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STATEMENT OF

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BEFORE THE SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY
AND THE DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

CONCERNING S. 3025, A BILL TO ESTABLISH AN OFFICE
OF INSPECTOR GENERAL IN THE DEPARTMENTS OF DEFENSE,
JUSTICE, STATE AND TREASURY AND IN THE INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee to present the views of the General Accounting Office on the provisions of S. 3025 that would establish Offices of Inspector General in the Departments of Justice, Treasury, State and in the International Development Cooperation Agency.

The General Accounting Office strongly supported passage of the 1978 Inspector General Act and other legislation which has centralized internal audit and investigative activities under Inspectors General in 15 major departments and agencies. We supported such legislation because we believe that it:



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- Insures that high-level agency attention is given to promoting economy and efficiency and combating fraud, waste and abuse.
- Provides better assurance that the work of audit and investigative units in those agencies and throughout the Government are coordinated.
- Insures that both the Congress and agency heads receive information on problems involving economy and efficiency and fraud and abuse.

We support the provisions in S. 3025 as they relate to establishment of Inspectors General at the Departments of Justice, Treasury, and State. With regard to the creation of an Inspector General within the International Development Cooperation Agency, we support the concept but believe it may be premature to do so at this time.

Before proceeding with my testimony on each of these agencies, I would like to say a few words about the title "Inspector General." Important as the detection of fraud, abuse and errors is, detection should not be our primary concern. Our prime concern should be directed toward seeing that systems of management control are established that will prevent fraud and abuses and decrease the likelihood of error and waste. When it comes to fraud, abuse and error, the old axiom that "an ounce of prevention is worth a pound of cure" fits well. The most important element of preventing fraud, waste and abuse is the establishment of effective internal controls. Experience has shown that

auditors are far more effective and better qualified to assist management in matters involving internal controls than are investigators.

Accordingly, we believe that a major portion of the activities of Inspectors General should be auditing and that this fact should be evident from the title of the position. We therefore recommend that the title Inspector General be changed to Auditor and Inspector General as we suggested in our prior testimony on the 1978 Inspector General legislation.

INCLUSION OF THE DEPARTMENT OF JUSTICE
UNDER THE INSPECTOR GENERAL ACT OF 1978

I would like to first discuss the Department of Justice, which has reorganized or moved its internal audit operations 6 times in the past 13 years. Each reorganization has taken its toll on the effectiveness of the internal audit operation.

We are particularly concerned with the adverse impact of the most recent reorganization. As originally planned by Justice, the internal audit staff would have (1) reported to a lower level in the Department than previously, (2) been subject to policy direction by an official in the Office of the Controller having direct responsibility for activities likely to be audited, and (3) been limited in the scope of its audits by transfer of responsibility for program audits to another group. Through discussions with the Assistant Attorney General for Administration and his deputy, we received assurances, which were later embodied in a Departmental Order, that the audit staff would continue reporting to the Assistant Attorney General for

Administration and that there was no intention to reduce the scope of audits. We are still very concerned, however, about the level of staffing for the internal audit function. About half the internal audit staff within the Department were reassigned to other Justice components subsequent to the last reorganization.

As currently organized, Justice's audit and investigative functions operate under different lines of authority. The Office of Professional Responsibility investigates allegations of employee misconduct. This Office reports directly to the Attorney General. The Internal Audit Staff, which has overall responsibility for auditing activities, reports to the Assistant Attorney General for Administration. In addition, an Evaluation Staff, which reports to the Office of the Comptroller which in turn reports to the Assistant Attorney General for Administration, was recently created to perform evaluations of ongoing and future initiatives to help management set policy and plan strategy.

We support S. 3025 which would combine the Internal Audit Staff and the Evaluation Staff along with the Office of Audit and Investigations of the Law Enforcement Assistance Administration (LEAA) under an Inspector General. This would consolidate and upgrade the Department's audit capability and would give the audits of LEAA grants and contracts, where the potential for fraud and abuse is particularly high, greater visibility.

We also believe the Subcommittee should consider transferring the Office of Professional Responsibility into the new Office of Inspector General to provide it with an immediate

investigative capability. We recognize that one potential problem with such a transfer is that the Senate recently passed a bill, S.2377 Title II, which would establish the Office of Professional Responsibility by statute, rather than by Departmental regulation, and would require that the Head of the Office of Professional Responsibility be appointed by the President, with the advice and consent of the Senate, just as an Inspector General at the Justice Department would be.

One of the most important aspects of S.3025 is the requirement that the Inspector General keep the Head of the agency and the Congress fully and currently informed about problems and deficiencies relating to the agency's programs and operations. The Department of Justice does not routinely report such irregularities to the Congress, and we believe the Department should have an Inspector General to periodically provide this information.

TREASURY'S INTERNAL AUDITING AND INVESTIGATIVE ACTIVITIES

We also believe that a statutory Inspector General in the Department of the Treasury is needed. In April of this year we testified before the Subcommittee on Treasury, Postal Service, and General Government, Senate Committee on Appropriations, that the Treasury Department should centralize its internal audit and investigative activities under an Inspector General who reports directly to the Secretary of the Treasury.

At the April hearing, Treasury's Assistant Secretary for Administration testified that the Department was not opposed to centralizing their audit and investigative functions although they believed centralization would create certain problems. He said that the bureau heads would no longer have their own internal audit and investigative staffs serving as control mechanisms within their jurisdiction. He also believed that centralization would increase the Departmental budget. Finally, he said the Department currently lacks a management staff with sufficient personnel and expertise to manage a diversified nationwide audit and investigative activity. We believe these problems can be overcome, and that the advantages of a statutory Inspector General at Treasury would outweigh the disadvantages cited by the Assistant Secretary.

Most of Treasury's activities presently are reviewed by audit staffs located in 10 bureaus and by investigative staffs located in 5 bureaus. Another bureau is currently in the process of establishing an investigative staff. In addition, the Treasury has a non-statutory Office of Inspector General that was established on July 18, 1978, to:

- supervise investigations of allegations concerning high-level Treasury officials;
- coordinate but not duplicate work of the bureau's investigative components;
- provide investigative services to bureaus not having investigative components; and

--review bureau operations involving employee misconduct.

The Office of Inspector General began operations in September 1978 with a staff of three professionals. The Inspector General presently has a staff of six professionals. He is also authorized to detail investigators from Treasury's bureaus and field offices. In fiscal 1979, the Inspector General obtained the equivalent of about 18 investigative years from those bureaus and field offices. In addition, Treasury's Office of Audit, with a staff of 12, has been under control of the Inspector General since February 1980.

The Inspector General's authority was substantially expanded by a Treasury Order dated February 27, 1980, which assigned him authority to:

- Review and approve bureau internal audit and investigative plans;
- Evaluate bureau internal audit and investigative programs; and
- Analyze reports to inform the Secretary or Deputy Secretary of any significant problems, abuses, or deficiencies disclosed in bureau audits and investigations and of corrective actions taken.

In addition, the bureaus are required to consult with the Inspector General in recruiting and selecting bureau officials in charge of their internal audit and investigative components.

We believe Treasury's action to establish its own Inspector General was a step in the right direction, but we believe a statutory Inspector General as provided by S. 3025 would significantly improve the capability of the Treasury Department to combat fraud, waste and abuse.

We also believe that in addition to the transfer by S. 3025 of the existing Office of Inspector General and 10 of Treasury's internal audit agencies to a new Inspector General Office, that the investigative units of the following Services and Bureaus should be transferred to this Office: the Secret Service; Customs Service; Bureau of Alcohol, Tobacco and Firearms; and the Bureau of Engraving and Printing. In addition, the Office of the Comptroller of the Currency has been authorized an investigative unit which is now being established. We believe consideration should be given to including this investigative unit in the new Office of Inspector General.

We note that the internal auditors and investigators of the Internal Revenue Service would be specifically excluded from a statutory Inspector General in the Treasury Department. As we have pointed out in previous testimony, while we support the need to centralize the internal audit and investigative activities of the Treasury Department, we recognize that the Internal Revenue Service should possibly be excepted because of the sensitive nature of its internal audit and investigative operations. However, we do not rule out inclusion of these activities under a Departmental Inspector General and believe that this matter should be explored further before a final decision is reached.

INCLUSION OF THE STATE DEPARTMENT
AND IDCA UNDER THE 1978 INSPECTOR
GENERAL ACT

The last portion of my testimony today deals with the proposal to bring the safeguards of the 1978 Inspector General Act to those entities which oversee foreign expenditures. As we understand it, S. 3025 would accomplish this by establishing two separate Inspector General Offices. One Inspector General Office would be located in the State Department, and would be responsible for reviewing operations of installations abroad. It would be established through a transfer of that portion of the Office of Inspector General of Foreign Service now engaged in auditing and investigative activities. Another Inspector General Office would be located in the International Development Cooperation Agency (IDCA), and would be responsible for reviewing all foreign assistance operations. It would be established through transfer to IDCA of the Office of Auditor General of the Agency for International Development (AID).

State Department

We testified in September 1979 that we support the inclusion of the State Department under the 1978 Inspector General Act, and we continue to support such a proposal. However, we believe the specific functions of the new Office of Inspector General must be clarified before it is established.

As recently as 1977 there were two Inspectors General at the State Department - one for Foreign Service and one for Foreign Assistance. Public Law 95-88 abolished the Office of Inspector

General, Foreign Assistance, and assigned its functions for reviewing foreign assistance programs to the Inspector General, Foreign Service in June 1978 by Executive Order 12066.

The foreign assistance program responsibilities reassigned by the Executive Order have never been implemented by the Inspector General, Foreign Service because a fund reprogramming request, which would have provided the resources needed for the assigned functions, was denied. Accordingly, the Office of Inspector General, Foreign Service, while conducting some audits, has continued to primarily perform reviews of the work of U.S. diplomatic and consular establishments. These latter reviews cover the economic, commercial, consular, and political affairs of U.S. embassies, consulates, various missions and other lesser offices in foreign countries.

The present language of S. 3025 does not specifically state if the foreign assistance program responsibilities presently assigned to the Inspector General, Foreign Service will come under the new proposed Office of Inspector General in the State Department or will be transferred to another organization. From the statement you made, Mr. Chairman, when you introduced S. 3025 on August 6, 1980, it appears the intention of the bill is to transfer these responsibilities to the newly proposed Office of Inspector General within IDCA. We, however, see problems with establishing such an Office within IDCA at this time, and we will discuss these problems in more detail later in this statement.

We would like to reemphasize that any legislative action to establish an Inspector General Office in the State Department under the 1978 Act should specifically identify the scope of that office's duties and responsibilities. If the Congress decides that the auditing and investigative responsibilities for the foreign assistance programs now assigned to the Inspector General, Foreign Service should be included as part of the new Inspector General's functions in the State Department, then we believe the legislation must make it clear that these responsibilities are not to duplicate the work of the audit, investigation, and inspection groups of other agencies.

International Development
Cooperation Agency (IDCA)

As for the proposal to establish an Inspector General in IDCA under the 1978 Act, we believe it would be premature at this time to take such action because IDCA was only established in October 1979, and it still is experiencing start-up problems. We believe that the Congress needs to consider some important questions associated with IDCA's role in development assistance before enacting legislation on this proposal. Some of these questions are:

1. Should IDCA have operational responsibility for an Inspector General Office when its primary role, as we understand it, is to coordinate all U.S. policies and programs affecting the economic development of developing countries?

2. What authority would IDCA and its Inspector General have over multilateral program matters administered by the Secretaries of Treasury and State and the Department of Agriculture?
3. If an Inspector General is established in IDCA, to whom does he/she report?
4. What other legislative action is under consideration that would create an Inspector General in AID? Presently, we are aware of two bills--S. 2714 and H.R. 6942.

Besides considering these questions, Congress may want to consider the results of recently completed, ongoing and planned GAO work involving IDCA and the AID Auditor General. In a GAO report dated February 1, 1980, entitled "Coordinating U.S. Development Assistance: Problems Facing the International Development Cooperation Agency", ID-80-13, we stated and I quote "...it was one of the major purposes of the reorganization plan to separate IDCA from AID in order to enhance IDCA's independent identity and role as an honest broker among independent organizations and activities. It is also the intent that the IDCA Director spend most of his energies on coordination activities." We added that "At this time the intended lines of division between AID and IDCA are quite unclear. Although...it is the intention of the administration and of the IDCA Director that he will stay out of day-to-day

AID decisionmaking, the temptations for him to become involved could be considerable."

Presently, we have plans to follow-up on the progress made by IDCA to achieve the purpose for which it was established. An assignment which will assess the progress and problems of the new IDCA is scheduled to start in February 1981.

In addition to these reviews involving IDCA, we are currently involved in a study of the AID Auditor General's operations. One objective of this study is to determine the possibility of eliminating the Office of the Auditor General in AID in favor of an Office of Inspector General, or as we would prefer to call it, an Office of Auditor and Inspector General.

This concludes my statement and I will try to answer any questions you have.