



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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MANPOWER AND WELFARE
DIVISION

B-160759

NOV 13 1973

The Honorable H. Guyford Stever
Director, National Science Foundation



Dear Dr. Stever:

The General Accounting Office (GAO) has made a followup review of the National Science Foundation's (NSF's) Audit Office activities to determine the actions taken on certain matters discussed in GAO's prior report to the Director, NSF (B-160759, June 17, 1969).

At the time of our prior review, the Audit Office reported to the Comptroller, NSF. Pursuant to an NSF reorganization in October 1969, the Office of the Comptroller was abolished and its responsibilities were transferred to the Assistant Director for Administration to whom the Audit Office presently reports. Other organizational changes which took place included the restructuring of the Institutional Relations Directorate and the creation of a new directorate for National and International Programs.

The Audit Office is responsible for examining the financial systems, fiscal records, and administrative functions and for conducting comprehensive reviews of NSF program management activities and practices. Detailed reviews are required to be made of program authorizations, objectives, and management controls, including the sufficiency of accounting procedures, both at NSF and at grantee and contractor institutions. The Audit Office issues reports to management on the results of these reviews and sends copies of these reports to the Director, NSF, through the Assistant Director for Administration.

In our prior report, we stated that the Audit Office reviews were generally limited to financial-type audits--accuracy and propriety of financial transactions--and that these reviews were not directed toward evaluating how NSF's program responsibilities for the support of research and education in the sciences had been carried out. We therefore suggested that broad management-type (program) reviews be given high priority and be provided for in Audit Office audit work plans.

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As shown in the following table, the Audit Office issued 19 reports on internal reviews--NSF operations in Washington, D.C.--and 44 reports on external reviews--grants and contracts with educational and other institutions--for a total of 63 reports during fiscal years 1970 through 1972.

<u>Type</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>Total</u>
Internal reviews	5	9	5	19
External reviews	<u>24</u>	<u>14</u>	<u>6</u>	<u>44</u>
Total	<u>29</u>	<u>23</u>	<u>11</u>	<u>63</u>

Generally the scope of work covered by these reports was related to either a verification of financial transactions or an evaluation of the administrative management of a research facility, project, or a limited segment of a given program. None of the reports, however, indicated that a broad management-type review of an entire program had been made.

In his May 11, 1973, comments on the preliminary results of our followup work, the Assistant Director for Administration said that a review of the audit reports issued for fiscal years 1970, 1971, and 1972 tended to support GAO's position that the Audit Office continued to use its resources on financial rather than the broad management-type audits GAO recommended in its previous report. He explained that some delays had been encountered in starting program audits because of the impact of the October 1969 reorganization on NSF directorates and the related need for the new NSF Assistant Directors to become familiar with NSF programs, policies, and procedures. He also said that part of this delay was attributed to the need for the Audit Office to train staff in procedures and objectives of program audits. He added, however, that the Audit Office was currently involved in program audits of the Office of Computing Activities and the International Decade of Ocean Exploration program.

From our inquiries on these two recent NSF audits, we learned that the audit of the International Decade of Ocean Exploration was still in the preliminary planning phase as of October 1973 and that an audit program had not yet been prepared. On the basis of documentation on the audit of the Office of Computing Activities, it appears that the related work will be of a much broader scope than that which we had found in our review of other NSF audits and will, if completed as planned, be a management review of the type we had recommended. This audit, however, was still underway at the time

of our followup work and a report thereon was not available for our review. Thus we believe that it would be premature to conclude from these initial efforts that NSF has fully adopted the type of review recommended in our prior report.

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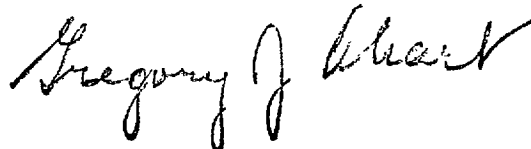
We believe that NSF has not placed sufficient emphasis on implementing our prior recommendation regarding the need to broaden the scope of Audit Office coverage. From the time of our prior report in June 1969 to October 1973, only the recent limited efforts mentioned above would, in our opinion, qualify as broad management-type reviews. Such reviews are necessary to bring the caliber of the Audit Office work up to that required in an organization having programs as complex and substantive as does NSF. The former Director of NSF, in his July 8, 1969, comments on our prior report, agreed with the merits of our recommendation and said the effectiveness of the Audit Office work and its usefulness to management would be increased by broadening the scope of audits.

We believe that your endorsement also of our prior recommendation may be necessary to insure that an aggressive approach will be taken in broadening the scope of the Audit Office's coverage. We therefore recommend that you advise the Assistant Director for Administration that his Audit Office should become actively engaged in conducting program audits directed toward evaluating overall program administration and effectiveness.

We shall appreciate your advising us of any action taken or planned on the matters in this letter.

We are sending copies of this letter to the Chairmen, House and Senate Committees on Government Operations; the Chairmen, House and Senate Committees on Appropriations; the Chairman, Senate Committee on Labor and Public Welfare; and the Chairman, House Committee on Science and Astronautics. We are also sending copies to the Director, Office of Management and Budget.

Sincerely yours,



Director
Manpower and Welfare Division