

GAO

Fact Sheet for the Ranking Minority
Member, Subcommittee on Labor, Health
and Human Services and Education,
Committee on Appropriations,
U.S. Senate

June 1995

**INSPECTOR
GENERAL ACT**

**Activities of the
Federal Entities**





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

Accounting and Information
Management Division

B-261502

June 1, 1995

The Honorable Tom Harkin
Ranking Minority Member
Subcommittee on Labor, Health and Human
Services and Education
Committee on Appropriations
United States Senate

Dear Senator Harkin:

The Inspector General (IG) Act of 1978, as amended, requires the Office of Management and Budget (OMB), in consultation with GAO, to identify federal entities without statutory offices of inspectors general (OIGs) and to publish a list of such entities and their heads annually in the Federal Register. The IG Act, as amended, defines federal entities as government corporations, independent regulatory agencies, and entities in the executive branch other than the Executive Office of the President. The act also requires these federal entities to report annually by October 31 to each House of the Congress and to OMB on, among other things, the audit and investigative activities in their organizations.

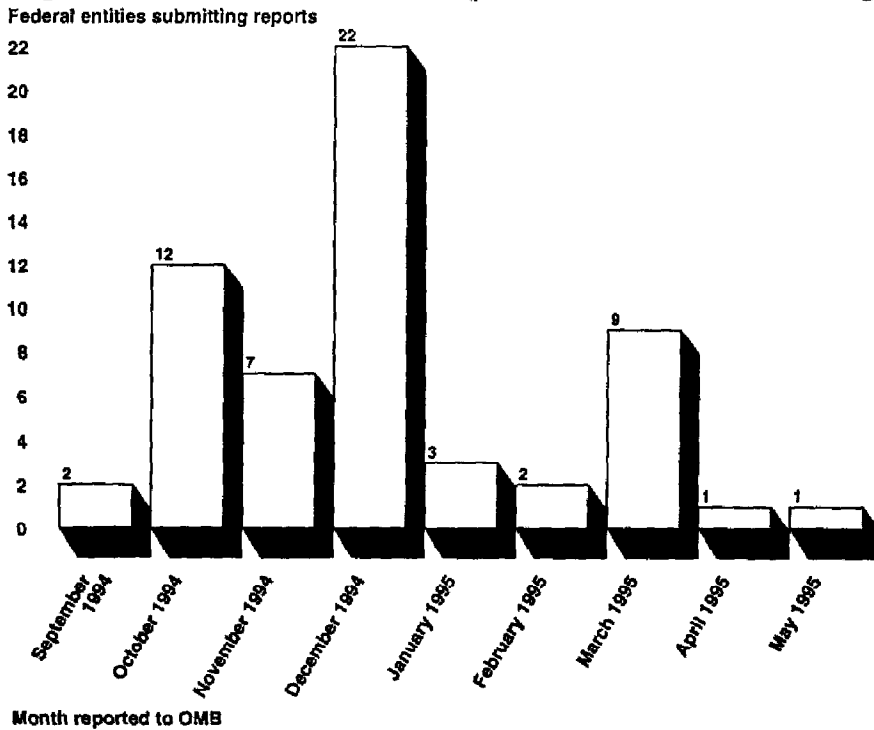
This fact sheet responds to your March 2, 1995, request for summary information on (1) whether federal entities identified by OMB in fiscal year 1994 reported their audit and investigative activity as required by the IG Act, (2) the extent of audit and investigative activity reported by these entities over the past 3 fiscal years, (3) the status of audit recommendations for the seven entities under your Subcommittee's jurisdiction, (4) how these seven entities process allegations of fraud and mismanagement, and (5) how they obtain their administrative services.

ALL FEDERAL ENTITIES REPORTED TO OMB

In the August 24, 1994, Federal Register, OMB listed 59 federal entities without statutory offices of inspectors general.¹ These entities had fiscal year 1994 budget authority totaling approximately \$3.2 billion with about 5,629 full-time equivalent (FTE) staff. (See appendix 1.)

For fiscal year 1994, each of the 59 federal entities identified by OMB submitted a report of their audit and investigative activity. Although most reports were submitted to OMB after the October 31 due date, almost three-fourths had been received by December 31, 1994, and all had been received by May 5, 1995. (See figure 1.)

Figure 1: Federal Entities' Reports of Audit and Investigative Activity



¹OMB identified 60 federal entities for fiscal year 1994. However, we excluded the Chemical Safety and Hazard Investigation Board because it was not active.

EXTENT OF ACTIVITY REPORTED

Forty-one of these entities, which accounted for 98 percent of the budget authority provided in fiscal year 1994 to all 59 entities, reported audit activity during the past 3 fiscal years. (See appendix II.) In addition, 6 of these 41 entities also reported having investigative activity during this same period. The remaining 18 entities reported no audit or investigative activity during the 3-year period.

The audit activity reported by the federal entities consisted mainly of (1) financial statement audits which are to include reviews of internal controls and of compliance with laws and regulations, (2) grant audits, and (3) operational or program audits.²

STATUS OF RECOMMENDATIONS,
FRAUD REFERRAL PROCEDURES, AND
USE OF ADMINISTRATIVE SERVICES

For the seven federal entities under your Subcommittee's jurisdiction,³ you asked us to provide certain information. Regarding the status of recommendations, four entities provided documentation to show that action had been taken to implement all 29 recommendations from audits conducted during the 10-year period we reviewed. For the remaining three federal entities, 78 audit recommendations had been made during this same period. Documentation provided by entity officials indicated that 50 of these had been fully implemented. Entity officials indicated they had plans for completing actions on the remaining 28.

Officials at all seven entities told us that they were unaware of any allegations of mismanagement or fraud. They stated, however, that if any

²Audits of federal entities are required by the IG Act to be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

³The seven entities are the Armed Forces Retirement Home, the Federal Mediation and Conciliation Service, the Federal Mine Safety and Health Review Commission, the National Commission on Libraries and Information Science, the National Council on Disability, the National Mediation Board, and the U.S. Institute of Peace.

were received, they have the discretion to refer such allegations to investigative or prosecutorial authorities at the Department of Justice, or to various offices of inspectors general (OIG). Although entity officials have the discretion to make these referrals, auditors who perform their work in accordance with generally accepted government auditing standards are required to report fraud or malfeasance to management and to ensure such instances are reported to the proper authorities in specific circumstances.

Officials of six of the seven entities stated that they obtained administrative services such as payroll, personnel, and accounting services through cross-servicing agreements with larger federal agencies, such as the General Services Administration (GSA). Officials at the Federal Mediation and Conciliation Service stated that they provide their own administrative services.

SCOPE AND METHODOLOGY

For each of the 59 federal entities listed by OMB in the August 24, 1994, Federal Register, we obtained and reviewed the annual reports of audit and investigative activity sent to OMB for fiscal years 1992, 1993, and 1994. Some of the 59 entities listed in 1994 were not listed in 1993 and/or 1992. To determine the extent of audit activity, we principally relied on the information contained in these reports. We also obtained the budget authority and FTEs for fiscal year 1994 for each entity from the President's fiscal year 1996 budget. We did not verify these amounts.

For the seven federal entities under your Subcommittee's jurisdiction, we obtained copies of reports for all audits reported by each entity over the past 10 years. (Not all seven entities were in existence for the entire period.) We reviewed all recommendations in these reports. Further, we discussed the status of their implementation with entity officials and reviewed documentation supporting the implementation status.

We discussed with entity officials their procedures for referring fraud and illegal acts to prosecutorial authorities. Finally, we reviewed entity cross-servicing agreements for administrative services with other federal agencies.

B-261502

We performed our audit between April and May 1995 in accordance with generally accepted government auditing standards.

Please contact me on (202) 512-9489 or Jackson W. Hufnagle, Assistant Director, on (202) 512-9470, if you or your staff have any questions concerning the fact sheet.

Sincerely yours,

A handwritten signature in black ink that reads "David L. Clark". The signature is written in a cursive style with a large, sweeping flourish at the end.

David L. Clark
Director, Legislative Reviews
and Audit Oversight

C o n t e n t s

		<u>Page</u>
LETTER		1
APPENDIXES		
I	FISCAL YEAR 1994 BUDGET AUTHORITY AND FTEs FOR THE 59 FEDERAL ENTITIES	7
II	AUDIT AND INVESTIGATIVE ACTIVITY REPORTED TO OMB BY 59 FEDERAL ENTITIES FOR FISCAL YEARS 1992 - 1994	11
III	SUMMARY OF AUDIT ACTIVITY AND OTHER PROCEDURES IN SEVEN FEDERAL ENTITIES	19
FIGURE		
1	Federal Entities' Reports of Audit and Investigative Activity	2

ABBREVIATIONS

AFRH	Armed Forces Retirement Home
FMCS	Federal Mediation and Conciliation Service
FMSHRC	Federal Mine Safety and Health Review Commission
FTE	full-time equivalent
GSA	General Services Administration
HHS	Department of Health and Human Services
IG	inspector general
NAS	Naval Audit Service
NCD	National Council on Disability
NCLIS	National Commission on Libraries and Information Science
NMB	National Mediation Board
OIG	office of inspector general
OMB	Office of Management and Budget
USIP	United States Institute of Peace

FISCAL YEAR 1994 BUDGET AUTHORITY
AND FTEs FOR THE 59 FEDERAL ENTITIES

(Dollars in thousands)

Federal entity	Fiscal year 1994	
	Budget authority ^a	FTEs
United States Enrichment Corporation	\$1,325,000	35
Export-Import Bank of the United States	1,032,369	450
Farm Credit System Insurance Corporation	120,546	10
Trade and Development Agency	67,358	33
Armed Forces Retirement Home	59,530	1,014
National Gallery of Art	51,908	814
National Transportation Safety Board	37,105	356
Inter-American Foundation	36,024	74
National Endowment for Democracy	35,000	0
Neighborhood Reinvestment Corporation	32,000	204
Federal Retirement Thrift Investment Board	31,744	95
Federal Mediation and Conciliation Service	30,483	301
Overseas Private Investment Corporation	29,838	66
Institute of Museum Services	28,777	15
Office of Navajo and Hopi Indian Relocation	26,936	91
Merit Systems Protection Board	26,678	271
Selective Service System	25,013	205
United States Holocaust Memorial Council	21,679	162

GAO/AIMD-95-152FS Federal Entities

Federal entity	Fiscal year 1994	
	Budget authority ^a	FTEs
American Battle Monuments Commission	19,286	374
African Development Foundation	16,905	50
Defense Nuclear Facilities Safety Board	16,560	91
State Justice Institute	13,550	10
Institute of American Indian and Alaska Native Culture and Arts Development	12,563	0
United States Institute of Peace	10,912	46
Offices of Independent Counsel	10,500	10
National Mediation Board	8,657	52
Office of Government Ethics	8,401	86
Office of Special Counsel	7,992	90
Commission on Civil Rights	7,776	83
Occupational Safety and Health Review Commission	7,362	73
Woodrow Wilson International Center for Scholars	6,352	45
Postal Rate Commission	5,925	51
National Capital Planning Commission	5,868	48
Federal Mine Safety and Health Review Commission	5,842	53
Thrift Depositor Protection Oversight Board	5,120	32

Federal entity	Fiscal year 1994	
	Budget authority ^a	FTEs
Barry Goldwater Scholarship and Excellence in Education Foundation	4,278	2
Federal Financial Institutions Examination Council Appraisal Subcommittee	4,249	9
James Madison Memorial Fellowship Foundation	3,703	7
Architectural and Transportation Barriers Compliance Board	3,348	35
Harry S. Truman Scholarship Foundation	3,212	5
Advisory Council on Historic Preservation	3,157	37
Pennsylvania Avenue Development Corporation	2,738	27
Nuclear Waste Technical Review Board	2,160	19
Administrative Conference of the United States	1,927	18
Japan-United States Friendship Commission	1,839	5
National Council on Disability	1,690	7
Committee for Purchase From People Who Are Blind or Severely Disabled	1,689	18
National Commission on Libraries and Information Science	1,404	6
Advisory Commission on Intergovernmental Relations	1,355	9
Marine Mammal Commission	1,290	10
Office of the Nuclear Waste Negotiator	1,000	11
Commission of Fine Arts	805	7

GAO/AIMD-95-152FS Federal Entities

Federal entity	Fiscal year 1994	
	Budget authority ^a	FTEs
Martin Luther King, Jr. Federal Holiday Commission	500	2
Interstate Commission on the Potomac River Basin	498	0
Delaware River Basin Commission	333	2
Susquehanna River Basin Commission	308	2
Christopher Columbus Fellowship Foundation	274	1
Commission for the Preservation of America's Heritage Abroad	200	0
Franklin Delano Roosevelt Memorial Commission	49	0
Totals	\$3,229,565	5,629

^aFor entities with offsetting collections, the dollar amounts are gross budget authority.

Source: Budget of the United States Government, Fiscal Year 1996.

**AUDIT AND INVESTIGATIVE ACTIVITY REPORTED TO
OMB BY 59 FEDERAL ENTITIES FOR FISCAL YEARS 1992 - 1994**

	Types of audit activity						Investigative activity
	Number of reports	Financial statement ^a	Internal controls	Compliance	Grant	Operational/program	
United States Enrichment Corporation	18	X	X	X		X	
Export-Import Bank of the United States	2	X	X	X			
Farm Credit System Insurance Corporation	5	X	X	X		X	
Trade and Development Agency	7	X	X	X	X	X	
Armed Forces Retirement Home	4	X	X	X		X	
National Gallery of Art	45	X	X	X		X	X
National Transportation Safety Board	2		X	X			X
Inter-American Foundation	667 ^b	X	X	X	X		
National Endowment for Democracy	3	X	X	X	X		
Neighborhood Reinvestment Corporation	429 ^b	X	X	X	X		

GAO/AIMD-95-152FS Federal Entities

	Types of audit activity						Investigative activity
	Number of reports	Financial statement*	Internal controls	Compliance	Grant	Operational/program	
Federal Retirement Thrift Investment Board	61	X	X	X		X	X
Federal Mediation and Conciliation Service	1	X	X	X			
Overseas Private Investment Corporation	3	X	X	X			
Institute of Museum Services	3				X		
Office of Navajo and Hopi Indian Relocation	1		X	X			
Merit Systems Protection Board	23		X	X		X	
Selective Service System	8	X	X			X	
United States Holocaust Memorial Council	2	X	X	X			
American Battle Monuments Commission	2		X	X			X

GAO/AIMD-95-152FS Federal Entities

	Types of audit activity						Investigative activity
	Number of reports	Financial statement ^a	Internal controls	Compliance	Grant	Operational/program	
African Development Foundation	40 ^b		X		X		
Defense Nuclear Facilities Safety Board	3		X	X		X	
State Justice Institute	123 ^b	X	X		X		
Institute of American Indian and Alaska Native Culture and Arts Development	3	X	X	X			
United States Institute of Peace	3	X	X		X		
Offices of Independent Counsel	3	X	X	X			
National Mediation Board	0 ^{c,d}						
Office of Government Ethics	0 ^e					X	
Office of Special Counsel	0 ^e					X	
Commission on Civil Rights	0 ^e			X			

GAO/AIMD-95-152FS Federal Entities

	Types of audit activity						Investigative activity
	Number of reports	Financial statement*	Internal controls	Compliance	Grant	Operational/program	
Occupational Safety and Health Review Commission	0 ^c					X	
Woodrow Wilson International Center for Scholars	6	X	X	X	X		
Postal Rate Commission	2		X	X			
National Capital Planning Commission	2		X	X			
Federal Mine Safety and Health Review Commission	1	X	X	X			
Thrift Depositor Protection Oversight Board	0 ^c						
Barry Goldwater Scholarship and Excellence in Education Foundation	1		X	X			

	Types of audit activity						Investigative activity
	Number of reports	Financial statement ^a	Internal controls	Compliance	Grant	Operational/program	
Federal Financial Institutions Examination Council Appraisal Subcommittee	2	X	X	X			X
James Madison Memorial Fellowship Foundation	0 ^c						
Architectural and Transportation Barriers Compliance Board	1		X	X			
Harry S. Truman Scholarship Foundation	0 ^c						
Advisory Council on Historic Preservation	0 ^c						
Pennsylvania Avenue Development Corporation	3	X	X	X			
Nuclear Waste Technical Review Board	1		X	X			

	Types of audit activity						Investigative activity
	Number of reports	Financial statement ^a	Internal controls	Compliance	Grant	Operational/program	
Administrative Conference of the United States	1		X	X			
Japan-U.S. Friendship Commission	0 ^c						
National Council on Disability	1	X	X	X			
Committee for Purchase From People Who Are Blind or Severely Disabled	0 ^c						
National Commission on Libraries and Information Science	0 ^c						
Advisory Commission on Intergovernmental Relations	0 ^c						
Marine Mammal Commission	2	X	X	X		X	
Office of the Nuclear Waste Negotiator	3		X	X			X
Commission of Fine Arts	0 ^c						

GAO/AIMD-95-152FS Federal Entities

	Types of audit activity						Investigative activity
	Number of reports	Financial statement ^a	Internal controls	Compliance	Grant	Operational/program	
Martin Luther King, Jr. Federal Holiday Commission	1	X	X				
Interstate Commission on the Potomac River Basin	2	X	X	X	X		
Delaware River Basin Commission	0 ^c						
Susquehanna River Basin Commission	0 ^c						
Christopher Columbus Fellowship Foundation	0 ^c						
Commission for the Preservation of America's Heritage Abroad	3	X	X	X			
Franklin Delano Roosevelt Memorial Commission	0 ^c						

^aGenerally accepted government auditing standards require that financial statement audits include reviews of internal controls and compliance with laws and regulations.

^cThe number of reports includes audits of numerous grants.

APPENDIX II

APPENDIX II

^cWe did not verify the accuracy or completeness of the activity reported to OMB. However, we found GAO audits that addressed entity activities or programs, including those of four entities where no audit activity was reported: the Office of Government Ethics, Office of Special Counsel, Commission on Civil Rights, and Occupational Safety and Health Review Commission.

^dThe last audit of the National Mediation Board was not within the 3-year time period.

SUMMARY OF AUDIT ACTIVITY AND OTHER PROCEDURES
IN SEVEN FEDERAL ENTITIES

National Mediation Board

The National Mediation Board (NMB) mediates disputes over wages, hours, and working conditions for rail and air carriers and their employees. NMB's fiscal year 1994 budget authority was approximately \$8.7 million with 52 FTEs.

NMB had an audit of its fiscal year 1987 financial operations, internal controls, and accounting systems by auditors from the Department of Health and Human Services (HHS) OIG, which recommended improvements to internal controls and compliance. In fiscal year 1991, the HHS OIG followed up on its prior audit recommendations and found internal controls continued to need improvement. NMB officials were able to provide documentation to indicate that, except for one recommendation, all audit recommendations had been implemented. For the remaining open recommendation, NMB had not provided training to its staff on making self-assessments under requirements of the Federal Managers' Financial Integrity Act of 1982. NMB officials told us that they are planning to obtain the training. They added that an audit of NMB's fiscal year 1994 financial statements is planned.

Regarding any allegations of fraud and mismanagement, officials told us that the NMB General Counsel would determine if the allegations should be pursued internally or referred to an external source for investigation or prosecution. NMB officials would contact the Department of Justice, the Office of Government Ethics, or the HHS OIG for such assistance.

NMB obtains payroll and personnel services through a cross-servicing agreement with GSA.

**National Commission on Libraries
and Information Science**

The United States National Commission on Libraries and Information Science (NCLIS) advises the President and the Congress on matters relating to national library and information policies and plans. The NCLIS fiscal year 1994 gross budget authority was approximately \$1.4 million with 6 FTEs.

NCLIS obtained audits of its fiscal year 1988, 1989, and 1990 financial statements, and the auditors concluded that NCLIS's financial statements were fairly presented in all material respects. Recommendations to correct internal control weaknesses were included in the audit reports. NCLIS officials provided information on corrective actions to address them. NCLIS officials told us that they plan to receive their next audit, from an independent public accounting firm, within the next 2 years if budget resources permit.

NCLIS officials told us that if assistance were required regarding allegations of impropriety at NCLIS, it would be provided by the General Counsel for the Department of Education.

NCLIS has a cross-servicing agreement with the Department of Education for payroll, budget, financial accounting, legal, and investigative support services.

Armed Forces Retirement Home

The Armed Forces Retirement Home (AFRH) provides a residence and related services for retired and former members of the Armed Forces. AFRH's fiscal year 1994 gross budget authority was approximately \$60 million with 1,014 FTEs.

The Naval Audit Service (NAS) performed one audit of AFRH's operations during fiscal year 1993, two during fiscal year 1994, and one audit of controlled substances in fiscal year 1995. GAO also issued an audit report, without recommendations, in 1993 regarding financing, operations, and management of AFRH. The four NAS audits identified weaknesses in internal controls and compliance with laws and regulations and made recommendations to correct them. Documentation indicates that AFRH has implemented most of the audit recommendations and agreed with NAS on target dates in 1995 for implementing the five remaining recommendations relating to general ledger subsystems and controls over inventories, property, plant, and equipment.

For addressing fraud and mismanagement, AFRH has access to the investigative facilities of the Department of Defense OIG and the military departments on a nonreimbursable basis.

AFRH uses the U.S. Treasury's Federal Financial System for accounting services, the Defense Finance and Accounting Service for payroll services, and the Defense Information Systems Agency for personnel management information services.

United States Institute of Peace

The United States Institute of Peace (USIP) was established to promote the peaceful resolution of international conflicts. USIP's fiscal year 1994 budget authority was approximately \$10.9 million with 46 FTEs.

USIP obtains annual audits of its financial statements. These audits are performed by an independent public accountant and have concluded that USIP's financial statements present fairly in all material respects its financial position. The audits reported no material weaknesses and contained no recommendations.

Officials told us that if investigative services were needed to respond to any allegation of fraud or mismanagement, USIP would refer the matter to the GSA OIG.

USIP obtains administrative support services from GSA on a reimbursable basis. These services include payroll, financial reporting, budget, personnel, legal, ethics counseling, security investigations, accounting functions, and other office services.

Federal Mine Safety and Health Review Commission

The Federal Mine Safety and Health Review Commission (FMSHRC) reviews enforcement activities of the Secretary of Labor and protects miners against unlawful discrimination. FMSHRC's fiscal year 1994 budget authority was approximately \$5.8 million with 53 FTEs.

FMSHRC has obtained audits of its financial statements for fiscal years 1987 and 1992 by the HHS OIG and an independent public accountant. The report for 1987 contained no recommendations. The audit report for fiscal year 1992 recommended improvements in controls over inventories and accounts payable. All but one recommendation was implemented as the audits were under way. FMSHRC officials provided documentation to us indicating that the remaining recommendation regarding accounts payable was implemented after the audit was completed.

According to FMSHRC officials, any reports of fraud or mismanagement related to administrative or personnel matters would be referred to the Department of Agriculture. We were also told that allegations on other issues would be referred to any available OIG and that ethics issues would be referred to the entity's General Counsel.

FMSHRC has a cross-servicing agreement with the Department of Agriculture for payroll and personnel services.

National Council on Disability

The National Council on Disability (NCD) reviews federal laws, programs, and policies regarding persons with disabilities in the United States, and identifies issues and recommends disability policies to the President and to the Congress. NCD's fiscal year 1994 budget authority was approximately \$1.7 million with 7 FTEs staff.

In a report dated March 3, 1994, an independent public accountant concluded that NCD's financial statements for fiscal years 1992 and 1993 fairly presented in all material respects the financial position of the entity. The audit report contained recommendations to improve internal controls and compliance with laws and regulations regarding travel and personnel issues. We did not review NCD's progress in implementing these recommendations due to NCD's planned audit for June 1995, which will include assessing implementation of these recommendations.

According to NCD officials, allegations of fraud and mismanagement would be referred to the GSA OIG, and ethics violations would be referred to the Department of Education's General Counsel.

NCD has a cross-servicing agreement with GSA for payroll, accounting, personnel, and financial services.

Federal Mediation and Conciliation Service

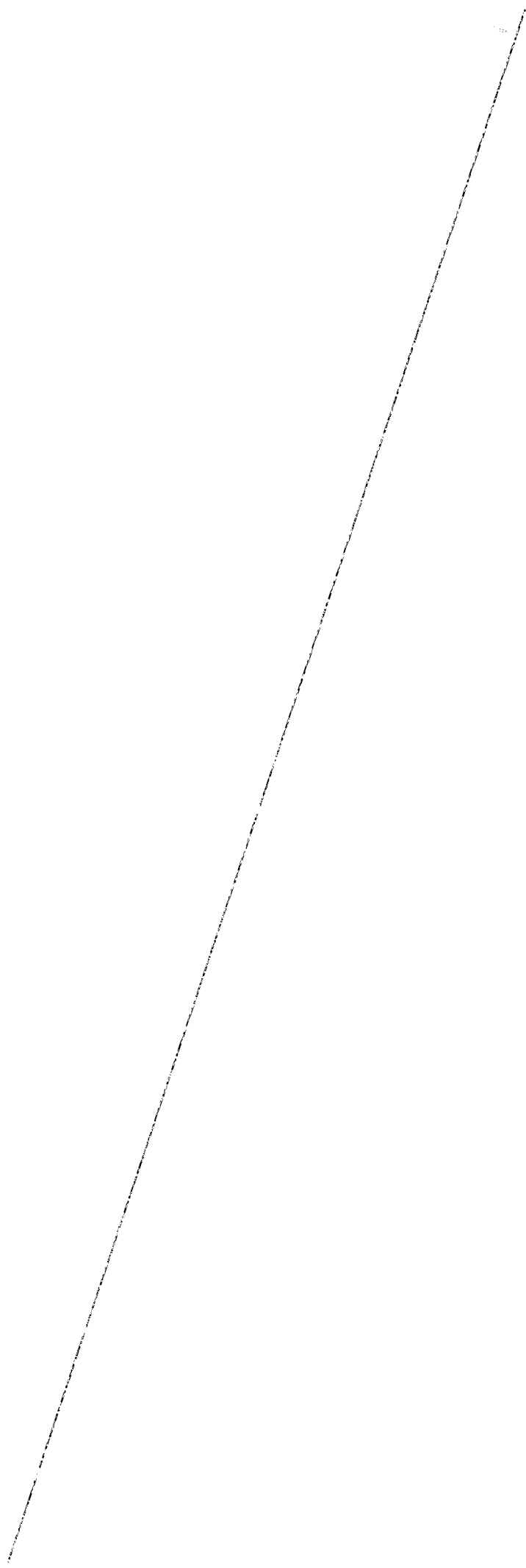
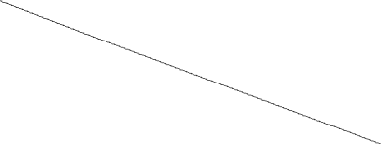
The Federal Mediation and Conciliation Service (FMCS) assists labor and management in mediation and prevention of disputes, other than those involving rail and air transportation, whenever such disputes threaten to cause a substantial interruption of interstate commerce or impairments to the national defense. FMCS's fiscal year 1994 gross budget authority was approximately \$30 million with 301 FTEs.

An independent public accountant's audit reports of FMCS's financial statements for fiscal years 1987 through 1990 concluded that FMCS's financial statements fairly presented in all material respects the financial position of the entity and reported no material weaknesses. In addition, FMCS received an audit by an independent public accountant of its 1991 financial operations which recommended improvements to financial reporting and accounting procedures. FMCS officials provided documentation indicating that a new accounting system had been implemented to address the audit recommendations. Officials told us that an audit of FMCS's 1994 financial statements will be conducted in 1995, at which time the accounting system will be reviewed.

An FMCS official stated the FMCS General Counsel would decide what action or referral to take on allegations of fraud or mismanagement received by FMCS. Any criminal allegations would be referred to the Department of Justice.

FMCS has its own accounting system and its own budget, finance, personnel, and administrative services staff.

(911696)



Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

