



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

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RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-210889

August 23, 1983

Mr. Joseph P. Welsch
Inspector General
Department of Transportation

Dear Mr. Welsch:

Subject: GAO's Review of Selected Operations of the
Department of Transportation's Office of
Inspector General (GAO/RCED-83-116)

We have completed our review of selected operations of your office. Our review centered on how well your office complied with audit standards and how often your audit recommendations were implemented.

We found that your office has made significant progress since it was established in February 1979. It has identified millions of dollars in potential cost savings and is responsible for many improvements in Department of Transportation (DOT) programs and operations.

Our review did show, however, that you could improve your operations by (1) evaluating the extent of compliance and, where necessary, improving compliance with Federal field work and reporting standards and (2) encouraging DOT administrations to take more aggressive corrective action on audit findings. As you indicated, your office has taken some actions in recent months to improve these areas.

This limited review was undertaken before we began developing a long-range plan and approach for periodically reviewing Inspector General (IG) operations. Thus, this review is not a comprehensive, overall assessment of your operations. Our objectives, scope, and methodology are explained in enclosure I.

In April 1983 you commented on a draft of our report. You told us that your office is taking actions related to our findings and provided general comments on the draft. This letter discusses the matters that we believe still need your consideration.

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EXTENT OF COMPLIANCE WITH
AUDIT STANDARDS

During our review, your office had not performed periodic and systematic evaluations of both audits and resulting reports to ensure that headquarters and regional offices are complying with field work standards developed by the Comptroller General.¹ The Inspector General Act of 1978 requires IGs to comply with these standards. We found that although headquarters' staff does evaluate selected reports for compliance with most of the reporting standards, they did not make periodic, systematic evaluations of audit offices' compliance with standards to identify weaknesses.

Our evaluation of 22 audits and reports issued in fiscal year 1982 by three Office of Inspector General (OIG) offices showed that field work and reporting standards were generally followed. However, we identified instances of noncompliance with at least two standards in every audit and/or report reviewed. Of the 20 standards we checked, 63 percent of the reports complied with 15 or more items. The extent of noncompliance varied in each of the three offices sampled.

We believe that a periodic evaluation by your office to determine how well various audit offices are complying with standards would enable you to identify problems and identify actions needed to strengthen the compliance with audit and reporting standards.

You indicated that your office is taking the steps it believes are practicable to ensure compliance. In March 1983, subsequent to our review, your office began to make an evaluation of one regional office. This evaluation effort--scheduled to be performed at three OIG offices during the first year--includes determining how well the offices are complying with the standards.

EXTENT OF ACTIONS TAKEN
ON AUDIT REPORTS

We reviewed the extent to which DOT administrations have taken corrective actions based on your audit findings. We found that DOT agencies frequently did not take corrective actions promised. Your own internal followup study showed the same results. We believe that more corrective actions might be taken if your office periodically audited DOT's audit followup system and reported to the Secretary on instances when corrective actions are not being taken on sustained findings.

¹"Standards for Audit of Governmental Organizations, Programs, Activities, and Functions," Comptroller General of the United States, 1981 revision.

We randomly selected 60 OIG reports issued and recorded in your management information system between October 1979 and March 1982. The reports contained sustained findings involving potential savings of \$126 million. For each of the findings, we contacted the appropriate administrations and obtained documentation on the actions taken. We found that the administrations had taken actions resulting in recoveries of about \$44 million, or 35 percent. More than \$23 million, or 18 percent, were still pending. At that time no action had been taken on the remaining 47 percent.

In January 1982 your office initiated a followup system to determine the status of actions taken on selected sustained audit findings. The first followup was made on findings--each involving more than \$100,000--that were discussed in reports issued between October 1, 1981, and March 31, 1982.

Your auditors obtained documentation from the administrations concerning completed and pending actions. The followup effort covered 32 findings totaling \$50.6 million, or 93 percent of the offsets or recoveries reported for the period, and 32 findings totaling \$455.2 million, or 99 percent of potential cost-avoidance savings. Your auditors found that as of June 3, 1983, administrations had recovered about \$53.2 million, or about 105 percent, of the \$50.6 million of offsets or recoveries reported and had realized about \$216.7 million, or 48 percent, of the \$455.2 million in potential cost-avoidance savings.

In September 1982, the Office of Management and Budget revised Circular A-50 to specify the key elements in agency audit followup systems. The circular emphasizes that management must take corrective actions on audit findings to improve Government efficiency and effectiveness.

The followup actions on findings from the 60 sample reports we reviewed were initiated before Circular A-50 was revised. However, the revised circular does not require additional OIG followup activities nor did it significantly change previously required DOT administration actions, except for the requirement that a single high-level DOT official be identified as the Department's chief followup official.

Because DOT administrations did not take action on some sustained audit findings in the past, we believe that your office should perform periodic audits of DOT's A-50 followup system. The audits should (1) determine the adequacy of the followup system and (2) determine the degree to which administrations are taking corrective actions. We believe that the results of these audits should be reported to the Secretary.

You told us that your office plans to audit DOT's followup system when it believes it to be necessary and may initially audit portions of the system more frequently than when the system is fully operational. You also indicated that any audits of this type must compete with other audit priorities and that the results of such audits would most likely be reported to DOT's followup official rather than the Secretary.

CONCLUSIONS

Because you are evaluating the various headquarters' and regional offices' compliance with field work and reporting standards, we are not making any recommendations on this matter. We believe that such evaluations should be made on a periodic basis in the future.

We believe more corrective actions would be taken if you periodically audited DOT's audit followup system and notified the Secretary when corrective actions were not taken.

RECOMMENDATION

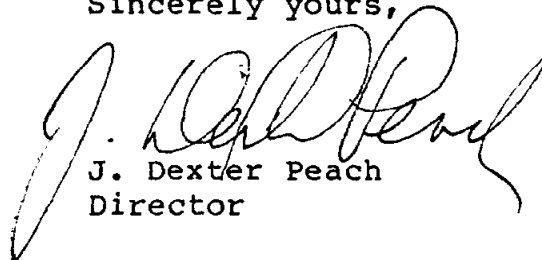
We recommend that you perform periodic audits of the DOT's audit followup system and report the results to the Secretary. Your reports should disclose instances of corrective actions not being taken on sustained findings.

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Please let us know what additional actions you plan to take on these issues. If you have any questions or wish to discuss these issues, please contact Mr. Oliver W. Krueger, 275-4914 or Mr. Stephen L. Keleti, 426-2125.

We are sending copies of this letter to the Secretary of Transportation and the Assistant Secretary for Administration; the Director, Office of Management and Budget; and interested congressional committees.

Sincerely yours,



J. Dexter Peach
Director

OBJECTIVES, SCOPE, AND METHODOLOGY

Our review of the DOT OIG was done during the period between November 1981 through September 1982. The objectives of the review were to (1) determine the extent of compliance with audit and reporting standards and (2) identify potential OIG actions to improve the audit resolution and followup process. We did not review financial controls because OIG is a relatively small organization whose major expense is personnel compensation and benefits.

We conducted our review at DOT OIG and DOT administration offices in Washington, D.C.; Boston, Massachusetts; and Kansas City, Missouri. In selecting these locations, we considered for each region (1) the volume of DOT expenditures, (2) the number of OIG reports issued, (3) the number of OIG personnel, (4) the Inspector General's and an Assistant Inspector General's opinion as to the regional office representativeness of OIG, and (5) our staff availability.

To obtain general information and information specifically related to our objectives, we interviewed the Assistant Inspectors General for Audit and Policy and Planning, OIG Office Directors and Regional Managers, and OIG auditors. In addition, we analyzed DOT OIG semiannual reports to the Congress, DOT budget requests for fiscal years 1981 through 1983, and selected data from the OIG's Automated Management Information System. We performed sufficient tests of the automated data to assure its reliability for our audit.

To determine the need for and feasibility of evaluating OIG compliance with field work and reporting standards, we prepared a checklist and applied it to 22 DOT OIG reports. The checklist contained standards taken from the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions," 1981 revision, by the Comptroller General of the United States.

We selected only fiscal year 1982 reports based on audit work done by DOT OIG auditors so that we would evaluate the most recent examples of OIG reports. On June 30, 1982, we listed fiscal year 1982 audit reports on file with the OIG Office of Policy and Standards which had been issued by the three OIG offices. These offices had issued 45 reports--22 by Washington, 13 by Boston, and 10 by Kansas City. Using a random number table, we selected 22 reports, comprised of about one half of the reports issued by each office. The small universe of reports did not permit selection of a statistically valid sample. Because we used random methods to select the reports, our selection method is unbiased, but the evaluation results cannot be projected to those reports in the universe we did not select.

If our evaluation indicated a potential "no" answer to any question on the checklist, we provided the auditor an opportunity to demonstrate compliance with the standard before entering a "no" on the checklist. Except as noted, we found OIG to be in compliance with laws and regulations applicable to the areas we reviewed. We did not identify conditions leading us to believe that OIG does not comply with other laws and regulations.