General, "Semiannual Report to the Congress," April-September 2002.

XII. DEPARTMENT OF TRANSPORTATION

- An audit found that the FAA is not properly closing out contracts for reimbursements. Specifically, the FAA had a backlog of 1,400 completed contracts valued at $6 billion that had not been closed out. In addition, the FAA did not obtain the required audits for a total of $2 billion worth of the contracts.

- The Department received roughly $49 million from the U.S. Treasury between 1998 and 2001 which were not authorized. These funds were accounted for as "miscellaneous receipts" and used to renovate offices. $12.3 million has already been returned.

- A Delaware man was convicted of conspiracy, theft of funds, money laundering, false statements, and bribery related to a $150,000 state grant his church won for public transportation projects. The individual kept most of the money for himself, but used some of it to bribe a local policeman who helped win the grant.

- A taxi driver in Illinois conspired with several disabled individuals to purchase hundreds of FTA-subsidized transit vouchers without ever performing taxi services. These vouchers are used to subsidize taxi rides for disabled individuals unable to use public transportation. An investigation found more than $80,000 in fraudulent voucher purchases.

- An FAA contracting officer in Maryland received more than $138,000 in funds stolen from the FAA in a conspiracy-kickback scheme. The woman arranged for a false contract to be awarded to another individuals company, for which the woman received a kickback of $64,000.

Source: Department of Transportation, Office of Inspector General, "Semiannual Report to the Congress," April - September 2002.

XIII. DEPARTMENT OF TREASURY

- The Financial Management Service could not produce details on many outstanding checks, and in one case, it caused a $3.1 billion overstatement of cash.

- A review of the Employee Suitability System, a database for internal background checks, found a number of inaccurate Social Security numbers and many records requiring deletion or archiving. The System did not make use of status reports identifying open cases, the number of individuals with certain levels of clearance, and the number of pending of cases.

- The Inspector General reviewed 24 individuals use of government purchasing cards. The investigation revealed purchases that were unsupported and unjustified, and while none of the items had large price tags, they concluded that the system is "more than moderately vulnerable to fraud, waste, and abuse."

Source: Department of Treasury, Office of Inspector General, "Semiannual Report to the Congress," October 2002 -- March 2003.

XIV. DEPARTMENT OF VETERANS AFFAIRS

- A Veteran's Benefits Administration (VBA) employee embezzled over $11.2 million from the VA. The woman, a 30-year VA employee, was the last of 12 co-conspirators arrested in the scheme which involved the resurrection of claims files of deceased veterans. The 12 defendants were sentenced to a total of nearly 40 years in prison and ordered to pay restitution of over $34 million.

- The VA has identified 6,775 possible cases of individuals who may be receiving benefits intended for deceased veterans. The VA estimates that they will net nearly $21 million over five years through identifying such cases.

- An individual ran a complicated equity-skimming scheme whereby he purchased several properties through the VA and HUD using false identifying information. The man rented the properties and kept the money for personal use rather than for paying the mortgages on the properties. All properties eventually went through foreclosure, resulting in a loss to taxpayers of $100,000.

- A fiduciary appointed guardian for a disabled veteran's finances diverted more than $100,000 of the veteran's VA and Social Security benefits for her own use.

- The daughter of a deceased veteran assumed her mother's identity in order to continue receiving her mother's benefit checks.

- For more than seven years nearly 400 veterans received VA education benefits even though they did not attend class. The veterans paid kickbacks to instructors to falsely certify their attendance. To date, 19 defendants have been convicted in the scheme, and the government has recouped over $4.5 million.

- A veteran was arrested on charges of mail fraud and employee disability fraud after he sought and received benefits, even though he was participating in activities ranging from dancing to hunting to bull riding.

- A veteran who was rated 100 percent disabled by the VA in 1998 but could actually walk without any assistance bilked $450,000 from the government for the purchase of a special adaptive vehicle and special adaptive housing.

- Taxpayers lost $19,034 when a veteran falsely claimed 10 children as dependants and claimed that his wife was lost in the terrorist attacks on the World Trade Center.

- Taxpayers lost nearly $200,000 resulting from a bribery scheme that involved an automobile company paying a VA employee to say unnecessary work was needed on VA vehicles.

Source: Department of VA, Office of Inspector General, "Semiannual Report to the Congress," October 2002 -- March 2003.