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COMPTROLLER GENERAL OF THE UNITED STATES

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Dear Mr. Chairman:

By letter dated March 4, 1971, the Chairman of the Legal and Monetary Affairs Subcommittee requested that the General Accounting Office (GAO) furnish comments and opinions on (1) the capability of the Audit and Inspection Division, Law Enforcement Assistance Administration (LEAA), Department of Justice, to provide adequate audit coverage of certain grants and contracts, (2) the appropriateness of this audit staff and whether its functions were inconsistent with our views on internal auditing, (3) the functional responsibilities of the Department's centralized Office of Internal Audit over the operations of the LEAA audit staff, and (4) the appropriateness and legality of the Department's method of staffing and financing its Office of Internal Audit.

LEAA, created by the Omnibus Crime Control and Safe Streets Act of 1968, has the responsibility of providing financial and technical assistance to State and local governments to improve their criminal justice systems; i.e., police, courts, and corrections. The program is designed to reduce crime through several means, including the award of

- planning grants to State planning agencies (SPAs) to enable them to develop statewide comprehensive criminal justice plans and to administer implementation of the plans;
- block action grants on the basis of population to the SPAs for subgranting to State agencies, cities, and counties for carrying out the programs described in the comprehensive plans;
- discretionary action grants, at LEAA's discretion, to State and local units of government to help modernize police departments, the courts, and corrections systems;
- technical assistance contracts to Federal Government agencies and other organizations and to private

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individuals in such fields as police operations and prisoner rehabilitation;

--research grants and contracts to develop new law enforcement equipment and technology and new ways to reduce and prevent crime; and

--grants and loans to finance college studies by criminal justice personnel and students preparing for criminal justice careers.

Appropriations to LEAA were \$63 million, \$268 million, and \$480 million for fiscal years 1969, 1970, and 1971, respectively. LEAA has requested about \$698 million for fiscal year 1972. LEAA has estimated that 50,000 separate grants and contracts will be in active status during fiscal year 1972.

CAPABILITY OF LEAA AUDIT STAFF

LEAA's Audit and Inspection Division was established by the Administrator, LEAA, in August 1969 to provide audits and inspections of LEAA activities. The Division reported to the Office of Administration through the Office of Administrative Management until May 1971 when the Division was redesignated the Office of Audit and made responsible to the Office of Administration with no organizational ties to any other LEAA office. At June 1, 1971, the Division had 26 professional auditors, including seven transferred on a temporary basis from the Office of Internal Audit. LEAA, in its fiscal year 1972 budget, requested additional positions to increase the staff to 38.

We believe that LEAA's audit staff would have to be increased substantially over the 38 professional positions requested for 1972 to provide adequate audit coverage of the 55 State planning agencies and the 50,000 active grants and contracts estimated for 1972. The staff would have to be of sufficient size to attract and retain qualified personnel and to make possible the productive and flexible use of staff resources. In determining the size of the staff needed, LEAA

should consider the adequacy of each State's audit capabilities and resources to be applied to the audit of grants and contracts, the adequacy of grantees' and contractors' accounting and other internal controls, and the volume of expenditures by grantees and contractors.

LEAA's Audit and Inspection Division has developed an audit and inspection manual and has participated in preparing guides for use by applicants for planning, action, and discretionary grants. The Division has issued reports on its audits, reviews, and investigations of State planning agencies, schools and universities under academic assistance programs, and selected grants and contracts. Also the Division has made overall reviews of four State planning agencies.

As of June 1971 the Division had issued a report on only one of its four overall reviews of State planning agencies. At that time the Division was finalizing reports on its reviews of the three other State planning agencies. Because the Division has only recently issued its first major report, we believe that it is too early to evaluate the effectiveness of the reviews by the Division.

SEPARATE LEAA AUDIT STAFF APPROPRIATE
AND CONSISTENT WITH GAO VIEWS

The Attorney General's establishment of a separate LEAA audit staff to make external audits of grants and contracts conforms with our basic principles and concepts of internal auditing in Federal agencies. In our opinion, a separate audit staff in LEAA to make external audits and report thereon to the Administrator can be justified on the basis of LEAA management needs and the size and nature of its activities.

The Department's centralized Office of Internal Audit has been assigned broad responsibilities to audit the activities of the Department's headquarters and constituent organizations, except for the Federal Bureau of Investigation. The Department's requests for additional funds to finance the centralized

internal audit organization have not been favorably acted upon by the House Appropriations Committee. Accordingly, in our opinion, the Office of Internal Audit will not, in the foreseeable future, be able to obtain sufficient staff to adequately evaluate the efficiency and effectiveness of the administration of law enforcement programs by the large number of LEAA grantees and contractors. We believe that such evaluation is needed by the Attorney General and LEAA management officials to carry out their responsibilities in administering the law enforcement program.

The establishment of the LEAA Audit and Inspection Division and its functions is consistent with the position taken in our 1967 report to the Congress entitled "Need to Improve Internal Audit in the Department of Justice" (B-160759, December 26, 1967) and with the principles and views in our publications entitled "Internal Auditing in Federal Agencies" (1968) and "GAO Views on Internal Auditing in the Federal Agencies" (1970).

At the time of our report, the Department's constituent organizations, with the exception of the Federal Bureau of Investigation, did not appear to be large enough to warrant separate internal audit organizations. In our opinion, auditing the performance and records of the LEAA contractors and grantees is essential to the administration of the contracts and grant programs. We believe that a separate audit staff responsible for the performance of such external audits is appropriate because of (1) the volume of grants and contracts awarded by the LEAA organization in carrying out the function, (2) the high degree of specialized knowledge required of the programs, and (3) the special need for a close association between program management personnel and the audit staff.

OFFICE OF INTERNAL AUDIT FUNCTIONAL RESPONSIBILITIES
OVER THE OPERATIONS OF LEAA'S AUDIT STAFF

On May 19, 1969, the Attorney General assigned the responsibility for the Department's audit function, including

the review of contractors and grantees, to the Assistant Attorney General for Administration and charged the Director of the Office of Management Inspection and Audit, now the Office of Internal Audit, with execution of the audit responsibilities, including the review and appraisal of all Department programs and functions. On April 24, 1970, the Attorney General assigned the responsibility for audits of grants and contracts awarded by LEAA to the LEAA Administrator, subject to review and monitoring by the Office of Internal Audit.

We believe that the responsibility for reviewing LEAA's external audit activities was properly left with the Assistant Attorney General for Administration and that this arrangement is consistent with the position taken in GAO's "Internal Auditing in Federal Agencies" (1968) that provision be made for independent internal review of the external audit work in the same manner as other operations are reviewed to ascertain whether it is being carried out properly and efficiently.

APPROPRIATENESS AND LEGALITY OF DEPARTMENT'S FINANCING
OF THE COST OF CENTRALIZED INTERNAL AUDIT SERVICES

The appropriateness and legality of the Attorney General's seeking and obtaining reimbursement from constituent units of the Department, including LEAA, for costs of centralized internal audit services are being considered by our General Counsel. Our comments and opinion on this matter will be furnished to you as soon as possible.

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We trust that the information furnished above will be of assistance to your Subcommittee in carrying out its oversight responsibilities in the law enforcement area.

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall

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make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas A. Boardman".

Comptroller General
of the United States

The Honorable John S. Monagan, Chairman
Legal and Monetary Affairs Subcommittee
Committee on Government Operations
House of Representatives

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