Open and Unimplemented IG Recommendations
Could Save Taxpayers $67 Billion

Staff Report
Prepared for Chairman Darrell Issa
U.S. House of Representatives
113th Congress
Committee on Oversight and Government Reform

March 5th, 2013
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Executive Summary

Congress installed inspectors general (IGs) at Executive Branch departments and agencies to identify waste, fraud, and abuse in the federal government. IGs conduct independent audits and investigations and make recommendations to protect the interests of taxpayers and improve the effectiveness of government. Their valuable work is frustrated if agency management ignores or fails to implement their recommendations.

The House Committee on Oversight and Government Reform has jurisdiction over the IG community. This staff report is a compilation of four years’ worth of data provided to the Committee by the IGs. The IGs responded to annual requests from the Committee for the volume and value of their open and unimplemented recommendations beginning in 2009. Based on data provided annually by the IGs, the Committee’s Republican staff found that agency management has not implemented thousands of recommendations that would save taxpayers more than $67 billion.

The backlog for implementing IG recommendations has reached an all-time high, and the volume of recommendations that remain unimplemented continues to increase every year. In 2008, then-Chairman Henry Waxman found that the Bush Administration did not fully implement more than 13,800 IG recommendations made since 2001. Since then-Ranking Member Darrell Issa began surveying the IGs, the total number of open and unimplemented recommendations has increased dramatically, from 10,894 in 2009 to 16,906 in 2012. The potential savings associated with those open and unimplemented recommendations increased even more dramatically, from $26 billion when Chairman Waxman released his findings in 2009 to more than $67 billion in 2012. These figures reflect the most conservative possible accounting of the number and dollar value of the IGs’ open and unimplemented recommendations. It is likely that both totals are significantly higher.

The data also show a correlation between the absence of a permanent inspector general and a high volume of open and unimplemented recommendations. Since 2009, the Department of State, the Department of Homeland Security (DHS), and the Agency for International Development (USAID) have consistently ranked among the agencies with the most Open and unimplemented recommendations. In 2012, they ranked first, second and fourth, respectively. The President is responsible for filling the IG vacancies at these agencies, as well as at the Department of the Interior, the Department of Labor, and the Department of Defense. These six agencies have been without a permanent inspector general for more than 15 years collectively. More than one quarter ($900 billion) of the President’s total 2013 budget request ($3.6 trillion) was for these six agencies, which employ more than three quarters (more than 3.5 million) of the entire federal workforce (approximately 4.4 million).

As Congress and the Administration work to identify new ways to save money, they would be well-served by implementing the recommendations of the IG community. If evidence continues to mount that the Administration is dismissive of the work of the IG community, Congress should aggressively incorporate unimplemented recommendations into legislative actions.
Background

The Inspector General Act of 1978 (IG Act) established a network of inspectors general throughout the federal government departments and agencies to promote economy, efficiency, and effectiveness.\(^1\) The IG Act placed inspectors general on the front lines of oversight in the Executive Branch. Since then, IGs have compiled an impressive track record of detecting and preventing waste, fraud and abuse in their agencies’ programs. As the eyes and ears of Congress embedded within the federal bureaucracy, inspectors general are a critical component of the legislative branch’s constitutionally-authorized oversight function. Because of their proximity to the agencies they oversee and their statutory independence, inspectors general are uniquely qualified to audit and investigate waste, fraud, and abuse.

The IG Act requires the IGs conduct audits, “recommend policies and activities designed . . . to promote economy, efficiency, and effectiveness” in program administration, prevent and detect fraud and abuse.\(^2\) The IGs also “provide a means for keeping the [agency] head . . . and Congress fully and currently informed about problems and deficiencies. . . .”\(^3\)

The IGs receive whistleblower complaints and conduct investigations and audits to prevent and detect fraud, waste, and abuse in their agencies’ programs.\(^4\) Through their investigations and audit reports, the IGs help Congress shape legislation and oversight activities.

From the perspective of taxpayers, the most important function of inspectors general may be the recommendations they provide directly to agency management. These recommendations identify measures that agency management can take to improve the agencies’ effectiveness and reduce costs. During a time of record deficits and runaway federal spending, this function of the IGs is even more critical.

A 1982 Office of Management and Budget (OMB) circular provides guidance for how Executive Branch agencies should handle IG recommendations.\(^5\) Although the IG Act requires federal agencies to act on IG recommendations within one year, OMB does not require agencies to implement IG recommendations.\(^6\) In cases in which a recommendation identified an opportunity to reduce costs, the failure to implement it represents a missed opportunity to save taxpayer dollars or spend them in a more efficient way.

At the end of the 110th Congress, then-Committee Chairman Henry Waxman “asked the nation’s IGs to identify all recommendations made between January 1, 2001, and December 31, 2008, that had not been implemented by federal agencies.”\(^7\) The Committee also requested

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2 Id.
3 Id.
4 Id.
6 Id.
information about the potential monetary benefits that would result from implementing these recommendations.\(^8\) Chairman Waxman’s staff concluded that federal agencies could have saved taxpayers $25.9 billion by implementing open IG recommendations.\(^9\)

This report contains the findings of the Committee’s ongoing effort to conduct oversight of how Executive Branch departments and agencies respond to the recommendations of the IG community.

**Methodology**

After then-Chairman Waxman’s report was released, Ranking Member Issa continued to solicit information about Open and unimplemented recommendations from the IG community during the 111th Congress. In April 2009, Ranking Member Issa requested information to help the Committee better understand the unrealized savings associated with open and unimplemented recommendations. Every year since then, the IGs have reported the total number of their open and unimplemented recommendations and the associated savings that could have been realized if their recommendations were implemented. Each IG was also asked to identify what he or she considered to be the three most important open and unimplemented recommendations each year. This report is based on the information provided by the IG community over the course of the last four years.

Recommendations result from audits and evaluations performed pursuant to the Inspector General Act of 1978, as amended. Implementation of the IG’s recommendations generally requires one or more of three types of action: legislative, regulatory, and administrative.

The estimated savings reported by the IGs to the Committee provide indicators of potential savings. The actual savings to be achieved depend on the scope of the legislative, regulatory, or administrative action that implements the recommendations.

For the purposes of this report, the Republican staff calculated the dollar value of the open and unimplemented recommendations reported by the IGs by using the most conservative number provided. When an IG reported that a recommendation had estimated savings that would be realized over several years, the staff used the average annual value of the potential savings.

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\(^8\) Id.

\(^9\) Id.
Findings

In fiscal year 2011, more than 14,700 employees at 73 Offices of Inspector General (OIGs) conducted audits, inspections, evaluations, and investigations.\(^{10}\) Collectively, the work of the OIG community resulted in significant improvements to the economy and efficiency of programs government-wide, with potential savings totaling more than $33 billion.\(^{11}\) With an aggregate FY 2011 budget of approximately $2.7 billion, every dollar invested in the OIGs provides a return of more than $10. The total potential savings included more than $24 billion from audit recommendations agreed to by management;\(^{12}\) and, $9.1 billion from investigative receivables and recoveries.\(^{13}\)

However, the savings could have been greater. Agency management left billions of taxpayer dollars on the table. Collectively, management at the federal agencies did not implement 15,784 recommendations from the IGs in FY2011, worth more than $55 billion. In 2012, those numbers rose to 16,906 and $67 billion.

In fact, the numbers of open and unimplemented recommendations and unrealized savings for taxpayers increased every year since Chairman Waxman issued his findings in January 2009. The total number of open and unimplemented recommendations has increased by more than 55 percent, from 10,894 in 2009 to 16,906 in 2012. The potential savings associated with the open and unimplemented recommendations increased even more dramatically, from $29 billion when the IGs were first surveyed by the Committee’s Republican staff in 2009, to more than $67 billion in 2012, an increase of more than 125 percent.

FINDINGS:

- **Federal agencies did not implement 15,784 recommendations from the IGs in FY2011, worth more than $55 billion to taxpayers.**
- **In January 2009, former Chairman Waxman found that federal agencies could have saved taxpayers $25.9 billion by implementing open IG recommendations. Today, there are 16,906 unimplemented recommendations worth $67 billion to taxpayers.**
- **The numbers of unimplemented recommendations and unrealized savings for taxpayers have increased every year since 2009.**
- **There are IG vacancies at the State Department, Department of Homeland Security, and USAID. In 2012, those agencies ranked first, second, and fourth among agencies with the most unimplemented recommendations.**

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\(^{10}\) COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY, A PROGRESS REPORT TO THE PRESIDENT, FISCAL YEAR 2011, “Results at a Glance.” [hereinafter CIGIE FY11 Progress Report]

\(^{11}\) Id. This amount does not include nearly $60 billion reported by the U.S. Postal Service Office of Inspector General on its work associated with “Substantial Savings Available by Prefunding Pensions and Retirees’ Health Care at Benchmarked Levels.”

\(^{12}\) Id.

\(^{13}\) CIGIE FY11 Progress Report.
A. More than 16,900 recommendations remain open or unimplemented.

According to information provided to the Committee as of September 2012, there are more than 16,900 open and unimplemented recommendations. When the IGs were surveyed for the first time by then-Ranking Member Issa in 2009, the IGs reported only 10,884 open and unimplemented recommendations.

![Annual Number of Open and Unimplemented Recommendations](image)

B. More than $67 billion worth of recommendations are open or unimplemented.

According to information provided to the Committee, there are currently more than $67 billion worth of open and unimplemented recommendations. This represents an increase of more than $40 billion compared to what former Chairman Waxman found in January 2009. When the IGs were surveyed for the first time by then-Ranking Member Issa in the spring of 2009, the IGs reported only $29 billion worth of open and unimplemented recommendations.
The potential savings associated with the current inventory of open or unimplemented IG recommendations—$67 billion—is roughly equivalent to the combined amount of money requested in President Obama’s 2013 budget for the Department of Energy ($15.6 billion), the Department of Transportation ($13.8 billion), the Department of Interior ($11.4 billion), the Social Security Administration ($9.0 billion), the Environmental Protection Agency ($8.3 billion), the National Science Foundation ($7.4 billion), the Corporation for National and Community Service ($1.1 billion), and the Small Business Administration ($0.9 billion).14

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**Annual Value of Open and Unimplemented Recommendations**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$29,626,275,991</td>
</tr>
<tr>
<td>2010</td>
<td>$42,251,405,804</td>
</tr>
<tr>
<td>2011</td>
<td>$55,550,783,344</td>
</tr>
<tr>
<td>2012</td>
<td>$67,162,392,168</td>
</tr>
</tbody>
</table>

Figure 2

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C. Agencies without permanent IGs have a disproportionately high number of open and unimplemented recommendations.

Since 2009, the State Department, Department of Homeland Security, and Agency for International Development (USAID) have consistently ranked among the departments and agencies with the most open or unimplemented recommendations. In 2012, they ranked first, second and fourth, respectively. Collectively, these three agencies have been without a permanent inspector general for more than seven years.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Number of Open and Unimplemented Recommendations (2012)</th>
<th>Vacancy Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of State**</td>
<td>1,698</td>
<td>January 16, 2008</td>
</tr>
<tr>
<td>U.S. Department of Homeland Security**</td>
<td>1,697</td>
<td>February 27, 2011</td>
</tr>
<tr>
<td>U.S. Department of Health and Human Services</td>
<td>1,546</td>
<td>--</td>
</tr>
<tr>
<td>U.S. Agency for International Development**</td>
<td>1,272</td>
<td>October 15, 2011</td>
</tr>
<tr>
<td>U.S. Department of Veterans Affairs</td>
<td>1,089</td>
<td>--</td>
</tr>
</tbody>
</table>

** Agency without a permanent inspector general

There are currently six agencies with IG vacancies that must be filled by the President. In addition to the State Department, DHS and USAID, there are also vacancies at the Department of Defense, Department of Labor, and Department of the Interior. The lack of permanent IGs at these six agencies is especially problematic because of their sheer size. These six agencies collectively represent more than one quarter of the President’s entire 2013 budget.\(^{15}\) They employ more than three quarters of the entire federal workforce.\(^{16}\)

<table>
<thead>
<tr>
<th>Agency</th>
<th>President's 2013 Budget Request</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Defense</td>
<td>$672.8 billion</td>
<td>3,200,000</td>
</tr>
<tr>
<td>U.S. Department of Homeland Security</td>
<td>$55.3 billion</td>
<td>198,500</td>
</tr>
<tr>
<td>U.S. Department of the Interior</td>
<td>$13.4 billion</td>
<td>80,700</td>
</tr>
<tr>
<td>U.S. Department of Labor</td>
<td>$101.6 billion</td>
<td>16,700</td>
</tr>
<tr>
<td>U.S. Department of State</td>
<td>$58.1 billion</td>
<td>13,000</td>
</tr>
<tr>
<td>U.S. Agency for International Development</td>
<td>$1.4 billion</td>
<td>4,000</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>$902.6 billion</td>
<td>3,512,900</td>
</tr>
</tbody>
</table>

Long-term IG vacancies weaken the Office of the Inspector General. A permanent IG has the ability to set a long-term strategic plan for the office, including setting investigative and audit priorities. An acting official, on the other hand, is known by all OIG staff to be temporary. One former IG has argued that temporary status “can have a debilitating effect on [an] OIG,

\(^{15}\) Id.
particularly over a lengthy period.” Senator Charles Grassley has stated that “[e]ven the best acting inspector general lacks the standing to make lasting changes needed to improve his or her office.”

Undermined by a lack of legitimacy, recommendations made by acting IGs are less likely to be implemented. The vacancies at the State Department and USAID are especially problematic because of their expanding responsibilities in Iraq and Afghanistan. President Obama’s budget requested $8.2 billion in “extraordinary and temporary” funding for State Department responsibilities in Iraq, Afghanistan and Pakistan. The request came on top of the $43.4 billion proposed for the “core” budget for the State Department and USAID, which manages foreign aid. As the military has pulled out of Iraq and drawn down in Afghanistan, the Administration has turned to the State Department to oversee spending on political, security and economic projects, such as $1.8 billion for Iraqi police training and military assistance.

D. Common challenges identified by the IG community.

To identify common problems across the federal government, starting in 2010, the Committee asked the IGs to describe the three most important open and unimplemented recommendations. Although many recommendations were unique, responses from several OIGs showed common themes, the most notable relating to matters of poor IT security and inadequate oversight of payments to contractors.

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18 Id.
19 Nicole Gaouette, *State Department Budget Bolsters Middle East Aid, Trims Europe*, BLOOMBERG, Feb. 21, 2012.
20 Id.
21 Id.
22 See, e.g., Letter from Patrick E. McFarland, Inspector General (IG), Office of Personnel Management (OPM), to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 26, 2012) (stating that weaknesses reported in FY 2008 and 2009 in Certification and Accreditation processes were “a significant deficiency in the internal control structure of the agency’s IT security program,” and that instead of improving in FY 2010 and 2011, the “longstanding conditions not only continued, but actually degraded.”) According to the letter, the IG believed the problem resulted from “insufficient staffing in the IT Security and Privacy Group, a lack of policy and procedures, and the decentralized designated security officer model in place at OPM”. Id.
23 See, e.g., Letter from Stuart W. Bowen, Jr., IG, Special Inspector General for Iraq Reconstruction (SIGIR), to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 26, 2012) (explaining that “the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) lacked sufficient resources and controls to adequately manage the task orders with DynCorp,” making over $2.5 billion vulnerable to waste and fraud). SIGIR also questioned oversight of Anham’s business systems and other contract administration functions, totaling $113.4 million. Id.
1. Information Technology (IT) Security

The IGs frequently identified weaknesses in information technology (IT) security in their responses to the Committee’s annual survey. As cyber security threats increase, the IG community is concerned that departments and agencies are not properly addressing IT security, and has questioned how agencies will protect vital electronic data in an emergency. Information technology security recommendations have included issues related to the security of networks, servers, computers, electronic data storage, and outdated IT systems.

Not only is robust IT security imperative in the federal government to protect networks and systems containing top-secret government information, but it is also a matter of great concern for American citizens who value their privacy. Due to the increasing amount of digitally recorded and stored data identifying American citizens, a security breach could expose millions of people to fraud, identity theft, and personal hazard without their knowledge. The IGs have found that with the rapid advancement of technology, departments and agencies must take stronger measures to maintain IT security at acceptable levels.

Since 2010, at least thirty-one inspectors general communicated a problem with the implementation of IT security measures or expressed related concerns; fifteen experienced issues over multiple years; and nine expressed concerns related to IT security during all three years surveyed. Many recommendations were not new; rather, they were reissued after receiving no updates from the agencies from the previous year as to action taken.24

In 2009, the OIG for the Office of Personnel Management identified 44 open and unimplemented recommendations related to IT security.25 The same year, the OIG for the National Endowment for the Humanities (NEH) stated that “the agency does not generally implement our recommendations in a timely manner.”26 Fourteen of the Agency’s sixteen outstanding recommendations related to internal operations concerned IT security.27

In 2010, the OIG for the Government Printing Office stated that its longest outstanding recommendation related to network vulnerability. At the time, that recommendation had been open for 48 months.28 In fact, in 2010, IT security related issues accounted for more than one-third of the outstanding recommendations made to the NEH.29 Likewise, the IG for the

24 See, e.g., Letter from David L. Hunt, IG, FCC, to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Jun. 6, 2012) (reporting that agency’s second most important recommendation, which urged development of an oversight plan for its security program over information systems that collect and maintain FCC data but are not operated by the FCC, was first cited in 2009, reissued in 2010, and updated in 2011).
25 Letter from Patrick E. McFarland, IG, OPM, to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (May 1, 2009), Enclosure 1b, Reports with Open Audit Recommendations as of 10/31/2008.
26 Letter from Sheldon L. Bernstein, IG, Nat’l Endowment for the Humanities (NEH), to H. Comm. on Oversight and Gov’t Reform Ranking Member Darrell Issa (May 1, 2009).
27 Id.
29 Letter from Sheldon L. Bernstein, IG, NEH, to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 15, 2010) (reporting that of the fifteen open recommendations and one unimplemented recommendation, six were related to information security).
Consumer Product Safety Commission reported that “[t]he majority of the open recommendations relate to IT security issues.”\textsuperscript{30} In a statement that summarizes the situation at many agencies, the Pension Benefit Guarantee Corporation noted in 2010 that “the need for improvement of information technology operations and security has been a recurring issue at PBGC.”\textsuperscript{31}

During 2011, all three of the most critical outstanding recommendations identified by the OIG for the Federal Labor Relations Authority related to IT security.\textsuperscript{32} In addition, NASA’s IG reported:

[C]omputer servers on NASA’s Agency-wide mission network had high-risk vulnerabilities that could be exploited from the Internet. Specifically, six computer servers associated with information technology (IT) assets that control spacecraft and contain critical data had vulnerabilities that would allow a remote attacker to take control of or render them unavailable.\textsuperscript{33}

By 2012, 24 of the most critical open or unimplemented recommendations identified by the IGs pertained to internet security, representing a slight increase from the 22 identified in 2010. All outstanding recommendations for the National Endowment for the Arts in 2012 concerned IT security deficiencies.\textsuperscript{34} The SEC OIG issued a recommendation suggesting that the agency check to see whether employees and contractors working in the IT department had received a background investigation.\textsuperscript{35}

2. Overpayments

The IGs also consistently reported concerns about inadequate oversight and controls over the outflow of federal funds, especially in contracting and bidding. Many times, overpayments were made where additional documentation or more stringent approval requirements could have identified an ineligibility or overpayment before the funds were disbursed. Alternatively, agencies were sometimes too trusting, allowing contractors to bill after the fact in cases in which prices were not set in advance.

\textsuperscript{30} Letter from Christopher W. Dentel, IG, to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 2, 2010), n. 1.
\textsuperscript{31} Letter from Rebecca Anne Batts, IG, Pension Benefit Guar. Corp., to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 26, 2010).
\textsuperscript{32} See Letter from Dana A. Rooney-Fisher, IG, Federal Labor Relations Authority, to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 29, 2011), Enclosure.
\textsuperscript{33} Letter from Paul K. Martin, IG, NASA, to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 26, 2011).
\textsuperscript{34} Letter from Tonie Jones, IG, Nat’l Endowment for the Arts, to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 19, 2012).
\textsuperscript{35} Letter from SEC OIG to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 27, 2012), Table 2: SEC OIG Three Most Important Open and Unimplemented Recommendations as of April 1, 2012.
In response to concerns about contracting oversight, IGs frequently recommended that agencies only approve contracts for known, specific quantities, with a predetermined price, and a term set in advance. At least six of the significant recommendations identified annually by the IGs for USAID, the State Department, National Science Foundation, and the Special IG for Iraq Reconstruction all related to overpayment, contract, or grantee accuracy issues.

In every year surveyed, the IG for the Department of Defense reported that more than $1 billion remained uncollected from contractors. A large portion of this amount was the outstanding recoveries of payments made that were later deemed unallowable, including payments to deceased, retired military members; recoveries of unspecified improper payments made, and; recovery of unallowable costs from defense contracts. The longer the overpayments remain unrecovered, the less likely collection becomes.

The IG for USAID, the agency responsible for providing emergency funds and resources to foreign countries, disclosed numerous unimplemented recommendations related to vast overpayments and suggested recoveries of unsupported or ineligible costs. Many dated back five years or more. The difficulty of recovering payments made to foreign contractors in developing countries makes the accuracy of contacts from the outset of vital importance.

In 2010, the Department of Education’s IG recommended that prior to issuing grants through the State Fiscal Stabilization Fund, funded by the American Recovery and Reinvestment Act of 2009 (ARRA), reasonable support for key application data should exist. After two years without any resolution, the IG identified this recommendation as one of the three most significant open recommendations. Although the Department ensured that it had received all required data and related information, it did not verify that information. The IG does not typically assign a dollar amount to recommendations made, but after a one-time appropriation of $53.6 billion under ARRA in 2009, in 2010, the budget for the State Fiscal Stabilization Fund Program exceeded $23 billion.

Conclusion

In the face of record deficits and a mandate to address excessive discretionary spending from the Budget Control Act, the House of Representatives has searched for ways to use taxpayer dollars more efficiently. The IGs share that mission. They have worked for years to identify opportunities to run the federal government in a more cost-effective way, and the return on the taxpayer investment in the IG community has been significant. However, management at the federal agencies left additional savings on the table by failing to implement thousands of IG

36 Letter from John R. Crane, Ass’t IG, Dep’t of Defense, to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (Apr. 29, 2009).
37 Letter from Kathleen S. Tighe, IG, Dep’t of Education, to H. Comm. on Oversight and Gov’t Reform Chairman Darrell Issa (May 4, 2012).
recommendations worth tens of billions of dollars annually. The fact that eight of the 73 IG positions are vacant compounds the problem.

At the beginning of each fiscal year, staff from the Department of Health and Human Services OIG follows up with HHS management and its’ operating and staff divisions to determine their progress in implementing recommendations.39 This practice allows the OIG to accurately track the agency’s progress and to communicate to Congress when legislative action may be necessary to effectuate the changes recommended. Because agency management has been increasingly dismissive of IG recommendations, Congress should aggressively incorporate them into legislative actions. More legislative activity based on IG recommendations will result in better use of substantial funds and improvements in program integrity and information systems and processes.