

GAO

Report to the Ranking Minority  
Member, Subcommittee on Housing and  
Community Opportunity, House  
Committee on Banking and Financial  
Services

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June 2001

# HUD INSPECTOR GENERAL

## Actions Needed to Strengthen Management and Oversight of Operation Safe Home



G A O

Accountability \* Integrity \* Reliability

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# Contents

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<b>Letter</b>		1
	Results in Brief	1
	Background	5
	Operation Safe Home Funding Not Effectively Managed	5
	Operation Safe Home Arrest and Conviction Data Are Unreliable	13
	OIG Officials Identified Few Complaints Against Its Agents	14
	Operation Safe Home Raises Questions About OIG's Independence	16
	Conclusions	17
	Matter for Congressional Consideration	18
	Recommendations for Executive Action	18
	Agency Comments and Our Evaluation	18
	Scope and Methodology	22
<b>Appendix I</b>	<b>Comments From the Office of Inspector General, Department of Housing and Urban Development</b>	24
	GAO Comments	31
<b>Appendix II</b>	<b>GAO Contacts and Staff Acknowledgments</b>	40

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<b>Figures</b>		
	Figure 1: HUD OIG Allotments of Operation Safe Home Funding, Fiscal Years 1996 - 2001	6
	Figure 2: HUD's Public Housing Drug Elimination Program Appropriation, Fiscal Year 2000 (Total \$310 Million)	7
	Figure 3: Appropriations Available to HUD OIG, Fiscal Year 2000 (Total \$93 Million)	8
	Source: Public Law 106-74 p. 113, Stat. 1058 and 1068.	8
	Figure 4: Operation Safe Home: Status of Task Force Funds, Fiscal Years 1996 - 2000 (by year)	9
	Figure 5: Operation Safe Home: Estimated Funds Expended on Salaries and Expenses, Fiscal Years 1997-2000 (by year)	11
	Figure 6: Operation Safe Home: Expenditure of Task Force Activity Funds, Fiscal Year 2000 (Total \$2.7 Million)	12

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### **Abbreviations**

HUD	U.S. Department of Housing and Urban Development
FBI	Federal Bureau of Investigation
DEA	Drug Enforcement Agency
OIG	Office of Inspector General
OMB	Office of Management and Budget



G A O

Accountability \* Integrity \* Reliability

United States General Accounting Office  
Washington, DC 20548

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June 29, 2001

The Honorable Barney Frank  
Ranking Minority Member  
Subcommittee on Housing and Community Opportunity  
Committee on Banking and Financial Services  
House of Representatives

Dear Mr. Frank:

Since 1994, the Department of Housing and Urban Development's (HUD) Office of Inspector General (OIG) has devoted substantial funding and personnel to combat violent crime and drug trafficking through Operation Safe Home. The HUD OIG administers Operation Safe Home by establishing, funding, and participating in law enforcement task forces that operate in public and assisted housing where OIG special agents—in partnership with federal and local law enforcement agencies—investigate criminal activity, make arrests, and refer individuals for criminal prosecution. In fiscal year 1996, the Congress began earmarking funds for the HUD OIG to administer Operation Safe Home.

Concerned about the effectiveness of the HUD OIG's management of Operation Safe Home and whether the HUD OIG's role in this initiative is appropriate, you asked us to report on (1) the amount and source of Operation Safe Home funding and how it was spent, (2) the number of arrests and convictions resulting from Operation Safe Home investigations, (3) complaints lodged against OIG special agents engaged in Operation Safe Home activities, and (4) the impact Operation Safe Home activities could have on the OIG's independence to conduct audits and investigations of HUD's programs to reduce violent and drug-related crime in public and assisted housing. To address these questions, we reviewed program documents, reports, and databases, and spoke with OIG officials.

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## Results in Brief

Since fiscal year 1996, the Congress has appropriated \$92.5 million to the HUD OIG to fund Operation Safe Home and these funds are available until expended. The OIG has allotted annual appropriations to pay for (1) the costs of supporting Operation Safe Home law enforcement task forces and (2) the salaries and expenses of OIG special agents working on Operation Safe Home activities. Of the amounts appropriated, the OIG did not spend a substantial amount of funding allotted for task force activities from fiscal

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year 1996 through 2000—about \$10 million remains unobligated—however, the OIG estimates that, during this same period, it used about \$3.9 million of other OIG funds to supplement the Operation Safe Home salaries and expenses allotment. Furthermore, while the OIG provided overall information on the level of obligations and expenditures for task force activities, it could not readily identify how much money was allotted to and obligated and expended by individual task forces or readily provide detailed information on how the money was specifically spent. Thus, the OIG did not have a reliable mechanism for estimating its funding needs, allocating program resources, and determining how funds were spent. OIG officials stated that HUD’s proposed fiscal year 2002 budget request for Operation Safe Home was reduced from \$20 million to \$10 million and that Operation Safe Home’s unobligated balances would finance task force activities through fiscal year 2002. In addition, the OIG is taking action to improve accountability, including developing an improved and more detailed method of tracking Operation Safe Home funds.

The HUD OIG cannot accurately determine the number of arrests and convictions that have resulted from Operation Safe Home activities because the data it maintains are unreliable. According to the OIG database, investigations stemming from Operation Safe Home have resulted in about 25,000 arrests and 500 convictions since 1994; however, these data are unreliable because they are not consistent, complete, or accurate. For example, the OIG did not have a single information system in place and has instead relied upon multiple data collection mechanisms of questionable reliability. Further, OIG managers had differing interpretations of the types of arrests and convictions to report. In addition, we found 57 apparent double entries of arrest data that potentially resulted in the OIG overreporting 600 arrests. Moreover, the OIG could not provide documentation supporting summary data, including the number of arrests, contained in 12 semiannual reports to the Congress. Due to the problems with these data collection mechanisms and the lack of documentation, the arrest statistics that the OIG has reported to the Congress since 1994 are neither reliable nor supportable. The OIG has recognized the poor quality of its data systems and in March 2001 implemented a new management information system designed—among other things—to improve the reliability of its data. In response to our review, OIG officials told us they are also developing guidance for OIG special agents to use in reporting arrest and conviction data.

We were not able to precisely determine the number and disposition of complaints filed against HUD OIG special agents engaged in Operation Safe Home activities. During our review, the Assistant Inspector General

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for Investigations told us that the OIG did not have a centralized system for reporting, documenting, and addressing allegations and that the OIG's 11 district offices adjudicated complaints filed against OIG special agents. The Assistant Inspector General for Investigations and these Special Agents in Charge told us that they were aware of seven complaints lodged against HUD OIG special agents engaged in Operation Safe Home activities from January 1997 through May of 2001, including allegations such as sexual harassment, improper use of authority, and misuse of funds. OIG officials said that of these seven complaints, three were still under investigation and four were closed; in two of the four closed cases, the OIG had removed special agents from federal employment. In commenting on a draft of this report, the Acting Deputy HUD Inspector General stated that the OIG uses a contractor to provide it centralized information concerning allegations of misconduct filed against OIG employees, and that all complaint files were also maintained at OIG headquarters. This information was not consistent with information provided earlier by OIG officials and confirmed by the Inspector General and other OIG officials in February 2001. The Acting Deputy Inspector General also provided us a listing of disciplinary actions taken against OIG employees from January 2000 through January 2001. However, we reviewed the additional information and it was not sufficient to determine whether it included any additional allegations against special agents engaged in Operation Safe Home activities.

The HUD OIG's role in Operation Safe Home raises certain questions about its independence in connection with any related audit and investigation of HUD's programs that aim to reduce violent and drug-related crime in public and assisted housing. While the Congress has authorized the OIG to administer Operation Safe Home and has appropriated funds to the OIG for this purpose, in August 2000, we raised concerns about the impact the OIG's role in Operation Safe Home could have on its ability to independently assess law enforcement activities undertaken by HUD, its grantees, and contractors at public and assisted housing.<sup>1</sup> In a May 2001 letter to the Inspector General, we further explained our concerns.<sup>2</sup> First, since the OIG directly administers and participates in Operation Safe Home activities, it cannot independently and impartially audit or investigate those activities. Second, because HUD

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<sup>1</sup>GAO letter to James Walsh, Chairman of Subcommittee on VA, HUD, and Independent Agencies, Senate Committee on Appropriations; August 9, 2000. B-285066.2.

<sup>2</sup>GAO letter to the Honorable Susan Gaffney, May 24, 2001. B-285066.3.

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has other similar programs to reduce violent and drug-related crime in public and assisted housing, the OIG may not be impartial or may not be perceived as impartial when auditing these HUD programs.

Because of our concerns about the HUD OIG's independence, this report makes a matter for consideration to the Congress to assess whether the long-term involvement of the HUD OIG in Operation Safe Home is worth the actual or perceived impairment of the OIG's independence in performing audits and investigations of HUD's programs to reduce violent and drug-related crime in public and assisted housing. In addition, the report also contains recommendations to either the HUD Inspector General or the Secretary of HUD--depending on the Congress' decision regarding the involvement of the HUD OIG in Operation Safe Home. These recommendations include: (1) improving the accountability over task force activity funds and (2) enhancing the reliability of Operation Safe Home investigative data for such actions as arrest and convictions.

On June 8, 2001, the Acting Deputy Inspector General of HUD provided the HUD OIG's written comments to a draft of this report (see app. I). The OIG agreed with our proposed recommendations and reported that it had completed actions to implement them. The OIG did not dispute our conclusions regarding its independence to conduct audits and investigations of HUD's programs, but disagreed with a number of other facts and conclusions presented in our report. We believe that the HUD OIG has not yet fully implemented two of the three proposed recommendations contained in the draft report because further action is needed to improve the accountability over task force activity funds and to enhance the reliability of Operation Safe Home investigative data. We therefore retained those recommendations in the final report. However, we agree that on June 4, 2001, the HUD OIG fully implemented its policies and procedures pertaining to employee misconduct, and we deleted the proposed recommendation and revised the report to reflect this action.

The Acting Deputy Inspector General disagreed with a number of facts and conclusions presented in our report. We carefully considered the Acting Deputy Inspector General's comments and, where appropriate, made modifications to the report to clarify issues and add additional information. However, we made no changes to the facts and conclusions in the report. For example, while the OIG disagreed that it cannot accurately determine the number of arrests and convictions that have resulted from Operation Safe Home activities, it did not dispute the reliability problems we identified in its arrest and conviction data or address the fact that it could not provide documentation supporting the

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summary investigative data reported to the Congress. Our evaluation of the OIG's comments are noted in app. I.

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## Background

Operation Safe Home is administered by HUD's OIG to combat violent crime and drug trafficking in public and assisted housing.<sup>3</sup> It began as an anticrime initiative in February 1994 and was announced as a joint effort among HUD, the Department of Justice the Department of the Treasury, and the Office of National Drug Control Policy. To implement Operation Safe Home, the OIG—through its 11 district offices—establishes and participates in law enforcement task forces. Its partners include federal law enforcement agencies—such as the Federal Bureau of Investigation (FBI) and the Drug Enforcement Agency (DEA)—as well as state and local law enforcement agencies. The task forces investigate criminal activity in public and assisted housing, and OIG special agents conduct undercover operations, make arrests, and refer cases for criminal prosecution. As of December 2000, 280 task forces were active in numerous U.S. cities. In addition, under Operation Safe Home, the OIG facilitates the relocation of witnesses and their families who assist law enforcement efforts. According to the Inspector General's September 1999 Semiannual Report to the Congress, the OIG had facilitated the relocation of 637 families since the beginning of Operation Safe Home. The OIG supports this activity by using HUD Section 8 vouchers set aside for this purpose.<sup>4</sup>

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## Operation Safe Home Funding Not Effectively Managed

The HUD OIG has not effectively managed the Operation Safe Home funding earmarked by the Congress since fiscal year 1996. Whereas the OIG did not spend a substantial amount of the funds it allotted for Operation Safe Home law enforcement task forces between fiscal years 1996 and 2000, the OIG also estimates that—during that same period—it used other OIG funds to supplement the Operation Safe Home salaries and expenses allotment. In addition, the OIG did not have information on the amount of money allotted to and spent by each of its 280 task forces, and had only limited information on how this money was specifically spent.

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<sup>3</sup>Our review of Operation Safe Home focused on the OIG's violent and drug-related crime investigations; however, the OIG also uses the term Operation Safe Home to encompass selected high priority white collar fraud investigations.

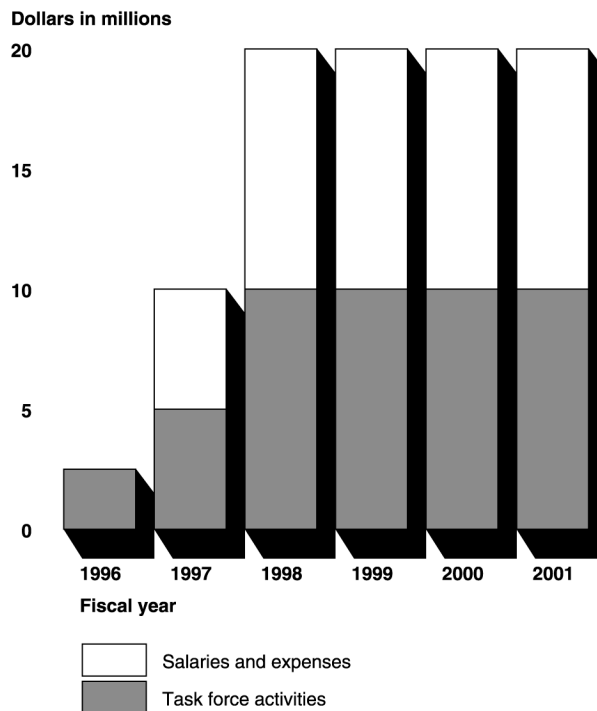
<sup>4</sup>The Section 8 program is administered by HUD and public housing authorities to assist very low-income families, the elderly, and the disabled obtain affordable housing—including subsidized housing as well as single-family homes, townhouses, and apartments in the private market.



## Amount and Source of Operation Safe Home Funding

From fiscal year 1996 through 2001, the Congress earmarked \$92.5 million to the HUD OIG to fund Operation Safe Home, and these funds are available until expended. The Congress began funding Operation Safe Home in fiscal year 1996 with \$2.5 million and raised this to \$10 million in fiscal year 1997. From fiscal year 1998 through 2001, the Congress annually earmarked \$20 million to the OIG to administer Operation Safe Home. The OIG has allotted Operation Safe Home funds for two purposes: (1) expenses associated with law enforcement task forces such as overtime pay for local law enforcement, vehicle leasing, and training, and (2) salaries and expenses of OIG special agents working on Operation Safe Home drug and violent crime investigations and witness relocation activities. As figure 1 shows, in fiscal year 1996, the OIG allotted all of the appropriation—\$2.5 million—for task force activities, and since fiscal year 1997, the OIG has split the appropriation evenly—50 percent for task force activities and 50 percent for salaries and expenses.

**Figure 1: HUD OIG Allotments of Operation Safe Home Funding, Fiscal Years 1996 - 2001**



Note: Data not independently verified by GAO.

Source: HUD OIG.

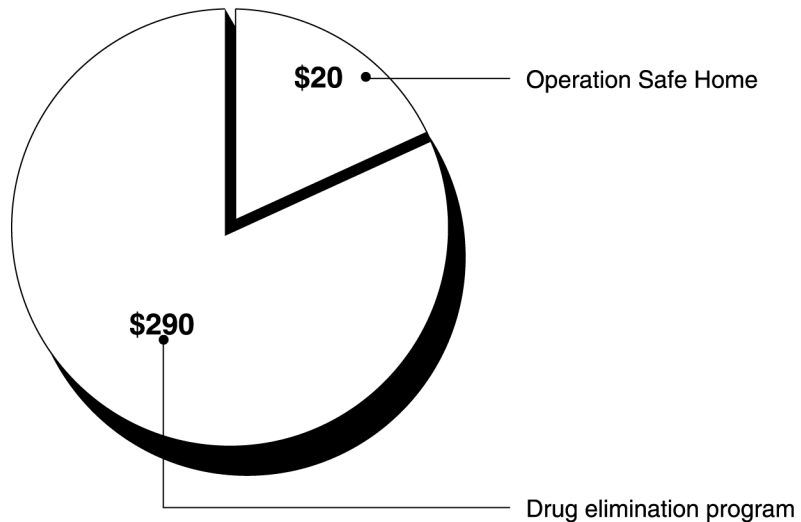
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The source of congressional funding for Operation Safe Home is the Public Housing Drug Elimination Program. The Congress established the Drug Elimination Program to provide grants to public housing authorities to reduce or eliminate drug-related crime in public housing developments. Eligible uses of this grant money include—but are not limited to—employing security personnel and making physical improvements to housing structures to increase security. As figure 2 illustrates, in fiscal year 2000, about 6 percent of the Drug Elimination Program’s appropriation was earmarked for the HUD OIG to fund Operation Safe Home. As figure 3 shows, the \$20 million the OIG received in fiscal year 2000 for Operation Safe Home represented about 22 percent of the OIG’s budget for that fiscal year.

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**Figure 2: HUD’s Public Housing Drug Elimination Program Appropriation, Fiscal Year 2000 (Total \$310 Million)**

Dollars in millions

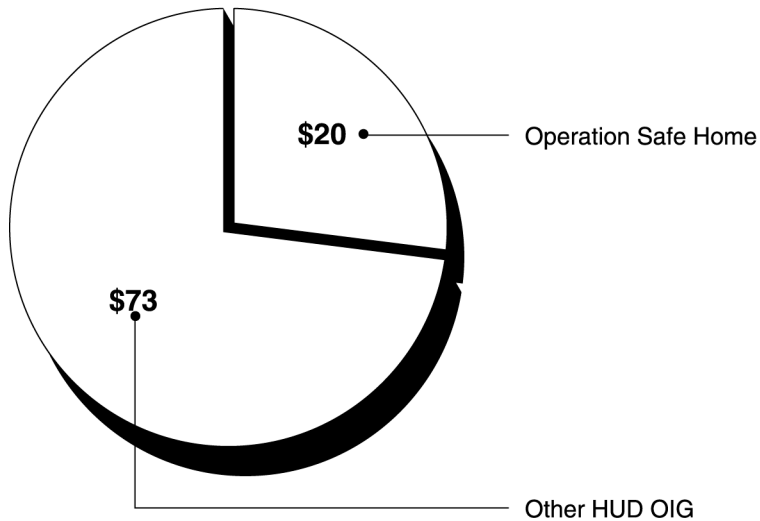


Source: Public Law 106-74, p. 113, Stat. 1057-1058.

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**Figure 3: Appropriations Available to HUD OIG, Fiscal Year 2000 (Total \$93 Million)**

Dollars in millions



Source: Public Law 106-74, p. 113, Stat. 1058 and 1068.

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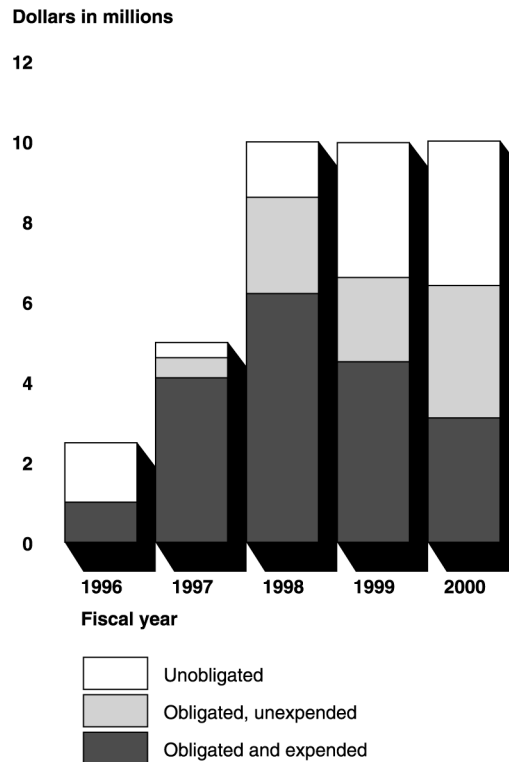
### Substantial Amount of Operation Safe Home Funding Not Spent

The HUD OIG has not spent a substantial amount of the funds it allotted for Operation Safe Home task forces; conversely, it has expended all the funds it allotted to pay for the salaries and expenses of OIG special agents engaged in Operation Safe Home activities and has also used other OIG funds for this purpose. In particular, from fiscal year 1996 through 2000 (the last full fiscal year for which data are available) the OIG had not obligated about \$10 million of the \$37.5 million it allotted to fund Operation Safe Home law enforcement task forces.<sup>5</sup> In addition, of the \$27.5 million that had been obligated, about \$8 million had not been expended by the end of fiscal year 2000. While these funds remain available to the OIG until expended, more than half of the unexpended funds were obligated in fiscal year 1999 or earlier, as shown in figure 4. We plan to review these unexpended balances as part of our budget justification review of HUD's proposed fiscal year 2002 budget.

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<sup>5</sup>From fiscal year 1996 through 2001, the HUD OIG allotted \$47.5 million to pay for Operation Safe Home task force activities. However, complete expenditure data for fiscal year 2001 are not available; therefore, our analysis of these funds covers fiscal years 1996 through 2000.

**Figure 4: Operation Safe Home: Status of Task Force Funds, Fiscal Years 1996 - 2000 (by Year)**



Note: Data as of January 2001. Data not independently verified by GAO.

Source: HUD OIG.

The Inspector General told us that Operation Safe Home task force money is unobligated because the HUD OIG has received more funding than was needed. OIG officials stated that as a result, HUD's proposed fiscal year 2002 budget request for Operation Safe Home was reduced from \$20 million to \$10 million, and that Operation Safe Home's unobligated balances would finance task force activities through fiscal year 2002.

In contrast to the HUD OIG not expending the task force allotment, the OIG estimates that it has used other OIG monies to pay for the salaries and expenses of special agents working on Operation Safe Home activities. Specifically, from fiscal year 1997 through fiscal year 2000 (the last full fiscal year for which data are available) the OIG allotted \$35 million of

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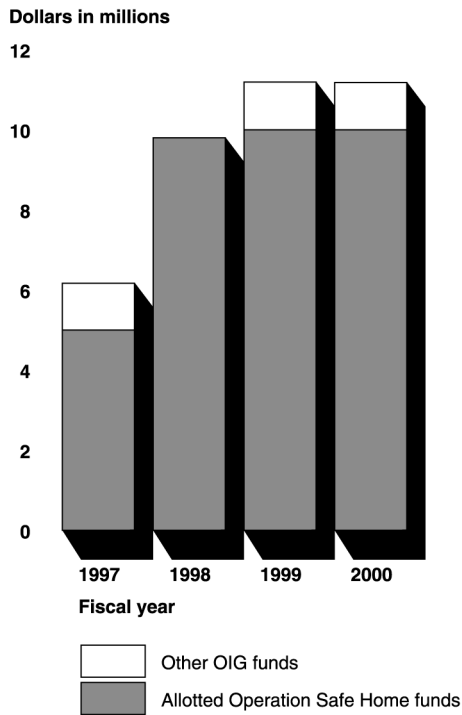
Operation Safe Home earmarks for salaries and expenses.<sup>6</sup> However, the OIG estimates that during this period it expended \$38.9 million on salaries and expenses of special agents working on Operation Safe Home activities.<sup>7</sup> Therefore, the OIG estimates that it used \$3.9 million of other OIG funds—about 10 percent more than initially allotted—to pay for the salaries and expenses of special agents working on Operation Safe Home activities. The use of other OIG funds to pay for Operation Safe Home activities was permitted by law. Figure 5 illustrates the OIG's estimates of funds expended annually to pay for the salaries and expenses of OIG special agents engaged in Operation Safe Home activities.

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<sup>6</sup>From fiscal year 1997 through 2001, the HUD Inspector General allotted \$45 million to pay for the salaries and expenses of special agents involved in Operation Safe Home activities. However, complete expenditure data for fiscal year 2001 are not available; therefore, our analysis of these funds covers fiscal years 1997 through 2000.

<sup>7</sup>The HUD OIG estimated these expenditures because funds allotted for Operation Safe Home salaries and expenses are directly transferred into the OIG's Salaries and Expenses account and the OIG does not and is not required to separately account for how the allotted funds are spent.

**Figure 5: Operation Safe Home: Estimated Funds Expended on Salaries and Expenses, Fiscal Years 1997-2000 (by Year)**



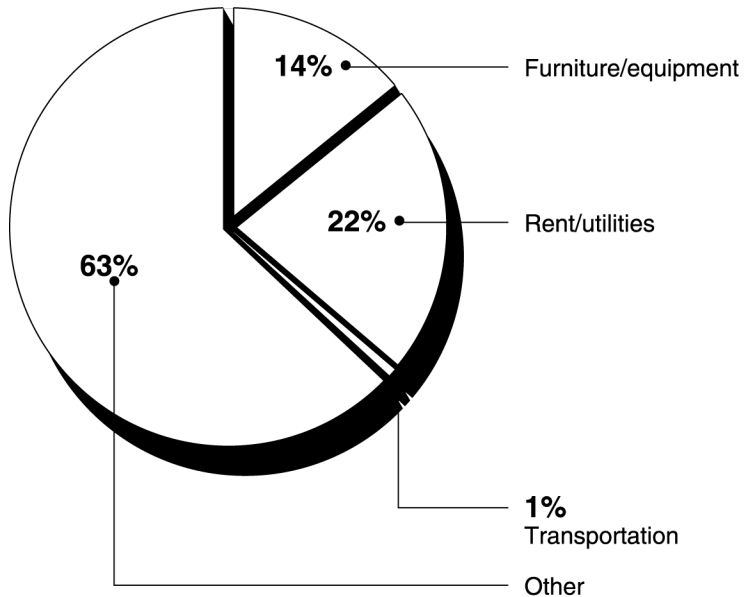
Note: Data as of December 2000. Data not independently verified by GAO.

Source: HUD OIG.

## Limited Information on Task Force Expenditures

HUD OIG officials were able to provide only limited information on how the task force funds were spent. Specifically, while the OIG was able to supply overall obligation and expenditure data, it could not readily identify how much money was allotted to and obligated and expended by individual task forces. Furthermore, it could not readily provide information on what specific activities were funded. For example, HUD's accounting system could not accurately provide information on how much was expended for training and payment of overtime costs. OIG officials stated that while HUD's accounting system has specific expenditure levels—such as training and payment of overtime costs—that OIG staff rarely use and have not been required to use the more detailed levels. As figure 6 illustrates, in fiscal year 2000, 63 percent of the expenditures for task force activities were categorized as “Other.”

**Figure 6: Operation Safe Home: Expenditure of Task Force Funds, Fiscal Year 2000 (Total \$2.7 Million)**



Note: Data as of September 2000. Data not independently verified by GAO.

Source: HUD OIG.

The OIG is acting to improve accountability over funds allotted for task force activities. As a result of our review, the HUD OIG is instituting additional mechanisms to identify the funding allotted to and obligated and expended by each of its 280 task forces. The OIG has further advised its district offices to provide more detailed information on specific task force obligations and expenditures. In addition, in November 2000, the Inspector General placed some restrictions on the use of Operation Safe Home funds allotted for task force activities. These restrictions precluded the formation of additional task forces, although existing task forces continue to be funded and may request additional funding. OIG officials stated that the restrictions were necessary because of delays in contracting for the required audits of Operation Safe Home and due to allegations of misuse of funding at the OIG's Denver office. When we completed our review, the required audit of Operation Safe Home was under way and was scheduled to be completed in July 2001, and the FBI and OIG were investigating the allegations in the Denver office (as discussed later in the report).

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## Operation Safe Home Arrest and Conviction Data Are Unreliable

The HUD OIG cannot accurately determine the number of arrests and convictions that have resulted from Operation Safe Home activities because the data it has maintained are unreliable. According to the OIG database, investigations stemming from Operation Safe Home have resulted in about 25,000 arrests and 500 convictions since 1994; however, these data are unreliable because they are not consistent, complete, or accurate. We found that the OIG lacked a single and reliable information system and instead used multiple data collection methods of questionable reliability. For example, the OIG:

- used narrative reports composed by OIG special agents to compile arrest and conviction statistics. However, the OIG had not developed guidance detailing the type of information that should be included in the narrative reports. As a result, OIG special agents could and did have differing interpretations on what to include. For example, while some OIG special agents told us they only counted arrests for which they were physically present, others counted all Operation Safe Home arrests executed by any task force participant. Also, some OIG special agents told us they only tracked federal convictions, while others tracked federal, state, and local convictions.
- compiled the narrative reports by highlighting discussions of arrests and convictions and then entered the data into a database. This method is highly prone to error because it relied on the interpretation of the individuals reading the narrative reports and manually identifying and transferring information. For example, we found at least 57 instances of apparent double entries of arrest data, potentially resulting in the OIG overreporting 600 arrests.
- maintained arrest and conviction data in its Investigator Case Management System database. This database was originally developed in 1980 to track the time and attendance of OIG special agents but was expanded in 1994 to track Operation Safe Home investigative data. OIG special agents told us the system was antiquated, cumbersome, unreliable, and highly prone to error and technical difficulties. For example, OIG staff said they frequently lost data they had entered or were “booted out” of the case management system for no apparent reason. As a result, according to one OIG official, tracking and inputting investigative data was a “huge clerical effort” and was thus often a low priority for special agents.

To supplement the data collected from the systems named above, the HUD OIG also manually compiled investigative information through periodic “data calls” to district offices. These calls were meant to collect



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information on selected items such as indictments, prosecutions, and search warrants that have resulted from OIG investigative activities.

The HUD OIG used these data collection mechanisms to compile summary data—including the number of arrests resulting from Operation Safe Home investigations—and reported to the Congress every 6 months on Operation Safe Home and its other activities. However, the OIG could not provide workpapers or documentation supporting the number of arrests reported in 12 semiannual reports to the Congress. Therefore, the arrest statistics that the OIG reported to the Congress since 1994 are neither reliable nor supportable.<sup>8</sup>

The HUD OIG has recognized major weaknesses in its information systems and has taken actions to improve the reliability of Operation Safe Home arrest and conviction data. For example, the OIG began working with a consultant in 1995 to develop a new information system to better manage its investigative data collection activities. The new system was implemented in March 2001. A OIG official stated that it allows OIG special agents in the field to directly input data into a single information system, and thus automates and centralizes the OIG's investigative data collection efforts. OIG officials believe that this system will ultimately resolve reliability problems and concerns. Further, as a result of our review, the OIG is developing guidance for OIG special agents so that they consistently report arrests and convictions.

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## OIG Officials Identified Few Complaints Against Its Agents

We could not precisely determine the number of complaints lodged against HUD OIG special agents working on Operation Safe Home investigations because OIG officials told us that they had no central system for reporting, documenting, and addressing allegations. Instead, a Special Agent in Charge—at the OIG's 11 district offices—adjudicated complaints filed against OIG special agents. The Assistant Inspector General for Investigations and Special Agents in Charge told us that they were aware of seven complaints lodged against OIG special agents engaged in Operation Safe Home activities from January 1997 through May of 2001.<sup>9</sup>

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<sup>8</sup>The two most recent HUD OIG semiannual reports to the Congress (March and September 2000) did not include summary data.

<sup>9</sup>As of December 2000, 113 HUD OIG special agents were engaged in Operation Safe Home activities.

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- An OIG special agent executing a search warrant with local police officers was accused of excessive use of force when handcuffing residents—who were minors—during a search. The OIG investigated the complaint, found that the allegation of excessive use of force had no merit, and the OIG closed the allegation.
  - An OIG special agent was accused of sexual harassment by a local police officer. The complaint was investigated by the OIG. The investigation disclosed that although no sexual harassment, per se, occurred, the special agent acted inappropriately and unprofessionally to the police officer and others. During the investigation, the OIG identified additional misconduct. The special agent chose to leave the OIG and therefore, the OIG closed the allegation.
  - An OIG special agent was accused of having an improper intimate relationship with an informant. The OIG investigated the allegation and, as a result, subsequently removed the special agent from federal employment.
  - An OIG special agent was accused of improper use of authority and other infractions. The OIG investigated the allegation and, as a result, removed the special agent from federal employment.
  - An OIG special agent was accused of multiple offenses including mishandling evidence, insubordination, and conducting unauthorized activities. The OIG was investigating the allegation.
  - An OIG special agent was accused of violating the guidelines of the HUD OIG Firearms Manual. The OIG was investigating the allegation.
  - OIG special agents in the Denver district office were accused of misuse of funds, abuse of authority, and personal misconduct. The FBI and OIG were investigating these allegations.

In commenting on a draft of this report, the Acting Deputy HUD Inspector General stated that the HUD OIG employs a contractor that provides it centralized information concerning allegations of misconduct filed against OIG employees, and that all complaint files were also maintained at OIG headquarters. This was not consistent with the information provided earlier by the former Assistant Inspector General for Investigations who stated that no such system existed and that all records were kept in the 11 district offices. Furthermore, during a meeting in February 2001 conducted to confirm facts ascertained during our review, OIG managers—including

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the Inspector General—agreed to the former Assistant Inspector General's characterization. The Acting Deputy HUD Inspector General also provided additional information concerning disciplinary actions taken against a number of OIG employees from January 2000 through January 2001. However, this information was insufficient to determine whether it included any additional allegations against OIG special agents engaged in Operation Safe Home activities.

In August 2000, the HUD OIG established policies and procedures pertaining to employee misconduct that includes a centralized internal affairs investigations unit and a unified process to (1) receive and investigate allegations of employee misconduct, (2) evaluate the misconduct, and (3) where appropriate, propose disciplinary action. These new policies and procedures took effect on June 4, 2001.

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## Operation Safe Home Raises Questions About OIG's Independence

The HUD OIG's independence to conduct audits and investigations of HUD's programs to reduce violent and drug-related crime in public and assisted housing is subject to question given its role in Operation Safe Home. Although the Congress has authorized the OIG to administer Operation Safe Home to combat violent and drug-related crime and has earmarked funds to the OIG for this purpose, in August 2000, we raised concerns about the impact the OIG's role in Operation Safe Home could have on its ability to assess law enforcement activities at public and assisted housing by HUD, its grantees, and contractors.<sup>10</sup> In a May 2001 letter to the Inspector General, we further explained our concerns.<sup>11</sup>

First, under applicable Government Auditing Standards, the OIG cannot independently and impartially audit and investigate activities it is directly involved in.<sup>12</sup> Since the HUD OIG directly administers and carries out Operation Safe Home activities, the OIG cannot independently and impartially audit and investigate those activities it carries out itself. For example, OIG special agents investigate individuals committing violent or drug-related crime in public and assisted housing, and the OIG administers a funding program to compensate participating local law enforcement agencies for overtime and investigative expenses.

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<sup>10</sup>See B-285066.2.

<sup>11</sup>See B-285066.3.

<sup>12</sup>Government Auditing Standards, 1994 Revision, June 1994, section 3.11, p. 22.

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Second, since both HUD and the HUD OIG are involved in combating violent and drug-related crime in public and assisted housing, the OIG may not be perceived as impartial when auditing HUD's efforts to combat drugs and crime in public and assisted housing. HUD's mission includes fostering safe and decent public housing, and HUD's programs include various activities to reduce violent and drug-related crime in public and assisted housing in support of that mission. For example, under the Public Housing Drug Elimination program and other programs, public housing agencies receive grants to reimburse local law enforcement agencies for additional security, to reimburse local agencies to investigate and prosecute drug-related crime, and other purposes. Given that Operation Safe Home is also designed to reduce violent and drug-related crime in public and assisted housing, the OIG may not be perceived as impartial when auditing or investigating HUD programs that are also designed to accomplish the same objective.

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## Conclusions

Operation Safe Home does not have the necessary information systems and management controls to ensure that HUD's OIG managers can readily monitor the obligation and expenditure of funds and track the numbers of arrests and convictions. As a result, the OIG does not have a reliable mechanism for effectively allocating program resources or for accurately estimating its funding needs. Furthermore, in the absence of complete, consistent, or accurate information, the OIG has not had the means to accurately report the results of its investigations and thus to provide the Congress with reliable and supportable information on what Operation Safe Home has accomplished. The OIG has recognized the need for more effective management controls within Operation Safe Home and has begun to address the problems. These actions, once implemented, should improve the ability of the OIG to allocate resources more effectively, better estimate future funding needs, and more accurately measure and report the program's accomplishments. Nevertheless, while management improvements are under way, we remain concerned about the consequences of a long-term involvement of the OIG in Operation Safe Home. The OIG cannot independently and impartially audit or investigate Operation Safe Home, and may not be perceived as impartial when auditing other similar HUD programs. For these reasons, as we stated in August 2000, Operation Safe Home raises questions about the OIG's ability to independently audit and investigate HUD programs designed to reduce violent and drug-related crime in public and assisted housing.

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## Matter for Congressional Consideration

We believe that the Congress should consider whether the long-term involvement of the HUD OIG in Operation Safe Home is worth the actual or perceived impairment of the OIG's independence in performing audits and investigations of HUD's programs to reduce violent and drug-related crime in public and assisted housing.

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## Recommendations for Executive Action

We recommend that the HUD Inspector General or the Secretary of HUD—depending on Congress' decision regarding the involvement of the HUD OIG in Operation Safe Home—should ensure that actions begun by the Inspector General to improve the management and oversight of Operation Safe Home are fully and effectively implemented in a timely manner. Specifically,

- improve the accountability over Operation Safe Home task force activity funds by developing and implementing a system to track funding allotted to and obligated and expended by individual task forces, and
- improve the reliability of Operation Safe Home investigative data by (a) promulgating additional guidance to be used by HUD staff when inputting investigative information into the recently developed information system and (b) properly maintaining documentation supporting investigative data reported to the Congress.

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## Agency Comments and Our Evaluation

On June 8, 2001, the Acting Deputy Inspector General of HUD provided the HUD OIG's written comments to a draft of this report (see app. I). The OIG agreed with our proposed recommendations and reported that it had completed actions to implement them. The OIG did not dispute our conclusions regarding its independence to conduct audits and investigations of HUD's programs, but disagreed with other information presented in the report. Specifically, the OIG suggested that the draft report's findings lacked supporting criteria, that a number of facts presented were inaccurate, and that the conclusions were overstated given the facts presented.

We believe that the HUD OIG has not yet fully implemented two of the three proposed recommendations contained in the draft report. On June 5, 2001, the OIG issued new procedures to track funding allotted to and obligated and expended by individual task forces; however, further action is needed to ensure that the OIG fully and effectively implements this system. Action also is still needed to promulgate guidance for OIG staff in reporting arrests and convictions and to establish procedures to properly

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maintain documentation supporting investigative data reported to the Congress. We therefore retained these recommendations in the final report. However, we agree that on June 4, 2001, the HUD OIG fully implemented its policies and procedures pertaining to employee misconduct, and we have deleted the proposed recommendation and revised the report to reflect this action.

Although the HUD OIG did not dispute our conclusions regarding its independence to conduct audits and investigations of HUD's programs to reduce violent and drug-related crime in public and assisted housing, the Acting Deputy Inspector General questioned our matter for congressional consideration that the Congress should assess whether the long-term involvement of the OIG in Operation Safe Home is worth the actual or perceived impairment of the OIG's independence. According to the Acting Deputy Inspector General, the Congress has already considered our concerns and "apparently determined them to be without merit." We do not believe that the Congress has made any definitive statement in law or legislative history regarding the concern discussed in this report about Operation Safe Home and the OIG's audit and investigative independence. The OIG is relying upon the absence of such a provision in a bill or proposed amendment to infer approval; however, unless there is an explanation in the legislative history or the reason is indisputably clear from the context, the effect of such an omission or deletion is inconclusive.<sup>13</sup> Therefore, we made no change to our proposed matter for congressional consideration.

The Acting Deputy Inspector General disagreed that the HUD OIG could not identify how much funding was allotted to and obligated and expended by Operation Safe Home task forces and that the OIG had limited information on how task force funds were spent. The Acting Deputy Inspector General stated that reliable financial information exists within the OIG but was decentralized and under the control of Operation Safe Home case agents in the field to protect sensitive and confidential investigative information. While we acknowledge that a review of field office financial records was outside the scope of our review, we disagree that it was incumbent upon us to examine, review, summarize, and aggregate records in 11 locations to reconstruct how the OIG spent its Operation Safe Home funds. Instead, we believe that the OIG is responsible for maintaining useful aggregate financial information and that confidentiality concerns do not obviate the responsibility of program

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<sup>13</sup>Fox v. Standard Oil Co., 294 U.S. 87, 967 (1935); See, 1 Principles of Federal Appropriations law (PFAL), 2-71 – 2-72 (2nd ed. 1991) and other cases cited therein.

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managers to exercise basic oversight. OMB Circular A-127 requires that federal agency financial management systems provide “for tracking of specific program expenditures,” that they “ensure that consistent information is readily available and provided to internal managers at all levels within the organization,” and that they “be able to provide financial information in a timely and useful fashion to . . . support fiscal management of program delivery and program decisionmaking.”<sup>14</sup> Without basic financial information, such as the amount of funding allotted to individual task forces and how it was spent, OIG managers did not have sufficient information to effectively allocate resources or estimate funding needs. As such, we disagree with the OIG that our conclusion that the OIG did not effectively manage Operation Safe Home funds is overly broad and made no changes to the report.

The Acting Deputy Inspector General also disagreed that the HUD OIG cannot determine the number of arrests and convictions that have resulted from Operation Safe Home activities. The OIG stated that although it is developing a centralized management information system for arrest and conviction data, it is not required to have one, and that we could have accurately determined the number of arrests and convictions by reviewing or sampling the nearly 300 case files in each of the OIG’s 11 district offices. We disagree with the OIG that it is not responsible for centrally and accurately accounting for investigative information. The Inspector General Act of 1978, as amended, requires the OIG to report to the Congress on its activities semiannually, including convictions resulting from cases it refers for prosecution. While the OIG has provided investigative data to the Congress, the OIG has not fulfilled the requirement effectively because the data it has provided were unreliable and unsupported. The OIG provided no evidence during our review concerning the accuracy of its case files, nor could it demonstrate or document whether or how such information was used to compile and report arrest and conviction data. As OMB Circular 123 stipulates, agencies “should design management structures that help ensure accountability for results.” Agencies’ “management controls” must “reasonably ensure that reliable and timely information is obtained, maintained, reported and used for decision making.” Additionally, “documentation . . . must be clear and readily available for examination.”<sup>15</sup> Furthermore, the Acting Deputy Inspector

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<sup>14</sup>OMB Circular A-127, *Financial Management Systems*, July 23, 1993, [www.whitehouse.gov/omb/circulars/a127/a127.html](http://www.whitehouse.gov/omb/circulars/a127/a127.html).

<sup>15</sup>OMB Circular A-123, *Management Accountability and Control*, June 21, 1995, [www.whitehouse.gov/omb/circulars/a123/a123.html](http://www.whitehouse.gov/omb/circulars/a123/a123.html).

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General did not dispute the facts presented in our draft report supporting the conclusion that the OIG's arrest and conviction data were unreliable and unsupportable. We therefore made no changes to the report.

As discussed in the report, the Acting Deputy Inspector General disputed the statement in our draft report that the HUD OIG had no centralized system for reporting, documenting, and addressing allegations against OIG special agents. He stated that the OIG uses a contractor to maintain information concerning allegations of misconduct filed against OIG employees, and that all complaint files were also maintained at OIG headquarters. We modified the report to reflect the fact that this information was not consistent with the information provided earlier by OIG officials during our review. The Acting Deputy Inspector General also provided us additional information concerning disciplinary actions taken against a number of OIG employees from January 2000 through January 2001. As discussed in the report, we reviewed the additional information and it was not sufficient to determine whether it included any additional allegations against OIG special agents engaged in Operation Safe Home activities.

In February 2001, we presented a written statement of facts concerning Operation Safe Home financial information, arrest and conviction data, and complaints filed against HUD OIG special agents to the HUD OIG. We discussed this statement of facts with the Inspector General, the Deputy Inspector General, the Assistant Inspector General of Audits, the Acting Assistant Inspector General for Management and Policy, the Assistant Inspector General for Investigations, the General Counsel, and others.<sup>16</sup> At that time, all OIG officials agreed with the facts we subsequently presented in this report. For these reasons, as well as the reasons discussed above, we made no changes to the facts and conclusions presented. We have, however, made modifications where appropriate to clarify the issues presented in the report.

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<sup>16</sup>The Assistant Inspector General for Audits is currently the Acting Deputy Inspector General.



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## Scope and Methodology

To review Operation Safe Home issues, we reviewed HUD OIG reports, funding data, regulations, databases, and other documents, and discussed these with OIG staff in Washington, D.C., including the Assistant Inspector General for Investigations and his staff, and the Acting Assistant Inspector General for Management and Policy and his staff. We also conducted telephone interviews with the Special Agents in Charge at each of the OIG's 11 district offices. Our review of Operation Safe Home focused on the HUD OIG's violent and drug-related crime initiatives; however, the OIG also uses the term Operation Safe Home to encompass selected high priority white collar fraud investigations. We did not independently verify the HUD OIG's budget and financial data. In addition, we reviewed funding data at OIG headquarters in Washington, D.C.; we did not review funding data maintained by the 11 OIG district offices. Further, our review of federal funding for Operation Safe Home was limited to the funding provided to the HUD OIG; we did not determine what funds have been expended by other federal law enforcement agencies, such as the FBI and DEA, participating in Operation Safe Home activities.

To assess the reliability of arrest and conviction data, we (1) performed checks of the data for accuracy, completeness, and reasonableness and (2) interviewed OIG headquarters and field officials to learn how the information system was structured, controlled, and used. We conducted our review from November 2000 through May 2001 in accordance with generally accepted government auditing standards.

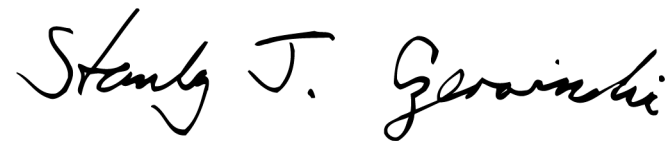
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We are sending copies of this report to the Senate Committee on Banking, Housing & Urban Affairs; the Senate Appropriations Committee; the Senate Budget Committee; the Senate Finance Committee; the Senate Governmental Affairs Committee; the House Committee on the Budget; the House Committee on Appropriations; the House Committee on Financial Services; the House Committee on Government Reform; the Office of Inspector General, Department of Housing and Urban Development; the Secretary of the Department of Housing and Urban Development; the Attorney General of the Department of Justice; the Acting Director of the Federal Bureau of Investigations; and the Administrator of the Drug Enforcement Agency. We will also make copies available to others upon request.

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If you have any questions regarding this report, please call me or Steve Cohen at (202) 512-7631. Key contributors to this report are listed in app. II.

Sincerely yours,

A handwritten signature in black ink that reads "Stanley J. Czerwinski". The signature is written in a cursive style with a large, prominent "S" at the beginning.

Stanley J. Czerwinski  
Director, Physical Infrastructure Issues

# Appendix I: Comments From the Office of Inspector General, Department of Housing and Urban Development

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



U.S. Department of Housing and Urban Development  
**Office of Inspector General**  
451 7<sup>th</sup> St., S.W.  
Washington, D.C. 20410-4500

June 8, 2001

Stanley J. Czerwinski, Director  
Housing and Telecommunications Issues  
Physical Infrastructure  
United States General Accounting Office  
441 G Street, N.W.  
Washington, DC 20548

Re: Draft Report GAO/01-794 (June 2001)

Dear Mr. Czerwinski:

This responds to your June 1, 2001 letter to Susan Gaffney, former Inspector General, Office of Inspector General (OIG), United States Department of Housing and Urban Development (HUD). We appreciate the opportunity to respond to the above-referenced draft report, and as we have previously advised, we are grateful for your insight concerning several initiatives that were in progress before and during your review. Additionally, we agree with your recommendations aimed at improving our administration of Operation Safe Home (OSH) funds, and are happy to report that we have completed actions to:

- implement new procedures that centralize to the maximum extent feasible the financial accounting for OSH task force operations, consistent with the need to ensure the control over sensitive information;
- improve the reliability of OSH investigative data; and
- complete the implementation of an internal affairs function to address employee misconduct and centralize official discipline files.

However, there are a number of statements in the draft report that we believe warrant modification or clarification. As discussed in detail below, the draft report's findings are characterized by a lack of applicable and supporting criteria, and numerous inaccurate factual assertions. Further, the draft report presents a number of broad conclusions that we believe are overstated, based on the facts presented. Moreover, the draft report fails to recognize that the OIG does not maintain its own accounting system and our ability to efficiently account for OSH funds is affected, in part, by inherent limitations with HUD's accounting system.

See comment 1.

See comment 2.

See comment 3.

1. Management of OSH Funds

The draft report presents a conclusion that the HUD OIG has not effectively managed OSH funding earmarked by the Congress. While we embrace your recommendations to improve our administration of OSH funds, we believe your conclusion is overly broad. In this regard, your supporting discussion consists of:

- information on the amount and source of OSH funding; and
- the contention that information on task force expenditures was “limited.”

As acknowledged in the “Scope and Methodology” section of your draft report, your audit did not include any review of funding data maintained by the 11 OIG district offices. Much of the administration and management responsibilities for OSH have been delegated to those district offices. Therefore, your conclusion on the management of OSH funds could not have reflected any analysis of data that were readily available at those offices for your review. The draft report contends that: (A) the OIG spent approximately half of the total OSH funds appropriated in fiscal years 1996 through 2000, and applied a small portion of its salaries and expenses appropriation to fund salaries and expenses of OIG special agents engaged in OSH activities; and (B) “the OIG did not have information on the amount of money allotted to and spent by each of its 280 task forces, and had only limited information on how this money was specifically spent.” As discussed below, the first statement needs to be placed into context to avoid unwarranted inferences that there is anything wrong with the purpose and timing of the OIG’s obligation and expenditure of OSH funds. The second statement is inaccurate.

A. Purpose and Timing of Obligation and Expenditure of OSH Funds

First, your draft report notes that from fiscal year 1996 through 2000, the Congress appropriated \$92.5 million for OSH, and that “[t]he OIG has allotted the Operation Safe Home funds for two purposes:” OSH task force operations (e.g., local law enforcement overtime, confidential informant payments, contraband purchases, etc.) and for the salaries and expenses of OIG special agents engaged in OSH activities. Further, your draft report indicates that, with the exception of \$2.5 million allotted to task force operations in fiscal year 1996, OIG has evenly allotted appropriated funds between task force operations and salaries and expenses throughout the relevant period. In point of fact, the OIG did not allot OSH funds between the two purposes. We did not even have the authority to do so. Rather, the Congress mandated the referenced allotments. In HUD’s annual appropriations acts, the Congress has been quite specific concerning how much OIG should be allotted for task force operations and salaries and expenses, as follows: 1996, \$2.5 million for task force operations; 1997, \$5 million for task force operations and \$5 million for salaries and expenses; 1997 – 2000, \$10 million annually for task force operations and \$10 million annually for salaries and expenses. See Pub. Law 104-134, 110 Stat. 1321-257, 1321-271 (Apr. 26, 1996); Pub. Law 104-204, 110 Stat. 2874, 2886 (Sept. 26, 1996); Pub. Law 105-65, 111 Stat. 1344, 1353 (Oct. 27, 1997); Pub. Law 105-276, 112 Stat. 2461, 2473 (Oct. 21, 1998); and Pub. L. 106-74, 113 Stat. 1047, 1057-1058 (Oct. 20, 1999).

See comment 4.

See comment 5.

See comment 6.

See comment 7.

See comment 8.

See comment 9.

See comment 10.

See comment 11.

See comment 12.

Second, your draft report “Results in Brief” states that OIG spent only about half of \$37.5 million allotted to task force operations for fiscal years 1996 through 2000. This could lead to the false inference that the OIG over-estimated its need for OSH funds. Initially, from our perspective, the prefatory statement could be perceived as demonstrating a bias against OIG or OSH because the facts set forth in the body of the draft report are significantly less dramatic. Although the body of the draft report indicates that as of September 30, 2000, OIG had not expended approximately \$18.5 million of the \$37.5 million appropriated, approximately \$8.3 million of that \$18.5 million had been obligated by OIG. In this setting, obligation, not expenditure, is the critical factor. “When an appropriation is made available for a fixed period of time or until a specified date, the general rule is that the availability relates to the authority to obligate the appropriation, and does not necessarily prohibit payments after the expiration date for obligations previously incurred, unless the payment is otherwise expressly prohibited by statute.” See GAO, *Principles of Federal Appropriations Law*, Vol. 1, Ch. 5, ¶ A(1). Further, OSH funds allotted for task force operations are no-year funds, and, thus, there is no requirement that they be obligated within one year of when they are appropriated. See GAO, *Principles of Federal Appropriations Law*, Vol. 1, Ch. 5, ¶ A(2). Therefore, the mere fact that unexpended or unobligated balances exist, does not by itself support a conclusion that “the HUD OIG has not effectively managed those funds.” Moreover, as the draft report reflects—but does not emphasize sufficiently—the OIG has advised the Congress that it has been unable to obligate all of its OSH operational funds, and, thus, has requested that the Congress not appropriate such operational funds for fiscal year 2002. The OIG believes that it can fund OSH task force operations in fiscal year 2002 with existing account balances.

Third, your draft report indicates that the OIG estimates that during the relevant period, approximately \$3.8 million of OIG’s “regular salaries and expenses appropriation—about 10 percent more than initially allotted—[was used] to pay for salaries and expenses of special agents working on Operation Safe Home activities.” Additionally, a footnote to this statement presents a highly derogatory assertion that OIG “commingles Operation Safe Home salaries and expenses funding with funds appropriated to the OIG’s regular salaries and expenses account . . . .” This footnote is misleading because:

- There is no separate OSH salaries and expenses appropriation to “commingle” with OIG’s “regular” salaries and expenses appropriation; there is only one OIG salaries and expenses appropriation. When the Congress annually appropriated salaries and expenses funds for OSH in fiscal years 1997 through 2000, it also directly transferred those funds to OIG’s salaries and expenses account (i.e., “For the necessary expenses of the Office of Inspector General in carrying out the Inspector General Act of 1978, as amended, \$[,000,000, of which . . . \$[X],000,000 shall be transferred from the amount earmarked for Operation Safe Home in the appropriation for . . .”). See, e.g., Pub. Law 104-204, 110 Stat. at 2892; Pub. Law 105-65, 111 Stat. at 1363 - 64; Pub. Law 105-276, 112 Stat. at 2482; Pub. Law 106-74, 113 Stat. at 1068.
- OSH is one of many investigative activities carried out by OIG. The majority of OIG special agents engage in OSH investigations in addition to an array of white-collar type investigations, and there is nothing in OIG’s annual appropriations that prohibited it from expending on OSH \$3.8 million in salaries and expenses money that had not been

earmarked for OSH. Indeed, since the Congress appropriated funds for OSH task force operations only in 1996 (i.e., the Congress did not make a complementary earmark of salaries and expenses funds for OSH), it necessarily follows that the Congress contemplated that OIG would expend "regular" salaries and expenses establishing and implementing the OSH task forces.

**B. OSH Financial Records**

We are extremely troubled by your draft report's finding that OIG has "only limited information on how task force funds were spent", that OIG cannot identify how much was allotted to and obligated and expended by task forces, and that OIG "could provide only limited information on what specific activities were funded." These findings are inaccurate, and, to us, completely inexplicable considering your access to all of the OIG's files and records.

You limited the scope of your review to centralized information systems and databases located in OIG's headquarters office. You declined to review, or even sample, supporting data and files in OIG's district and field offices. Much of the OSH information relates to confidential matters, and, out of necessity, should be to a large extent decentralized and under the control of the case agents. With respect to financial information systems, you reviewed the entries in HUD's accounting system for OSH task force activities. HUD's accounting system was incapable of reflecting each and every confidential informant payment, contraband purchase, or hour of police overtime paid. Rather, the entries reflect the funding of task force cases and reference the corresponding case numbers. The referenced case files in the district and field offices, however, include obligation and expenditure data (e.g., when, what, who, and why) for every confidential informant payment, contraband purchase, hour of police overtime paid, etc. In other words, OIG has detailed information concerning appropriated funds obligated and expended for task force operations, but these records are decentralized and you elected not to review or sample the decentralized detail.

Finally, on June 5, 2001, OIG implemented new procedures that centralize the financial accounting for OSH task force operations. These new procedures are attached for your information as Exhibit 1.

**2. Arrest and Conviction Statistics**

Although we agree that a centralized management information system for arrest and conviction data is preferable, we disagree with the draft report's conclusion that the "OIG cannot accurately determine the number of arrests and convictions that have resulted from Operation Safe Home activities because the data it maintains are unreliable." In the former regard, there is no requirement that the OIG implement a management information system for arrest and conviction data. This point is not clearly made in the draft report. We, nonetheless, implemented such a system in March of this year, and we believe that the new system will simplify the reporting of arrest and conviction data. Moreover, OIG recently performed an extensive verification and validation process of the new system, and is presently fine tuning the procedures applicable to the system (e.g., standardizing data entry requirements, defining terms, etc.) to ensure that the data placed on the system and/or reported in semi-annual reports are accurate.

See comment 13.

See comment 14.

See comment 15.

See comment 16.

Regarding your draft report's latter conclusion and the quality of the data that OIG has previously reported in semi-annual reports, OIG case files in the district and field offices have been reliable—but, albeit not centralized—sources of arrest and federal conviction data, and a sampling of these sources demonstrates that, if anything, the OIG has underreported arrests and convictions associated with OSH activities. First, similar to your position concerning OSH financial data, you elected not to review or sample arrest and conviction data maintained in the individual cases files maintained by the OIG in its district and field offices, which is where OSH activities occur. Rather, you reviewed only summary records maintained at OIG's headquarters. Second, with respect to these individual cases files, as part OIG's periodic Management Assistance Reviews (MARs) of its district offices, case files are reviewed and compared to summary case data forwarded/reported to headquarters by the districts. MARs have verified that district offices have conservatively reported arrest and conviction statistics to headquarters.

3. Complaints Against Special Agents

See comment 17.

Next, your draft report states, "We could not precisely determine the number of complaints lodged against special agents working on Operation Safe Home because the OIG had no central system for reporting, documenting and addressing allegations." This statement is inaccurate. Again, although a centralized management information system of allegations of misconduct of OIG employees is not required, OIG had a centralized system in place. OIG's human resources contractor, the Bureau of Public Debt (BPD), maintained official files related to disciplinary issues involving OIG employees. Attached as Exhibit 2 is a summary of the most recent periodic report of all actions taken. BPD's system of records was supported by the individual case files in OIG's district and Legal Counsel's offices. These case files included details of the allegations made, investigations conducted, and discipline issued. Further, effective June 1, 2001 (see Exhibit 3, attached), OIG completed the implementation of an internal centralization of official discipline files with the supporting files. Although OIG's new procedure, like its previous procedure, is not required, we believe that it will simplify reporting functions.

See comment 18.

Additionally, the statement in the draft report could be misinterpreted as indicating that the OIG was somehow required to not only centralize its disciplinary files, but was also required to segregate and centralize files relating to allegations against OSH special agents specifically. Such an interpretation is clearly preposterous, but it helps to underscore the inherent problem with the information compiled in the draft report. We were asked to provide information concerning complaints against OSH special agents. As discussed above, the majority of OIG special agents have one or more OSH investigations in their inventory, and, thus, we erred on the side of inclusion. That is, if there was any way that a complaint could be associated with OSH, it was disclosed to your staff, and all such cases were disclosed. For example, one of the seven cases reported to your staff (i.e., "An OIG special agent was accused of violating the guidelines of the HUD OIG Firearms Manual. OIG is currently investigating the allegation") involves a special agent that was likely returning home from a OSH task force operation—an issue that is irrelevant to the allegation—and left his personally-owned weapon in the trunk of his government-owned vehicle (GOV). Thieves broke into the trunk and stole the weapon. OIG policy requires that an agent may leave a weapon in his/her trunk, only if he/she leaves it inside an approved locking container that is secured to the frame of the vehicle. The trunk of the GOV of the special agent in question had not been equipped with such an approved container. Accordingly, you were

See comment 19.

See comment 20.

apprised of all complaints that may be reasonably associated with OSH, and if you are not confident about the inclusiveness of these allegations, then your lack of confidence is not a product of the OIG's former management information system; rather, it is a function of the difficulty of attributing some complaints to OSH as opposed to other investigative activities. In other words, if a special agent loses a weapon, is insubordinate, sexually harasses someone, mishandles evidence, etc., it is irrelevant what sort of investigation they are working on. Misconduct is misconduct.

See comment 21

Further, the draft report offers no information that would place the seven cases into a proper perspective. For example, the draft report includes no information concerning the number of OIG special agents involved in OSH activities, over what period of time the complaints were received, or what level of employee complaints is average for a law enforcement agency.

#### 4. Audit Independence

We will not dispute the draft report's conclusion that the OIG cannot independently audit OSH activities, and may not be perceived as impartial when auditing other HUD programs funded by HUD's Drug Elimination Grant Program appropriations. However, we must note that there is nothing peculiar about OSH activities that create an independence issue. Independence concerns arise whenever an audit organization such as OIG, or GAO for that matter, seeks to review their internal operations. An audit organization cannot independently audit itself, period. Nor can it control the unwarranted perceptions of others who/which it may audit.

Finally, regarding your recommendation that "Congress should consider whether the long-term involvement of HUD OIG in Operation Safe Home is worth the actual and perceived impairment of the OIG's independence", although we are heartened by your continued agreement that OSH is an initiative clearly authorized by Congress, we think it is necessary to remind you that Congress has previously considered your independence concerns, and apparently determined them to be without merit. In 1997, the Committee Report associated with S. 462, which was a bill to reform and consolidate the public and assisted housing programs and to redirect primary responsibility for these programs from the Federal government to States, questioned whether OIG's OSH initiative impaired its evaluation and oversight functions. In a letter to the Chairman of the Senate Committee on Banking, Housing, and Urban Affairs (attached as Exhibit 4), the former Inspector General advised:

*[T]he OIG does not see our Operation Safe Home violent crime initiative as a program separate from our criminal investigative function, any more than fraud in public housing and equity skimming are programs separate from our regular audit and criminal investigative functions. They are simply areas of emphasis within our audit and investigative functions.*

Congress directed no changes to the OIG's activities. Further, in 1999, the Ranking Member of the Senate Subcommittee on Housing and Transportation, Committee on Banking, Housing, and Urban Affairs, raised several issues concerning OSH, and via letter (attached as Exhibit 5), in relevant part, the former Inspector General responded:

*How Does Operation Safe Home Differ from HUD Programs?*



Appendix I: Comments From the Office of  
Inspector General, Department of Housing  
and Urban Development

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*HUD programs typically have specific enabling legislation. Operation Safe Home does not, because it consists of audits and investigations that were already authorized/required by the Inspector General Act of 1978, as amended.*

*HUD programs typically are carried out by discrete organizational units with specific staff assigned. Since Operation Safe Home is merely a label designating certain OIG priorities rather than an administrative program, it has no separate organizational structure, nor are specific OIG staff assigned to Operation Safe Home audits and investigations.*

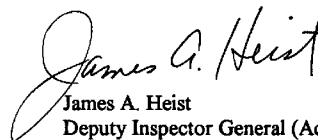
*HUD programs typically make grants, regulate, insure, or guarantee. Operation Safe Home audits and investigations involve no such activities.*

*HUD programs do not entail the conduct of criminal investigations because, with a few minor exceptions (e.g., Interstate Land Sales, 15 U.S.C. § 1714(a), (b); and RESPA, 12 U.S.C. § 2707(d), § 2617(c)(1)), the Secretary of HUD does not have authority to conduct such investigations. The Inspector General Act of 1978, as amended, specifically confers such authority on the Office of Inspector General.*

Again, the Congress directed no changes to the OIG's activities. Moreover, last year your General Counsel issued B-285066.2 (Aug. 9, 2000) to the chairman of the House appropriation subcommittee with jurisdiction over OSH. B-285066.2 indicated "Although Congress has authorized the IG to conduct an Operation Safe Home 'program', we are concerned about the impact the IG's exercise of such authority may have on the IG's personal and organizational independence," and concluded that "the IG and Congress should consider whether long-term involvement of the IG in such activities is worth the impairment of the IG's audit and investigative independence." Again, Congress directed no changes to the OIG's activities.

Thank you again for this opportunity to respond to the draft report. Please contact me at (202) 708-0430, if you have any questions concerning this letter.

Sincerely,



James A. Heist  
Deputy Inspector General (Acting)

Attachments

cc: The Honorable Mel Martinez, Secretary  
Department of Housing and Urban Development

See comment 22.

The following are GAO's comments on the HUD Office of Inspector General's (OIG) letter dated June 8, 2001.

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## GAO Comments

1. We agree that, on June 4, 2001, the HUD OIG fully implemented its policies and procedures pertaining to employee misconduct, and we have deleted the proposed recommendation and revised the report to reflect this action. However, the OIG has not yet completed action on two other recommendations. While on June 5, 2001, the OIG issued new procedures to track funding obligated and expended by individual task forces, further action is needed to ensure that the OIG fully and effectively implements this system. Action is also still needed to promulgate guidance to be used by OIG staff in reporting arrests and convictions and to establish procedures to properly maintain documentation supporting investigative data reported to the Congress.
2. The HUD OIG stated that although it agreed with the recommendations it did not agree with many of the facts and conclusions supporting those recommendations. However, the OIG did not provide evidence or additional information to support its position. For example, although the OIG disagreed that it cannot accurately determine the number of arrests and convictions that have resulted from Operation Safe Home activities, it also did not dispute any of the facts we presented to support our finding that Operation Safe Home arrest and conviction data were unreliable. A more detailed analysis of the statements in the OIG's letter is presented in the comments that follow. While we made no changes to the facts and conclusions in our draft report, we made modifications where appropriate to clarify the issues presented in the report.
3. We agree that the HUD OIG does not maintain its own accounting system, and have made modifications to the report where appropriate to reflect that the OIG uses HUD's accounting system. While we recognize there are limitations in HUD's accounting and financial management systems and have reported on these limitations in the past, we do not believe that these limitations inherently prevent the OIG from identifying funding by individual task forces or preclude it from centrally maintaining more detailed information spending data. For example, the OIG is currently working with HUD to use HUD's accounting system to enable it to track the use of funds by individual task forces and provide greater detail on how funds are spent.

4. We disagree that our finding that the OIG has not effectively managed Operation Safe Home funding is “overly broad.” We based this conclusion on several factors, including the OIG’s inability to readily identify how much funding was allotted to and obligated and expended by individual task forces and the limited information the OIG had centrally on how task force funds were spent. As a result, it did not have a reliable mechanism for estimating its funding needs, allocating program resources, and determining how funds were spent—and thus effectively manage its Operation Safe Home funding. We agree with the HUD OIG’s statement that administration and management responsibilities for Operation Safe Home have been largely delegated to the OIG’s 11 district offices and that decentralized financial information exists in each of those offices. We acknowledged that we did not review data maintained by the field offices; however, we do not believe that it was incumbent upon us to examine, review, summarize, and aggregate records in 11 locations to reconstruct how the OIG spent its Operation Safe Home funds. Instead, we believe that the OIG is responsible for maintaining useful aggregate financial information and that decentralization of program administration does not obviate the responsibility of headquarters program managers to exercise basic oversight. For example, Office of Management and Budget (OMB) Circular A-127 states that financial management systems should “ensure that consistent information is readily available and provided to internal managers at all levels within the organization” and that they “be able to provide financial information in a timely and useful fashion to...support fiscal management of program delivery and program decision making” (*OMB Circular A-127, Financial Management Systems, July 23, 1993*, [www.whitehouse.gov/omb/circulars/a127/a127.html](http://www.whitehouse.gov/omb/circulars/a127/a127.html)) (see also comment 13).
5. Where appropriate, we modified our discussion on the use of Operation Safe Home funds to avoid any possible inference that the HUD OIG’s allocation of funds was improper. See comments 7 through 12.
6. We disagree that this statement is inaccurate. As comment 13 discusses, our finding that information on task force expenditures was limited was based on the fact that the OIG could not readily identify the funding allotted to and obligated and expended by its individual task forces and could only account for Operation Safe Home obligations and expenditures in four broad categories.

7. While we have no objection to the OIG's allotment of its Operation Safe Home appropriations, we disagree that the Congress "mandated" specific Operation Safe Home allotments for task force operations and salaries and expenses from fiscal year 1996 through fiscal year 2001.

First, the OIG has more flexibility in allotting the funds than is stated in its letter. The Congress appropriates monies for Operation Safe Home through two set-asides in the Public Housing Drug Elimination Grant Program account contained in HUD's annual appropriation. One of the set-asides is to "be used in connection with efforts to combat violent crime in public and assisted housing under the Operation Safe Home Program administered by the Inspector General of the Department of Housing and Urban Development." The other set aside is "provided to the Office of Inspector General for Operation Safe Home." See, for example, Pub. L. 106-377, 114 Stat. 1441, 1441A-24 (2000). The language of each set-aside is broad enough to permit the payment of expenses incurred by the Inspector General in carrying out Operation Safe Home. For example, the salary of an OIG agent working undercover in connection with an Operation Safe Home investigation could be funded out of either set-aside. Neither appropriation is limited as the OIG has stated. Both appropriations are available for carrying out Operation Safe Home.

Second, as a technical matter, the Congress does not allot funds. It appropriates funds. Once the Congress appropriates funds, the OMB apportions the funds to assure an effective and orderly use of the appropriated funds. Upon receipt of an apportionment, the responsible agency official, consistent with the apportionment, will allot the funds among the various programs and activities for which the Congress had appropriated the funds. Thus, the "Congress appropriates, OMB apportions, and the receiving agency allots (or allocates) within the apportionment." 1 Principles of Federal Appropriations Law Ch.1, Part D, Sec. 3.a (emphasis in original).

8. Our report does not suggest (as the HUD OIG stated on page 2 of its letter) that there is "anything wrong" with the purpose and timing of the OIG's obligation and expenditure of Operation Safe Home funds. We made modifications to the report to more clearly outline how the OIG obligated and expended Operation Safe Home funds.
9. We do not believe, and the draft report did not state, that the existence of unexpended or unobligated balances, by itself, means that the HUD OIG has not effectively managed Operation Safe Home funds. Instead,

the report's finding that the OIG has not effectively managed Operation Safe Home funds is based on a combination of information gathered, including the OIG's inability to readily identify how much funding was allotted to and obligated and expended by individual task forces, and the limited information it had on hand on how task force funds were spent.

10. We believe we have given the HUD OIG's fiscal year 2002 budget request the proper emphasis. As stated in the report, we discussed our findings on unobligated and unexpended Operation Safe Home funds with HUD and HUD OIG officials in February 2001. Subsequent to this discussion, in April 2001, HUD submitted its proposed fiscal year 2002 budget requesting that the annual earmark for Operation Safe Home be reduced from \$20 million to \$10 million over fiscal year 2001 levels. OIG officials told us they plan to use Operation Safe Home's unobligated balances to finance task force activities through fiscal year 2002. We made no modifications to the report.
11. As discussed in comment 7, the Congress has, in recent years, earmarked a portion of the Drug Elimination Grant Program appropriation for Operation Safe Home and the funds are transferred to the OIG Salaries and Expense account (See, e.g., Pub. L. 106-377, 114 Stat. at 1441A-24 and 1441A-48.) Our discussion in the draft report—that the OIG does not separately account for the expenditure of earmarked funds it allots for OIG salaries and expenses—was descriptive in nature and included, in the same sentence quoted in the OIG's letter, the statement that this practice was permissible. Nevertheless, we amended our discussion to allay any concerns that we were criticizing the OIG's practices.
12. We agree with the OIG that the balance of its Salaries and Expenses account, not solely the earmarked funds, is available to pay for salaries earned and expenses incurred in connection with Operation Safe Home. Although the draft report did not suggest otherwise, we have modified the report to make clear that the use of funds from the OIG Salaries and Expense account to pay for Operation Safe Home salaries and expenses was permitted by law.
13. We disagree that the statements in the report cited by the OIG were inaccurate. These statements were based on the fact that cognizant OIG officials could not centrally and readily identify the funding it provided to its individual task forces and could only account for Operation Safe Home obligations and expenditures in four broad

categories. The OIG stated that more detailed financial records are available in OIG's 11 field offices, suggesting that an examination of these records would have provided detailed information on Operation Safe Home task force obligations and expenditures. We acknowledge that a review of field office financial records was outside the scope of our review. However, we disagree that it was incumbent upon us to examine, review, summarize, and aggregate records in 11 locations to reconstruct how the OIG spent its Operation Safe Home funds. Instead, we believe that the OIG is responsible for maintaining useful aggregate financial information and that a decentralized program management arrangement does not obviate the responsibility of program managers to exercise basic oversight. OMB Circular A-127 requires that federal agency financial management systems provide "for tracking of specific program expenditures," that they "ensure that consistent information is readily available and provided to internal managers at all levels within the organization," and that they "be able to provide financial information in a timely and useful fashion to...support fiscal management of program delivery and program decision making" (OMB Circular A-127, *Financial Management Systems*, July 23, 1993, [www.whitehouse.gov/omb/circulars/a127/a127.html](http://www.whitehouse.gov/omb/circulars/a127/a127.html)). We also disagree that the HUD OIG cannot have useful aggregate financial information about Operation Safe Home without compromising sensitive and confidential information, or that confidentiality concerns obviate the responsibility of program managers to exercise basic oversight. It is not necessary to centrally record "every confidential informant payment, contraband purchase, or hour of police overtime" as the OIG suggests. Without basic financial information such as the amount of funding allotted to individual task forces and how it was spent, OIG managers did not have sufficient information to effectively allocate resources or estimate funding needs.

In addition, the HUD OIG's statement that entries in HUD's accounting system "reflect the funding of task force cases and reference the corresponding case numbers" is incorrect. The OIG headquarters did not maintain financial data on Operation Safe Home by individual task forces until it issued new procedures on June 5, 2001 to track the use of Operation Safe Home task force funds by task force case number.

14. Although the HUD OIG states that its financial information must be decentralized to protect sensitive and confidential information, we noted that it has also initiated actions to centralize accounting for

Operation Safe Home task force funds. We welcome this development and urge the OIG to fully and effectively implement these actions.

15. While the HUD OIG stated it disagrees that it cannot accurately determine the number of arrests and convictions that have resulted from Operation Safe Home activities, it also did not dispute any of the facts we presented to support our finding that Operation Safe Home arrest and conviction data were unreliable. For example, the OIG's letter does not address the problems we identified in the OIG's mechanisms to aggregate arrest and conviction data or the fact that the OIG could not provide documentation supporting the summary investigative data reported to the Congress. We therefore made no changes to the report.

Further, while the OIG stated that there is no requirement for it to have a "management information system for arrest and conviction data," it is responsible for accurately and centrally accounting for investigative information. The Inspector General Act of 1978, as amended, requires the OIG to report to the Congress on its activities semiannually, including convictions resulting from cases it refers for prosecution. While the OIG has provided investigative data to the Congress, the OIG has not fulfilled the requirement effectively because—as our report outlines—the data it has provided are unreliable and unsupported. The OIG provided no evidence during our review concerning the accuracy of its case files, nor could it demonstrate or document whether or how such information was used to compile and report arrest and conviction data. As OMB Circular A-123 stipulates, agencies "should design management structures that help ensure accountability for results" and that "management controls are...used to reasonably ensure that reliable and timely information is obtained, maintained, reported and used for decision making" and that "documentation...must be clear and readily available for examination" (*OMB Circular A-123, Management Accountability and Control, June 21, 1995*, [www.whitehouse.gov/omb/circulars/a123/a123.html](http://www.whitehouse.gov/omb/circulars/a123/a123.html)).

We welcome the implementation of a new management information system for arrest and conviction data. While we believe that it is too soon to determine if the information maintained by the new system will in fact generate reliable arrest and conviction data, we urge the OIG to fully implement the new system, including promulgating additional guidance to be used by HUD staff when inputting investigative information into the recently developed information

system and to also properly maintain documentation supporting investigative data reported to the Congress.

16. The OIG states that we could have accurately determined the number of arrests and convictions by reviewing or sampling records in each of the OIG's 11 district offices. First, as discussed in comment 15, the OIG is responsible for accurately and centrally accounting for investigative information and thus we disagree that it was incumbent upon us to collect, interpret, and summarize nearly 300 case files in 11 locations to reconstruct the number of arrests and convictions resulting from Operation Safe Home investigations. Second, the OIG offered no evidence that case file records located in its district offices were accurate. For example, although the OIG said that internal reviews of case files demonstrated that summary case data reported to OIG headquarters by the districts was accurate, the OIG did not provide these assessments, nor was it able to provide any documentation of any summary case file data reported to OIG headquarters, or to demonstrate how that information was used to generate summary data reported to the Congress. Further, given these reliability and supportability concerns, there is no evidence to suggest that arrests have been underreported.
17. The statement in the draft report—that we could not precisely determine the number and disposition of complaints filed against HUD OIG special agents engaged in Operation Safe Home activities—was based on statements from the Assistant Inspector General for Investigations and other OIG officials who told us that (a) the OIG did not have a centralized system for reporting, documenting, and addressing allegations and (b) the OIG's 11 district offices adjudicated complaints filed against OIG special agents. Therefore, we—in coordination with OIG officials—constructed a record of allegations filed against OIG special agents engaged in Operation Safe Home activities since 1997 based on the OIG's collective institutional memory.

The OIG's letter stated that (a) the OIG has a contractor that provides it centralized information concerning allegations of misconduct filed against OIG employees and (b) all complaint files are maintained at OIG headquarters. This information was not consistent with the information provided earlier by the former Assistant Inspector General for Investigations and other OIG officials who stated that no such system existed and that all records were kept in the 11 district offices. Furthermore, during a meeting in February 2001 conducted to confirm



facts ascertained during our review, OIG managers—including the Inspector General—agreed to the former Assistant Inspector General's characterization. We revised the report to explain these events and to reflect the new information provided by the HUD OIG.

Along with its letter the OIG provided information obtained from its contractor concerning disciplinary actions taken against a number of OIG employees from January 2000 through January 2001. We examined this information; however, it reflected only a portion of the time frame we were examining (January 1997-May 2001) and was insufficiently detailed to determine whether it included any additional allegations against HUD special agents engaged in Operation Safe Home activities. We therefore made no changes to our statement that we could not precisely determine the number and disposition of complaints filed against HUD OIG special agents engaged in Operation Safe Home activities.

18. We agree that on June 4, 2001, the HUD OIG fully implemented a system for reporting, documenting, and addressing allegations against OIG special agents by completing the implementation of recently established policies and procedures pertaining to employee misconduct. We therefore deleted our proposed recommendation in our draft report and have revised the report to reflect this action.
19. The draft report did not suggest that the HUD OIG was required to centralize and segregate disciplinary files concerning complaints filed against OIG special agents engaged in Operation Safe Home activities. As stated in comment 17, based on information that no centralized system existed, we worked with OIG officials to construct a record of allegations filed against OIG special agents engaged in Operation Safe Home activities since 1997. However, we disagree that the OIG erred on the side of inclusion when providing us with information we requested. In fact, during the course of our review, the OIG did not provide us any of the files maintained by the Bureau of Public Debt and the OIG's Legal Counsel's office regarding the misconduct of OIG special agents.
20. We disagree that the reason we were not able to precisely determine the number of complaints lodged against OIG special agents engaged in Operation Safe activities was the difficulty of attributing allegations of misconduct to special agents engaged in Operation Safe Home activities versus other OIG activities. Rather, we were not able to precisely determine the number of complaints lodged against OIG

special agents engaged in Operation Safe Home activities because—according to the Assistant Inspector General for Investigations and other OIG officials—the OIG did not have a centralized system for reporting, documenting, and addressing allegations. Further, as discussed in comment 17, the new information provided by the OIG was insufficient to determine whether it included any additional allegations against special agents engaged in Operation Safe Home activities.

21. We agree that the information concerning these cases would be enhanced by discussing the number of HUD OIG special agents involved in Operation Safe Home activities, and we modified the report to include this information. However, we did not compare the number of complaints lodged against OIG special agents with complaints lodged against employees of other law enforcement entities because we were not requested to do so; therefore, such a comparison was outside the scope of our review. In addition, the OIG's statement that the draft report did not provide the period of time the complaints were received is not correct. Both the draft report and final report stated that the complaints were received from January 1997 through May 2001.
22. We do not believe that the Congress has made any definitive statement in law or legislative history regarding Operation Safe Home and the HUD OIG's audit and investigative independence. The OIG is relying on the fact that the Congress has not enacted a provision addressing its involvement in Operation Safe Home as evidence that the Congress found these concerns to be without merit. However, it is inappropriate for the OIG to rely upon the absence of such a provision in a bill or proposed amendment to infer approval. Unless there is an explanation in the legislative history or the reason is indisputably clear from the context, the effect of such an omission or deletion is simply inconclusive. Fox v. Standard Oil Co., 294 U.S. 87, 967 (1935); See, 1 Principles of Federal Appropriations law (PFAL), 2-71 – 2-72 (2nd ed. 1991) and other cases cited therein. Therefore, we made no change to our proposed matter for congressional consideration.

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# Appendix II: GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Stanley J. Czerwinski, (202) 512-7631  
Steve Cohen, (202) 512-7631

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## Acknowledgments

In addition to those named above, Anne A. Cangi, Thomas Armstrong, Edda Emmanuelli-Perez, John McGrail, Barbara Johnson, and John Shumann made key contributions to this report.

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