

GAO

Report to the Inspector General, General
Services Administration

July 1987

INSPECTORS
GENERAL

Compliance With
Professional Standards
by the GSA Inspector
General



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

**Accounting and Financial
Management Division**

B-222376

July 20, 1987

The Honorable William R. Barton
Inspector General
General Services Administration

Dear Mr. Barton:

This report summarizes the results of our review of the Office of Inspector General's compliance with professional standards. This is the fourth in a series of reviews planned for federal inspectors general and internal audit organizations.

The report contains recommendations to you in chapters 2 and 3. Please advise us of the actions you take on these recommendations.

We are sending copies of the report to the Director, Office of Management and Budget, and to the Administrator of General Services. We are also sending copies to various congressional committees and to other interested parties.

Sincerely yours,

A handwritten signature in cursive script, reading 'Frederick D. Wolf'.

Frederick D. Wolf
Director

Enclosure

Executive Summary

Purpose

Statutory offices of inspectors general and other federal internal audit organizations play an important role in preventing and detecting fraud and abuse, and in promoting economy, efficiency, and effectiveness in federal programs and operations. Because of the importance attached to their work, GAO has initiated a series of "quality assessment reviews" of offices of inspectors general and other federal internal audit organizations. This report on the General Services Administration (GSA) Office of Inspector General (OIG) is the fourth in GAO's series of quality assessment reviews.

Background

The GSA Office of Inspector General conducts two types of assignments—audits and investigations. GAO's specific review objectives were to determine whether the OIG

- audit function satisfactorily complied with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, certain standards contained in the President's Council on Integrity and Efficiency (PCIE) Quality Standards for Federal Offices of Inspector General, and the Office of Management and Budget (OMB) circular A-73, "Audit of Federal Operations and Programs"; and
- investigation function satisfactorily complied with the PCIE Quality Standards for Federal Offices of Inspector General and Interim Professional Standards for Investigations.

Professional standards are not absolute measures for quality which must be rigidly applied in all instances, but rather, they are guiding principles for quality to be applied with professional judgment in individual circumstances. GAO uses the term "satisfactory compliance" with a professional standard to mean that GAO found adherence to a professional standard in a substantial majority of situations tested and that the nature and significance of any instances of noncompliance would not appear to impair OIG operations, credibility, or report findings. During the review, GAO met periodically with the inspector general (IG) and his staff to discuss assessment results as well as GAO's observations on other management practices. In addition, GAO provided the OIG with the detailed findings on each audit and investigation reviewed.

Results in Brief

GAO reviewed the OIG's adherence to 23 audit and investigation standards. The OIG satisfactorily complies with 20. Of the remaining 3, the OIG complies with some aspects of the audit standards on supervision and evidence and the investigation standard on planning. However,

improvements are needed in certain areas to bring the OIG into satisfactory compliance with these standards, such as documenting reviews of auditors' work, supporting audit report statements with work-paper evidence, and preparing an annual investigation plan. In addition, GAO concluded that the OIG appears to have adequate quality-control policies and procedures for ensuring adherence to all standards.

Principal Findings

Assessment of Audit Function

To assess the OIG's audit function, GAO grouped the audit standards into 12 categories, evaluated OIG quality-control systems for ensuring adherence to the standards, reviewed 26 audit assignments, and tested other OIG procedures designed to ensure quality in audit work.

The following table shows GAO found that the OIG satisfactorily complies with 10 standards. On the other 2, the OIG complies with some aspects of these standards, but improvements are needed to bring the OIG into satisfactory compliance with these standards.

Table 1: Compliance With Audit Standards

Standard	Satisfactory compliance	Needs improvements
Staff qualifications	X	
Independence	X	
Annual audit planning	X	
Individual job planning	X	
Legal and regulatory requirements	X	
Internal controls	X	
Fraud, abuse, and illegal acts	X	
Reporting	X	
Audit follow-up	X	
Quality assurance	X	
Supervision		X
Evidence		X

Documenting Supervisory Reviews—In 10 of 26 sampled audits, the OIG does not meet either one or two aspects of the supervision standard—supervisory review of subordinates' work to ensure adherence to audit plans and supervisory review of work papers to ensure adequate support for audit report statements. In 7 of the 10 audits with supervisory

deficiencies, GAO found little or no written evidence that a supervisor monitored the subordinates' work. For example, GAO reviewed one audit where none of the regional offices' work papers and only 20 percent of the headquarters' work papers GAO sampled were signed by a supervisor to document supervisory review. In 4 other audits, GAO found factual inconsistencies between the reports and supporting work papers indicating that the supervisory review was inadequate.

The OIG appraisal review team reported similar instances of supervisory deficiencies in 7 of the 11 regional offices they reviewed. GAO's review identified supervisory deficiencies in 4 of the 5 regional offices it evaluated.

Supporting Audit Report Statements—In 4 of 26 sampled audits, GAO identified factual statements in audit reports which the work papers did not support with evidence. For example, in one audit GAO found discrepancies between numerical data in the work papers and those cited in the audit report. The work papers did not reconcile these differences, nor did they explain the derivation of the report's numerical data. The OIG appraisal review team also reported work-paper support deficiencies in their evaluations.

Assessment of Investigation Function

To assess the OIG's investigation function, GAO grouped the investigation standards into 11 categories, evaluated OIG quality-control systems for ensuring adherence to the standards, reviewed 26 investigation cases, and tested other procedures designed to ensure quality in investigation work.

The following table shows GAO found that the OIG satisfactorily complies with 10 investigation standards. The OIG complies with one of two aspects of the planning standard; however, improvements are needed to bring the OIG into satisfactory compliance with the standard.

Table 2: Compliance With Investigation Standards

Standard	Satisfactory compliance	Needs improvements
Staff qualifications	X	
Independence	X	
Screening allegations	X	
Coordination	X	
Directing and controlling	X	
Due professional care	X	
Preserving confidentiality	X	
Reporting	X	
Information management	X	
Quality assurance	X	
Planning		X

Preparing Annual Investigation Plan—Although the OIG investigation office prepares a written annual plan, the plan’s goals are general, outlining overall Office of Investigation functions and emphasizing categories needing investigation attention. There is no explanation of the goals’ relation to OIG strategies for program improvements and what the OIG would like to accomplish with its investigations in each area. Also, the goals do not establish specific investigative priorities or estimate staff resources needed to carry out planned efforts. Further, the plan does not specify how each field office should contribute to attaining the goals.

Recommendations

GAO recommends several corrective actions to the inspector general to help bring the OIG into satisfactory compliance with the audit standards on supervision and evidence and the investigation standard on planning. In addition, GAO offers other recommendations to improve OIG operations, such as clearer policies and procedures on retaining interview notes for investigation cases. During the review, GAO made other suggestions which the OIG implemented. (See chapters 2 and 3 for specific recommendations.)

Agency Comments

The GSA inspector general agreed with GAO’s findings and most of the recommendations. He stated that the results of GAO’s work have proved very beneficial in assisting the OIG in its efforts to achieve full compliance with all audit and investigation standards. According to the IG, corrective actions are underway in all areas requiring improvements. However, while the IG is taking action on all our recommendations, he

does not plan to (1) revise the Office of Investigation organizational planning effort to the level of detail we recommended or (2) make certain suggested training courses a mandatory requirement for OIG investigators. GAO continues to believe that a written, goal-oriented annual organizational plan in the recommended level of detail is a valuable and necessary tool for effective management. Also, GAO believes that the OIG's training profile should include mandatory courses in the areas where the OIG plans to commit significant resources to ensure efficient and effective investigations. Appendix II contains the OIG's comments and GAO's response to each comment.

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Abbreviations

ADP	automated data processing
FMFIA	Federal Managers' Financial Integrity Act
GAO	General Accounting Office
GSA	General Services Administration
IG	inspector general
OIG	Office of Inspector General
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency

Introduction

The government relies on the offices of inspectors general (OIGs) and other federal internal audit organizations to determine whether federal funds are handled properly and whether agencies are economically and efficiently achieving the purposes for which their programs were authorized and funded. We believe the quality of work these organizations perform is a matter of great importance. In 1984, we initiated a series of "quality assessment reviews" of the OIGs' and other federal internal audit organizations' work. The first three OIG reviews were conducted at the Department of Commerce, the Department of Agriculture, and the Environmental Protection Agency.¹ Our reviews are designed to determine whether an OIG or other federal internal audit organization is satisfactorily complying with generally accepted government auditing standards and other professional standards.

Mission and Organization of the GSA Inspector General Office

The Inspector General Act of 1978, as amended, and other legislation established an OIG in the General Services Administration and in other departments and agencies. The President, with the advice and consent of the Senate, appoints the inspector general (IG), who directs the office. At GSA, the IG is under the general supervision of and reports to the Administrator. The IG has a deputy inspector general, who serves as his principal assistant. The current IG, William R. Barton, took office on November 19, 1985.

Mission and Organization

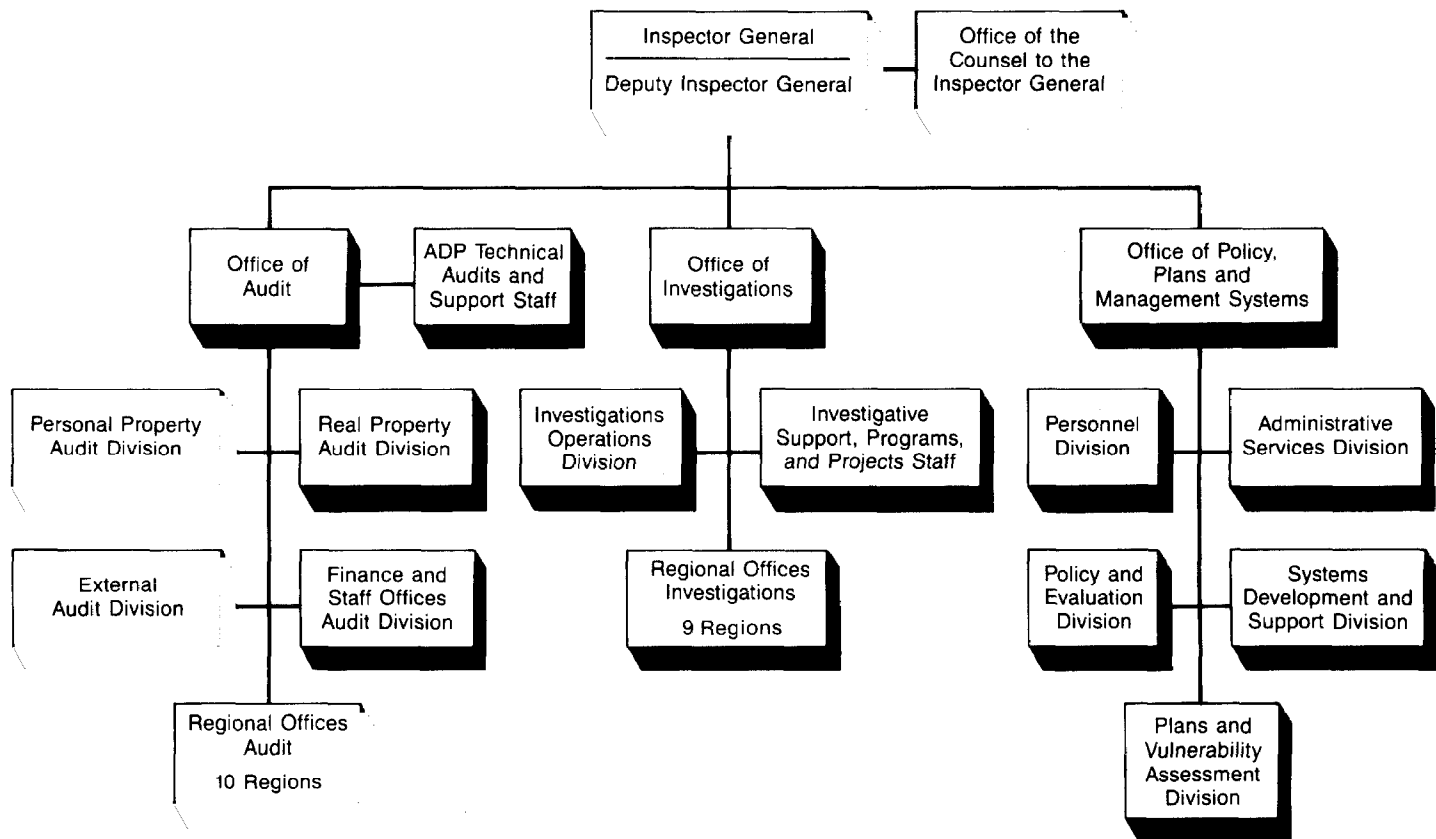
The OIG mission is to (1) prevent, detect, and reduce fraud, waste, abuse, and mismanagement and (2) promote economy, efficiency, and effectiveness in GSA. The OIG primarily accomplishes its mission by conducting audits and investigations of departmental operations. Descriptions of the audit and investigation functions are discussed later in this chapter.

The OIG carries out its mission through four major organizational units: Office of Audits; Office of Investigations; Office of Policy, Plans, and Management Systems; and the Office of Counsel to the Inspector General. With the exception of the Office of Counsel to the Inspector General, these offices are directed by an assistant inspector general. There are ten regional inspectors general for audit and nine regional inspectors general for investigations, who report to the appropriate assistant

¹Compliance With Professional Standards by the Commerce Inspector General (GAO/AFMD-85-57, August 12, 1985), Inspectors General: Compliance With Professional Standards by the Agriculture Inspector General (GAO/AFMD-86-41, September 30, 1986), and Inspectors General: Compliance With Professional Standards by the EPA Inspector General (GAO/AFMD-86-43, September 30, 1986).

inspector general.² The three assistant inspectors general and the counsel to the IG report directly to the IG. Figure 1.1 displays the OIG organization chart. As of September 30, 1986, the OIG had 340 staff members.

Figure 1.1: U.S. General Services Administration, Office of Inspector General Organization Chart



Source: General Services Administration Office of Inspector General

Audit

The Office of Audits performs audits of GSA operations and activities. It consists of four headquarters divisions, a headquarters automated data processing (ADP) technical audits and support staff, and 10 regional offices. The headquarters divisions provide technical direction and staff

²When we started our review in April 1986, the OIG had 11 regional offices for audit and 11 regional offices for investigations. In an August 1986 OIG field reorganization, the OIG consolidated the Denver regional office for audit, the Denver regional office for investigations, and the Auburn (Washington) regional office for investigations with other OIG regional offices for audit and investigations.

support for audit activities related to designated areas of GSA operations. The audit activities encompass reviews of all GSA staff offices, GSA contracts, and the administration and management of GSA and governmentwide personal property, government-owned or leased real property, and GSA-wide financial, accounting, and budgeting systems. The ADP technical audits and support staff primarily provides advice and assistance for audits involving the evaluation of data processing, teleprocessing, and office automation systems and operations. The ten regional offices—Atlanta, Auburn (Washington), Boston, Chicago, Fort Worth, Kansas City, New York, Philadelphia, San Francisco, and Washington, D.C.—execute the OIG audit program. As of September 30, 1986, the Office of Audits had 221 staff members.

Investigations

The Office of Investigations carries out a comprehensive nationwide program for the detection and investigation of criminal, prohibited, or improper activities against GSA by its employees, vendors doing business with GSA, and other individuals or groups. The office consists of a headquarters division, a headquarters support staff, and nine regional offices. The headquarters division mainly provides operational and technical support to the regions, identifies and recommends areas for proactive work, and conducts trend analyses of investigative results. The headquarters support staff primarily directs the OIG hotline program and provides administrative and management support. The nine regional offices—Atlanta, Boston, Chicago, Fort Worth, Kansas City, New York, Philadelphia, San Francisco, and Washington, D.C.—perform investigative work. As of September 30, 1986, the Office of Investigations had 76 staff members.

Policy, Plans, and Management Systems

The Office of Policy, Plans, and Management Systems performs a number of functions that assist the OIG in carrying out its mission. The office, which consists of five headquarters divisions, develops, directs, and supervises a broad range of comprehensive and integrated OIG programs. These programs cover administrative services, budget and financial management, personnel, policy formulation and coordination, internal evaluation, audit planning and analysis, communications, and data systems support. The office had 31 staff members as of September 30, 1986.

Counsel to the Inspector General

The Office of Counsel to the Inspector General provides expert, independent legal counsel to the OIG on all legal matters, including audits and

investigations. The office, which had seven staff members as of September 30, 1986, participates with and assists U.S. Attorneys, the Department of Justice, and the GSA Office of General Counsel in preparing and conducting legal proceedings relevant to or arising out of OIG programs and operations. On behalf of the OIG, the office reviews the legal sufficiency of possible suspension and debarment actions. Also, the office prepares all subpoenas for the OIG and reviews and prepares OIG comments on existing and proposed legislation and regulations. In addition, the office operates the OIG regulation/directive clearance program, which reviews and comments on internal policy initiatives prior to issuance.

Objectives, Scope, and Methodology

This report on the General Services Administration (GSA) Office of Inspector General continues our series of quality assessment reviews of the OIGs and other federal internal audit organizations. Our review objectives were to determine whether the GSA Office of Inspector General (1) audit function was satisfactorily complying with the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, certain standards contained in the President's Council on Integrity and Efficiency (PCIE) Quality Standards for Federal Offices of Inspector General, and Office of Management and Budget (OMB) circular A-73, "Audit of Federal Operations and Programs"; and (2) investigation function was satisfactorily complying with the PCIE Quality Standards for Federal Offices of Inspector General and Interim Professional Standards for Investigations.

During this review, we evaluated the OIG quality-control systems for ensuring adherence to the standards, examined 26 recently completed OIG audit and 26 closed investigation reports and work-paper files, and reviewed other aspects of the OIG operations. Our review was a compliance evaluation. We did not evaluate the economy, efficiency, and effectiveness of the OIG.

We recognize that professional standards are not absolute measures for quality which must be rigidly applied in all instances, but rather, that they are guiding principles for quality to be applied with professional judgment in individual circumstances. In the audits and investigations we reviewed, we assessed compliance with a professional standard based on (1) the number of times the organization adhered to a standard and (2) the nature and significance of instances of noncompliance with a standard. Accordingly, we use the term satisfactory compliance with a professional standard to mean that we found adherence to a standard in

a substantial majority of situations tested and that the nature and significance of any instances of noncompliance would not appear to impair OIG operations, credibility, or report findings. Because no absolute quantitative measurement criteria exist for evaluating compliance with the standards that we used, review team members relied heavily on professional judgment.

We assessed compliance on a standard-by-standard basis for the OIG audit and investigation functions. We did not evaluate each aspect of every standard, but we did test those aspects we considered the most critical in determining the OIG's compliance with the standard. Accordingly, we cannot be certain that our review disclosed all material weaknesses in how the OIG conducts its operations; however, all material weaknesses which did come to our attention are discussed in this report. Also, we did not redo any of the audits and investigations; therefore, we could not determine if the findings, conclusions, and recommendations in the OIG reports we reviewed were correct.

During our review, we met periodically with the inspector general and his staff to discuss our assessment results as well as suggestions on other management practices which we thought the OIG should consider adopting. In addition, we provided the IG and his staff, including those directly involved in assignments, with our detailed findings on each audit and investigation we reviewed.

We conducted our work between April and October 1986 in accordance with generally accepted government auditing standards. Appendix I gives additional details on our scope and methodology.

Assessment of the Audit Function

The OIG satisfactorily complied with 10 of the 12 categories of standards in the areas which we tested. The categories included staff qualifications; independence; annual audit planning; individual job planning; legal and regulatory requirements; internal controls; fraud, abuse, and illegal acts; reporting; audit follow-up; and quality assurance. Also, the OIG complied with some aspects of the remaining 2 standards on supervision and evidence; however, improvements are needed in certain areas to bring the OIG into satisfactory compliance with these standards.

While the OIG appears to have adequate quality-control policies and procedures for ensuring adherence to all the standards, we believe that policies and procedures by themselves do not ensure adherence to the standards. It is important that all OIG staff have an awareness and understanding of professional standards and corresponding OIG policies and procedures. This awareness and understanding is critical for staff to perform quality work which meets both the needs of their organization and the requirements set out in the professional standards.

Compliance With Standards

This section discusses our assessment of the OIG audit function's compliance with standards.

Staff Qualifications

The standard requires that the staff on an assignment collectively possess adequate professional proficiency for the tasks required. Audit organizations can ensure that they meet these requirements by employing qualified staff, providing training, and evaluating performance.

The OIG satisfactorily complies with this standard. In a sample review of 50 auditors' personnel records, including those auditors assigned to our sampled audits, we found that all the auditors met the Office of Personnel Management's GS-511 auditor qualification standards. Also, we found that the auditors' duties matched the description of work in the classification series.

In our assessment of the OIG's training program, we found that all auditors in our 26 sampled audits had training or experience that appeared reasonable in light of their assigned tasks. In a sample review of 50 auditors' training records, we found that all the auditors, including all those assigned to our sampled audits, had taken one or more training

courses listed in the OIG's training profile during the 2-year period ending March 31, 1986. For example, auditors had taken courses such as basic auditor training, operational auditing, and audit report writing.

In assessing the OIG's performance appraisal program, we found in a sample review of 50 auditors' performance appraisals that all auditors, including those assigned to our sampled audits, had received a required appraisal for 1985 and 1986. They were rated on various job dimensions as outstanding, highly successful, successful, marginally satisfactory, or unsatisfactory. We found that 49 of 50 auditors received an overall rating of successful or higher for all job dimensions, and their appraisals did not reflect the need for training or coaching to improve their performance. One auditor, who was assigned to one of our sampled audits, was rated marginally satisfactory.

Independence

The standard requires that in all matters relating to audit work, the audit organization and the individual auditors must (1) be free from personal or external impairments to independence, (2) be organizationally independent, and (3) maintain an independent attitude.

The OIG satisfactorily complies with this standard. The organizational placement of the IG, reporting directly to the Administrator as prescribed by the Inspector General Act of 1978, locates the audit unit outside the staff or line management of GSA organizations and people who might be subject to audit. With regard to the audit function being free of external impairments to independence, we did not find any evidence of external interference in the OIG records of our 26 sampled audits or in discussions with auditors and managers. In addition, we did not identify any instances where an auditor's personal independence had been impaired. In a sample review of 50 auditors' financial disclosure statements, including those auditors assigned to our sampled audits, we found that (1) 49 auditors had submitted the statements for 1985 and 1986—the one auditor who did not submit the statement for 1986 left the OIG before it was due—and (2) the OIG's management and legal officials had reviewed and signed the statements. We reviewed all the statements, and we did not identify any impairments to personal independence.

In an earlier report (Impact of Administrative Budget Procedures on Independence of Offices of Inspector General, GAO/AFMD-84-78, September 26, 1984), we found that agency officials exercising approval authority over the OIG's budget request could impair the independence of an OIG.

At GSA, agency procedures ensure that the Administrator receives the OIG's unmodified budget request. In addition, the IG may meet with the Administrator, OMB, and congressional subcommittees to present the budget request.

Annual Audit Planning

The PCIE Quality Standards for Federal Offices of Inspector General and OMB circular A-73, "Audit of Federal Operations and Programs," require that each audit organization identify the organizations, programs, and activities within its department or agency that are subject to audit. From this universe, it must develop, at least annually, a plan of scheduled audits that should be reviewed with the agency head or deputy head.

The OIG satisfactorily complies with both the PCIE standard and OMB circular A-73. The OIG has identified all the auditable entities within GSA and maintains separate management inventories for internal and external audits. Annually, the OIG prepares a plan that identifies scheduled audits for the year. To develop the annual plan, the OIG solicits recommendations for audit coverage from OIG divisions and field offices as well as from GSA's Administrator, regional administrators, and heads of services and staff offices. An audit planning committee reviews and scores each recommendation based on a set of established ranking factors, and then it ranks them according to their assigned scores, audit potential, and the need for balanced program coverage. The annual plan is reviewed by the Administrator, finalized, and distributed.

During calendar year 1986, the OIG allocated 54 percent of its total audit resources to external contract audits and 46 percent to internal program audits. In addition, the OIG assigned over 87 percent of its audit resources to GSA's four primary program services—the Federal Property Resources Service, the Federal Supply Service, the Information Resources Management Service, and the Public Buildings Service. These services accounted for over 96 percent of GSA's fiscal year 1986 budget request, and we found the OIG devoted its audit resources on a scale consistent with the relative size of each service's budget.

Another aspect of audit coverage is the type of audits performed. During fiscal year 1986, the OIG used 32 percent of its audit resources for economy and efficiency audits, 51 percent for contract audits, 5 percent for program evaluation audits, and 9 percent for other audit work. However, the OIG only devoted 3 percent of its audit resources for financial and compliance audits. The OIG generally directs these audits toward

specific financial reports or a single accounting system, such as cash management, year-end spending, and the reliability of accounting systems which produce financial reports. The OIG, however, generally does not perform audits which review financial management from a top-down perspective, such as those which examine financial reports and accounting system reliability, to produce accurate and meaningful reports for a total agency. As we have stated in our prior quality assessment reviews, we believe that financial statement audits increase the discipline needed to achieve sound financial management, enhance oversight, and help ensure financial integrity. To that end, and in light of recent congressional interest in this area, we are conducting a separate review to evaluate OIG abilities to perform audits of agency comprehensive financial statements.

Individual Job Planning

The standard requires that audit organizations adequately plan their work. A written plan should be prepared for each audit. Auditors who develop the plans should consider the needs of all government users. The plans should be designed to satisfy audit objectives, define the work scope, and provide time-frame and staff-day estimates. Audit plans should be followed during the execution phase of an audit, or an explanation for any deviations should be added to the work papers.

The OIG satisfactorily complies with this standard. In our review of 26 sampled audits, we found that 2 audits did not have plans, but we determined that these audits did not need plans because of the nature and scope of work performed. For the remaining 24 sampled audits, we found that (1) the auditors considered the needs of potential government users, (2) the auditors designed the plans to satisfy the audit objectives, except in one case where the audit steps for performing the work were incomplete, (3) the plans contained a work scope and time-frame and staff-day estimates, except in 2 cases, and (4) the auditors followed their plans or adequately explained their reasons for any deviations, except in one case.

Legal and Regulatory Requirements

The standard requires that auditors review compliance with applicable laws and regulations. These reviews are necessary so that auditors can (1) gain an understanding of the expected results of the programs or activities being reviewed and (2) determine compliance with laws and regulations that could materially affect an entity's financial statements or the acquisition, management, and utilization of the entity's resources.

The OIG satisfactorily complies with this standard with regard to conducting compliance reviews of pertinent laws and regulations that OIG auditors have identified. We verified that the auditors followed established procedures to identify pertinent laws and regulations and to test whether the auditee was complying with the identified laws and regulations. We did not, however, review each audit to determine whether every law and regulation had been identified. In 25 of 26 audits that we reviewed, we agreed with the OIG auditors' conclusions as to auditee compliance. In the remaining audit, we did not believe that the auditors' conclusions were adequately supported by work papers.

Internal Controls

The standard requires that auditors study and evaluate internal control systems applicable to the organization, program, activity, or function under review. Audit reports should clearly describe any material weaknesses the auditors found in the systems, what the auditors did in evaluating the pertinent internal control systems, as well as the extent to which the auditors relied on the internal control systems in determining the scope of their work. When internal controls are important to audit objectives discussed in the audit report, but the audit report did not evaluate them, the report should disclose the reasons for not performing the evaluation.

The OIG satisfactorily complies with this standard. In the 26 sampled audits we reviewed, the auditors identified and evaluated the internal control systems when appropriate. In addition, the audit reports adequately described what the auditors did in assessing the internal control systems and what the material weaknesses were. In 4 sampled audits, however, where internal control studies were not made, the audit reports did not adequately explain why the studies were not conducted. While such explanations should have been included in each report, we believe the nature and significance of the omissions did not compromise the audit findings and conclusions. As such, we concluded the OIG was in satisfactory compliance with the standard from an overall perspective.

Passage of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) reaffirmed that agency managers are primarily responsible for the adequacy of internal control and accounting systems within their agencies. FMFIA is credited with the renewal of efforts throughout the government to strengthen internal controls and accounting systems. Although the internal control standard does not require OIGs to monitor agency FMFIA implementation, we reviewed OIG contributions to GSA efforts to implement the act.

Our review showed that since the enactment of FMFIA, the OIG has issued five audit reports, as of September 30, 1986, focusing on GSA's process for implementing the act. The reports indicate GSA's progress as well as cite aspects of the FMFIA process where GSA needs to make improvements. In addition, OIG assistance has included advising GSA management on program development, reviewing and commenting on FMFIA processes and documents, and rendering opinions on the Administrator's annual reports to the President and the Congress.

Fraud, Abuse, and Illegal Acts

The standard requires that auditors be alert to situations or transactions that could indicate fraud, abuse, or illegal acts. If such evidence exists, auditors should extend audit steps and procedures to identify the effect on the entity's operations and programs.

The OIG satisfactorily complies with this standard. In reviewing the audit-work papers and talking with supervisors for our 26 sampled audits, we identified 7 cases where indications of fraud or abuse existed. In all of these assignments, the OIG auditors appropriately expanded the original audit scope and testing, obtained assistance from staff with specialized skills, coordinated with OIG investigators, and/or expeditiously reported information about potential fraud and abuse to appropriate agency and law enforcement officials.

Reporting

Generally accepted government auditing standards contain standards for report distribution, timeliness, content, and presentation. The following sections summarize the results of our review in each of these areas.

Report Distribution

The standard requires that federal audit organizations submit their reports to appropriate officials of the organization audited and to those officials requiring or arranging for the audits, unless prevented by legal restrictions or ethical considerations. Audit organizations should also send copies of reports to officials who may be responsible for action on audit findings and recommendations and to others authorized to receive such reports. Unless restricted by law or regulation, audit organizations should make copies available for public inspection.

The OIG satisfactorily complies with this standard. It appropriately distributed all reports resulting from the audits in our sample. Those receiving the reports included officials of the audited organization and

the GSA Office of Audit Resolution. Copies of all internal audits were sent to the GSA library and the Office of Public Affairs, and they were available to the public. Contract audit reports are made available to the public upon written request pursuant to the Freedom of Information Act, after all proprietary information concerning the contractor has been removed.

Report Timeliness

The standard requires that reports be issued on or before the dates specified by law, regulation, or other special arrangement. They should also be issued promptly to make the information available for timely use by management and legislative officials.

The OIG satisfactorily complies with this standard. Of 26 sampled audits, 15 had specific issue dates, and all reports were issued on or before the date specified. In addition, we contacted the audit report's principal management user to inquire whether the report was timely. Of the 23 report users who commented, all except one said the OIG's work was timely. In that case, which involved the OIG's annual FMFIA audit, the report had been issued too late to make a meaningful contribution to the following year's FMFIA effort. However, OIG officials told us that OIG auditors routinely inform management officials of all significant audit findings and recommendations during the course of an audit through written interim reports and frequent oral briefings.

Report Content

The standard requires that audit reports include statements on audit scope and objectives, generally accepted government auditing standards, internal controls, comments of agency officials, recommendations for corrective actions, and other items.

The OIG satisfactorily complies with this standard. All the sampled audit reports contained descriptions of audit scope and objectives. Also, they contained a statement that the audit was prepared in accordance with generally accepted government auditing standards. In addition, the sampled audit reports contained recommendations and the views of pertinent officials, when appropriate.

Report Presentation

The standard requires that audit reports be objective, clear, concise, and convincing.

The OIG satisfactorily complies with this standard. All sampled audit reports complied with the standard. In addition, we reviewed audit summaries and statistical data on accomplishments in the IG's semiannual reports to the Congress for the 6-month periods ending September 30, 1985, and March 31, 1986. We found the information to be consistent with OIG records pertaining to the audits and reported accomplishments. Also, the reports had been issued within the time frame prescribed in the IG Act.

Audit Follow-Up

The standard requires that auditors follow up on findings and recommendations from previous audits to determine if the auditee has taken appropriate corrective actions.

The OIG satisfactorily complies with this standard. In 25 of 26 sampled audits, our review of the OIG work papers and discussions with the auditors disclosed that the auditors, where appropriate, identified previous audits performed and determined whether corrective action had been taken. In the remaining case, we determined that the auditors did not identify previous audit reports.

Another important aspect of audit follow-up is tracking both the resolution and implementation of OIG recommendations on a systematic basis. To ensure resolution of all audit report recommendations within the time frames established by OMB circular A-50, "Audit Follow-Up," the OIG tracks the status of management's proposed action plan to correct an audit-identified deficiency. The resolution process is not complete until the OIG formally agrees with the action plan. The Office of Audit Resolution tracks and evaluates management's execution of the action plan through final implementation of audit resolution decisions.

To test the Office of Audit Resolution's follow-up system, we reviewed the status of each recommended action in four audit reports. We compared the status of the recommended actions in the system with other Office of Audit Resolution records to determine if there was consistency for all four audits. We found that the audit follow-up system tracked the audit recommendations through final implementation of audit resolution decisions.

Quality Assurance

The standard requires that the OIG establish and maintain a quality-assurance program. The standard defines quality assurance as an evaluative effort conducted by individuals, who are external to the units

under review, to ensure that work performed adheres to established OIG policies and procedures, meets established standards of performance, and is carried out economically, efficiently, and effectively.

The OIG satisfactorily complies with this standard. In June 1983, the IG established an appraisal review program which assesses compliance with OIG policies and procedures, operational and administrative efficiency and effectiveness, and compliance with standards. The appraisal review function, located in the Office of Policy, Plans and Management Systems, is staffed by a core team of two headquarters auditors. A field auditor and an investigator from a unit other than the one under review are assigned to the team when an appraisal review is conducted. A comprehensive appraisal review, which examines such areas as audit coverage, audit planning, work-paper preparation, supervisory reviews, report referencing, training, staff morale, and compliance with OIG policies and procedures and the professional standards, is usually conducted once every 3 years on each field office.

From 1983 to 1986, the appraisal review team conducted 11 reviews, covering each regional office once, and issued a report on each review. We determined that the individuals conducting the reviews were not directly involved in the activity or unit under review. In addition, we reviewed the 11 appraisal review reports, and we believe that the reviews objectively evaluated the offices. Also, we confirmed the status of each recommendation made in 10 of 11 reports; the implementation plan for one report had not been finalized when we completed our review. Of 93 recommendations, 81 had been implemented, usually within 2 to 6 months after the appraisal report date. Five of the 12 remaining recommendations were being implemented, 3 were pending action, and 4 were not implemented because OIG top management decided it would not be beneficial to do so.

In our review of the OIG appraisal review program, we found that no headquarters audit units had been reviewed. We believe these units should be periodically reviewed, just like the field offices, so that every aspect of the OIG's audit operation is examined. In addition, while we agree with the OIG approach of conducting comprehensive reviews of their field offices once every 3 years, we believe that less extensive periodic reviews of the field offices would also be beneficial. For example, these limited-scope reviews could focus on the supervision and evidence problems identified in the following sections and in prior OIG appraisal review reports to ascertain, on a timely basis, if those problems have been corrected. We believe that such limited scope reviews would help

ensure better compliance with OIG policies and procedures and the professional standards.

Supervision

The standard requires supervisory reviews of the audit plan, audit work and related reports, and also, that staff members are to be properly supervised. Supervisors must review and comment on all work products from individual work papers through draft reports and retain evidence of these reviews in the work papers. Supervisory reviews should determine whether the audit scope and programs are adequate and are followed, the work papers adequately support findings and conclusions and provide sufficient data to prepare a meaningful report, and the audit objectives are met. Therefore, supervision is particularly important for ensuring audit quality.

The OIG complies with some aspects of this standard. In 25 of 26 sampled audits, supervisors ensured that work assignments were commensurate with staff abilities and understood by the staff. In the other audit, the supervisor was aware of the principal staff member's need for close supervision, but failed to provide it; as a result, the quality of work suffered. We also identified evidence problems with this audit. In addition, for 25 of 26 sampled audits, supervisors provided input, when appropriate, in planning the audits; there was no supervisory input in the planning of one audit.

Two other aspects of the supervision standard—supervisory review of subordinates' work to ensure adherence to audit plans and supervisory review of work papers to ensure adequate support of factual statements in audit reports—need corrective action to bring the OIG into satisfactory compliance with the supervision standard. Ten of the 26 sampled audits did not meet one or both aspects of the standard.

In 7 of the 10 audits with supervision deficiencies, we found little or no written evidence that a supervisor monitored subordinates' work to ensure adherence to the audit plan. To illustrate, we reviewed one audit where none of the regional offices' work papers and only 20 percent of the headquarters' work papers we sampled had been signed by a supervisor to document supervisory review. Also, there was no evidence that a supervisor had compared the audit plan to the work actually performed.

Furthermore, among the 10 audits with supervision deficiencies, we found 2 with no evidence that supervisors reviewed work papers to

ensure that factual statements in audit reports were adequately supported, and for 5 other audits, we saw evidence of only some supervisory review. In 4 of the 5 audits with some supervisory review, we found factual inconsistencies between the reports and supporting work papers indicating that the review was inadequate. To illustrate, in one audit we found that the supervisor had reviewed the audit work papers, but he had failed to notice an error in the formula used to compute overhead costs. Subsequent negotiations with the contractor to recoup excess overhead costs were, therefore, based on an amount that was smaller than it should have been. Both the supervisor and the regional IG agreed that the computation was in error and the supervisor—a contract specialist—should have caught the error. A more thorough review by the supervisor might have resulted in a larger return to the government.

The OIG appraisal review team reported similar instances of supervisory deficiencies in 7 of the 11 field offices they reviewed. Our review identified supervisory deficiencies in 4 of the 5 field offices we evaluated.

By contrast, we found other OIG audits which exemplified satisfactory compliance with the standard, particularly the six audits we reviewed in one regional office. In that particular office, the work papers had written evidence of extensive supervisory review throughout. Audit supervisors prepared review documents showing how each audit work step had been carried out, annotated the work papers to document their reviews, and used OIG audit review sheets to record review comments and their resolution. In addition, the regional audit manager and regional inspector general reviewed all audit work papers, annotated the work papers to document their review, and used OIG audit review sheets to record review comments and their resolution.

Ensuring audit quality and professional reports requires proper supervision from the planning through the report processing phases of an audit. Supervision adds seasoned judgment to the work done by less experienced staff and provides important on-the-job-training for them. A lack of satisfactory compliance with the various aspects of this standard can result in inadequate audit work and unsupported report statements. We did identify some such cases, and these are discussed under the following section on evidence.

Evidence

The standard requires that auditors obtain sufficient, competent, and relevant evidence to provide a reasonable basis for their judgments and

conclusions. A written record of the auditor's work must be retained in the form of work papers which are complete, accurate, clear, legible, and relevant. Sufficient, competent, and relevant evidence is important for ensuring quality reports.

The OIG complies with some aspects of this standard. In our 26 sampled audits, we found that work papers were (1) prepared, retained, and safeguarded, (2) relevant to achieving audit objectives, and (3) legible and neat, except for one audit.

One area needing correction to satisfactorily comply with the standard is work-paper support for audit report statements. In 4 of 26 sampled audits, we identified factual statements in audit reports which the work papers did not support with evidence. To illustrate, in one audit we found discrepancies between numerical data in the work papers and those cited in the audit report. The work papers did not reconcile these differences, nor did they explain the derivation of the report's numerical data. OIG officials told us that the audit supervisor recomputed and correctly amended the numerical data but failed to document his computations in the work papers.

We believe the principal cause for the discrepancies between work papers and report statements is that OIG policy does not require independent referencing of contract audit reports. Only internal audit reports, including inspection reports and preaward advisory lease reports, require independent referencing, where an experienced auditor with no involvement on an assignment compares reported information with work-paper support. Three of the four audit reports with work-paper support deficiencies were contract audits, and none of them were referenced; one internal audit report with work-paper support deficiencies also was not referenced.

The OIG appraisal review team reported work-paper support deficiencies in their evaluations. For example, in an October 1985 report on one field office, the appraisal review team found that the work papers for 6 of 10 audits it reviewed did not contain sufficient evidence to support audit report statements. In an October 1986 report on another field office, it found that for 6 of the 12 audits the appraisal review team evaluated, the work papers did not contain sufficient evidence to support the audits' conclusions.

A second aspect of the standard needing correction to satisfactorily comply with the standard is work-paper preparation. For 4 sampled

audits, the work papers were not clear and understandable without supplementary oral explanations. Also, we found that the work papers for two audits did not sufficiently document the nature and scope of the work. We believe the OIG should ensure that all auditors prepare work papers in accordance with OIG policies and procedures.

Conclusions and Recommendations

The OIG satisfactorily complies with 10 of the 12 categories of generally accepted government auditing standards and other professional standards in the areas we tested. Also, the OIG complies with some aspects of the remaining 2 standards on supervision and evidence; however, improvements are needed in certain areas to bring the OIG into satisfactory compliance with these standards.

While the OIG appears to have adequate quality-control policies and procedures for ensuring adherence to all the standards, we believe that policies and procedures by themselves do not ensure adherence to the standards. It is important that all OIG staff have an awareness and understanding of professional standards and corresponding OIG policies and procedures. This awareness and understanding is critical for staff to perform quality work which meets both the needs of their organization and the requirements set out in the professional standards.

To assist the OIG in satisfactorily complying with certain aspects of the audit standards, we recommend that the IG

- emphasize to all OIG audit staff the importance of adhering to OIG policies and procedures for work-paper preparation and supervisory review of work papers, and
- revise OIG policies and procedures for referencing to include referencing of all contract audit reports.

To help ensure the quality of all OIG audit activities, we recommend that the IG require the appraisal review team to conduct (1) periodic assessments of all headquarters audit units and (2) limited-scope reviews of the field office operations, such as reviews of the supervision and evidence problems disclosed in this chapter and in prior OIG appraisal review reports, in order to ascertain on a timely basis if those problems have been corrected.

Agency Comments

In his May 1, 1987, response to our draft report, the inspector general stated that the results of our review were very beneficial and that he

Chapter 2
Assessment of the Audit Function

has started to implement the recommendations in this chapter. (See appendix II.)

Assessment of the Investigation Function

The OIG satisfactorily complied with 10 of the 11 categories of standards in the areas which we tested. The categories included staff qualifications, independence, screening allegations, coordination, directing and controlling, due professional care, preserving confidentiality, reporting, information management, and quality assurance. Also, the OIG complied with 1 of 2 aspects of the planning standard; however, improvements are needed to bring the OIG into satisfactory compliance with the standard. In addition, the OIG appears to have adequate quality-control policies and procedures for ensuring adherence to all the standards.

Compliance With Standards

This section discusses our assessment of the OIG investigation function's compliance with standards.

Staff Qualifications

The standard requires that the investigative staff must collectively possess professional proficiency to conduct investigations. The standard places upon the OIG the responsibility to employ qualified people, provide training, and evaluate performance.

The OIG satisfactorily complies with this standard. In a sample review of 38 investigators' personnel records, including those investigators assigned to our sampled investigations, we found that all the investigators met the Office of Personnel Management's GS-1811 criminal investigator qualification standards. Also, we found that the investigators' duties matched the description of work in the classification series.

In our assessment of the OIG's training program, we found that all investigators in our 26 sampled investigations had training or experience that appeared reasonable in light of their assigned tasks. In a sample review of 38 investigators' training records, we found that all the investigators had taken one or more courses, including some listed in the OIG training profile, during the 2-year period ending September 30, 1986. For example, the investigators had taken such courses as basic criminal investigator training, white-collar crime, and procurement/contract fraud.

However, we believe the training profile should address the staff's present needs and anticipate future knowledge and skill requirements. The profile includes only one mandatory course—basic criminal investigator training—but we believe it should also include mandatory courses in fraud, procurement/contract fraud, and white-collar crime. During fiscal year 1986, the OIG planned to commit 50 percent of their investigative

staff to investigations in these areas, but we found that only 32, 18, and 40 percent of the staff had completed fraud, procurement/contract fraud, and white-collar crime courses, respectively. During our review, the OIG initially agreed that the training profile should include the three courses as mandatory courses and that the OIG should require all investigators to take these courses. However, after commenting on a draft of this report, the OIG concluded that setting such a mandatory requirement would not be appropriate at this time. Instead, the OIG has issued a policy bulletin urging managers to ensure that appropriate staff receive the necessary training as soon as possible. We believe this is a positive step in providing needed training coverage.

In assessing the OIG's performance appraisal program, we found in a sample review of 38 investigators' performance appraisals that all investigators, including all those assigned to our sampled investigations, had received a required appraisal for 1985 and 1986, except one; we brought this to the OIG's attention for corrective action. They were rated on various job dimensions as outstanding, highly successful, successful, minimally satisfactory, or unsatisfactory. We found that the investigators were rated successful or higher, and their appraisals did not reflect the need for training or coaching to improve their performance.

Independence

The standard requires that the OIG and its individual investigators must (1) be free, both in fact and appearance, from impairments to independence, (2) be organizationally independent, and (3) maintain an independent attitude. Similar to audit standards, the standard recognizes three general classes of impairments: organizational, external, and personal.

The OIG satisfactorily complies with this standard. The organizational placement of the IG, directly reporting to the Administrator of GSA as prescribed by the Inspector General Act of 1978, locates the investigation unit outside the staff or line management of GSA organizations and people who might be subject to investigations. With regard to the investigation function being free of external impairments to independence, we did not find any evidence of external interference in the OIG records of our 26 sampled investigations or in talking with investigators and managers. In addition, we did not identify any instances where an investigator's personal independence had been impaired. In a sample review of 38 investigators' financial disclosure statements, including those investigators assigned to our sampled investigations, we found that all investigators had submitted the financial disclosure statements for 1985 and 1986, except one; we brought this to the OIG's attention for corrective

action. We also found that OIG's management and legal officials had reviewed and signed the statements. We reviewed all the statements, and we did not identify any impairments to personal independence.

Screening Allegations

The standard requires that the OIG establish and maintain a well-publicized system for receiving, controlling, and screening allegations from agency employees and other interested persons. Also, the standard requires prompt screening of allegations for appropriate disposition.

The OIG satisfactorily complies with this standard. Since 1979, the OIG has received allegations by telephone hotline, through the mail, and from walk-ins. The OIG publicizes the operation through employee briefings, posters, pamphlets, and the agency telephone directory. OIG procedures require the screening and forwarding of an allegation within 6 calendar days after receipt. During the period April 22 through July 22, 1986, the OIG screened and forwarded only 64 percent of the allegations it received within the 6-day period. An OIG official told us that additional management reviews and evaluations and staff on leave were the primary reasons why some allegations were not forwarded within the 6-day period. These delays did not appear to affect the final resolution of the cases. Of the 77 allegations received during this period, 72 had been resolved and 5 were still pending disposition as of November 1986.

After weighing the nature, relative significance, and frequency of instances of noncompliance with the OIG's prescribed time frame for screening and forwarding allegations to appropriate officials within 6 calendar days, we concluded that the OIG was in satisfactory compliance with the standard from an overall perspective. However, we suggested that the OIG change its prescribed time frame for screening and forwarding allegations to 10 working days, which is GAO's time frame. In November 1986, the OIG issued a directive implementing a new 10-working-day time frame policy.

Coordination

The standard requires that the OIG coordinate its investigations with other OIG activities and with other government organizations to ensure effective and efficient use of resources.

The OIG satisfactorily complies with this standard. Internally, the OIG refers matters, such as hotline complaints and investigative reports requiring administrative action, to GSA officials and monitors the way they resolve the matters. In addition, the OIG coordinates investigative

work with audits and, if appropriate, conducts joint cases. Externally, the OIG coordinates investigative work and conducts some joint investigations with other organizations, such as the Federal Bureau of Investigation, and other OIGs. Of the 26 sampled investigations that we reviewed, all were coordinated with other OIG functions and investigative organizations as appropriate.

Directing and Controlling

The standard requires that the IG and OIG staff direct and control OIG operations to ensure that all activities are adequately supervised, performance is consistent with professional standards, and periodic internal assessments are made of OIG activities and accomplishments.

The OIG satisfactorily complies with this standard. In each of our 26 sampled investigations, we found that the investigators received appropriate supervision at the outset and during the investigation and on-the-job training when appropriate. We also found that supervisors documented their reviews of case records, except in 2 cases. In a separate sample of 25 randomly selected open investigations in 5 field offices during August 1986, our review showed that supervisory reviews were being documented for every investigation, thus ensuring that all work conformed with standards.

The IG, the assistant IG for investigations, and the OIG investigative operations officers periodically assess the OIG's investigation function. The investigative operations officers review case documents submitted by the regional IGs for accuracy and completeness. The assistant IG for investigations receives weekly activity reports from the regional inspectors general and conducts biweekly conference calls with them to provide clarification of policies and procedures, case management advice, and the results of staff meetings with the IG. The IG assesses the investigation function's productivity and accomplishments through monthly management reports and briefings provided by the assistant IG for investigations.

Due Professional Care

The standard requires that investigators perform their work with "due professional care" and in a timely, efficient, thorough, and legal manner. The investigation function must (1) gather and report evidence in an unbiased and objective manner in an effort to develop all facts bearing on an issue, (2) conduct investigations with due respect for the rights and privacy of those involved, (3) retain, at least until final disposition

of the case, investigators' interview notes that are prepared in a criminal investigation, and (4) conduct and report on investigations promptly.

The OIG satisfactorily complies with this standard. To make our assessments, we reviewed OIG case records and interviewed OIG officials to determine if investigators followed logical and reasonable leads to collect information in deciding the merits of allegations. In 23 of 26 sampled cases, the investigators adequately gathered and reported evidence in an unbiased and objective manner. The standard was not applicable in 3 cases because 2 were closed before the completion of any significant case work, and the other case was opened to track a recommendation. Two of the sampled investigations went to trial. In both cases, the Assistant U.S. Attorneys prosecuting the cases expressed satisfaction with the evidence provided by the OIG investigators.

In two other areas of the due-professional-care standard, the OIG was also in satisfactory compliance. To make our judgments of these two aspects of the standard, we reviewed OIG case records. In 24 of 26 sampled cases, the investigators conducted their work in a fair and impartial manner and provided due respect for the rights and privacy of those involved. The standard was not applicable in the other 2 cases because they were closed before any significant case work was completed.

With respect to that aspect of the standard requiring the retention of an investigator's interview notes, OIG policy requires the retention of interview notes in the case file in the event the case becomes part of a criminal proceeding. In 20 of 26 sampled cases, there were interview notes in the case files. In the 6 cases with no interview notes, we determined that the standard did not apply because they either were not part of a criminal proceeding or were summaries of investigative work performed by an external investigative organization. We told OIG officials that their policy was not clear on the retention of interview notes for noncriminal investigations and suggested that they clarify it. OIG officials told us that the intent of the policy is to require the retention of interview notes in the case files for noncriminal as well as criminal investigations; however, they agreed to clarify the policy.

The due-professional-care standard does not define a timely investigation. However, we contacted OIG investigation report addressees to get their opinions on the timeliness of the OIG work. The 21 report addressees who commented stated that the OIG's work was timely. Based on their opinions, we believe the OIG satisfactorily complied with this aspect of the standard.

Preserving Confidentiality

The standard requires that the OIG establish and follow procedures for safeguarding the identity of confidential sources and protecting confidential information. The OIG must also establish procedures for releasing agency records to the public within the framework of applicable laws and regulations.

The OIG satisfactorily complies with this standard. The OIG has a system for safeguarding the identities of confidential informants and protecting confidential information. In addition, the OIG has a system for releasing agency records to the public under the Freedom of Information Act (5 U.S.C. 552) and Privacy Act (5 U.S.C. 552a). In our sampled investigations, which included two with confidential informants, we did not find any indications that confidential identities had been improperly disclosed outside the OIG. In a separate sample of seven cases identified by the OIG as having confidential informants, we found one case where the name of the confidential source was improperly included in the case file documents. However, the identity of the confidential source did not appear to have been disclosed outside the OIG. OIG officials told us that the error occurred because their operating procedure was not clear on assigning confidential control numbers. During our review, the OIG clarified its procedure.

Reporting

The standard requires that the OIG keep agency managers and the Congress fully and currently informed of appropriate aspects of OIG investigative work. Also, reports prepared for individual investigative cases should discuss all relevant issues and be accurate, objective, timely, and well-organized. Timeliness is also an element under the due-professional-care standard, and we report our observations about timeliness under that standard.

The OIG satisfactorily complies with this standard. We found that all 26 sampled investigations had reports which were concise, complete, and consistent with information in the case records; objective in presentation of relevant information; free of jargon; and understandable. We also found that in each case, agency officials were advised about the investigation when appropriate.

In our 26 sampled investigations, 21 had reports of investigation addressed to officials outside the OIG. Twenty addressees expressed overall satisfaction with the reports. The one addressee who did not agree with the outcome of the case expressed the opinion that the OIG had not conducted a sufficient investigation. However, we contacted the

Assistant U.S. Attorney responsible for the case, who stated that the OIG efforts were satisfactory and the outcome of the case was appropriate. The remaining 5 cases were either reports or closeout letters to OIG officials, and we did not solicit their comments.

In addition, we reviewed investigation summaries and statistical data on accomplishments in the IG's semiannual reports to the Congress for the 6-month periods ending September 30, 1985, and March 31, 1986. We found the information to be consistent with OIG records pertaining to the investigations and reported accomplishments. Also, the reports had been issued within the time frame prescribed in the IG Act.

Information Management

The standard requires that the OIG store the results of investigations in a manner which allows for effective retrieval, cross-referencing, and analysis.

The OIG satisfactorily complies with this standard. For each of the 26 sampled investigations, there was an official case file, maintained in Washington, D.C., containing pertinent records, and filed by case number for quick retrieval. The OIG index system included the subjects of investigations and the case file numbers for all 26 sampled investigations for future cross-reference to related cases. Initially, three sampled cases had not been entered into the system, but OIG officials corrected the omission when we brought it to their attention. In addition, we found that essential case information, such as case numbers, opening and closing dates, and results of investigations, was entered into a computer-based management information system. The OIG uses data from the system to prepare the IG's semiannual reports to the Congress and to assess the productivity and accomplishments of investigative operations.

Quality Assurance

The standard requires that the OIG establish and maintain a quality-assurance program. The standard defines quality assurance as an evaluative effort conducted by individuals, who are external to the units under review, to ensure that work performed adheres to established OIG policies and procedures, meets established standards of performance, and is carried out economically, efficiently, and effectively.

The OIG satisfactorily complies with this standard. In June 1983, the IG established an appraisal review program which assesses compliance

with OIG policies and procedures, operational and administrative efficiency and effectiveness, and compliance with standards. The appraisal review function, located in the Office of Policy, Plans, and Management Systems, is staffed by a core team of two headquarters auditors. A field auditor and an investigator from a unit other than the one under review are assigned to the team when an appraisal review is conducted. A comprehensive appraisal review, which examines such areas as case management (opening, planning, supervising, and documenting a case); staff morale; relationship with GSA regional, Justice Department, and OIG headquarters officials; and compliance with OIG policies and procedures and the professional standards, is usually conducted once every 3 years on each field office.

From 1983 to 1986, the appraisal review team conducted 11 reviews, covering each regional office once, and issued a report on each review. We determined that the individuals conducting the reviews were not directly involved in the activity or unit under review. In addition, the regional IGS and the special agents in the five field offices we visited praised the appraisal review team as being professional and thorough. We reviewed the 11 appraisal review reports, and we believe that the reviews objectively evaluated the offices. Also, we confirmed the status of each recommendation made. Of 75 recommendations, 68 had been implemented, usually within 2 to 6 months after the appraisal report date. Four of the 7 remaining recommendations were pending action, and 3 were not implemented because OIG top management decided it would not be beneficial to do so.

During the review, we asked whether the appraisal review team ever consulted the regional IGS of the offices being assessed for additional review areas. OIG officials stated that regional IGS had not been given the opportunity in the past, but that they would be for future reviews. The OIG officials later told us that the regional IGS were pleased with the new approach because they now considered themselves a part of the review effort and better able to use the results of the appraisals as a management tool. Moreover, an OIG official stated that by obtaining input from the regional IGS, the appraisal team was made aware of additional areas of concern.

Planning

The standard requires that the OIG maintain a planning system to determine programs and operations where investigations are needed, establish priorities for the work, and ensure that investigations are conducted

efficiently and effectively. The planning standard makes the OIG responsible for (1) organizational planning, which sets priorities for the investigation function's work, and (2) individual case planning, which requires the preparation of an investigation plan for each case.

In our opinion, an OIG investigation office should prepare a written annual goal-oriented investigation plan. The plan should present OIG investigative goals and should explain how they relate to OIG strategies for program improvements, how each investigative field office would contribute to attaining the goals, and why the goals are important. The OIG should express the goals' importance in terms of expected accomplishments, benefits, or results, such as reducing the incidence of fraud in specific programs or increasing the dollar amount of actions resulting from OIG work. Further, the plan should discuss the allocation of necessary budget and staff resources in terms of investigative priorities to ensure the attainment of investigative goals.

The OIG does not satisfactorily comply with the organizational planning aspect of this standard. Although the investigation function prepares a written annual plan, the plan's goals are general, outlining overall Office of Investigation functions and emphasizing categories needing investigative attention. There is no explanation of the goals' relation to OIG strategies for program improvements and what the OIG would like to accomplish with its investigations in each area. Also, the goals do not establish specific investigative priorities (for example, contract fraud, procurement fraud, and larceny) or estimate staff resources needed to carry out planned efforts. Further, the plan does not specify how each field office should contribute to attaining the goals.

The second aspect of the planning standard concerns individual case planning. We considered an adequate plan to be a document stating what tasks investigators would perform in conducting an investigation. Since May 1984, an OIG policy has required the preparation of a written investigation plan. Of 26 sampled investigations we reviewed, only 9 had plans, while 13 did not have any plans. The remaining 4 investigations were opened prior to the May 1984 OIG policy requirement.

In February 1986, after an OIG appraisal review report disclosed the lack of individual case plans, the OIG reaffirmed the importance of its policy by requiring the field offices to submit copies of plans to headquarters. Since this reaffirmation of OIG policy occurred during our 6-month review period, we selected additional investigations to determine OIG compliance with this aspect of the standard. Our August and September

1986 review of 25 randomly selected open investigations in five field offices which were begun after February 1986, showed that every investigation had an investigation plan. Because of this improvement, we concluded that the OIG was now satisfactorily complying with the individual case planning aspect of the planning standard.

Conclusions and Recommendations

The OIG satisfactorily complied with 10 of 11 categories of professional standards for investigations in the areas which we tested. Also, the OIG complied with one of two aspects of the planning standard; however, improvements are needed to bring the OIG into satisfactory compliance with the standard. In addition, the OIG appears to have adequate quality-control policies and procedures for ensuring adherence to all the standards.

To assist the OIG in satisfactorily complying with certain aspects of the planning standard, we recommend that the IG develop a written annual investigation plan which specifies in more detail the goals, objectives, or tasks to be accomplished, and the benefits, accomplishments, or results to be derived from attaining the goals.

To improve the training program for OIG investigators, we recommend that the IG include mandatory courses in fraud, procurement/contract fraud, and white-collar crime in the investigators' training profile.

To clarify the OIG policy for retaining investigators' interview notes, we recommend that the IG revise the existing policy to clearly require the retention of these notes in both criminal and noncriminal investigations.

Agency Comments and Our Evaluation

In his May 1, 1987, response to our draft report, the inspector general stated that he agreed with our findings and agreed in principle with our recommendations and that corrective actions are underway in all areas in need of improvement. The inspector general stated that the results of our work will help the OIG achieve full compliance with the standards.

The inspector general, however, did not believe the Office of Investigation organizational planning effort needed to be set out at the level of detail we recommended. We believe that a written, goal-oriented annual plan is a valuable and necessary tool for effective management and, as such, should contain a level of detail sufficient to adequately convey the relevance of the OIG's goals, strategies, and expectations for each of its operational units. The inspector general also did not believe that certain

suggested training courses needed to be made a mandatory requirement in the investigators' training profile at this time. We believe the OIG should make every effort to ensure that the investigators conducting procurement and contract fraud and white-collar crime investigations have been adequately trained since the Office of Investigations uses significant resources in those areas. We believe that making the suggested training mandatory would provide greater assurance that the staff have the necessary training to perform their assigned tasks. (See appendix II.)

Additional Details on Scope and Methodology

Our review approach is essentially the same one we used in the first quality assessment review of the Department of Commerce OIG. That report, Compliance With Professional Standards by the Commerce Inspector General (GAO/AFMD-85-57, August 12, 1985), provides a detailed discussion on how we developed our review approach. After that review, however, we made some modifications to our basic approach to broaden our coverage and make our review more efficient. We revised our guidelines to include such additional steps as (1) reviewing the scope of OIG coverage of an agency, (2) reviewing financial disclosure information for possible conflicts of interest involving auditors and investigators, and (3) asking OIG report addressees' views on work quality and report timeliness.

Using our updated review approach, we reviewed the audit and investigation functions of the GSA Office of Inspector General. We conducted the review at OIG (1) headquarters in Washington, D.C., (2) regional offices for audit in Boston, Chicago, Fort Worth, New York, and Washington, D.C., and (3) regional offices for investigations in Boston, Chicago, Kansas City, New York, and Washington, D.C.

The assessment of the OIG audit function was measured against generally accepted government auditing standards, which are contained in the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, revised in 1981. The assessment of the OIG investigation function was measured against the President's Council on Integrity and Efficiency (PCIE) Quality Standards for Federal Offices of Inspector General, issued in January 1986, and the PCIE Interim Professional Standards for Investigations, adopted in April 1985, for use in conjunction with the quality standards. We also used the PCIE quality standards for evaluating annual audit planning and quality assurance in the OIG audit function. In addition, we also evaluated the OIG's annual audit planning against OMB circular A-73, "Audit of Federal Operations and Programs." For our review, we separated the respective audit and investigation standards into categories which we use for assessing the appropriate OIG function. Tables I.1 and I.2 show the categories of standards which we used.

**Appendix I
Additional Details on Scope and Methodology**

**Table I.1: Standards Used for Assessing
OIG Audit Function**

Categories	Comptroller General audit standards^a
Staff qualifications	Qualifications
Independence	Independence
	Scope impairments
Individual job planning	Planning
Annual audit planning ^b	No standard
Supervision	Supervision
	Due professional care
Legal and regulatory requirements	Legal and regulatory requirements
Internal controls	Internal controls
	Auditing computer-based systems
	Due professional care
Evidence	Evidence
	Working papers
	Due professional care
Fraud, abuse, and illegal acts	Fraud, abuse, and illegal acts
	Due professional care
Reporting	Reporting
Audit follow-up	Due professional care
Quality assurance ^c	No standard

^aComptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

^bWe assess this category against the planning standard contained in the PCIE Quality Standards for Federal Offices of Inspector General and OMB circular A-73, "Audit of Federal Operations and Programs."

^cWe assess this category against the quality-assurance standard contained in the PCIE Quality Standards for Federal Offices of Inspector General.

**Table I.2: Standards Used for Assessing
 OIG Investigation Function**

Categories	PCIE quality standards ^a	PCIE investigation standards ^b
Staff qualifications	Assuring staff qualifications	Qualifications
Independence	Maintaining independence	Independence
Planning	Planning	Planning
Due professional care	No standard	Due professional care Execution
Directing and controlling	Directing and controlling	No standard
Coordination	Coordinating	No standard
Reporting	Reporting	Reporting
Preserving confidentiality	Preserving confidentiality	No standard
Screening allegations	Receiving, controlling, and screening allegations	Information management
Information management	No standard	Information management
Quality assurance	Maintaining quality assurance	No standard

^aPCIE Quality Standards for Federal Offices of Inspector General.

^bPCIE Interim Professional Standards for Investigations.

To evaluate the adequacy of the OIG's controls for ensuring adherence with generally accepted government auditing standards and other professional standards, we reviewed the written policies and procedures for implementing the standards and the quality-control systems for ensuring adherence with the standards. We discussed potential weaknesses with OIG policymakers.

To determine the OIG's satisfactory compliance with generally accepted government auditing standards and other professional standards, we selected a sample of audits and investigations to review. For the audit sample, we obtained an OIG-generated listing of 306 audit reports issued between October 1, 1985, and March 31, 1986. We verified the list's accuracy by tracing a sample of 36 reports on the list to the actual reports maintained in OIG files. We then identified the audits conducted by each regional office and headquarters audit division. For the Boston, Chicago, Fort Worth, New York, and Washington, D.C., regional offices, we categorized the audits as large (over 200 staff days), medium (76-200 staff days), and small (75 staff days or less); determined, judgmentally, the number and type (preaward, postaward, etc.) of audits for review; and selected, judgmentally, 23 audits to review. In addition, we selected two FMFIA audits from the headquarters Finance and Staff Offices Audit Division and one ADP audit from the headquarters ADP Technical Audits and Support Staff because they addressed subject areas we wanted to

review. We evaluated each selected audit against key aspects of the audit standards shown in table I.1.

For the investigation sample, we obtained an OIG-generated listing of 267 investigation cases closed between October 1, 1985, and March 31, 1986. We verified the list's accuracy by comparing it to reports of case closings submitted by regional offices for the review period. We then identified the cases completed by each regional office, and we weighted the cases based on staff days spent. For each regional office, we then categorized the cases as large (over 80 staff days), medium (41-80 staff days), and small (40 staff days or less); determined, judgmentally, the number and type (fraud, bribery, etc.) of cases for review; and selected, judgmentally, 26 cases to review from the Boston, Chicago, Kansas City, New York, and Washington, D.C., regional offices. We evaluated each selected investigation against key aspects of the investigation standards shown in table I.2.

In addition, we performed other work to evaluate the OIG's adherence with generally accepted government auditing standards and other professional standards. For example, we sampled hotline calls to determine if the calls were appropriately screened. Also, we reviewed the OIG annual audit planning process to ascertain if the OIG complied with OMB circular A-73, "Audit of Federal Operations and Programs," and PCIE quality standards.

Comments From the General Services Administration

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



General Services Administration
Office of Inspector General
Washington, DC 20405

May 1, 1987

Dear Mr. Wolf:

I appreciate the opportunity to comment on your draft report titled "Compliance With Professional Standards by the GSA Inspector General."

Compliance with professional standards is a matter of great concern to this Office, and we were heartened to see your conclusion that the GSA Office of Inspector General (OIG) is in full compliance with 20 professional standards, and in partial compliance with three other professional standards.

I assure you that we are committed to full compliance with all these standards. Thus, we have already initiated a number of actions that address the specific recommendations in your draft report.

- o To improve compliance with audit workpaper and supervision standards, we have: introduced "compliance with professional standards" as a critical element in the performance plans of all our audit managers and supervisory auditors; added a component on compliance with audit standards to all our in-house audit training courses; and implemented a quality-control effort to ensure that performance in these areas is improving. This quality-control effort involves limited-scope reviews by the Office of Audits. To date, four audit field offices have been reviewed; the remaining six audit field offices will be reviewed by the end of this summer.
- o Relative to the issue of referencing contract audit reports, we have reviewed our policy and decided to change it. We are in the process of developing a policy bulletin that will implement the referencing requirement for contract audit reports.

See comment 1.

See comment 2.

**Appendix II
Comments From the General
Services Administration**

See comment 3.

- o Although you found this office to be in full compliance with the quality assessment standard, you have recommended that we expand our field appraisal coverage to include reviews of headquarter units as well as limited-scope reviews of OIG field offices. We have concluded that the single full-time person assigned to the field appraisal program cannot maintain our schedule for field office reviews plus undertake headquarters reviews. Hence, we have established, and are actively recruiting for, a second full-time position in this program.

With respect to limited-scope reviews, we have scheduled our first limited-scope field appraisal for September 1987. However, we are emphasizing to our operational units that they have primary responsibility for following up on field appraisal reports to ensure that corrective actions are implemented.

See comment 4.

- o To strengthen our organizational planning for the Office of Investigations, we have scheduled an investigative planning conference for September 1987. Conference attendees will be tasked with developing a FY 1988 plan that will serve as a meaningful strategy for our investigative operations. However, given the heavily reactive posture of our Office of Investigations, we do not envision an investigative plan at the level of detail contemplated by your draft report.

See comment 5.

- o Although you found our investigative function to be in full compliance with the staff qualifications standard, you have recommended mandatory training for our investigators in three specific areas. We initially agreed with this recommendation. However, after subsequent research into course availability and the differing skill and experience levels of our investigators, we concluded that imposition of a mandatory requirement for this training would not be appropriate at this time. Instead, on February 4, 1987, we issued a policy bulletin urging our investigative managers to make sure that staff who need this type of training get it as soon as possible. A copy of the policy bulletin is enclosed for your information.


See comment 6.

- o To clarify our policy on retaining investigators' interview notes, on February 5, 1987, we issued a policy bulletin on this subject. A copy of the policy bulletin is enclosed for your information.

**Appendix II
Comments From the General
Services Administration**

As you can see, your review has proved very beneficial to us. We commend your focus on the important issue of compliance with audit, investigative, and OIG standards; and we commend your staff for the professional and cooperative manner in which they carried out the review of our Office.

Sincerely,



William R. Barton
Inspector General

Mr. Frederick D. Wolf
Director, Accounting and
Financial Management Division
United States General Accounting Office
Washington, DC 20548

Enclosures

The following are GAO's comments on the GSA Inspector General letter dated May 1, 1987.

GAO Comments

1. No change to report needed. See pages 24 and 25.
2. No change to report needed. See page 26.
3. No change to report needed. See pages 23 and 24.
4. While the proposed corrective action is certainly a step in the right direction, we believe an annual investigation plan in the recommended level of detail is not incompatible with the reactive posture of the Office of Investigations and will facilitate effective management.
5. The issuance of a policy bulletin is a positive step that will remind managers to provide their staff with important training experience. However, making such training a mandatory requirement in the areas where the OIG plans to dedicate significant resources will provide greater assurance that their staff have the necessary training to efficiently and effectively discharge their assigned tasks.
6. No change to report needed. See page 33.



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