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STATEMENT OF

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COMPTROLLER GENERAL

OF THE UNITED STATES



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BEFORE THE SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY

COMMITTEE ON GOVERNMENT OPERATIONS

HOUSE OF REPRESENTATIVES

CONCERNING H.R. 7893, A BILL TO ESTABLISH AN OFFICE

OF INSPECTOR GENERAL IN THE DEPARTMENTS OF DEFENSE,

JUSTICE, STATE AND TREASURY AND IN THE INTERNATIONAL

DEVELOPMENT COOPERATION AGENCY

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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee to present the views of the General Accounting Office on the provisions of H.R. 7893 that would establish Offices of Inspector General in the Departments of Defense, Justice, Treasury, State and in the International Development Cooperation Agency.

[GAO Views on

The General Accounting Office strongly supported passage of the 1978 Inspector General Act and other legislation which has centralized internal audit and investigative activities under Inspectors General in 15 major departments and agencies. We supported such legislation because we believe that it:

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- Insures that high-level agency attention is given to promoting economy and efficiency and combating fraud, waste and abuse.
- Provides better assurance that the work of audit and investigative units in those agencies and throughout the Government are coordinated.
- Insures that both the Congress and agency heads receive information on problems involving economy and efficiency and fraud and abuse.

We generally support the provisions in H.R. 7893 as they relate to establishment of Inspectors General at the Departments of Defense, Justice, Treasury, and State. We have some concerns regarding the creation of an Inspector General within the International Development Cooperation Agency that I will be discussing later in my statement.

Before proceeding with my testimony on each of these agencies, I would like to say a few words about the title "Inspector General." Important as the detection of fraud, abuse and errors is, detection should not be our primary concern. Our prime concern should be directed toward seeing that systems of management control are established that will prevent fraud and abuses and decrease the likelihood of error and waste. When it comes to fraud, abuse and error, the old axiom that "an ounce of prevention is worth a pound of cure" fits well. The most important element of preventing fraud, waste and abuse is the establishment of effective internal controls. Experience has shown that

auditors are far more effective and better qualified to assist management in matters involving internal controls than are investigators.

Accordingly, we believe that a major portion of the activities of Inspectors General should be auditing and that this fact should be evident from the title of the position. We therefore recommend that the title Inspector General be changed to Auditor and Inspector General as we suggested in our prior testimony on the 1978 Inspector General legislation.

INCLUSION OF THE DEPARTMENT OF JUSTICE
UNDER THE INSPECTOR GENERAL ACT OF 1978

I would like to first discuss the Department of Justice, which has reorganized or moved its internal audit operations 6 times in the past 13 years. Each reorganization has taken its toll on the effectiveness of the internal audit operation.

We are particularly concerned with the adverse impact of the most recent reorganization. As originally planned by Justice, the internal audit staff would have (1) reported to a lower level in the Department than previously, (2) been subject to policy direction by an official in the Office of the Controller having direct responsibility for activities likely to be audited, and (3) been limited in the scope of its audits by transfer of responsibility for program audits to another group. Through discussions with the Assistant Attorney General for Administration and his deputy, we received assurances, which were later embodied in a Departmental Order, that the audit staff would continue reporting to the Assistant Attorney General for

Administration and that there was no intention to reduce the scope of audits. We are still very concerned, however, about the level of staffing for the internal audit function. About half the internal audit staff within the Department were reassigned to other Justice components subsequent to the last reorganization.

As currently organized, Justice's audit and investigative functions operate under different lines of authority. The Office of Professional Responsibility investigates allegations of employee misconduct. This Office reports directly to the Attorney General. The Internal Audit Staff, which has overall responsibility for auditing activities, reports to the Assistant Attorney General for Administration. In addition, an Evaluation Staff, which reports to the Office of the Comptroller which in turn reports to the Assistant Attorney General for Administration, was recently created to perform evaluations of ongoing and future initiatives to help management set policy and plan strategy.

We support H.R. 7893 which would combine the Office of Professional Responsibility, the Internal Audit Staff and the Evaluation Staff along with the Office of Audit and Investigations of the Law Enforcement Assistance Administration (LEAA) under an Inspector General. This would consolidate and upgrade the Department's audit and investigative capability and would give the audits of LEAA grants and contracts, where the potential for fraud and abuse is particularly high, greater visibility. We believe consideration also should be given to transferring the audit and investigative units in the Drug Enforcement Administration, Immigration and Naturalization Service, Bureau of Prisons, and Marshals Service, as well as the investigative unit in the

Law Enforcement Assistance Administration to the new Office of Inspector General.

One of the most important aspects of H.R. 7893 is the requirement that the Inspector General keep the Head of the agency and the Congress fully and currently informed about problems and deficiencies relating to the agency's programs and operations. The Department of Justice does not routinely report such irregularities to the Congress, and we believe the Department should have an Inspector General to periodically provide this information.

TREASURY'S INTERNAL AUDITING
AND INVESTIGATIVE ACTIVITIES

We also believe that a statutory Inspector General in the Department of the Treasury is needed. In April of this year we testified before the Subcommittee on Treasury, Postal Service, and General Government, Senate Committee on Appropriations, that the Treasury Department should centralize its internal audit and investigative activities under an Inspector General who reports directly to the Secretary of the Treasury.

At the April hearing, Treasury's Assistant Secretary for Administration testified that the Department was not opposed to centralizing their audit and investigative functions although he believed centralization would create certain problems. He said that the bureau heads would no longer have their own internal audit and investigative staffs serving as control mechanisms within their jurisdiction. He also believed that centralization would increase the Departmental budget. Finally, he said the Department currently lacks a management staff with sufficient personnel

and expertise to manage a diversified nationwide audit and investigative activity. We believe these problems can be overcome, and that the advantages of a statutory Inspector General at Treasury would outweigh the disadvantages cited by the Assistant Secretary.

Most of Treasury's activities presently are reviewed by audit staffs located in 10 bureaus and by investigative staffs located in 5 bureaus. Another bureau is currently in the process of establishing an investigative staff. In addition, the Treasury has a non-statutory Office of Inspector General that was established on July 18, 1978, to:

- supervise investigations of allegations concerning high-level Treasury officials;
- coordinate but not duplicate work of the bureau's investigative components;
- provide investigative services to bureaus not having investigative components; and
- review bureau operations involving employee misconduct.

The Office of Inspector General began operations in September 1978 with a staff of three professionals. The Inspector General presently has a staff of six professionals. He is also authorized to detail investigators from Treasury's bureaus and field offices. In fiscal 1979, the Inspector General obtained the equivalent of about 18 investigative years from those bureaus and field offices. In addition,

Treasury's Office of Audit, with a staff of 12, has been under control of the Inspector General since February 1980.

The Inspector General's authority was substantially expanded by a Treasury Order dated February 27, 1980, which assigned him authority to:

- Review and approve bureau internal audit and investigative plans;
- Evaluate bureau internal audit and investigative programs; and
- Analyze reports to inform the Secretary or Deputy Secretary of any significant problems, abuses, or deficiencies disclosed in bureau audits and investigations and of corrective actions taken.

In addition, the bureaus are required to consult with the Inspector General in recruiting and selecting bureau officials in charge of their internal audit and investigative components.

We believe Treasury's action to establish its own Inspector General was a step in the right direction, but we believe a statutory Inspector General would significantly improve the capability of the Treasury Department to combat fraud, waste and abuse.

We also believe that in addition to the transfer of the existing Office of Inspector General and 10 of Treasury's internal audit agencies to a new Inspector General Office, that consideration should be given to transferring the investigative units of the following Services and Bureaus to this Office: the

of Foreign Service now engaged in auditing and investigative activities. Another Inspector General Office would be located in the International Development Cooperation Agency (IDCA), and would be responsible for reviewing all foreign assistance operations. It would be established through transfer to IDCA of the Office of Auditor General of the Agency for International Development (AID).

State Department

We testified in September 1979 that we support the inclusion of the State Department under the 1978 Inspector General Act, and we continue to support such a proposal. However, we believe the specific functions of the new Office of Inspector General must be clarified before it is established.

As recently as 1977 there were two Inspectors General at the State Department - one for Foreign Service and one for Foreign Assistance. Public Law 95-88 abolished the Office of Inspector General, Foreign Assistance, and assigned its functions for reviewing foreign assistance programs to the Inspector General, Foreign Service in June 1978 by Executive Order 12066.

The foreign assistance program responsibilities reassigned by the Executive Order have never been implemented by the Inspector General, Foreign Service because a fund reprogramming request, which would have provided the resources needed for the assigned functions, was denied. Accordingly, the Office of Inspector General, Foreign Service, while conducting some audits, has continued to primarily perform reviews of the work of U.S. diplomatic and consular establishments.

These latter reviews cover the economic, commercial, consular, and political affairs of U.S. embassies, consulates, various missions and other lesser offices in foreign countries.

The present language of the bill does not specifically state if the foreign assistance program responsibilities presently assigned to the Inspector General, Foreign Service will come under the new proposed Office of Inspector General in the State Department or will be transferred to another organization. From the statement made by Senator Eagleton when he introduced the Senate companion bill to H.R. 7893 on August 6, 1980, it appears the intention is to transfer these responsibilities to the newly proposed Office of Inspector General within IDCA. We, however, see problems with establishing such an Office within IDCA at this time, and we will discuss these problems in more detail later in this statement.

We would like to reemphasize that any legislative action to establish an Inspector General Office in the State Department under the 1978 Act should specifically identify the scope of that office's duties and responsibilities. If the Congress decides that the auditing and investigative responsibilities for the foreign assistance programs now assigned to the Inspector General, Foreign Service should be included as part of the new Inspector General's functions in the State Department, then we believe the legislation must make it clear that these responsibilities are not to duplicate the work of the audit, investigation, and inspection groups of other agencies.

International Development
Cooperation Agency (IDCA)

As for the proposal to establish an Inspector General in IDCA under the 1978 Act, we have some concerns about taking such action at this time because IDCA was only established in October 1979, and it still is experiencing start-up problems. We believe that the Congress needs to consider some important questions associated with IDCA's role in development assistance before enacting legislation on this proposal. Some of these questions are:

1. Should IDCA have operational responsibility for an Inspector General Office when its primary role, as we understand it, is to coordinate all U.S. policies and programs affecting the economic development of developing countries?
2. What authority would IDCA and its Inspector General have over multilateral program matters administered by the Secretaries of Treasury and State and the Department of Agriculture?
3. If an Inspector General is established in IDCA, to whom does he/she report?
4. What other legislative action is under consideration that would create an Inspector General in AID? Presently, we are aware of two bills--S. 2714 and H.R. 6942.

Besides considering these questions, Congress may want to consider the results of recently completed, ongoing and planned GAO work involving IDCA and the AID Auditor General. In a GAO

report dated February 1, 1980, entitled "Coordinating U.S. Development Assistance: Problems Facing the International Development Cooperation Agency", ID-80-13, we stated and I quote "...it was one of the major purposes of the reorganization plan to separate IDCA from AID in order to enhance IDCA's independent identity and role as an honest broker among independent organizations and activities. It is also the intent that the IDCA Director spend most of his energies on coordination activities." We added that "At this time the intended lines of division between AID and IDCA are quite unclear. Although...it is the intention of the administration and of the IDCA Director that he will stay out of day-to-day AID decisionmaking, the temptations for him to become involved could be considerable."

Presently, we have plans to follow-up on the progress made by IDCA to achieve the purpose for which it was established. An assignment which will assess the progress and problems of the new IDCA is scheduled to start in February 1981.

In addition to these reviews involving IDCA, we are currently involved in a study of the AID Auditor General's operations. One objective of this study is to determine the possibility of eliminating the Office of the Auditor General in AID in favor of an Office of Inspector General, or as we would prefer to call it, an Office of Auditor and Inspector General.

THE DEPARTMENT OF DEFENSE

The last portion of my testimony deals with the Department of Defense. As with the other agencies, we oppose the term "Inspector General" and propose for the Defense Department that

the new official be called Auditor General. Our reason for this is that the term Inspector General has a special meaning in the military, signifying a person primarily interested in military discipline, morale and welfare problems. We think it would be less confusing to call the new official the Auditor General, a title which has been adopted by each of the military services for their chief auditor, and which I will be using in the remainder of my statement.

We support the concept of an Auditor General in the Department of Defense. We testified in July 1978 that such an office was feasible and desirable. Since our testimony two years ago, we have performed reviews of the Defense Contract Audit Agency and the Inspectors General of the Army, Navy, Air Force, Marine Corps, and Defense Logistics Agency. Thus, we feel we have a better understanding of the Department of Defense's audit, investigative and inspection activities. We have also reviewed the study of the Task Force established by the Inspector General Act of 1978, and its recommendations for improvement of these activities.

In our opinion, the Defense Audit Service, the Defense Logistics Agency Inspector General, and the criminal investigative operations of the Defense Investigative Service should be included in the new Office of Auditor General. However, we do not believe the Defense Contract Audit Agency should be included.

The Defense Contract Audit Agency is not an internal audit organization. It is responsible for contract auditing, and provides contracting officers with financial information and advice

on proposed or existing contracts and contractors. Based on our 1979 review of the Agency's operations, we do not believe it is appropriate to include it in the new Office of Auditor General because it is performing a valuable procurement support function in its present location for the Department of Defense.

I would also like to mention that while we support the inclusion of the Defense Logistics Agency Inspector General in the bill, the Committee should be aware that while this transfer will improve the overall inspection coverage of Defense activities, there may be a corresponding reduction in internal control for the Defense Logistics Agency. We reviewed the operations of the Inspector General for the Defense Logistics Agency and issued a report to you, Mr. Chairman, in December 1979. In it, we pointed out that the Defense Logistics Agency had its own internal auditors until October 1976, when the Secretary of Defense transferred those auditors into the new Defense Audit Service. As a result, the Defense Logistics Agency now gets about one fourth the audit coverage from the Defense Audit Service that it received when it had its own audit organization. .

The Defense Logistics Agency is highly susceptible to fraud, waste, and abuse in its operations; and accordingly if its Inspector General is transferred, we hope the new Auditor General will be able to devote sufficient audit and investigative coverage to the Defense Logistics Agency to compensate for that loss.

PROPOSED ADDITIONS TO
THE BILL

We believe two items should be added to the portions of the bill regarding the Department of Defense. First, we believe the bill should specify that the Auditor General be a civilian. In three reports issued on the military services' internal audit agencies, we reported problems that occurred when audit services were headed by military personnel. The services subsequently have adopted the practice of having their Auditors General be civilians. This practice should also be applied to a Defense Department Auditor General. I might add that the Defense Audit Service has had a civilian director for many years.

We also believe that the Department of Defense Auditor General should have the authority to draw upon the services' audit and investigative resources when needed for special Defense-wide reviews. We do not envision this as being the normal operating procedure, and such authority should be used only in rare instances. However, we believe that when needed to give the Secretary of Defense a Defense-wide perspective, the Auditor General should be able to assemble the resources necessary to do the job.

REPORTING RESPONSIBILITIES

In summary, Mr. Chairman, we support the concept of a Department of Defense Auditor General. We believe the reports of the Auditor General submitted to the Congress through the Secretary of Defense, as required by H.R. 7893 will result in improved internal controls and better congressional oversight of Defense activities.

This concludes my statement and I will try to answer any questions you have.

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