



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

1 28193
124111

GENERAL GOVERNMENT
DIVISION

B-215054

MAY 8, 1984

The Honorable Patricia Schroeder
Chairwoman, Subcommittee on Civil
Service
Committee on Post Office and
Civil Service
House of Representatives



124111

Dear Madam Chairwoman:

Subject: Executive Agencies' Employee Cash Awards Program
for Disclosure of Fraud, Waste, or Mismanagement
(GAO/GGD-84-74)

As requested by your office, we are reporting the results of our review of the executive agencies' employee cash awards program for disclosing fraud, waste, or mismanagement. The program was established by section 1703 of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35). This section amended chapter 45 of title 5, U. S. Code, which covers the government's Incentive Awards Program. Under the act, the Inspector General or any other employee designated under 5 U.S.C. 4512(b) may pay a cash award to employees of their agency whose disclosure of fraud, waste, or mismanagement results in cost savings. The award may not exceed the lesser of \$10,000 or an amount equal to 1 percent of the cost savings attributable to the disclosure. The act requires the agencies to submit documentation to the Comptroller General substantiating all awards made under the program. The Comptroller General is required to review the awards and procedures used in making the awards in order to verify the cost savings on which the awards are based.

Our review covered 17 agencies, which employ 95 percent of the civilian work force (excluding Postal Service), and was made between October 1, 1983, and February 29, 1984. Our objectives were to (1) determine the status of agencies' implementation of the awards program and (2) assess the reasonableness of cost savings claimed for awards made under the program. To accomplish these objectives, we reviewed agencies' award procedures, interviewed officials responsible for administering the program,

(966158)

028794

and reviewed the awards made under the program. The review was carried out according to generally accepted government auditing standards.

STATUS OF AGENCIES'
IMPLEMENTATION OF THE
CASH AWARDS PROGRAM

On July 29, 1982, the Office of Personnel Management (OPM) issued guidelines to heads of executive departments and agencies for preparing implementing instructions on the program. As of February 1984, 13 of the 17 agencies had established implementing procedures, and the remaining 4 agencies were processing procedures (see enc. 1). Agency instructions for implementing the program provide information on who is eligible for awards, what criteria are used for granting the awards, how awards computations are made, how cost savings are determined, how the awards are funded, and what documentation is needed to substantiate the awards. Fourteen of the 17 agencies have formally announced the program to their employees through newsletters, letters to employees, departmental orders or instructions, or briefings.

On February 8, 1982, the Comptroller General issued a letter to heads of executive departments and agencies stating that the agencies' Inspector General or designated official (if the agency did not have an Inspector General) should forward a copy of the award justification to the General Accounting Office (GAO) within 30 days of the actual date of each award approval. The agencies were advised that the justification should include (1) the amount of the award, (2) action taken by the agency as a result of the disclosure, and (3) the actual or estimated cost savings to the government from the disclosure. The agencies were also told to retain the documentation supporting the cost savings for at least 5 years or until GAO reviewed the award.

As of February 29, 1984, the Inspector Generals for the Veterans Administration (VA), Department of Interior, and Department of Labor notified GAO of five awards made for disclosures of fraud, waste, or mismanagement. The five awards were issued to seven employees, totalled \$6,100, and resulted in estimated savings to the government of about \$982,683. The largest award was \$3,000 and involved mismanagement in a VA program.

We reviewed the documentation substantiating the awards and the cost savings attributable to the disclosures. In our opinion, the actual or projected cost savings appeared reasonable.

AGENCIES' SUGGESTED CHANGES
TO THE CASH AWARDS PROGRAM

Agency officials suggested to GAO several changes or clarifications to improve this cash award program. These changes or clarifications involve employee coverage, program funding, and computations of awards.

Employee coverage

The act provides that any executive agency civilian employee is eligible for an award. This excludes about 2 million military personnel who work in areas where there is potential for fraud, waste, or mismanagement, such as defense contracts. Officials from the Department of Defense believe that military personnel should be eligible for awards under the program.

Program funding

The act does not provide funds for, or mention how awards will be paid for disclosures of fraud, waste, or mismanagement. Officials from five agencies told us that the Congress should clarify where the award money should come from and should consider appropriating funds for the program. Six of the agencies we reviewed planned to pay awards out of the appropriations for the specific unit realizing the cost savings; three agencies planned to establish special accounts in the budgets of the Inspector General or Office of Controller; five agencies had not designated specific accounts for funding the program; and three indicated the funds would come from salary and expense accounts.

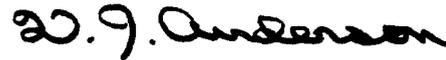
Computation of awards

The act provides that the awards shall be computed on the basis of the total savings attributable to employees' disclosures and that this computation may take into account cost savings projected for subsequent fiscal years. OPM's guidelines for implementing the program state that cost savings attributable to an employee's disclosure should take into consideration savings projected for the first year following implementation as well as savings in all subsequent fiscal years. While five agencies planned to follow OPM guidelines, seven agencies planned to limit the time period for projecting cost savings from 1 to 3 years. Officials at these agencies felt it was necessary to limit the projected cost savings to a period of years for which the monetary value can reasonably be estimated. Five agencies have not indicated how many years will be included in the computation of awards.

- - - -

As requested by your office, we did not obtain agency comments on this report. Also, as arranged with your office, we are sending copies of this report to the Director, Office of Personnel Management; the Director, Office of Management and Budget; and other interested parties. We will make copies available to others upon request.

Sincerely yours,

A handwritten signature in black ink that reads "W.J. Anderson". The signature is written in a cursive style with a large initial "W" and a distinct "J".

William J. Anderson
Director

Enclosure

STATUS OF AGENCIES' IMPLEMENTING PROCEDURES
FOR THE CASH AWARDS PROGRAM:
DISCLOSURES OF FRAUD, WASTE, OR MISMANAGEMENT

<u>Agency</u>	<u>Established</u>	<u>Date established</u>	<u>Being processed</u>
Agriculture			X
Commerce	X	9/82	
Defense			X
Education	X	2/83	
Energy	X	11/82	
Health & Human Services	X	1/84	
Housing & Urban Development	X	10/82	
Interior	X	1/83	
Justice	a	a	
Labor	X	6/83	
State			X
Transportation	X	1/83	
Treasury			X
General Services Administration	X	2/83	
National Aeronautics & Space Administration	X	9/82	
Small Business Administration	X	1/83	
Veterans Administration	X	6/82	

^aThe Department of Justice included the employees' cash awards program for disclosure of fraud, waste, or mismanagement in its Incentive Awards Program. The Department is not developing separate written procedures for implementing the program.