United States General Accounting Office

GAO

Report to the Chairman, Legislation and National Security Subcommittee, Committee on Government Operations House of Representatives

June 1986

INTERNAL AUDIT

Nonstatutory Audit and Investigative Groups Need To Be Strengthened

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

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June 3, 1986

The Honorable Jack Brooks
Chairman, Legislation and National
Security Subcommittee
Committee on Government
Operations
House of Representatives

Dear Mr Chairman

This report responds to your November 20, 1984, request that we (1) identify and verify the names of the various audit and investigative units not subject to inspector general legislation, (2) determine their mission, their staffing level, the types of audits conducted and the existence of follow-up procedures, and (3) on a sample basis, review selected aspects of the offices' operations that may impact on their general effectiveness.

This report indicates there are significant agency functions currently not covered by statutory inspector general requirements It also points out that in a sample of these agencies there are problems associated with audit and investigative activities that are similar to conditions that prompted the Congress to establish statutory inspectors general in other federal agencies It discusses the need for improvements in the selected agencies and our support for legislation to extend inspector general protections and requirements to other federal agencies

At your request, we did not obtain official agency comments and, unless you publicly announce its contents earlier, we will not distribute this report until 30 days from the date of this letter. At that time, we will send copies to the Director of the Office of Management and Budget and the heads of the 41 agencies included in this review Copies will be available to other interested parties upon request

Sincerely yours,

Charles A. Bowsher

Charles A. Bowsher
Comptroller General
of the United States

Executive Summary

Purpose

Agencies with audit and/or investigative units not subject to statuto inspector general requirements mandated by the Congress expend bil lions of dollars annually to carry out important federal functions. Th Chairman of the Legislation and National Security Subcommittee, Ho Committee on Government Operations, requested that GAO identify a and investigative units in agencies not subject to the Inspector Gener Act of 1978, as amended, and obtain such information as mission, staffing, types of audits conducted, and audit follow-up procedures

In addition, the Chairman requested that GAO review selected aspects the audit/investigative units' operations that impact on their general effectiveness. As agreed with the requester, GAO selected four agenci for detailed review—the National Science Foundation, the Farm Cred Administration, the Office of Personnel Management, and the Federal Emergency Management Agency. (See chapter 1.)

Background

Through passage of the Inspector General Act of 1978 (Public Law 95 452), the Congress established statutory inspectors general in selecte agencies to correct organizational and procedural deficiencies that ke audit and investigative activities from being fully effective These de ciencies included (1) a lack of independence by auditors and investiga tors, (2) restrictions on looking into certain areas of suspected irregularities, (3) inadequate coverage of important programs and act ities, (4) audit recommendations frequently being ignored, and (5) the agency head and the Congress not being informed of fraud and other serious problems

GAO has continually worked to improve federal auditing capabilities a since 1975, has issued over 100 reports demonstrating that problems have kept federal internal audit organizations from being fully effect (See chapter 1)

While GAO was conducting this review, legislation was introduced in both the House and the Senate that would extend the act's protection and requirements to most existing executive branch audit and investi tive groups The legislative proposals would require that the head of t audit unit (1) report only to the head or deputy head of the agency, (2) not be removed or transferred without the reasons being communi cated to the Congress, and (3) comply with Inspector General Act reporting requirements to the Congress (See chapter 1)

esults in Brief

GAO identified audit or investigative units in 41 agencies not subject to statutory inspector general requirements In fiscal year 1985, these agencies had a combined total budget authority of over $100 billion and employed more than a quarter of a million people (See chapter 2)

GAO's review of these agencies identified several problems that were similar to conditions that led the Congress to enact the inspector general legislation in 1978. GAO found impairments to the independence of the audit function in 12 of the 41 agencies In addition, GAO's detailed review at four agencies showed that

- important agency functions received little or no audit coverage,
- audit and investigative staffs were not evaluating most of the investigations of alleged fraud and abuse and did not track their disposition or ascertain underlying causes of the illegal activities, and
- audit resolution and follow-up systems did not meet governmental requirements. (See chapter 3)

'rincipal Findings

mpairments to ndependence

Twelve of the 41 agencies with audit groups not subject to statutory inspector general requirements had impairments to the independence of their audit organizations These included two (the Federal Emergency Management Agency and the National Science Foundation) of the four agencies in GAO's detailed review For example, at the management agency, the former nonstatutory inspector general told GAO he felt the office's independence was threatened when he was asked to transfer to another position after his office had been conducting sensitive investigations involving high-level agency officials At the foundation, instead of reporting to the agency head or deputy, in accordance with GAO standards and the Office of Management and Budget's (OMB) requirements, the audit unit was under the supervision of an official who had responsibility for activities subject to audit The audit groups in the other 10 agencies also had impairments to their independence due to organizational placement. (See chapter 3.)

Audit Coverage Limited

Significant agency functions had received little or no independent audit coverage by the internal audit groups in the four agencies reviewed in detail Audit officials said this was largely because of a shortage in audit resources For example, at the management agency, vulnerable areas such as procurement activities and the management of the multimilli dollar Federal Flood and Crime Insurance Programs, were not audited (See chapter 3)

At the foundation, two areas receiving little or no audit coverage involved some of its most important functions—awarding $1.2 billion grants and contracts and disbursing funds to awardees Audits of the areas have been planned for several years but have not been accomplished (See chapter 3.)

Significant Fraud Problems Not Evaluated

The audit and investigative groups at the Farm Credit Administratio and the Office of Personnel Management were not evaluating signific fraud problems confronting their agencies. For example, at the admir tration, the internal audit office was only monitoring investigations o alleged fraud committed by employees of farm credit banks The hea the audit unit was not evaluating fraud perpetrated by farm credit b borrowers, which is a significant problem in terms of numbers of cas and dollars involved. Audit and investigative groups must be aware (and evaluate, all of the significant fraud problems confronting their agencies so that they can determine the underlying causes, systemic weaknesses, and preventive measures needed (See chapter 3)

Lack of Effective Audit Resolution and Follow-Up

Two of the four agencies (the management agency and the foundatio did not meet OMB audit resolution and follow-up requirements For example, at the management agency, the former Director had not appointed a high-level management official to be responsible for the audit resolution and follow-up process as required by OMB Circular A Rather, the management agency's audit regulations assign this task t the head of the audit office. Since audit officials do not have authori to require action, this arrangement does not provide management of cials with the necessary incentive to take appropriate corrective act (See chapter 3.)

Recommendations

GAO recommends that the heads of the agencies in which problems w found (1) remove organizational impairments to audit independence requiring the audit function to report only to them or their deputies, (2) ensure that their audit units review all important and vulnerable agency programs and functions, and (3) establish appropriate audit resolution and follow-up procedures GAO also recommends that the heads of the audit units at the Office of Personnel Management and the Farm Credit Administration evaluate all significant fraud problems confronting their agencies to determine underlying causes and systemic weaknesses in order to identify preventive measures needed. (See chapter 4)

In addition, in view of the problems found in this and other reviews of federal internal audit operations, GAO strongly supports the legislation introduced in the Congress that would upgrade and strengthen internal audit activities

Agency Comments

GAO did not obtain official agency comments on a draft of this report GAO did, however, discuss the facts with responsible agency officials and made revisions where appropriate

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Abbreviations

FCA	Farm Credit Administration
FEMA	Federal Emergency Management Agency
GAO	General Accounting Office
IG	inspector general
NSF	National Science Foundation
OE	Office of Examination
OES	Office of Examination and Supervision
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCA	production credit association

Introduction

This report responds to a request from the Chairman, Legislation and National Security Subcommittee, House Committee on Government Operations, that we identify and assess the capabilities of audit and investigative units not subject to statutory inspector general (IG) requirements (See appendix I) This review is a follow-on to a report issued in May 1984, Status of Internal Audit Capabilities of Federal Agencies Without Statutory Inspectors General (GAO/AFMD-84-45). That report provided the results of a survey on internal audit capabilities of federal agencies without statutory inspectors general We found that the federal organizations surveyed varied greatly in funding and in staff size We also found that some agencies were not complying with OMB Circulars A-73 and A-50, which address audits of federal operations and programs and audit follow-up, nor with GAO's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. Some had no audit coverage, at others the internal auditor did not report to the agency head or deputy, and several agencies that had more than one audit or investigative unit did not have procedures for coordinating the units' work

The Inspector General Act Upgraded Audit and Investigation in Numerous Agencies

In October 1978, the Congress passed the Inspector General Act (Public Law 95-452) in order to centralize the leadership of 12 executive agencies' audit and investigative functions under a senior official at each agency responsible only to the agency head or deputy and having the independence needed to detect, investigate, evaluate, and report on government fraud, waste, and abuse Since that time, legislation has been enacted to establish statutory IGs in several other departments and agencies (See appendix II.)

In the 1977 hearings preceding the initial legislation, numerous organizational and procedural deficiencies were identified, including

- multiple audit and investigative units within an agency operating without effective central leadership,
- auditors and investigators reporting to officials who were responsible for the functions under review,
- investigators being restricted from looking into certain areas of suspected irregularities,
- audit recommendations frequently being ignored by agency officials,
- audit and investigative units severely handicapped due to inadequate resources, and
- the lack of any procedure to ensure that the agency head and the Congress were being informed of serious problems discovered in the agency

The Congress concluded, as a result of these hearings, that independent statutory IGs offered a means to correct governmentwide deficiencies and to ensure that agency programs and operations would be carried out properly and effectively The statutory IG offices were established as independent, objective units charged with

- providing leadership, coordination, and recommendations to prevent and detect fraud, waste, and abuse;
- conducting and supervising audits and investigations of agency programs and operations,
- complying with Comptroller General standards for audits of federal establishments, organizations, programs, activities, and functions;
- promoting economy, efficiency, and effectiveness in agency programs, and
- keeping the agency head and the Congress fully and promptly informed of any serious problems

We have a special responsibility, mandated by law, to ensure the adequacy of internal audit organizations As such, we have continually worked to improve internal audit capabilities through issuance of principles, concepts, and standards, as well as through periodic reviews of audit organizations To illustrate, since 1975, we have issued over 100 reports showing that federal internal audit organizations experienced problems that precluded them from being fully effective.

In addition, we have pledged to continue our work and advise the Congress on further actions needed to solve internal audit problems Most recently, we assessed the need for statutory inspectors general at the Departments of Justice[1] and the Treasury[2] at the request of the Chairman, Senate Committee on Governmental Affairs

While conducting our review, legislation was introduced in both the House and the Senate that would significantly upgrade most existing executive branch audit and investigative groups. In the House, the Chairman of the House Committee on Government Operations introduced a bill (H.R 3077) entitled "The Inspector General Act Amendments of 1985" on July 25, 1985 In addition, the Chairman of the Senate Committee on Governmental Affairs introduced a bill (S 2005) on January 22, 1986, to amend the Inspector General Act of 1978 While

[1] Justice Department An Assessment of the Need for a Statutory Inspector General (GAO AFMD-86-8), February 24 1986

[2] The report on the Treasury Department has not been issued

there are some differences between the two bills, both would extend statutory IG protections and requirements to most existing executive branch audit and investigative units These bills would require, among other things, that the head of the audit unit (1) report only to the head or deputy head of the agency, (2) not be removed or transferred withou the reasons being communicated to the Congress, and (3) comply with semiannual reporting requirements to the Congress.

Objectives, Scope, and Methodology

The objectives of this review were to (1) identify and verify the names of the various audit and investigative units not subject to IG legislation, (2) determine their mission, their staffing level, the types of audits conducted, and the existence of audit follow-up procedures; and (3) on a sample basis, review selected aspects of the units' operations that impact on their general effectiveness.

In order to meet the first two objectives, we contacted 41 federal executive agencies which had audit and/or investigative units not subject to the IG act, as identified in our previous report and in additional surveys We obtained certain information, such as mission, organizational placement, staffing, budget, and numbers and types of audits and/or investigations conducted We briefed the subcommittee on our findings for the first two objectives in February 1985.

In order to meet the third objective, we agreed to review selected aspects of the audit and/or investigative activities of four agencies—th Federal Emergency Management Agency (FEMA), the Farm Credit Administration (FCA), the National Science Foundation (NSF), and the Office of Personnel Management (OPM). We compared their operations with governmental audit standards and mandatory criteria promulgate by the Office of Management and Budget (OMB) and us, as well as to the concepts, requirements, and purposes of the IG Act. We reviewed and held discussions with audit officials about the audit planning, reporting resolution, and follow-up processes We also compared audit plans with actual accomplishments and assessed the adequacy of audit coverage b comparing functional areas audited with their funding and importance in terms of the agencies' missions, as well as the areas' vulnerability to fraud, waste, and abuse

In assessing the investigative function, we held discussions with respon sible officials and reviewed the types of investigations conducted, identified the programs involved, and ascertained the scope of the investigative staffs' responsibility

We discussed the facts contained in this report with responsible officials of the four agencies and have made revisions where appropriate However, in accordance with the wishes of the Chairman, House Subcommittee on Legislation and National Security, we did not request official agency comments on a draft of this report. While our detailed review was conducted from January through September 1985, we updated certain information where appropriate Except as noted above, our work was conducted in accordance with generally accepted government auditing standards

Agencies With Nonstatutory Audit and Investigative Groups Are Responsible for Significant Federal Missions and Resources

The 41 agencies we surveyed that have nonstatutory audit and/or investigative groups expend significant resources to carry on important federal activities (See appendix III) In fiscal year 1985, these agencies had a combined total budget of approximately $101 9 billion[3] and employed more than 276,000 people

The $101.9 billion total does not include expenditures by revolving fund activities that are financed by payments to the funds The total also excludes federal funds invested in the National Consumer Cooperative Bank because it was changed by Public Law 97-35 from a mixed ownership government corporation to essentially a private one and therefore no longer receives budget authority An additional five agencies covered in our review do not receive federal budget authority They are involved in insuring functions or the regulation of banking and financing activities, therefore, the cost of their operations is paid from fees charged to the regulated or insured institutions

Examples of the five bank regulatory agencies include (1) the Federal Deposit Insurance Corporation, whose deposit insurance fund totaled about $18 billion as of September 30, 1985; (2) the Pension Benefit Guarantee Corporation, whose pension trust fund at the end of fiscal year 1985 had approximately $2 billion in assets; and (3) the Farm Credit Administration, which regulates and supervises the farm credit system banks (These banks hold about $74 billion, or about one-third, of the farm debt in the United States.) While these agencies do not have budget authority, there is no assurance federal funds will not be involved. For example, the farm credit system has been self-supporting, but recent problems involving the growing number of bad farm loans and delinquencies threaten the system's viability Legislation was recently enacted granting the Secretary of the Treasury discretionary authority to loan federal funds to the farm credit system, upon certification by the Farm Credit Administration that it has exhausted its available capital

The other agencies whose expenditures are excluded because they are financed through assessments of regulated institutions are the Federal Reserve Board and the Federal Home Loan Bank Board.

[3]This does not include about $179 billion in interest on the public debt contained in the Department of the Treasury's fiscal year 1985 budget authority

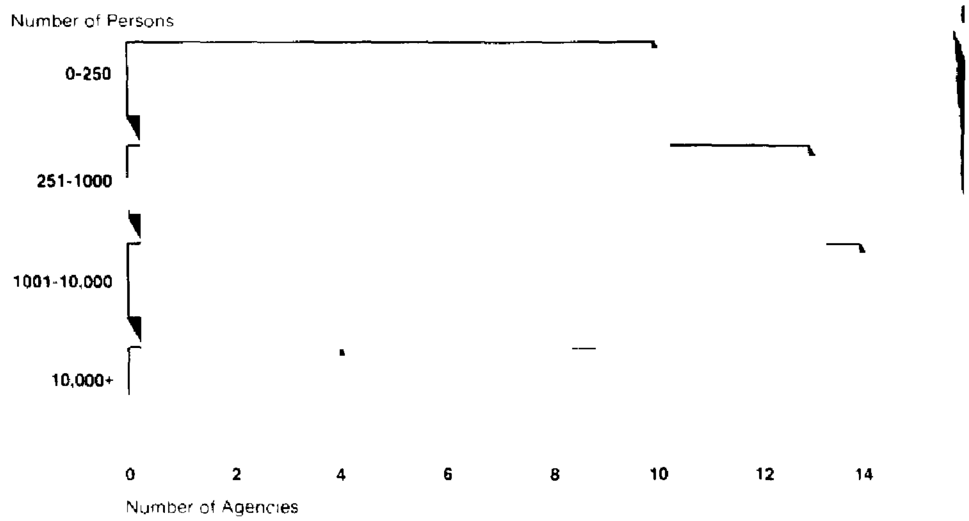
Size of Agencies Without Statutory IGs

Of the 35 agencies without statutory IGs having budget authority, 2 (the Inter-American Foundation and the Federal Maritime Commission) had budget authority of about $12 million in fiscal year 1985. As depicted in Figure 2 1, most of these agencies are responsible for sizable budgets In fact, the budgets of 12 agencies (or almost 34 percent) exceed $400 million. These agencies perform important government functions, including the development of emergency management plans and programs to ensure the security of the government's critical operations during nuclear attack and the administration of the multibillion dollar federal retirement and health and life insurance trust funds

Figure 2.1: Agency Budgets

In fiscal year 1985, the 41 agencies employed more than 276,000 employees. As shown in Figure 2 2, almost 44 percent of the 41 agencies employed more than 1,000 persons, with 4 agencies accounting for more than 219,000 employees These staffing figures include the six agencies without federal budget authority, which employed 6,704 people in fiscal year 1985

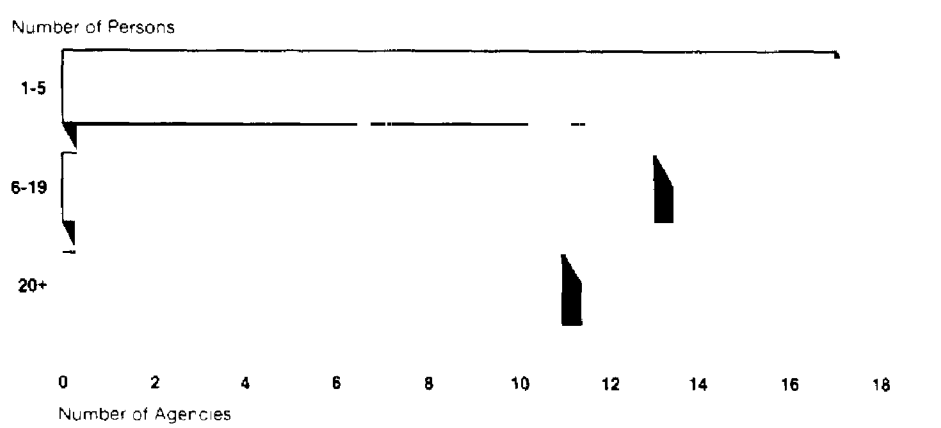
Figure 2.2: Size of Agency Staffs



Size of Audit/ Investigative Staffs

The 41 agencies allocated a significant number of personnel in audit and investigation activities None, however, are subject to the provisions of the IG Act. As of March 31, 1986, these agencies were authorized 1,306 auditors, 747 investigators, and 454 support personnel. The size of each audit staff ranged from 1 to 572, the investigative staff size ranged from 1 to 570. Figure 2 3 illustrates the staff size of the various audit and investigative units

Figure 2.3: Size of Audit/Investigative Staffs



Problems in Nonstatutory Audit and Investigative Groups

Our review of agencies without statutory IGs identified several problem that were similar to conditions that led the Congress to enact the IG legislation in 1978 We found impairments to the independence of the audit function in 12 of the 41 agencies In addition, our detailed review of four agencies—FEMA, NSF, OPM, and FCA—showed that

- important agency functions received little or no audit coverage,
- audit and investigative staffs were not evaluating most of the investigations of alleged fraud and abuse and did not track their disposition or ascertain underlying causes of the illegal activities; and
- audit resolution and follow-up systems did not meet governmental requirements

Lack of Independence of Agencies' Audit Function

At 2 of the 4 agencies we reviewed in detail and at 10 other agencies included in our work, we found that audit units did not possess the degree of independence necessary to ensure impartiality of the audit function We believe that independence of an audit entity is one of the most important determinants of the overall effectiveness of the audit function. Without independence, and the appearance of independence, much of the audit function's credibility can be lost. The Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions states that in all matters relating to the audit work, the audit organization and individual auditors must be free from impairments to independence so that opinions, conclusions, judgments, and recommendations will be impartial and viewed as such by others

The independence standard classifies various factors impairing the independence of auditors Two of these factors are external impairments outside of the audit organization and organizational impairments resulting from the inappropriate placement of the audit function within the organization We found that audit units at 12 of the agencies did no possess an appropriate degree of independence for reasons either external or organizational in nature

At FEMA, which has an Office of Inspector General (nonstatutory) consisting of an audit unit and an investigative unit, the independence of the staff was allegedly impaired by the actions of an official external to the audit organization The GAO standards specifically state that "influences that jeopardize the auditors' continued employment for reasons other than competency or need for audit services" constitute an extern impairment The former nonstatutory IG at FEMA told us that he felt some of the audits and investigations his office had been conducting involving high-level FEMA officials during his tenure had been embarrassing to the former Director, and that this was the reason the former Director asked him to accept a different position in January 1985 The former IG told us he felt this action threatened the office's independence He chose to retire rather than transfer

Efforts by the former IG that preceded the transfer request included

- a review of consultant hiring practices, which found that the intent of the competitive hiring process had been circumvented by high-level officials at both headquarters and the National Emergency Training Center and
- an inquiry involving the acceptance of gratuities from FEMA contractors by the former Director of FEMA and a high-level employee, the cost of which were later billed to FEMA

In January 1985, the former FEMA IG felt compelled to ask OMB for assistance in ensuring the independence and objectivity of his office In so doing, both he and the former FEMA general counsel recommended that a statutory Office of Inspector General be established at FEMA

At NSF, we found that the audit function was downgraded in January 1985 when it was transferred from reporting to the head of the agency to the Office of the Controller The audit unit head told us that he was concerned that the audit staff's independence was not guaranteed by this organizational placement, even though the current controller was very supportive of its efforts.

In addition to NSF, we identified in our initial survey 10 other agencies whose audit organizations lack independence for organizational reasons In these agencies, audit staffs did not report to the agency head or deputy, but rather, they reported to lower-level officials who have direct responsibility for the functions subject to audit In passing the IG Act, the Congress considered this type of arrangement unacceptable in the agencies covered by the act and, therefore, provided that the head of the audit function report only to the agency head or deputy. Moreover, GAO audit standards and OMB guidance (Circular A-73) regarding auditing in the federal government provide that to have sufficent independence, the audit function should report directly to the agency head or deputy—not to officials who have direct responsibility for activities subject to audit The 10 additional agencies which did not meet these reporting level standards are listed in table 3 1

Table 3.1: Agencies Not Meeting Government Audit Standards Due to Organizational Placement of Audit Staff

Name of agency	Title of official to whom audit unit reports
ACTION	Assistant Director, Office of Compliance
Export-Import Bank	Manager, Financial Accounting
Interstate Commerce Commission	Director, Bureau of Accounts
Department of Justice[a]	Assistant Attorney General for Administration
Merit Systems Protection Board	Comptroller
National Labor Relations Board	Chief, Management and Audit Branch
National Railroad Passenger Corporation (Amtrak)	
Internal Audit Department	Vice President for Law
Contract Audit Department	Controller
Peace Corps	Associate Director for Management
Federal Reserve	Staff Director for Management
Department of the Treasury	See note[b]

[a]This chart depicts the organizational placement of Justice s central internal audit group In addition Justice has numerous other groups involved in internal audit activities, none of which report to the head of the agency

[b]While the Office of Inspector General (nonstatutory) in the Treasury does report to the head of the agency, four audit units report to component heads rather than the Secretary of the Treasury or the deputy

Also, during our survey, we noted that the Tennessee Valley Authority did not meet organizational placement standards because its internal audit office was under the supervision of the manager of the Office of Corporate Administration and Planning However, in October 1985, the Authority's director announced the establishment of an independent Office of Inspector General, reporting directly to the Authority's board of directors Subsequently, an inspector general was appointed in January 1986

An audit organization which is responsible to a lower-level official, as noted above, will inevitably be called upon at times to report audit findings in areas falling under the direct responsibility of its own superior. This impairs the independence of the audit function in both fact and appearance It also has the effect of putting auditors in the position of relying on the cooperative attitude of their superior to allow them freedom of action, rather than upon the more dependable insulation offered by proper organizational placement

Lack of Internal Audit Coverage of Important Agency Functions

During our detailed review, we found that important financial and program functions at all four agencies had not received the degree of independent audit coverage warranted by their importance. Agency officials responsible for the audit function at three agencies generally attributed this condition to a lack of audit resources. At the fourth agency, the audit office had just been staffed at the time of our review We noted that FEMA and NSF audit staffs had repeatedly requested additional personnel, and both the NSF and OPM internal audit staffs had seen their capability reduced in recent years

At FEMA, we found that important internal functional areas that are highly vulnerable to fraud, waste, and abuse had not received internal audit coverage. In fiscal years 1982 and 1983, most audit reports (177 out of 198) were devoted to external activities such as the use of funds for disaster assistance Of the 21 audit reports on internal activities, the majority (16) were narrow in scope. These audits dealt only with controls over imprest funds, which are cash funds maintained by certain offices to satisfy definite and continuing needs for cash disbursements

In fiscal year 1984, the FEMA audit office began to devote more of its resources to more significant FEMA internal operations, such as reviews of unliquidated obligations and accounting controls However, we noted that several areas that have had longstanding internal control weaknesses and/or high vulnerabilities to fraud, waste, and abuse had received little or no internal audit coverage These include procurement and the management of flood and crime insurance by FEMA's Federal Insurance Administration The procurement function at FEMA has long been fraught with weak internal controls which have resulted in adverse publicity, congressional hearings, and Justice Department investigations of allegations of fraud and abuse For example, procurement irregularities were the subject of several congressional hearings and investigations in late 1984 and early 1985, culminating in a House Committee on Science and Technology report in July 1985 The report concluded that proper government contract procedures were not followed in connection with numerous contracts, resulting in

- the waste of over $70,000 of government funds for extravagant and unnecessary renovations at the National Emergency Training Center;
- the improper approval of several unsolicited proposals totaling almost $300,000; and
- the payment of undocumented and questionable contractor billings totaling over $3,000, which were actually the cost of gratuities provided to high-level FEMA officials

At the time of our review, the Department of Justice was investigating alleged fraudulent procurement activities at FEMA

Another area not receiving internal audit coverage at FEMA in prior years was the management of the Federal Crime and Flood Insurance Programs by the Federal Insurance Administration These two insurance programs, which are operated by contractors, involve hundreds of millions of dollars annually and, according to IG officials, are highly vulnerable to fraud because of the nature of the programs and poor internal controls. This vulnerability is reflected in the time that the IG investigative staff devotes to reacting to illegal claims During early fiscal year 1985, the FEMA IG investigative staff was devoting about 90 percent of its time to investigating crime and flood insurance fraud cases involving $16 million.

Cases investigated in recent years have included the following

- On May 13, 1985, two insurance adjusters were convicted of scheming with insurers to defraud the Federal Crime Insurance Program These two convictions brought to 23 the total number of people convicted in a scheme that involved a network of claimants and adjusters in New York City. They submitted hundreds of fraudulent claims totaling over $3 million between 1979 and 1981
- On March 4, 1985, a crime insurance policyholder in New York City pleaded guilty to filing nine fraudulent claims between September 4, 1979, and June 24, 1982. Of these, eight were paid, resulting in an overpayment of approximately $66,000.
- On June 20, 1983, a flood insurance policyholder in Alexandria, Louisiana, pleaded guilty to conspiracy in connection with the filing of fraudulent claims involving $37,025.

While the contracts have been audited, the FEMA IG has not conducted internal audits of the FEMA management of the programs An audit of FEMA's management could identify underlying causes of the fraud and abuse and could result in corrective action to help prevent these types of activities in the future

FEMA audit officials told us they do not have sufficient audit or investigative resources to meet the demand and that requests for additional staffing have been unsuccessful. At the time of our review, the Office of the FEMA IG had a full-time staff of 20 auditors, 8 investigators, and 5 support staff The IG has estimated that the staff resources needed total 75. Anticipating shortfalls in both audits and investigations, the former

IG unsuccessfully requested in fiscal year 1985 that the staff size be increased to 60. With regard to audits, he indicated that if the staffing levels were not increased, only limited audits in the areas of accounting, administration, and one major program, disaster assistance, could be accomplished, and no audit coverage of the other four FEMA directorates (Training and Fire Programs, Federal Flood and Crime Insurance Programs, National Preparedness Programs, and Emergency Operations) would occur. In fact, the IG attributed many of FEMA's current problems to a lack of audit coverage and listed at least 18 major functional areas that had received little or no audit coverage in the past due to staff shortages, for example

- administration,
- automatic data processing procurement,
- federal insurance administration,
- contract administration, and
- property management

The IG cited similar staffing problems in the investigations area. He noted that with only eight investigators, his office cannot reduce the growing backlog of pending administrative and criminal cases. We noted that the investigative case backlog had increased from 200 in August 1983, to 267 in December 1984, and to 273 in September 1985. Furthermore, the caseload assigned to investigators is large, senior investigators have up to 60 cases assigned to them at one time. One investigator told us that he had some cases for a year that he has not yet started. Moreover, a study of the FEMA IG Investigations Division, conducted at the request of the former FEMA IG from September 1984 to January 1985 by an investigator from the Immigration and Naturalization Service, found that there was a significant number of cases with no investigative actions for 1 to 2 years. He concluded that the investigative division appeared to be significantly understaffed in light of the workload and the high degree of vulnerability to fraud and abuse associated with several FEMA programs.

At the Farm Credit Administration, an Office of Internal Audit was not established until October 1984. Its director was assigned two criminal investigators and was authorized to hire three auditors. In August 1985, one internal auditor was hired and began working on an internal audit of the Securities Section In late September 1985, two more auditors were hired At the end of our review, no internal audit reports had been issued by the internal audit staff. We found that prior to this time, the only internal audits were performed by personnel temporarily detailed from the 170 person staff of the Office of Examination (OE) This organization has program responsibility for supervising and coordinating examinations of farm credit banks, associations, and other farm credit system components It conducts examinations to assess bank operations and issues reports to bank managers and the head of FCA on issues such as credit administration, credit quality, and fiscal management

Because the examinations it conducts are part of the program responsibilities of FCA, OE does not possess the degree of independence required of an internal audit function. The internal reviews performed by the loaned personnel culminated in two internal audit reports during fiscal years 1983 and 1984. These reports covered FCA internal accounting functions. However, OE did not conduct any review to assess FCA effectiveness and efficiency in carrying out its mission, which is to supervise and regulate the farm credit system.

At the National Science Foundation, which has an audit staff but no investigative staff, we found that several important areas, including major procurements and cash management, had not received audit coverage. These areas include two of NSF's most important functions—awarding grants and contracts and disbursing funds to the awardees. We found that audits of these functions have been planned for several years but have never been performed. A major procurement audit, which was planned for fiscal years 1982, 1983, 1984, and 1985, was not conducted. This audit was to evaluate the policies and procedures used by NSF to award 11,000 grants and 1,400 contracts yearly, the cost of which constitutes over 90 percent of the agency's $1.3 billion budget.

Cash management audits, which were planned but not conducted in fiscal years 1984 and 1985, were to have evaluated (1) the methods used to provide cash to grantees and contractors through letters of credit and cash advances, (2) disbursements for contracts and vendor invoices, (3) debt collection, and (4) reports to the Treasury. Other major areas in which audits have been delayed include a review of a new in-house property management system which accounts for and controls over $8 million worth of property and a review of microcomputer acquisition, support, and work force integration which is intended to assess the validity of NSF's current $1.6 million microcomputer acquisition effort This audit was planned during fiscal year 1985, but was postponed.

In large part, NSF officials attributed audit coverage problems to a shortage of audit resources. In an internal request for additional audit staff dated June 14, 1985, the director of audit and oversight identified over 40 functional areas which he felt should be audited at 2-year intervals. However, at current staffing levels, the Office of Audit is able to perform only about 30 audits every 2 years, instead of the 40 audits deemed necessary by the director. This same official also noted that while NSF was authorized 14 auditors in 1980, only 10 were authorized at the time of our review, nearly a 30-percent decrease.

At OPM, the Office of Inspector General (nonstatutory) has an internal audit staff, an insurance audit staff, and a small investigative staff We found that the IG's internal audit and evaluation capability had been reduced in recent years. Currently, the internal audit staff totals eight. In 1982, the insurance audit function—which performs audits of insurance providers—and the 33 auditors who carried it out were transferred from the Compensation Group to the IG's office. However, during that same period, a program evaluation staff of seven, which conducted program results evaluations, was transferred out of the IG's Office The insurance auditors are not used for internal audits because they are supported by trust funds from employee contributions to health and life insurance programs. Thus, the IG's capability to do internal evaluations of OPM programs actually decreased by almost 50 percent—from 15 to 8 staff members—since 1982. The acting IG told us that because of his small internal audit staff, he must rely on an internal review quality assurance unit within the Compensation Group to do most of the audits of the multibillion dollar retirement program. He felt that this group lacked independence because it reports to program officials

nternal Audit and nvestigative Staffs \re Not Evaluating ;ignificant Fraud 'roblems

One of the important purposes of the IG Act was to promote the prevention and detection of fraud, waste, and abuse. To achieve this goal, the act created each IG as an independent and objective unit and charged it with the responsibility to "conduct and supervise audits and investigations" and to "provide leadership and coordination and recommend policies . to prevent and detect fraud and abuse in such programs and operations." During the course of our review, we found that at two of the agencies we reviewed in detail (FCA and OPM), the primary audit and investigative groups were not evaluating significant fraud problems confronting their agencies

At FCA, we found that the internal audit office monitors only investigations of alleged fraud committed by employees of farm credit banks and does not evaluate fraud perpetrated by farm credit bank borrowers However, fraud committed by borrowers is a significant problem in terms of numbers of cases and dollars involved For example, during fiscal year 1984, FCA's Office of Internal Audit conducted six investigations of alleged employee fraud involving $2 4 million in losses Dur the same period, the farm credit banks conducted 158 investigatioi alleged borrower fraud. Although we only reviewed 36 (23 percent) the borrower fraud cases, we found that these alone involved more tha $6 6 million in expected losses.

The two criminal investigators assigned to the internal audit office investigate fraud perpetrated by employees of the banks. Borrower fraud is investigated by the banks and referred directly to local U S. attorneys. The banks are required to send copies of borrower fraud referrals to FCA's Office of General Counsel, which in turn periodically transmits them to the Department of Justice However, no one at FCA tracks their disposition or otherwise analyzes them to identify trends, characteristics, or underlying management weaknesses so that a correc tive action plan may be formulated and implemented When we discussed this issue with the director of internal audit, he said he was not reviewing borrower fraud cases because he was restricted by FCA's regu lations to investigating only alleged fraud committed by bank employees Nevertheless, we believe that he should be evaluating all alleged fraud cases involving the farm credit system to determine unde lying causes and systemic weaknesses in order to identify preventive measures needed

Many of the borrower fraud cases we reviewed appeared to be directly traceable to long-standing weaknesses in bank and association operations which have been repeatedly reported by FCA's Office of Examination and Supervision (formerly OE). For example, in 1984 the Office of Examination and Supervision (OES) found that in one federal intermediate credit bank, management was following faulty credit administration practices and allowing liberal extensions of credit to borrowers. During the same period, this bank reported 127 borrower fraud cases to the U.S. attorney, or over 80 percent of all borrower fraud cases reported that year in the farm credit system. Among these cases were the following

- One production credit association (PCA) disbursed $256,783 to a borrower 3 months after reporting him for a violation of 18 U.S.C. 658, involving conversion of loan collateral for personal gain on a previous loan. The borrower obtained this second loan with a falsified application, then committed conversion again. Expected loss: $166,714

- Another PCA allowed a borrower to obtain the signatures of cosigners to a loan application without a PCA witness present The borrower forged the signatures Expected loss. $40,179.
- In 1981, one PCA had a borrower who incurred a $180,000 loss This loss, combined with falling real estate values, left the borrower in a position the PCA described as "highly leveraged . with little opportunity for viability " Nevertheless, the PCA continued to advance funds to the borrower through March 1, 1983, increasing his loan balance from $460,000 to over $600,000. The borrower subsequently converted collateral pledged for the loan for personal use Expected loss· $199,150

At OPM, we found that most of the alleged fraud in the retirement program is not investigated, tracked, or analyzed by the Office of the Inspector General. Rather, these functions are carried out by an office reporting to officials who are responsible for administering the federal retirement program This office is the Program Integrity Section of the Retirement Inspection Branch in OPM's Compensation Group. The function of the Program Integrity Section is to identify and resolve fraud, waste, and abuse in connection with payments relating to the Civil Service Retirement Fund This unit may become aware of an error or irregularity in any one of three ways (1) a tip from an employee or the public, (2) a report from the IG's office based on a tip, or (3) the results of an automated file match conducted within OPM or with other agencies An official in the Program Integrity Section told us that the section identifies about 300 cases annually involving alleged retirement fraud. These cases are referred to the U.S Treasury's Secret Service

We found that the IG is not evaluating the vast majority of these cases The IG only tracks those cases resulting from tips sent directly to his office. The chief of the Retirement Insurance Branch informed us that there is no criteria governing which office is designated to receive fraud tips. Those tips which do not come to the IG originally are reported to the IG only in year-end statistical reports. The breakdown of fraud tips between these two units during the period October 1, 1983, to March 31, 1985, is summarized in table 3 2

Table 3.2: Fraud Tips Received by OPM, October 1, 1983 to March 31, 1985

	Cases processed	Percent	Cases with overpayments	Percent	Amount	Percent
IG	78	15	4	7	$ 18,209	3
Program Integrity	438	85	52	93	627,894	97
Totals	**516**	**100**	**56**	**100**	**$646,103**	**100**

Lack of Effective Audit Resolution and Follow-Up Systems

At two of the agencies we reviewed in detail, we found that audit resolution and follow-up systems did not meet GAO standards and OMB requirements One of the problems cited by the Congress in enacting the IG legislation involved inadequate attention to audit findings and recommendations. At about the same time, we reported[4] that more effective actions were needed to ensure that audit findings are acted upon We recommended, in part, that

- OMB make changes to its management circulars to require that agency auditors keep accurate records of all findings until final disposition,
- program administrators be given 6 months to reach decisions resolving audit findings, and
- a high-level official (who is independent of both the auditors and the program administrator) be appointed in each agency and designated to oversee audit resolution and periodically report to the agency head on the disposition of audit findings

Subsequently, OMB took steps to strengthen the audit resolution and follow-up process in federal agencies, culminating in the issuance of OM Circular A-50 in September 1982 This circular requires, among other things, that the agency head designate a high-level management officia to oversee audit follow-up, resolution, and corrective action OMB Circular A-50 also requires the audit follow-up official to ensure that

- accurate systems of audit follow-up, resolution, and corrective action are documented and in place;
- timely responses are made to all audit reports;
- corrective actions are actually taken; and
- semiannual reports are provided to the agency head on the status of all unresolved audit reports over 6 months old (as well as why th have not been resolved and a timetable for their resolution), the number of reports issued or recommendations made during the period, the amoun of disallowed costs, collections, offsets, write-offs, demands for payment, and other monetary benefits resulting from audits These reports should include an update on the status of previously reported unresolved audits

We found that FEMA and NSF did not meet OMB audit resolution and follow-up requirements At FEMA, the former Director had not appointe

[4] More Effective Action Is Needed on Auditors Findings—Millions Can Be Collected or Saved (FGMSD-79-3, October 25 1978)

a high-level management official to be responsible for the audit resolution and follow-up process as required by OMB Circular A-50 Rather, FEMA audit regulations which predate OMB Circular A-50 assign this task to the inspector general Since audit officials do not have authority to require action, this arrangement may not provide management officials with the necessary incentive to take appropriate corrective actions FEMA audit officials told us that responses to internal audit reports are often argumentative, defensive, and unclear as to what action will be taken They also said that the designation of a high-level management official responsible for resolution and follow-up would go a long way toward improving the degree to which audit recommendations are followed because such an individual would have authority to require action—authority which auditors do not have. We also found that there were no complete records documenting the resolution decisions and corrective actions In addition, OMB Circular A-50's requirement for a semiannual report depicting the status of audit resolution to the agency head was not being met

OMB Circular A-50 states that audit follow-up is an integral part of good management and is a shared responsibility of agency management officials and auditors Further, it assigns audit officials to oversee the work performed by nonfederal auditors in connection with federal programs In addition, the GAO internal control standards state that auditors are responsible for following up on audit findings and recommendations to ascertain that resolution has been achieved However, at NSF we found that the Office of Audit was not involved in and did not track or assess the adequacy of resolution of audit findings reported by public accounting firms and other federal agencies on NSF grants and contracts issued to noneducational institutions.

The Office of Audit is responsible for these audits It helps arrange for the audit either by contractual agreements with public accounting firms or other federal agencies, such as the Defense Contract Audit Agency or the Department of Health and Human Services, and receives the audit report upon completion After reviewing these reports to ensure the adequacy of the work, the Office of Audit forwards them to another NSF office, the Award Accountability Branch of the Division of Grants and Contracts, which in turn resolves the audit findings However, while the Office of Audit receives a resolution status report indicating whether or not the recommendations have been implemented, NSF procedures did not require the audit office to be informed of what action had been taken

The acting head of the NSF Office of Audit told us he was very concern that his office does not know how these findings are resolved While ou review was ongoing, he proposed a change to the audit follow-up sectio of the NSF manual that would require the Award Accountability Branch to transmit information to the Office of Audit specifically depicting the results of the resolution process, including a comparison of questioned costs with actual recoveries and justification for the settlements made At the end of our audit, we were told that this change had been approved, however, as of March 14, 1986, a system had not yet been established to effect these procedures

Conclusions and Recommendations

Conclusions

There are billions of dollars expended by agencies not covered by IG A requirements These agencies perform diverse and important governmental functions and employ significant numbers of personnel Our analysis of a sample of these agencies showed that the audit and inve gative groups experienced many of the same problems that prompted the Congress to establish statutory inspectors general in selected agen cies These problems included a lack of independence, inadequate coverage of agency programs, no evaluation of significant agency fraud problems by internal audit staffs, and inadequate resolution and follo up systems

Twelve of the 41 agencies surveyed had external or organizational impairments to audit independence At 11 of these 12 agencies, we found that the head of the audit unit did not report to the agency hea or his deputy, contrary to GAO audit standards concerning organizatio independence of audit units and OMB Circular A-73 Those 11 agencies were ACTION, the Peace Corps, the Export-Import Bank; the Intersta Commerce Commission, the Department of Justice, the Merit Systems Protection Board, the National Labor Relations Board, the National Ra road Passenger Corporation (Amtrak), the National Science Foundatio the Federal Reserve System, and the Department of the Treasury The one agency affected by external impairment was FEMA

Two of the four agencies we reviewed in detail (FEMA and NSF) had significant and/or highly vulnerable programs and functions receiving little or no internal audit coverage In addition, one agency, FCA, had n independent review as to how well it carries on its mission to regulate and supervise the farm credit system Because of a lack of internal au tors at OPM, most of the audit coverage of the multibillion dollar retirement fund is not accomplished by the internal audit staff but rather is conducted by a group who reports to program managers The audit an investigative groups at OPM and FCA were not evaluating significant fraud problems confronting their agencies Also, FEMA and NSF did not meet the audit resolution and follow-up requirements set forth in OMB Circular A-50

The IG Act was passed by the Congress to improve agency operations b upgrading and improving the effectiveness of audit and investigative functions, specifically by establishing independent and objective units carry out these functions and to report the results to the agency head deputy and to the Congress.

Legislation was recently introduced in the Congress that would extend IG Act protections and requirements to most existing executive branch audit units. This legislation would significantly upgrade most nonstatutory audit units in the federal government because it provides that the audit unit director (1) must report to the head or deputy head of the federal entity, (2) cannot be removed or transferred without the reasons being communicated to the Congress, and (3) must comply with semiannual reporting requirements to the Congress This legislation would improve the independence of and provide protection to the audit and investigative functions

Such legislation would help prevent the type of impairment to independence perceived by the former nonstatutory IG at FEMA since it would require an agency head to report to the Congress the reasons for any removal or transfer of the audit unit head

It would also result in the establishment of more effective audit resolution and follow-up systems and keep the Congress and the heads of federal agencies more informed about significant fraud problems confronting each agency In addition, we believe that the higher visibility of the audit and investigative functions would result in greater attention to the resource needs of these activities, thus improving audit coverage and investigative response. In light of the problems we found in this and other reviews of internal audit operations, and in keeping with our special responsibility to ensure the adequacy of federal internal audit activities, we strongly support legislation of this nature

Recommendations

To correct the problems we found at the agencies included in our review, we recommend that

- the heads of ACTION, the Peace Corps, the Export-Import Bank, the Interstate Commerce Commission, the Department of Justice, the Merit Systems Protection Board, the National Labor Relations Board, the National Railroad Passenger Corporation (Amtrak), the National Science Foundation, the Department of the Treasury, and the Federal Reserve System take immediate steps to ensure that the heads of audit units report directly to them or their deputies;
- the Directors of FEMA, NSF, and OPM, and the Acting Chairman of the FCA ensure that all important and vulnerable agency programs and functions are reviewed;
- the Directors of FEMA and NSF establish audit resolution and follow-up procedures; and

- the OPM Inspector General and the FCA Director of Audit evaluate all of the significant fraud problems confronting their agencies to determine underlying causes and systemic weaknesses in order to identify preventive measures needed

Letter From the Chairman, Legislation and National Security Subcommittee, House Committee on Government Operations

JACK BROOKS TEX CHAIRMAN
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NINETY EIGHTH CONGRESS

Congress of the United States

House of Representatives

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE
OF THE
COMMITTEE ON GOVERNMENT OPERATIONS
RAYBURN HOUSE OFFICE BUILDING ROOM B-373
WASHINGTON D C 20515

November 20, 1984

Honorable Charles A. Bowsher
Comptroller General
U.S. General Accounting Office
441 G Street
Washington, D.C. 20548

Dear General

The GAO report Status of Internal Audit Capabilities of Federal Agencies Without Statutory Inspectors General (AFMD-84-45), provided useful information on the audit capability of agencies not subject to the Inspector General Act of 1978. In order to facilitate the Committee's continuing review in this area, I would appreciate it if you would conduc[t] a study of the audit groups established in the agencies which are not subject to the 1978 Act. This review should 1) identify and verify the names of the various units and their components, if any, 2) determine their mission, their staffing level, the types of audits conducted, and the existence of audit follow-up procedures, and 3) on a sample basis, review such other aspects of the offices as may be necessary to determine their general effectiveness.

I would appreciate having this information provided no later than February 1, 1985.

With best wishes, I am

Sincerely,

JACK BROOKS
Chairman

Statutory Inspector General Legislation

Public Law No.	Departments and agencies	Date enacted
P L 94-505	Health, Education, and Welfare (now Health and Human Services)	10/15/76
P L 95-91	Energy	08/04/77
P L 95-452	Agriculture	10/12/78
	Interior	
	Commerce	
	Housing and Urban Development	
	Labor	
	Transportation	
	Environmental Protection Agency	
	Veterans Administration	
	General Services Administration	
	National Aeronautics and Space Administration	
	Small Business Administration	
	Community Services Administration[a]	
P L 96-88 (amended P L 95-452)	Education	10/17/79
P L 96-465	State	10/17/80
P L 97 113 (amended P L 95-452)	Agency for International Development	12/29/81
P L 97-252 (amended P L 95-452)	Department of Defense	09/08/82
P L 98-76	Railroad Retirement Board[b]	08/12/83

[a]The Community Services Administration no longer exists Its Office of Inspector General created in the 1978 Act, is not functioning

[b]At the time of our review, the Inspector General for the Railroad Retirement Board had not yet been appointed However an IG was nominated in October 1985 and confirmed by the Senate in December 1985

Agencies With Audit and/or Investigative Unit Not Subject to IG Legislation

Dollars in millions

Agency name and mission[a]	Total agency staff size FY 1985[b]	Budget authority[b] FY 1984[b]	Budget authority[b] FY 1985	Size A/I st
ACTION ACTION's purpose is to mobilize Americans for voluntary service throughout the United States through programs which help meet basic human needs and support the self help efforts of low-income individuals and communities	481	$ 135.6	$ 149.3	
Commodity Futures Trading Commission The Commission regulates trading on futures exchanges, commodity exchange members, public brokerage houses, Commission-registered futures industry sales people, and commodity trading advisors	567	26.7	27.6	
Consumer Product Safety Commission The purpose of the Consumer Product Safety Commission is to protect the public against unreasonable risks of injury from consumer products, to assist consumers to evaluate the comparative safety of consumer products, to develop uniform safety standards for consumer products and minimize conflicting state and local regulations, and to promote research and investigation into the causes and prevention of product-related deaths, illnesses, and injuries	502	35.3	36.0	
Corporation for Public Broadcasting The Corporation for Public Broadcasting has two major activities (1) direct payments to public television and radio stations to be used at their discretion for purposes related primarily to program production or acquisition and (2) support for the production and acquisition of radio and television programs for national distribution	102	137.5	150.5	
Equal Employment Opportunity Commission The purposes of the Equal Employment Opportunity Commission are to eliminate discrimination based on race, color, religion, sex, national origin, or age in hiring, promoting, firing, wages, testing, training, apprenticeship, and all other conditions of employment	3,107	154.0	163.7	
Export-Import Bank The Export Import Bank of the United States aids in financing exports of U.S. goods and services. It has implemented a variety of programs to meet the needs of the U.S. exporting community	341	829.2	3,939.7	
Farm Credit Administration The Farm Credit Administration is responsible for the supervision, examination, and coordination of the borrower-owned banks and associations that make up the cooperative farm credit system	287	None	None	
Federal Communications Commission The Federal Communications Commission regulates interstate and foreign communications by radio, television, wire, and cable. It is responsible for the orderly development and operation of broadcast services and the provision of rapid, efficient nationwide and worldwide telephone and telegraph services at reasonable rates. It also promotes safety of life and property through radio and the use of radio and television facilities to strengthen the national defense	1,818	$ 89.0	$ 95.4	

ncy name and mission[a]	Total agency staff size FY 1985[b]	Budget authority[b] FY 1984[b]	FY 1985	Size of A/I staff[c]
eral Deposit Insurance Corporation Federal Depos t nsurance Corporation was established to promote and erve public confidence n banks and to protect the money supply igh provision of insurance coverage for bank deposits and periodic inations of insured state-chartered banks wh ch are not members of the ral Reserve System	3 554	None	None	71
eral Election Commission Federal Election Commission administers formulates, and seeks to in compliance with the campaign financing provisions of the Federal tion Campaign Act of 1971 as amended, and Title 26 of the United es Code	235	10 7	13 0	[illegible]
eral Emergency Management Agency Federal Emergency Management Agency was created to provide a e point of accountability for all federal emergency preparedness, iation and response activities The agency is chartered to enhance the ple use of emergency preparedness and response resources at the ral state and local levels of government in preparing for and responding e full range of emergencies—natural and man-made—and to integrate a comprehensive framework activities concerned with hazard mitigation, aredness planning relief operations and recovery assistance	2,564	658 0	529 8	42
eral Home Loan Bank Board Federal Home Loan Bank Board was established to encourage thrift and omical home ownership The Bank Board supervises and regulates ngs institutions which specialize in the financing of residential real te and are the country s major private source of financing for the struction and purchase of homes	657	None	None	21
eral Maritime Commission Federal Maritime Commission regulates the waterborne foreign and estic offshore commerce of the United States ensures that U S national trade s open to all nations on fair and equitable terms and ects aga nst unauthorized, concerted activity in the waterborne merce of the Un ted States	212	10 9	12 3	1
eral Mediation and Conciliation Service Federal Mediation and Conciliat on Service represents the public interest romoting the development of sound and stable abor-management ionships preventing or minimizing work stoppages by assisting abor management to settle their disputes through mediation, advocating ective bargaining, mediation, and vo untary arbitration as the preferred esses for settling issues between employers and representatives of loyees developing the art science, and practice of dispute resolution, fostering constructive joint relat onships of labor and management ers to increase their mutual understanding and the solution of common lems	362	23 3	23 8	4
eral Reserve System Federa Reserve System the central bank of the United States, is ged witn administering and making policy for the nation's credit and etary affairs Through its supervisory and regulatory banking functions, Federal Reserve helps keep the banking industry in sound condition, able of responding to the nation s domestic and international financial ds and objectives	1,614	None	None	3

Agency name and mission[a]	Total agency staff size FY 1985[b]	Budget authority[b] FY 1984[b]	FY 1985	Si. A/I s
Inter-American Foundation The Inter-American Foundation is an independent government corporation that supports social and economic development in Latin America and the Caribbean It makes grants primarily to private, indigenous organizations that carry out self-help projects benefiting poor people	67	$ 13 0	$ 12 0	
Interstate Commerce Commission The Interstate Commerce Commission regulates interstate surface transportation, including trains, trucks, buses, water carriers, freight forwarders, transportation brokers, and a coal slurry pipeline The Commission ensures that the carriers it regulates will provide the public with rates and services that are fair and reasonable	839	58 8	53 5	
Legal Services Corporation The Legal Services Corporation is a private, nonprofit organization established by the Legal Services Corporation Act of 1974 to provide financ al support for legal assistance in noncriminal proceedings to persons who cannot afford legal services	174	275 0	305 0	
Merit Systems Protection Board The Merit Systems Protection Board protects the integrity of federal merit systems and the rights of federal employees working in the systems In overseeing the personnel practices of the federal government, the Board conducts special studies of the merit system, hears and decides charges of wrongdoing and employee appeals of adverse agency actions, and orders corrective and disciplinary actions against an executive agency or employee when appropriate	412	24 3	25 3	
National Consumer Cooperative Bank The National Consumer Cooperative Bank encourages the development of new and existing cooperatives The Bank provides specialized credit and technical assistance to eligible cooperatives that provide goods, services, housing, and other facilities to their members as ultimate consumers	102	None	None	
National Credit Union Administration The National Credit Union Administration is responsible for chartering, insuring, supervising, and examining federal credit unions and for administering the National Credit Union Share Insurance Fund It also manages the Central Liquidity Facility, a mixed-ownership government corporation whose purpose is to supply emergency loans to member credit unions	604	223 3	46 1	
National Endowment for the Arts The goal of the National Endowment for the Arts is the fostering of professional excellence of the arts in America, to nurture and sustain them, and to help create a climate in which they may flourish so they may be experienced and enjoyed by the widest possible public	242	162 2	163 7	
National Endowment for the Humanities The National Endowment for the Humanities is an independent grant-making agency established by the Congress in 1965 to support research, education, and public programs in the humanities	231	140 9	140 2	
National Labor Relations Board The National Labor Relations Board administers the nation s laws relating to labor relations It is vested with the power to safeguard employees' rights to organize, to determine through elections whether workers want unions as their bargaining representatives, and to prevent and remedy unfair labor practices	3,000	$ 133 6	$ 136 9	

ıency name and mission[a]	Total agency staff size FY 1985[b]	Budget authority[b] FY 1984[b]	FY 1985	Size of A/I staff[c]
ıtional Railroad Passenger Corporation (Amtrak) e mission of the National Railroad Passenger Corporation is to provide a lanced national transportation system by developing, operating, and proving U S intercity rail passenger service	20,655	$ 1,938 2	$ 684 0	107
ıtional Science Foundation e National Science Foundation promotes the progress of science and gineering through the support of research and education programs Its jor emphasis is on high quality, science-driven research, the search for proved understanding of the fundamental laws of nature upon which our ure well-being as a nation depends The National Science Foundation also pports applied research in several areas Its educational programs are ıed at ensuring increased understanding of science at all educational els and an adequate supply of scientists and engineers to meet our untry's needs	1,033	1,328 3	1,505 5	18
tional Transporation Safety Board e National Transportation Safety Board seeks to ensure that all types of nsportation in the United States are safely operated The Board estigates accidents, conducts studies, and makes recommendations to vernment agencies, the transportation industry, and others on safety asures and practices	357	21 0	21 9	1
ighborhood Reinvestment Corporation e major activities of the Neighborhood Reinvestment Corporation include establishment of Neighborhood Housing Services and Apartment provement Programs in older, declining residential neighborhoods, ntifying, evaluating, and supporting neighborhood preservation projects at show promise as strategies for reversing neighborhood decline, plicating successful neighborhood preservation projects, and promoting a tional secondary market for local Neighborhood Housing Services' volving loan funds	200	16 0	15 5	1
ıclear Regulatory Commission e Nuclear Regulatory Commission licenses and regulates the uses of clear energy to protect the public health and safety and the environment loes this by licensing persons and companies to build and operate nuclear ıctors and to own and use nuclear materials The Commission makes rules d sets standards for these types of licenses It also carefully inspects the tivities of the persons and companies licensed to ensure that they do not late the safety rules of the Commission	3,318	465 8	443 9	29
fice of Administration, Executive Office of the President e Office of Administration, headed by the Director, provides administrative pport services to all units within the Executive Office of the President, cept those services which are in direct support of the President	139	14 3	16 2	1
fice of Personnel Management (OPM) e Office of Personnel Management administers a merit system for federal nployment, which includes recruiting, examining, training, and promoting ople on the basis of their knowledge and skills, regardless of their race, ligion, sex, political influence, or other nonmerit factors OPM's role is to ısure that the federal government provides an array of personnel services applicants and employees Through a range of programs designed to velop and encourage the effectiveness of the government employee, OPM pports government program managers in their personnel management sponsibilities and provides benefits to employees directly	3,404	$ 53,087 2	$ 56,374 5	46[d]

Agency name and mission[a]	Total agency staff size FY 1985[b]	Budget authority[b] FY 1984[b]	FY 1985	Siz… A/I sta…
Panama Canal Commission The Panama Canal Commission maintains and operates the Panama Canal and the facilities and appurtenances related thereto, coordinates the operation of the waterway and other activities with the Republic of Panama, and correlates joint actions in harbors and port areas, certain housing and public areas, and some civil protection functions	7,835	$ 413.7	$ 429.8	
Peace Corps The Peace Corps purpose is to promote world peace and friendship, to help the people of other countries in meeting their needs for trained manpower, to help promote a better understanding of the American people on the part of the peoples served and to promote a better understanding of other peoples on the part of the American people In 1977, the Peace Corps Act was amended to emphasize the Peace Corps' commitment toward programming to meet the basic needs of those living in the poorest areas of the countries in which the Peace Corps operates	894	117.2	127.9	
Pension Benefit Guaranty Corporation The Pension Benefit Guaranty Corporation guarantees basic pension benefits in covered private plans if they terminate with insufficient assets	490	None	None	
Railroad Retirement Board[e] The Railroad Retirement Board administers comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts In connection with the retirement program the Board has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage	1,518	11,392.0	12,802.6	
Securities and Exchange Commission The Securities and Exchange Commission provides the fullest possible disclosure to the investing public and protects the interests of the public and investors against malpractices in the securities and financial markets	2,046	94.0	106.4	
Smithsonian Institution The Smithsonian Institution performs fundamental research, publishes the results of studies, explorations and investigations, preserves for study and reference over 100 million items of scientific, cultural, and historical interest maintains exhibits representative of the arts, American history, technology, aeronautics and space exploration and natural history, participates in the international exchange of learned publications and engages in programs of education and national and international cooperative research and training All these activities are supported by its trust endowments gifts, grants, and contracts and funds appropriated to it by the Congress	4,281	213.6	230.7	
Tennessee Valley Authority The Tennessee Valley Authority is a government owned corporation that conducts a unified program of resource development for the advancement of economic growth in the Tennessee Valley region The Authority's program of activities includes flood control navigation development, electric power production fertilizer development recreation improvement, and forestry and wildlife development While its power program is financially self-supporting, other programs are financed primarily by congressional appropriations	21,787	$ 449.7	$ 553.5	1…

jency name and mission[a]	Total agency staff size FY 1985[b]	Budget authority[b] FY 1984[b]	FY 1985	Size of A/I staff[c]
nited States Information Agency ne United States Information Agency, formerly the United States ternational Communication Agency, is responsible for the U S overnment's overseas information and cultural programs, including the oice of America and the Fulbright scholarship program	9,351	$ 666 9	$ 797 6	43
epartment of Justice ne Department of Justice serves as counsel for U S citizens It represents em in enforcing the law in the public interest Through its thousands of wyers, investigators, and agents, the Department plays the key role n otection against criminals and subversion, in ensuring healthy business mpetition, n safeguarding the consumer, and in enforcing drug, migration, and naturalization laws The Department also plays a signif cant e in protecting citizens through its efforts for effective law enforcement, me prevention, crime detection, and prosecution and rehabilitation of enders	63,326	3,461 2	3,837 2	329
epartment of the Treasury e Department of the Treasury performs four basic functions formulating d recommending economic, financial, tax, and fiscal policies, serving as ancial agent for the U S government, enforcing the law, and anufacturing coins and currency	114,126	$ 17,972 8[f]	$ 17 972 2[f]	1,489
tal	**276,834**	**$ 94,793.2**	**$101,943.2**	**2,507**

[a]Most mission statements were derived from The United States Government Manual 1984/85

[b]Budget authority and total agency staff (full-time permanent positions) were derived from Appendix, Budget of the United States Government, FYS 1986 and 1987

[c]Audit/investigative and support authorized staffing level as of March 31 1986

[d]Includes 27 auditor positions limited to auditing insurance providers

[e]While authorizing legislation for this agency requires a statutory IG, at the time of our review no IG had been appointed and the Office of Audit was not operating as a statutory IG office Consequently we included this agency in the survey However after our review was completed an IG was appointed

[f]Does not include budget authority for interest on the debt