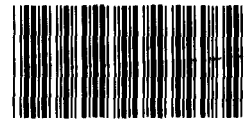


April 1990

INSPECTORS  
GENERAL

Staff Resources of  
VA's Office of  
Inspector General



141285

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548266  
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**Accounting and Financial  
Management Division**

B-233770

April 13, 1990

The Honorable John Glenn  
Chairman, Committee on Governmental  
Affairs  
United States Senate

The Honorable Alan Cranston  
Chairman, Committee on Veterans' Affairs  
United States Senate

The Honorable John Conyers, Jr.  
Chairman, Committee on Government Operations  
House of Representatives

The Honorable G. V. Montgomery  
Chairman, Committee on Veterans' Affairs  
House of Representatives

The Department of Veterans Affairs Act, Public Law 100-527, established the Veterans Administration as an executive department effective March 15, 1989, and redesignated it the Department of Veterans Affairs (VA). The act also authorized 40 additional staff members for VA's Office of Inspector General (OIG) to be phased in over fiscal years 1990 and 1991. The conference report<sup>1</sup> accompanying the act directed GAO to review the resources available to VA's Office of Inspector General for carrying out its statutory responsibilities. As agreed with your offices, our review evaluated the OIG's use of its current staff, its planned use of the additional 40 staff members authorized by the act, and its plans to request further staff increases.

We found that the OIG is providing widespread coverage of VA's operations through its audits and investigations of facilities, programs, and functions. The 40 additional staff members authorized by the act will be used to provide more in-depth coverage of VA's operations in areas currently subject to OIG audit and investigation. This increase of 40 will bring the authorized VA OIG staffing level to 417, which is almost the level it requested in budget submissions for fiscal years 1988 and 1989. This is also the staffing level the OIG has cited as needed in its 5-year

<sup>1</sup>Conference report 100-1036, dated October 3, 1988, accompanied H.R. 3471, which was enacted as Public Law 100-527.

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resources plan and in hearings before the House Veterans' Affairs Committee.

The Acting Inspector General (IG) stated that he planned to request additional staff beyond the 40 authorized by the act. Based on the results of a workload assessment developed in January 1989, the Acting IG submitted a budget request to VA for 80 additional staff members in fiscal year 1991 and plans to request about an additional 80 staff members in each subsequent fiscal year through 1995. The workload assessment concluded that the VA OIG needed a staffing level of 809 to provide maximum audit and investigation coverage of VA operations.

In our view, however, the workload assessment does not adequately support a staffing level of 809. The OIG did not establish audit or investigative priorities for VA's diverse facilities, programs, and functions in determining its staffing requirements. Guidance for establishing priorities is included in Office of Management and Budget (OMB) Circular A-73 and OIG policies. We believe that the OIG could better identify its staffing requirements by establishing priorities for the facilities, programs, and functions identified in the assessment and by considering the impact of its new audit approach.

To better identify VA OIG staffing requirements, we recommend that the VA Inspector General establish priorities in the OIG workload assessment and consider the effect of those priorities and its new audit approach on future staffing needs.

In commenting on a draft of this report, the Acting IG agreed to include priorities in the OIG workload assessment and to consider the effect of its new audit approach on its staffing requirements. The Acting IG did not agree that the workload assessment does not adequately support a staffing level of 809.

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## Background

The VA OIG was established administratively on January 1, 1978, and was made a statutory OIG nearly 10 months later by the Inspector General Act of 1978. The OIG's mission is to prevent, detect, and reduce fraud, waste, and abuse and to promote economy, efficiency, and effectiveness through audits and investigations of VA programs and operations. The VA OIG began its operations with 155 staff members. During the OIG's first year, it received a substantial staff increase, which brought the OIG's total staff to 356 by the end of fiscal year 1978. Since that time, the OIG's staffing levels have remained fairly constant.

In fiscal year 1989, the OIG operated with an authorized staff level of 377 and a budget of about \$21 million to provide audit and investigative coverage of VA's budget of about \$30 billion and the activities of about 219,000 employees. While there are many other variables that can and do affect the size of an OIG's operation, we did note that in comparison with other OIGs, the VA OIG ranked in the bottom third in terms of the ratios of OIG employees to agency employees and OIG employees to agency budgeted outlays. (See appendixes I and II for staffing, budget, and coverage information on OIGs for fiscal years 1981 through 1988.)

The OIG requested staff increases in prior-year budgets. For fiscal years 1986 through 1989, the OIG requested from VA staff levels of 469, 424, 421, and 421, respectively. While VA approved partial increases for the OIG in fiscal years 1986 and 1987, OMB disapproved VA's proposed increases. VA did not approve any of the increases requested by the OIG for fiscal years 1988 and 1989 because of the government's overall budgetary constraints. The 40 additional staff members authorized by the act will increase the OIG's authorized staff level to 397 in fiscal year 1990 and to 417 in fiscal year 1991.

## Objectives, Scope, and Methodology

Our objectives were to evaluate the OIG's (1) use of its current staff, (2) planned use of the additional 40 staff members authorized by the act, and (3) plans to request additional staff increases.

We examined the OIG's operational plan for fiscal year 1988 to identify the types of audits and investigations planned and the OIG coverage of VA operations. We reviewed VA's budget for fiscal year 1988 to identify its major programs and functions. We also analyzed data from the OIG's management information system to determine if the OIG achieved its planned audit and investigative coverage and provided coverage of VA's major programs and functions. We interviewed the Assistant Inspector General for Investigations, Acting Assistant Inspector General for Auditing, and Deputy Assistant Inspectors General for Auditing and Investigations to identify the nature and priority of work not performed because of lack of staff.

We discussed with the Acting Inspector General and the Assistant Inspector General for Policy, Planning, and Resources the intended use of the additional 40 staff members authorized by the act and plans to request further increases in the OIG's staff level. We also discussed the OIG's progress in implementing a new audit approach for nationwide coverage of VA's programs.

We examined the OIG's workload assessment and related staffing requirements profile completed in January 1989. We also examined the legislative history related to the growth of the OIG and its responsibilities.

We obtained information on actual staff levels of OIGs at selected agencies and their budget outlays for fiscal years 1981 through 1988 from the President's Council on Integrity and Efficiency. For fiscal year 1988, we computed the ratios of the OIGs' staffs to their respective agencies' budget outlays and numbers of employees. We also obtained information on the VA OIG's prior years' budgets submitted to VA and OMB and the actions taken on its budgets for fiscal years 1990 and 1991.

We performed our work at VA OIG headquarters in Washington, D.C. Our work was performed between February and October 1989 and was conducted in accordance with generally accepted government auditing standards.

## OIG Provides Widespread Coverage of VA's Operations With Its Resources

We found that in recent years, the OIG has provided widespread audit and investigation coverage of VA's operations with its authorized staff levels. In our quality assessment review<sup>2</sup> of the VA OIG's operations, we reported that in fiscal year 1987, the OIG conducted audits and investigations in areas of VA's operations that accounted for about 97 percent of VA's \$27.5 billion budget. These areas of coverage included income security for veterans; veterans education, training, and rehabilitation; veterans housing; other veterans benefits and services, such as cemeteries; and hospital and medical care for veterans. For fiscal year 1988, the OIG provided audit and investigative coverage in these areas of VA operations. The OIG's annual planning process identified vulnerabilities in these areas and developed operational plans to provide coverage of the most vulnerable areas identified.

The OIG provides audit and investigation coverage and oversight of VA's facilities, programs, and functions through its three major offices: the Office of Policy, Planning, and Resources; the Office of Investigations; and the Office of Auditing. In addition to its central office, the OIG has eight regional offices and a field data processing center. At the end of fiscal year 1988, the OIG had 398 staff members which were distributed as follows: 45 in the Office of Policy, Planning, and Resources; 76 in the

<sup>2</sup>Inspectors General: Compliance With Professional Standards by the VA Office of Inspector General (GAO/AFMD-89-76, July 3, 1989).

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Office of Investigations; 274 in the Office of Auditing; and 3 in the IG's office.

The Office of Policy, Planning, and Resources is primarily responsible for developing OIG policy, plans, and budgets and for administering the training and other needs of OIG staff. This office is also responsible for providing oversight of VA's quality assurance program for the delivery of medical care, VA medical inspector operations, and VA's contract audit process. In addition, this office operates the VA fraud hotline and performs oversight of VA security functions.

The Office of Investigations provides coverage of VA primarily through investigations of alleged wrongdoing brought to the OIG's attention. Its investigations mainly focus on veterans benefits, with the largest caseload involving veterans pension benefits. For the 6-month period ended September 30, 1988, the OIG reported that about 70 percent of its investigations were in the area of veterans benefits. During fiscal year 1988, the Office of Investigations also conducted some self-initiated investigations, primarily of VA's multibillion-dollar home loan guaranty program.

The Office of Auditing provides coverage through performance audits of VA facilities, programs, and functions. For the 20-month period ended May 25, 1989, the Office of Auditing spent approximately half of its audit staff days reporting on facilities and half reporting on programs and functions. The Office of Auditing generally reviews 230 of VA's 701 facilities on a cyclical basis over a 3-year period—approximately 77 facilities annually. The 230 facilities included in the 3-year audit cycle provide medical and benefit services to veterans in program areas which accounted for 95 percent of VA's \$29.5 billion budget for fiscal year 1988. Similarly, the majority of the audit coverage of programs and functions focused on VA's major medical and benefits program areas.

During fiscal year 1988, the Office of Auditing began implementing a new audit approach to provide increased nationwide coverage of VA's programs and functions. The objective of the new approach is to produce audit results on a nationwide basis rather than focusing on individual VA facilities. In the past, the OIG selected a few facilities for review during its program or function audits, which resulted in the identification of problems at those specific facilities. Under the new audit approach, the OIG will use the approximately 77 cyclic facility audits and audits of other selected facilities to review nationwide aspects of VA programs and functions. The Acting IG believes that reviewing programs

and functions on this basis will be more comprehensive and enable the OIG to identify and report on systemic problems and to make recommendations with broader impact.

## Additional 40 Staff Members Will Be Used to Increase Present Coverage

The Acting IG said that the 40 additional staff members authorized by the act for fiscal years 1990 and 1991 will be used to provide more in-depth coverage of VA operations currently under review. The 40 additional staff members will provide the OIG with a staff level that approximates the levels it requested in its 1988 and 1989 budget submissions to VA and will meet the levels identified in its 5-year resources plan. This staffing level is also consistent with information presented by the former IG in October 1987 to the House Committee on Veterans' Affairs that 40 additional staff members were needed to provide more in-depth coverage of VA's large programs.

The OIG will allocate 32 of the additional 40 staff members to the Office of Auditing and 8 to the Office of Investigations. With the additional 40 staff members, the OIG intends to increase its coverage of such VA program areas as procurement and veterans life insurance, which had not received in-depth coverage in the past. We believe that the OIG's rationale for assigning the staff to these areas is reasonable, based on its concerns about the vulnerabilities within VA's procurement and insurance programs. The OIG requested appropriations for these additional 40 staff members in its budgets for fiscal years 1990 and 1991. For fiscal year 1990,<sup>3</sup> the OIG will receive about \$21.8 million. According to OIG officials, this amount will support a staff level of 389, while 397 staff were authorized. The VA budget request for fiscal year 1991 includes about \$26.9 million for the OIG, which will support a staff level of 437, which is greater than the 417 staff authorized for that year.

## The OIG Plans to Request Additional Staff

The OIG plans to request additional staff beyond the 40 authorized by the act. Based on the results of a workload assessment that it completed in January 1989, the OIG submitted a budget request to VA for 80 additional staff members for fiscal year 1991 and plans to request about 80 additional staff members in each of the subsequent fiscal years through 1995. The assessment concluded that the OIG required a staff level of

<sup>3</sup>The OIG's fiscal year 1990 budget was the first funded under a separate appropriation account authorized for all OIGs by the Inspector General Act Amendments of 1988. Previously, the VA OIG's budget request and operations were part of VA's general operating expenses account.

809 to provide maximum audit and investigation coverage of VA operations. The assessment stated that the 809 staff members would be allocated as follows: 579 to the Office of Auditing, 150 to the Office of Investigations, and 80 to the Office of Policy, Planning, and Resources and the IG's office.

Our analysis of the 1989 assessment showed that the OIG did not establish priorities for its audit and investigation universes in determining its staffing requirements for audits and investigations of VA's diverse facilities, programs, and functions. Requirements for establishing priorities are stated in OMB Circular A-73, "Audit of Federal Operations and Programs," and in the VA OIG's written guidance for prioritizing investigations, "Investigative Priority Codes." In addition, the OIG did not consider the impact of its new audit approach in developing the assessment.

OMB Circular A-73 requires that an audit organization periodically review its audit universe—facilities, programs, and functions—and determine the coverage, frequency, and priority of audits required to cover the components of the audit universe. Priorities should be based on consideration of such criteria as the vulnerability of each of the areas to fraud, waste, and abuse; size of the budget for each area; coverage of the areas by GAO; and Federal Managers' Financial Integrity Act reviews of the agency's internal operations. By applying the criteria in OMB Circular A-73 to the components of the OIG's audit universe identified in the workload assessment, we believe that the frequency and depth of coverage of the components would be impacted and, correspondingly, the OIG's staffing requirements could be affected.

While the assessment indicated that a staff level of 579<sup>4</sup> was necessary for audits of VA's diverse facilities, programs, and functions, it did not consider the factors previously discussed for establishing priorities and determining OIG staffing requirements. For example, the assessment showed that the OIG would audit the 701 VA facilities every 3 years, including VA's 111 cemeteries which accounted for less than 1 percent of VA's \$29.5 billion budget for fiscal year 1988. Similarly, among VA's diverse programs and functions, the coverage of burial programs, which also accounted for less than 1 percent of the fiscal year 1988 budget, is not based on consideration of the factors previously discussed.

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<sup>4</sup>The OIG intends to use 24 of the 579 staff members to audit, over a 5-year period, 400 private mortgage lenders that are involved in VA's housing program.



The OIG's "Investigative Priority Codes" require that investigations be classified as priority 1 to 4, depending on factors such as the dollar amount of potential loss to the government. Priority 1 investigations involve potential losses of over \$25,000; priority 2 investigations involve losses between \$10,000 and \$25,000; priority 3 investigations involve losses between \$1,000 and \$10,000; and priority 4 investigations involve losses below \$1,000. For investigations, the workload assessment showed that a staff level of 150 was necessary for total coverage of areas, including low-priority investigations of VA employees and investigative-type hotline cases. In July 1988, the Assistant Inspector General for Investigations analyzed the OIG's past investigative efforts and concluded that additional investigative staff would enable all of the lower priority 3 and 4 investigative cases to be addressed as well as the higher priority cases which are currently addressed.

While the OIG currently establishes priorities for the cases it investigates, priorities were not included for the diverse investigation universe identified in the workload assessment. Prioritizing the work would help the OIG determine whether areas warrant expanded or reduced coverage. For example, we found in our quality assessment review of the VA OIG that OIG referrals of lower priority hotline cases to VA program offices were resolved administratively to the OIG's satisfaction. Therefore, we believe that the consideration of such priorities in this area would affect the staffing requirements included in the assessment.

In addition, the workload assessment did not consider the impact of the new audit approach on the OIG's staffing requirements. Specifically, under the new audit approach, the Acting IG stated that the audit cycle of the 230 facilities would be lengthened or shortened to reflect each facility's vulnerability to fraud, waste, and abuse and to make more staff available for program and function audits. However, the assessment showed that all 701 facilities—including the original 230 facilities—would be audited on a 3-year cycle. We believe that the new audit approach will impact the frequency of the OIG's audit cycle and, as a result, will affect its staffing requirements.

The Acting IG said that the workload assessment will be periodically updated and that requests for additional staff must be justified on the basis of evaluations of the productivity and benefits from the OIG's current staff and any additional staff it receives. The OIG plans to update the assessment every 2 years and has identified a variety of factors which it plans to use in its evaluation of staff productivity and benefits. These factors include the monetary savings identified by audits and

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investigations, new and changed legislation resulting from OIG work, changes in VA's management and procedures, numbers of reports, and more efficient audits in terms of reduced staff days.

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## Conclusions

The OIG provides widespread coverage of VA's operations through its audits and investigations of the agency's facilities, programs, and functions. The OIG will provide more in-depth coverage of VA's operations with the additional 40 staff members authorized for fiscal years 1990 and 1991. With the additional 40 staff members, the OIG will almost reach the staffing level it requested in recent budget submissions and cited as needed in its 5-year plan and in hearings before the House Veterans' Affairs Committee.

The OIG plans to request additional staff beyond the 40 authorized by the act. Based on the results of its workload assessment indicating a need for a staff level of 809, the OIG submitted a budget request to VA for 80 additional staff members for fiscal year 1991 and plans to request about 80 additional staff members in each subsequent fiscal year through 1995. In our view, however, the workload assessment does not adequately support a staffing level of 809. In determining its staffing requirements, the OIG did not establish audit or investigation priorities, which could impact the frequency and depth of coverage, or consider the impact of the OIG's new audit approach. By establishing priorities and including their effect and the effect of the new audit approach when determining its staffing requirements, we believe that the OIG could better identify its staffing requirements.

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## Recommendation

To better identify VA OIG staffing requirements, we recommend that the Inspector General establish priorities in the OIG workload assessment and consider the effect of those priorities and its new audit approach on future staffing needs.

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## Agency Comments and Our Evaluation

The Secretary of the Department of Veterans Affairs and the Acting Inspector General provided written comments on a draft of this report. (See appendixes III and IV.) The Secretary commented that while the overall staffing level of the OIG is approved in VA's internal planning and budget process, the allocations of staff are left to the discretion of the Inspector General. Our evaluation of the Acting IG's specific comments is provided in appendix IV.

The Acting IG agreed to include priorities in the workload assessment and to consider the impact of the OIG's new audit approach on its staffing requirements. However, the Acting IG did not agree with our conclusion that the workload assessment does not adequately support a staffing level of 809. The Acting IG stated that including priorities would have no impact on the OIG's overall staffing needs and that the impact of the new audit approach on staffing requirements was, at a minimum, resource neutral and would likely require additional staff resources because audit coverage would be both broader and deeper.

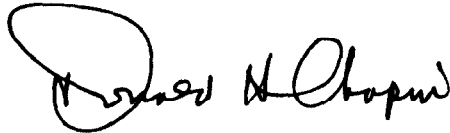
We do not believe that the impact of adding priorities and the new audit approach to the workload assessment can be determined at this time. The staffing level of 809 is intended for maximum audit and investigation coverage of the audit and investigation universes identified in the assessment. The OIG's staffing level is based on a 3-year audit cycle for all VA facilities, programs, and functions identified in the assessment, without consideration of such criteria as the vulnerabilities of the components of the audit universe to fraud, waste, and abuse cited in OMB Circular A-73 for prioritizing audit universes. It is also based on the premise that the OIG will provide maximum investigative coverage of its investigation universe, without regard to the priority system the OIG has established for its own work.

We believe that establishing priorities in accordance with OMB Circular A-73 could change the 3-year audit cycle and depth of coverage of VA facilities, programs, and functions identified in the assessment and, consequently, could impact staffing requirements. The new audit approach, which requires more comprehensive coverage of the programs and functions at VA facilities, could also change the frequency of the individual cyclic audits of facilities and thus impact the staff requirements for audits of VA facilities, programs, and functions. In addition, applying its criteria for prioritizing investigations could also change the frequency and depth of coverage of the OIG's investigation universe. By including priorities and the impact of its new audit approach in the OIG workload assessment, we believe the OIG will be better able to identify its staffing requirements.

Unless you publicly announce the contents of this report, we will not distribute copies until 15 days after it is issued. At that time, we will send copies to the Secretary of Veterans Affairs, the Acting Inspector General, and other interested parties. Copies will also be made available to others upon request.

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This report was prepared under the direction of John J. Adair, Director, Audit Oversight and Policy, who may be reached on (202) 275-9359 if you or your staff have any questions. Other major contributors are listed in appendix V.



Donald H. Chapin  
Assistant Comptroller General

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**Abbreviations**

IG	inspector general
OIG	Office of Inspector General
OMB	Office of Management and Budget
VA	Department of Veterans Affairs

# Staff and Budget Levels of Offices of Inspectors General

**Table I.1: Staff Levels of Offices of Inspectors General for Fiscal Years 1981 to 1988**

Agency/Department	1981	1982	1983	1984	1985	1986	1987	1988
Agriculture	900	872	897	879	891	820	818	818
Agency for International Development	179	171	160	179	192	175	183	205
Commerce	171	176	200	215	208	206	192	206
Defense <sup>a</sup>	385	496	937	900	1,081	1,080	1,334	1,380
Education	284	269	283	299	304	272	278	320
Energy	125	153	178	180	178	178	178	178
Environmental Protection Agency	142	174	180	229	256	260	256	280
General Services Administration	531	483	404	419	400	361	364	452
Health and Human Services	867	922	1,280	1,317	1,307	1,225	1,204	1,236
Housing and Urban Development	481	499	499	488	498	472	469	493
Interior	189	206	278	317	314	289	278	300
Labor	439	430	471	528	524	562	519	530
National Aeronautics and Space Administration	100	100	102	100	97	98	111	131
Railroad Retirement Board	NA	NA	NA	NA	NA	NA	22	45
Small Business Administration	124	140	133	124	124	120	125	132
State	67	67	69	82	88	98	149	181
Transportation	448	445	436	434	462	457	456	451
Treasury	27	27	86	117	120	117	112	114
Veterans Affairs	330	342	345	356	385	385	381	381
U.S. Information Agency	NA	NA	NA	NA	NA	36	36	44
<b>Total</b>	<b>5,789</b>	<b>5,972</b>	<b>6,938</b>	<b>7,163</b>	<b>7,429</b>	<b>7,211</b>	<b>7,465</b>	<b>7,877</b>

Note: Staff levels are actual full-time equivalent employees. NA denotes that data were not available because the OIGs were either not yet established or not fully operational.

<sup>a</sup>Defense figures reflect the Office of the Assistant to the Secretary for Oversight and Review and the statutory Defense OIG (created in 1983) and do not include the inspectors general of the military departments or Defense audit and investigation organizations.

Source: President's Council on Integrity and Efficiency.

**Appendix I  
Staff and Budget Levels of Offices of  
Inspectors General**

**Table I.2: Budget Outlays of Offices of Inspectors General for Fiscal Years 1981 to 1988**

Dollars in millions

<b>Agency/Department</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>
Agriculture	\$37.7	\$40.2	\$41.0	\$42.3	\$45.6	\$43.1	\$45.6	\$47.7
Agency for International Development	11.4	14.2	13.7	14.2	17.5	13.7	18.4	22.8
Commerce	7.0	6.9	9.5	12.2	13.3	12.8	12.8	13.9
Defense <sup>a</sup>	16.1	25.7	35.1	44.9	55.1	63.7	73.5	83.8
Education	9.8	9.4	13.1	14.1	15.2	14.3	15.3	16.9
Energy	5.5	6.4	11.2	13.7	23.3	18.3	21.1	20.0
Environmental Protection Agency	9.7	11.9	11.7	13.7	18.4	15.1	18.0	21.5
General Services Administration	19.8	17.9	17.8	19.4	21.2	19.6	19.7	24.1
Health and Human Services <sup>b</sup>	35.7	37.2	56.5	66.4	73.1	68.7	69.0	71.8
Housing and Urban Development	16.9	18.9	20.6	21.1	24.7	23.1	20.2	25.8
Interior	9.1	13.5	21.9	21.9	16.9	14.8	15.9	17.9
Labor	22.3	23.7	24.6	36.4	43.7	38.7	40.8	42.4
National Aeronautics and Space Administration	3.9	4.4	4.9	4.7	5.0	5.4	6.0	7.9
Railroad Retirement Board	NA	NA	NA	NA	NA	NA	1.1	2.2
Small Business Administration	5.3	5.6	5.7	5.5	5.8	5.7	6.3	7.4
State	3.5	3.6	3.8	3.8	4.8	5.6	10.3	14.9
Transportation	21.5	23.3	24.4	21.6	23.8	25.6	26.0	28.3
Treasury	1.0	1.0	3.1	4.3	4.9	4.9	5.0	5.7
Veterans Affairs	12.3	14.8	16.4	17.1	19.5	18.2	18.9	19.6
U.S. Information Agency	NA	NA	NA	NA	NA	2.7	2.3	2.8
<b>Total</b>	<b>\$248.5</b>	<b>\$278.6</b>	<b>\$335.0</b>	<b>\$377.3</b>	<b>\$431.8</b>	<b>\$414.0</b>	<b>\$446.2</b>	<b>\$497.4</b>

Note: NA denotes that data were not available because the OIGs were either not yet established or not fully operational.

<sup>a</sup>Defense figures reflect the Office of the Assistant to the Secretary for Oversight and Review and the statutory Defense OIG (created in 1983) and do not include the inspectors general of the military departments or Defense audit and investigation organizations.

<sup>b</sup>These data are figures for obligational authority rather than outlays.

Source: President's Council on Integrity and Efficiency.



# OIG Coverage of Agency Funds and Staff

**Table II.1: OIG Coverage of Agency Funds for Fiscal Year 1988**

Dollars in millions

Agency/Department	Budgeted agency outlays	Number of OIG staff	Ratio of OIG staff to budgeted outlays
Agency for International Development	\$1,319	205	1 to \$6
Commerce	2,279	206	1 to 11
Interior	5,147	300	1 to 17
Environmental Protection Agency	4,871	280	1 to 17
State	3,421	181	1 to 19
U.S. Information Agency	843	44	1 to 19
Housing and Urban Development	18,938	493	1 to 38
Labor	21,870	530	1 to 41
Agriculture	44,003	818	1 to 54
Education	18,246	320	1 to 57
Transportation	26,404	451	1 to 59
Energy	11,166	178	1 to 63
National Aeronautics and Space Administration	9,092	131	1 to 69
Veterans Affairs	29,271 <sup>a</sup>	381	1 to 77
Railroad Retirement Board	4,147	45	1 to 92
Defense	303,964	1,380 <sup>b</sup>	1 to 220
Health and Human Services	373,560 <sup>c</sup>	1,236	1 to 302
Treasury	202,386	114 <sup>d</sup>	1 to 1,775
<b>Total<sup>d</sup></b>	<b>\$1,080,927</b>	<b>7,293</b>	<b>1 to \$148</b>

<sup>a</sup>The VA data exclude government liability for \$170 billion in home loan guarantees and \$201 billion in veterans insurance policies in force.

<sup>b</sup>Defense and Treasury have substantial audit and investigation resources that supplement their OIG staff resources.

<sup>c</sup>This figure includes the Social Security program of \$214.5 billion.

<sup>d</sup>Totals exclude the General Services Administration and Small Business Administration because they had negative budgeted outlays for fiscal year 1988.

**Appendix II  
OIG Coverage of Agency Funds and Staff**

**Table II.2: OIG Coverage of Agency Staff  
for Fiscal Year 1988**

<b>Agency/Department</b>	<b>Number of agency staff</b>	<b>Number of OIG staff</b>	<b>Ratio of OIG staff to agency staff</b>
Education	4,516	320	1 to 14
Agency for International Development	4,582	205	1 to 22
Housing and Urban Development	12,971	493	1 to 26
Small Business Administration	4,105	132	1 to 31
Labor	18,178	530	1 to 34
Railroad Retirement Board	1,527	45	1 to 34
General Services Administration	18,807	452	1 to 42
Environmental Protection Agency	14,389	280	1 to 51
Energy	16,258	178	1 to 91
Health and Human Services	118,734	1,236	1 to 96
Agriculture	106,552	818	1 to 130
Transportation	61,330	451	1 to 136
State	25,482	181	1 to 141
Commerce	35,000	206	1 to 170
National Aeronautics and Space Administration	22,326	131	1 to 170
U.S. Information Agency	8,796	44	1 to 200
Interior	70,336	300	1 to 234
Veterans Affairs	214,433	381	1 to 563
Defense	1,052,848 <sup>a</sup>	1,380 <sup>b</sup>	1 to 763
Treasury	153,063	114 <sup>b</sup>	1 to 1,343
<b>Total</b>	<b>1,964,233</b>	<b>7,877</b>	<b>1 to 249</b>

<sup>a</sup>The number of Defense staff includes civilian personnel only.

<sup>b</sup>Defense and Treasury have substantial audit and investigation resources that supplement their OIG staff resources.

# Comments From the Secretary of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS  
WASHINGTON

Mr. Donald H. Chapin  
Assistant Comptroller General  
Accounting and Financial Management  
Division  
General Accounting Office  
Washington, DC 20548

Dear Mr. Chapin:

This letter responds to your December 8, 1989, draft report, **INSPECTORS GENERAL: Staff Resources of VA's Office of Inspector General** (GAO/AFMD-90-6). After reviewing the Acting Inspector General's comments, dated January 11, 1990, I am providing these remarks separately.

I believe it is important to note that, while the overall staffing level for the Office of Inspector General is approved in the Department of Veterans Affairs internal planning and budget process, the allocations of the staff are left to the discretion of the Inspector General.

Thank you for the opportunity to comment on your draft report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Edward J. Derwinski".

Edward J. Derwinski

# Comments From VA's Acting Inspector General

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

Office of Inspector  
General

Washington DC 20420



JAN 11 1990

In Reply Refer to:

Mr. Donald H. Chapin  
Assistant Comptroller General  
Accounting and Financial Management  
Division  
General Accounting Office  
Washington, DC 20548

Dear Mr. Chapin:

We appreciate the opportunity to comment on your draft report titled "Staff Resources of VA's Office of Inspector General."

While we were pleased that the General Accounting Office (GAO) recognizes the VA Office of Inspector General is providing widespread coverage of VA's operations with its current staffing level, we cannot agree with the overall conclusion that the workload assessment does not adequately support a staffing level of 809. The workload assessment was developed in accordance with Office of Management and Budget (OMB) Circular A-73 and in our opinion accurately reflects the total staffing needs of the Office of Inspector General to accomplish all of its mission workload.

We agree with GAO's recommendation to include priorities in our next workload assessment. Currently, the OIG does prioritize its workload as a part of the annual planning and budget process. These priorities will now be added to the workload assessment document. In our opinion, adding priorities to the workload assessment document will have no impact on our overall staffing needs.

We agree with GAO's recommendation to consider the impact of the new overall audit approach on future staffing needs. While we agree that the new approach will impact on the future cycle at each location, we believe that GAO's silence on how this will impact on resource requirements may likely lead the report reader to conclude that it will lessen the need for audit resources. While this revised approach is too new to precisely identify its impact on future resource needs, it is our belief that, as a minimum, it is resource neutral (i.e. requires about the same resources as identified in the workload assessment for cyclical audits) and likely will require more overall resources because of the concentration on more national programs and functions together with more problem-plagued facilities. Audit coverage will be both broader and deeper. In our next workload assessment, we will attempt to measure the impact of this approach on future resource needs.

See comment 1.

See comment 1.

See comment 1.

**Appendix IV  
Comments From VA's Acting  
Inspector General**

Our specific comments, keyed by page number to the GAO draft report, are enclosed. If you have any questions about our comments, please do not hesitate to call me.

Sincerely,

  
RENALD P. MORANI  
Acting Inspector General

Enclosure

**Appendix IV  
Comments From VA's Acting  
Inspector General**

VA OFFICE OF INSPECTOR GENERAL  
COMMENTS ON GAO DRAFT REPORT  
"STAFF RESOURCES OF VA'S OFFICE OF INSPECTOR GENERAL"

GAO's comments regarding the staffing levels requested in its 5-year resources plan are incorrect. The OIG, in its 5-year resources plans, submitted in FY 1984, 1985, and 1986, all requested substantial increases (as many as 301 FTE) in OIG resources. The fact that these large increases were not granted because of budgetary constraints on the VA does not mean that the workload does not exist or that the resources were not otherwise justified and needed.

In addition, we believe the statements attributed to the IG at the hearings before the House Veterans' Affairs Committee are taken out of context. The IG's remarks were tempered by the realities of the budget climate. He was aware that 40 additional FTE was all, at that time, that could be funded by the VA; therefore, his remarks reflect a realistic estimate of what resources could be obtained given the extremely tight budget situation in the VA.

The OIG does not agree that the workload assessment does not support a staffing level of 809. We believe that it is a reasonable estimate of the staffing needed to perform the OIG's mission workload. We disagree with GAO's assumption that priorities should change (lower) this estimate. Priorities determine which parts of the workload are covered first and the depth of that coverage.

We believe it is standard practice in the OIG community to identify staffing needs based on overall estimates of the workload. In today's world of limited resources, OIGs cannot realistically expect to be fully staffed at these levels; therefore, each OIG has established a formalized planning process that allocates scarce resources to the highest priority workload. We believe this process is in accordance with OMB Circular A-73.

We believe the VA OIG's resource levels relative to other Inspectors General and the Departments they audit and investigate are a strong indicator of the inadequacy of the VA OIG's resources. GAO recognizes that the VA OIG ranks in the bottom third in these comparisons; however, the rest of the narrative in GAO's report is silent on the significance of this fact or its impact on the adequacy of the justification for more resources. We believe this is an important point and should be stressed and highlighted in a separate section of the report and in the summary paragraph of GAO's report.

See comment 2.

See comment 3.

See comment 1.

See comment 4.

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Comments From VA's Acting  
Inspector General**

See comments 2 and 5.

The GAO information relative to the OIG requests for additional data is incorrect and misleading. As stated earlier, the OIG requested large increases in its resource levels; but for the most part, these requests were disproved by Agency management because of limited funding VA-wide.

See comment 6.

GAO's description of the functions assigned to the Office of Policy, Planning and Resources excludes an important function of this Office--Contract Audits. This function accounted for more than 50 percent of the audit reports issued in FY 1989.

See comment 7.

See comment 8.

GAO's description of the objective of the OIG's new audit approach is not entirely correct. Since 1981, the OIG has provided nationwide coverage of VA programs and functions through its centrally directed audits. The new approach, which did not begin until FY 1989, is an attempt to "increasingly" produce results on a nationwide basis through a more direct blend of facility audits and coverage of VA programs and functions. The new approach will still include a focus on individual VA facilities, and we will still maintain an average cycle among all facilities of about 3 years. As noted by GAO, about 50 percent of our staff time is devoted to cyclical audits of VA facilities; and we expect this to continue.

See comment 1.

See comment 2.

We believe that the GAO should put its comments regarding the 5-year resources plans in context. As discussed in our prior comments, the recent 5-year resource plans were geared to what resources we reasonably could expect to be given--not to our overall needs as supported by the workload assessment that existed at that time. We believe this was a prudent decision in light of the Agency's budget situation; but in no way should it be construed to mean that this represented our entire budgetary needs.

See comment 9.

Since the GAO draft report was issued, events have occurred that changed the status of the OIG's FY 1990 budget. As a result of the sequestration action, the new amount appropriated for the OIG is \$21.6 million. This funding is not sufficient to support the 397 personnel authorized by Congress as a part of the Departmental Legislation. The latest estimate of personnel for the OIG for FY 1990 is 389.

See comment 10.

We believe that GAO has misinterpreted the requirements of OMB Circular A-73, "Audit of Federal Operations and Programs." We believe that the determination of audit priorities referred to in OMB Circular A-73 relates to the planning process that prioritizes areas for audit within available resources. Nowhere in OMB Circular A-73 does it state that the priority of a

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Comments From VA's Acting  
Inspector General**

See comment 11.

particular program should be used to determine an audit organization's staffing needs. Furthermore, the provisions of OMB Circular A-73 are limited to audit operations; yet GAO appears to attempt to apply this circular to investigative and other non-audit functions of the OIG.

See comment 12.

In addition, the prioritization system for investigations referred to by GAO is an operational and planning mechanism to deal with the serious shortfall of resources in the OIG's investigation staff. The GAO implies that we should not consider lower priority cases as workload. The only real difference in the investigative priority system is the dollar magnitude of the offense. We do not believe we should exclude these low-priority cases from our workload assessment simply because of the dollar value of the fraud. We should investigate all fraud cases; but, unfortunately, we only have the resources to investigate a few--so, we must prioritize our efforts.

See comment 13.

We believe that this paragraph contains further misinterpretations of OMB Circular A-73. The priorities of areas, to include all the factors listed by GAO in this paragraph, are for planning purposes. In fact, OMB Circular A-73, paragraph 8.F., clearly states that, based on the considerations set forth in paragraph 8.c. (Determination of Audit Priorities), each audit organization will prepare an audit plan at least annually. It is clear to us that the priorities referred to in paragraph 8.c.: (1) relate only to audit and (2) relate to the planning process, not the process of identifying an organization's total workload requirements.

See comment 14.

The GAO did not put its reference to the audit of VA cemeteries in proper perspective with the workload assessment. While it is true that the 111 VA cemeteries account for less than 1 percent of VA's budget, the workload assessment showed 11 staff years, or slightly more than 1 percent of the workload, attributable to audits of cemeteries. The difference is not statistically significant and too small to be used by GAO as a part of the justification to conclude the entire workload assessment was inadequate.

See comment 15.

GAO's second example on burial programs is even less significant. The workload assessment shows one FTE devoted to these programs. This one FTE represents about one-tenth of 1 percent of the resources in the workload assessment. Again, this sample should not be used to conclude that the overall workload assessment is not adequate.

The GAO report implies that the OIG's workload assessment includes investigative staff to perform all employee cases and other hotline cases that are now referred to



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program officials for resolution. In fact, the assessment includes investigative staff to perform about 50 percent of this work. Furthermore, with the current limited staffing, the OIG has no choice but to refer these cases to program officials for resolution. Unfortunately, these program officials are in many cases closely linked with the allegations; and we believe that, if staffing permitted, it would be far better if the OIG investigated these issues rather than the program officials.

See comment 1.

The new approach to facility audits was not considered in the workload assessment because it was implemented after the workload assessment was developed. While we agree with GAO that the new approach would affect the cycle at a particular facility (i.e. some would now be done on a 2-year cycle while others would be done on a 4-year cycle), on average, the cycle will remain close to 3 years overall. In addition, those facilities placed on a 2-year cycle would generally be the larger facilities; and those placed on a 4-year cycle would tend to be the smaller facilities. As a result, the new approach could actually increase the overall staffing needs since the OIG would be concentrating more often on the larger facilities, which may require 1,000 staff days or more to complete a comprehensive audit.

See comments 1 and 14.

We cannot agree with GAO's conclusion that the workload assessment is not a reasonable estimate of the VA OIG's overall workload and staffing needed to perform the identified workload. We believe the examples (audits of burial programs and cemeteries) cited by GAO, as part of the basis for this conclusion, are insignificant and cannot be used as a basis to state the whole assessment is inadequate.

See comment 10.

The OIG believes the prioritization process is a planning function that is necessary to make the best use of scarce resources. OMB Circular A-73 does not require priorities of individual areas be considered when an organization develops its overall workload assessment. Furthermore, GAO implies that, if we used this priority system, the workload assessment would result in a lower overall staffing figure. We disagree. The assignment of priorities would tend to be resource neutral--with higher priority workload requiring more resources and lower priority requiring fewer resources. In our opinion, GAO has not shown that even if we assigned priorities to the workload assessment, it would materially affect the outcome of the staffing needs identified in the workload assessment.

See comment 1.

The VA OIG will consider the impact of its new approach to audits in future workload assessments. At this point in time, we believe this approach, if anything, will require more resources to fully implement. GAO has not made a case that this would not happen; yet, the implications in the report are that this new approach will require less overall resources.

The following are GAO's comments on the Department of Veterans Affairs Acting Inspector General's letter dated January 11, 1990.

## GAO Comments

1. See the "Agency Comments and Our Evaluation" section of the report.
2. No change necessary to the report. In our review, we used the OIG's fiscal year 1989 5-year resources plan, which showed a need for 40 additional staff over a 5-year period. We believe that the OIG's most current resources plan best reflects the OIG's staffing requirements based on its current workload.
3. No change necessary to the report. We believe that our report accurately reflects the former IG's response to the House Veterans' Affairs Committee when asked whether the OIG was adequately staffed. The former IG responded that the OIG's 5-year resources plan (for fiscal year 1988) reflected a need for 40 additional personnel over a 5-year period and that an increase in staff would allow the OIG to provide more in-depth coverage of VA's large programs.
4. No change necessary to the report. We do not believe that the resource levels of the other OIGs are a strong indicator that the VA OIG's resource level is inadequate. We believe that the important factors in determining OIG staffing levels include the agency's mission, the nature of its programs and functions, and the vulnerabilities of its programs and functions to fraud, waste, and abuse.
5. No change necessary to the report. The staff levels reported as requested by the OIG for fiscal years 1986 through 1989 are based on data in the OIG's budget submissions to VA.
6. We revised the report to reflect that the oversight responsibilities of the Office of Policy, Planning, and Resources include contract audits.
7. No change necessary to the report. The OIG began implementing its new audit approach in fiscal year 1988, as noted in its semiannual report for the period ending September 30, 1988.
8. We revised the report to state that the new approach will increase the OIG's nationwide coverage.
9. We revised the report to reflect the OIG's fiscal year 1990 appropriation as reported in the President's Budget for Fiscal Year 1991.

10. No change necessary to the report. We do not believe that OMB Circular A-73 requires that audit priorities be established only during the planning process for the next year's work. (See comment 13 for further discussion of this issue.) We agree that the requirements of OMB Circular A-73 do not specifically relate to the OIG's staffing requirements. However, the OIG chose to use its workload assessment, which contains its audit universe, as the basis for determining its staffing requirements.

11. No change necessary to the report. The report states that the OIG should use its own "Investigative Priority Codes" for prioritizing the investigation universe.

12. No change necessary to the report. The report states that the OIG should establish priorities for its audit and investigation universes, which include all components of its universes.

13. No change necessary to the report. OMB Circular A-73 clearly states in section 8(b) that an audit organization is to identify its audit universe, and in section 8(c) that priorities are to be established for the components of that audit universe. (In the case of the VA OIG, these components would be the facilities, programs, and functions of VA.) Section 8(f) cited by the OIG states that the planning of work for the year is to be accomplished in accordance with the earlier sections, including 8(b) and 8(c). Consequently, to meet the requirements of section 8(f), an audit organization must accomplish 8(b) and 8(c) which require that the audit universe be identified first and then priorities be established for the components of that universe.

14. No change necessary to the report. The OIG has placed all VA facilities, programs, and functions on a 3-year audit cycle. As a result of not using the criteria in OMB Circular A-73, the OIG did not determine the frequency and depth of coverage required for each of the components of its audit universe. Although we chose to use the smallest facilities and programs in our examples, we could have chosen any of the types of facilities and programs in the assessment to demonstrate our point that the frequency and depth of coverage could change and affect staffing, if prioritization were considered.

15. We revised the report to show that the maximum investigation coverage to be provided by the 150 staff relates to investigation-related hotline cases rather than to hotline cases to be addressed by audit or other type of review.

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# Major Contributors to This Report

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