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*REPORT TO THE CONGRESS*

**FILE**

**Review Of Activities  
Of The Office Of The  
Inspector General**

B-160759

Department of Agriculture

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D C 20548

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To the President of the Senate and the  
Speaker of the House of Representatives

The General Accounting Office has reviewed the internal auditing and investigating activities of the Office of the Inspector General, Department of Agriculture.

This report presents our observations on noteworthy organizational and operational features of the Office of the Inspector General, which may be of interest to the Congress and its committees and to departments and agencies throughout the Government. The report presents also our recommendations for improving certain operations so as to provide better service to management.

On the basis of our review, we conclude that the Office of the Inspector General is generally effective in providing management with reliable information for improving controls over Department of Agriculture operations. We believe that the following organizational and operational features of the Office of the Inspector General have enhanced its effectiveness.

- Placing the Office of the Inspector General in a position directly responsible to the Secretary of Agriculture provides the Inspector General with maximum independence in planning, programming, executing, and reporting on reviews of all departmental activities.
- A system for reporting significant disclosures to the Secretary and to other top management officials permits these matters to be brought to their attention as soon as detected, keeps them informed through periodic follow-up reports, and eliminates the undue burden which would be placed on them if all reports of the Office of the Inspector General were issued to that level.
- An informational retrieval system codifies audit and investigation findings and permits the Office of the Inspector General,

among other things, to identify trends or sudden increases in program or management deficiencies.

- The self-inspection program of the Office of the Inspector General, which is designed to assist in achieving and maintaining top efficiency within the organization, provides useful information for evaluating the manner in which the responsibilities of the Office are being carried out and a sound basis for determining changes necessary for improving the organization.
- Emphasis on staff training is considered an important and necessary means of developing and maintaining an effective internal audit and investigation service.

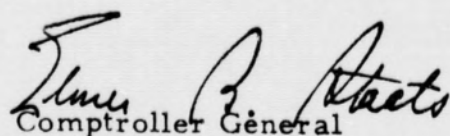
We believe, however, that certain changes in the operations of the Office of the Inspector General would result in better service to management. We are therefore recommending that: (1) the Inspector General continue the efforts toward directing audit resources to broader based reviews and reexamine the role followed in appraising the Food Stamp Program and (2) the Secretary of Agriculture define the role of the Office of the Inspector General in the present efforts to improve the accounting systems of the Department.

The Secretary of Agriculture advised us of his general agreement with our recommendations.

We are issuing our report to the Congress because of the importance of an effective internal audit and investigation program as a part of the total management control systems in large and complex organizations and because of the continuing interest of the Government Activities Subcommittee of the Committee on Government Operations, House of Representatives, in the development of effective internal audit systems.

B-160759

Copies of this report are being sent to the Director, Bureau of the Budget, and to the Secretary of Agriculture.

  
Comptroller General  
of the United States

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REPORT ON  
REVIEW OF ACTIVITIES  
OF THE  
OFFICE OF THE INSPECTOR GENERAL  
DEPARTMENT OF AGRICULTURE

INTRODUCTION

The General Accounting Office has made a review of activities of the Office of the Inspector General (OIG)-- the internal auditing and investigating organization of the Department of Agriculture. Our review, which was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67), was performed to appraise the overall effectiveness of OIG in serving departmental management needs.

Our work included (1) a review of OIG's placement in the Department's organizational structure, (2) an evaluation of administrative policies and instructions employed by OIG in carrying out its internal auditing and investigating responsibilities, and (3) an analysis of 100 randomly selected audit and investigation reports issued by two OIG regional offices. Our review was conducted at the OIG Headquarters Office in Washington, D.C., and at OIG regional offices located in Hyattsville, Maryland, and Kansas City, Missouri.

This report is being presented in two sections. The first section (see pp. 5 through 12) describes certain OIG organizational and operational features which, in our opinion, are important in carrying out its responsibilities to management. The second section of this report (see pp. 13 through 20) contains our findings and recommendations on areas where we believe that OIG can make certain improvements in its operations and thereby provide all levels of Department of Agriculture management with better internal auditing and investigating service.

## BACKGROUND

The Department of Agriculture was established by the Congress in 1862 with the primary purpose of collecting and disseminating (1) general and comprehensive agricultural information and (2) new and valuable seeds and plants. Related and other functions have been added to or eliminated from the initial functions of the Department from time to time by legislation or Executive order.

The Department, as now constituted, spends several billion dollars annually and employs about 85,000 people on a full-time basis. Its various activities are dispersed throughout the United States and many foreign countries.

The Department's activities concern agricultural economics, rural development and conservation, agricultural stabilization, international agricultural affairs, marketing and consumer services, and agricultural science and education. The numerous and diverse activities of the Department are administered by approximately 30 individual agencies, offices, and staffs. An organizational chart of the Department is included as appendix I.

In a large and complex organization like the Department of Agriculture, management must assure itself that assigned responsibilities are being carried out effectively, efficiently, and economically and in accordance with all prescribed requirements. Internal audit, and investigations where appropriate, are essential tools used by management to gain this assurance through independent examinations of the manner in which assigned responsibilities are discharged.

Until December 1962, internal auditing and investigating functions were performed principally through individual staffs in the 10 major agencies within the Department. However, a number of the smaller agencies had no internal audit or investigative staffs. In December 1962, there were approximately 860 auditors, investigators, and support personnel assigned to internal audit and investigation activities in the 10 major agencies at an estimated annual cost of \$9.5 million.



Early in 1962, in response to secretarial interest, a Department-wide survey and evaluation of internal auditing and investigating activities was performed by a departmental task force. The survey report, issued in June 1962, reported, among other things, that:

- With few exceptions, comprehensive appraisals of programs on an agencywide, interagency, or Department-wide basis had not been undertaken.
- In general, follow-up procedures in most agencies did not provide for prompt and decisive action on audit recommendations.
- The Secretary and his immediate staff were not promptly informed of significant conditions disclosed during audits and investigations.

On the basis of recommendations made in the survey report, the Secretary established the Office of Internal Audit and Inspection on June 25, 1962. The name was changed to Office of the Inspector General in August 1962. Initially, OIG was set up principally to coordinate internal auditing and investigating activities within the Department. In December 1962, however, the Secretary directed that all personnel, property, records, and funds devoted to internal auditing and investigating by the individual departmental agencies be transferred to OIG.

Between December 1962 and July 1963, OIG operated under the direction of the Inspector General from OIG Headquarters Office in Washington, D.C. At that time OIG regional offices were established in Atlanta, Georgia; Chicago, Illinois; Kansas City, Missouri; New York, N.Y.; San Francisco, California; Temple, Texas; and Hyattsville, Maryland. Regional Inspectors General were appointed to head each of the seven regional offices and to implement the new OIG administrative and operating procedures.

According to the employment report of June 30, 1967, OIG had about 850 full-time employees, comprising about 390 auditors, 180 investigators, 100 management personnel, and 180 support personnel. Appropriations for fiscal year 1967 amounted to about \$11.5 million.

During fiscal year 1967, OIG expended a total of 109,348 man-days of direct labor in carrying out its auditing and investigating responsibilities. The following schedule shows, for fiscal year 1967, the distribution of the man-days by types of audits undertaken by OIG and the investigative time.

	<u>Man-days</u>	<u>Percent</u>
Audit:		
Single-entity cycle audits	24,197	34.1
Multiple-entity cycle audits	34,856	49.2
Program audits	<u>11,853</u>	<u>16.7</u>
Total audit	70,906	<u>100.0</u>
Investigations	<u>38,442</u>	
Total man-days	<u>109,348</u>	

Single-entity cycle audits are reviews of selected activities at one organizational level, such as a county office of the Farmers Home Administration. Multiple-entity cycle audits are coordinated reviews at several organizational levels, such as 10 county offices and one State office of the Agricultural Stabilization and Conservation Service. Program audits are reviews of the administration of a particular activity (motor vehicle utilization) or program (rural development) at all organizational levels of an agency or agencies. Because of their broader base, the last two types of audits usually result in reports of interest to higher levels of management in the Department.

The principal officials of the Department of Agriculture responsible for the matters discussed in this report are shown below.

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
Secretary of Agriculture:		
Orville L. Freeman	Jan. 1961	Present
Inspector General:		
Lester P. Condon	July 1962	Present

OBSERVATIONS ON CERTAIN  
NOTEWORTHY ORGANIZATIONAL AND  
OPERATIONAL FEATURES OF OIG

During our review of OIG, we noted certain organizational and operational features which we believe will be of interest to the Congress, its committees, and departments and agencies throughout the Government. Summaries of these noteworthy features are presented below.

OFFICE OF THE INSPECTOR GENERAL PLACED  
AT THE HIGHEST ORGANIZATIONAL LEVEL

The creation of OIG in 1962 consolidated the separate internal auditing and investigating groups of the 10 major agencies of the Department. This reorganization placed the functions performed by these groups at the highest possible organizational level within the Department, namely, in a position directly responsible to the Secretary of Agriculture. The Secretary's creation of OIG removed the auditors and investigators from the position of evaluating the effects of decisions made by agency officials to whom they were responsible.

A fundamental principle of internal audits, as well as investigations, is that the placement of the internal auditor or investigator in an organization should be such that he is independent of the officials who are directly responsible for the operations he reviews. The placement of OIG at a level directly responsible to the Secretary provides OIG with maximum independence in serving top management needs and permits objectivity and impartiality in planning, programming, executing, and reporting on its reviews of all departmental activities. OIG is unlimited in its jurisdiction to review any and all functions of the Department.

The placement of OIG also provides it with the opportunity to obtain a broad viewpoint on the interrelationships of the highly diversified and decentralized organizations and functions within the Department. Programs or activities common to several agencies, such as motor vehicle utilization, payroll operations, civil rights compliance, automatic

data processing equipment management, and procurement practices, cannot be effectively reviewed on a Department-wide basis unless the auditing organization can cross agency lines to obtain needed information. OIG has performed, or is performing, reviews for each of the programs or activities mentioned above.

For example, an OIG report issued on August 4, 1967, disclosed that the automatic data processing (ADP) machine needs of certain Department of Agriculture agencies in the area were not being fully or most economically met by the existing data processing center in New Orleans, Louisiana. The report covered ADP activities of the New Orleans Commodity Office of the Agricultural Stabilization and Conservation Service, Department-wide payroll and personnel activities at the Management Data Service Center, certain accounting and research work of the Agricultural Research Service, and scientific application for statistical problems of the Forest Service's Southern Forest Experiment Station.

It is our view that the placement of OIG at the highest level within the Department of Agriculture (1) gives increased recognition to the role of internal audit and investigation as an integral part of the total system of management control and (2) encourages management's appropriate consideration of internal audit findings and recommendations and prompt action on matters disclosed through investigations. Also, the placement of internal auditing and investigating services within one organization facilitates a free flow of information between the auditors and investigators.

In addition, we believe that OIG's consolidated organizational structure facilitates recruitment and staff development, including organized staff training programs. In our opinion, a consolidated organizational structure provides a more attractive working environment from the standpoint of promotion opportunities, career development, and diversification of work, which in turn helps to lessen the traditional problem of recruiting and retaining qualified personnel.

The establishment of the internal auditing and investigating functions at a level where they are directly responsible to the head of a department creates a need for

close coordination with subordinate management officials so that internal audit and investigation service becomes an aid to the various levels of management within an organization.

In the Department of Agriculture, the Secretary has issued administrative regulations which make OIG responsive to the needs of the heads of agencies and offices in the Department. These regulations provide that:

1. The Inspector General will perform audits and investigations which are (a) requested by the Secretary, (b) requested by agencies or offices--subject to the approval of the Inspector General and the availability of resources--and (c) determined by the Inspector General to be necessary.
2. The Assistant Inspector General (Operations) and his staff are to establish and maintain effective liaison with Department agencies and offices in planning and executing audits and investigations.
3. The annual program of work, prepared by OIG, will consider both the audits deemed necessary by OIG and those requested by agency officials. Prior to development of the annual program of work, OIG will contact each agency to receive suggestions for auditing during the following fiscal year. In addition, agency officials may request auditing and investigating services at any time the need arises.

Our review showed that OIG was complying with these administrative requirements and, to the extent possible, was responding to requests received from the agencies of the Department. Because of higher priority assignments or limited manpower, however, it was necessary that the performance of work on some requests be postponed.

SYSTEM FOR REPORTING SIGNIFICANT  
DISCLOSURES TO TOP MANAGEMENT ON  
A TIMELY BASIS

Our review showed that, although OIG has the authority to report all internal audit and investigative disclosures directly to the Secretary, it has implemented a "Significant

Disclosure Reporting System" whereby only those matters warranting top management's attention are reported to that level. Matters of a lesser nature are reported to the subordinate management level that has the authority to effect corrective action.

By this reporting system, which includes criteria and guidelines for its proper use, OIG is able to inform top management of a significant problem as soon as it is detected and to keep management informed on the status of the problem until its full extent can be determined and satisfactory corrective action can be accomplished.

In addition to providing a method whereby top management receives timely notification of serious problems, the Significant Disclosure Reporting System also eliminates the undue burden which would be placed on top management if each OIG report were issued to that level. For example, we noted that OIG had issued about 20,000 audit and investigation reports between January 1964 and June 1967. During approximately the same period, about 700 significant disclosures were reported to top agency managers, and only about 400 of these disclosures were reported directly to the Secretariat.

Thus, although OIG is responsible for reporting directly to the Secretariat, in our opinion the Significant Disclosure Reporting System allows the effective fulfillment of this responsibility without overburdening top management with matters of a less significant nature that can properly be reported to lower management levels.

The Inspector General, as well as heads of other agencies and offices in the Department of Agriculture, submits a biweekly report to the Secretary. The reports are designed to keep the Secretary informed of significant developments and problems in the Department which have not been called to his attention through other sources. Thus, in addition to matters reported through the Significant Disclosure Reporting System, other matters of interest pertaining to OIG can be brought to his attention.

ESTABLISHMENT OF AUDIT AND INVESTIGATION  
FINDINGS RETRIEVAL SYSTEM

OIG instituted an information retrieval system which provides for the codification of findings contained in its own reports and in reports by the General Accounting Office, the Federal Bureau of Investigation, congressional committees, and other reports that pertain to Department of Agriculture activities.

In establishing its information retrieval system, OIG envisioned that the information provided by a codification of audit and investigation findings would be useful in (1) identifying trends or sudden increases in program or management deficiencies, disclosed by audits and investigations, (2) providing general and specific guidance for planning reviews of programs or activities, and (3) evaluating and interpreting OIG work efforts and end products. Also, OIG envisioned making information reports to management on areas needing improvement as indicated by repetitive findings shown by the codification.

OIG's codification of findings, which became operational in July 1966, is prepared quarterly on an accumulative basis for the fiscal year by electronic data processing equipment. Separate listings are printed for each quarter to show the findings (1) by the departmental agencies involved and (2) by the OIG region, i.e., the geographic areas where the findings occurred. A listing is also provided showing those audit and investigation reports which had no findings. In addition, the system produces certain summaries of information, and special reports upon request.

Our review showed that OIG was using the information available through the system for the purposes initially envisioned. OIG officials contemplate additional uses of the findings codification and refinement of the system as changing needs and experience dictate.

In our opinion, OIG's use of the audit and investigation findings retrieval system represents an innovation in the internal auditing field. We believe that the information made available through this system has enabled OIG to more effectively manage its own operations, thereby

providing an improved internal auditing service to the Department of Agriculture.

#### OIG SELF-INSPECTION PROGRAM

We noted that OIG had instituted a program for self-inspection of OIG activities, to be performed under the direction of the Assistant Inspector General for Inspections and Special Projects. The overall objective of the self-inspection program is to assist the Inspector General in achieving and maintaining top efficiency within his organization and to help the heads of OIG organizational components measure the degree of success they are achieving.

Under OIG's self-inspection program, inspection teams are formed on an ad hoc basis with Inspections and Special Projects personnel providing the team leadership. Additional inspectors are selected from OIG from other than the units or functions to be inspected. The mission of the inspection team is to inspect and appraise the selected OIG unit or function by analyzing and evaluating administrative and operational procedures, checking compliance with OIG directives, inquiring into problems, and developing information necessary to fix responsibilities in connection with noted deviations or irregularities.

At the time of our review, OIG self-inspections of the San Francisco and New York regional offices, and of certain headquarters functions, had been performed. Our review of the self-inspection program indicated that the inspection coverage was thorough and that it effectively reported on those areas found to be in need of improvement and made recommendations on ways in which such improvement could be achieved. For example, during our review we concluded that there was a need for OIG to accelerate the development and issuance of uniform audit guides and investigative instructions. We found that this matter had already been recognized in an OIG self-inspection, that recommendations had been made, and that corrective action was being taken.

In our opinion, the proper functioning of the self-inspection program and the use of the information made available through it should provide the Inspector General with a useful tool for evaluating the manner in which the



responsibilities of his office are being carried out and with a sound basis for determining changes necessary to improve his organization.

#### EMPHASIS ON TRAINING

Our review showed that OIG was placing considerable emphasis on staff training which, in our opinion, is essential in developing and maintaining an effective internal audit and investigation organization.

OIG currently allocates an average of 15 man-days each year for the formal training of each professional employee. The regularly scheduled phases of OIG's formal training program basically consist of (1) a 3-week orientation course for new professional employees, (2) a 2-week refresher course given on a 3-year cycle to all OIG professionals, and (3) an annual 1-week regional conference training session.

We noted that OIG had engaged in a number of training endeavors in addition to its regularly scheduled training program. For example, OIG has had a statistical sampling course prepared specifically for home study by its professional personnel. To illustrate the economy and efficiency in the applications of statistical sampling, we noted that OIG had recently used statistical sampling techniques in a comprehensive program audit of the Department's motor vehicle operations. Through the use of statistical sampling, OIG was able to evaluate certain features of the approximately 29,000 general-use-type vehicles, such as safety features, utilization records, and service and maintenance cycles, by reviewing only 201 of these vehicles. Statistical sampling permits Department-wide projection of the audit findings within a statistical degree of accuracy acceptable to management.

In addition, OIG recently began a management-oriented training program designated as the Managerial Grid Organization Development Program. Although the program has not progressed sufficiently for evaluating the benefits to be derived from such an endeavor, the objectives of the program include (1) developing in employees a full understanding of and commitment to OIG objectives, (2) perfecting a teamwork concept in OIG problem solving and work production, and

(3) creating a working environment which will enable all OIG employees to develop and apply their full talents.

It is our view that OIG has recognized the need to emphasize staff training. We believe that staff training is an important and necessary means of developing and maintaining an internal audit and investigation service which can consistently meet the changing needs of management.

## FINDINGS AND RECOMMENDATIONS

As discussed in the preceding section of this report, our review shows that OIG is directly responsible to the highest level of management and has taken several important and helpful steps which we believe will enhance its effectiveness as a management tool.

On the basis of our review, we concluded that OIG is generally effective in providing reliable information to assist management in improving the adequacy of controls over operations. However, we did note areas where we believe that certain improvements by OIG will result in better service to management. Our findings and recommendations on these areas are presented below.

### NEED TO CONTINUE EFFORTS TO DIRECT AUDIT RESOURCES TO BROADER BASED REVIEWS

Our review indicated a need for OIG to continue efforts, to the extent possible, to direct the audit resources currently being expended on so-called single-entity cycle audits to broader based reviews. Single-entity cycle audits are generally made on a recurring basis at the lowest operating level of an agency's organization. These audits do not involve extensive review of all activities of the agency's organization, but are generally limited to a review of those activities where the auditor believes that internal controls are not adequate. In our opinion, applying audit resources to broader based reviews of operations, such as multiple-entity cycle audits or program audits described on page 4, provides management with more useful information as to the manner in which its programs and activities are being carried out.

During our review we noted that a significant portion of OIG's audit resources were being expended on single-entity cycle audits. For example, in fiscal year 1967 about 35 percent of all audit effort was applied in this manner. (See p. 4.) The largest portion of this workload represents audits conducted on a 2- or 3-year cycle basis at county offices of the Agricultural Stabilization and Conservation Service (ASCS). During fiscal year 1967,

a total of 819 audit reports were issued as a result of single-entity cycle audits at ASCS county offices.

By its very nature, the single-entity cycle audit of an individual field location precludes to a great extent an effective evaluation of program activities at all levels of management. Consequently, such audits offer top management limited information as to the manner in which its operations are being carried out on an overall basis. Our examination of selected OIG single-entity cycle audits showed that, although such audits might identify matters having programwide implications, little opportunity was afforded to develop the basic causes for these weaknesses or to offer recommendations for corrective action based on these findings which would provide programwide improvements.

An OIG report on the use of relief provisions by the Agricultural Stabilization and Conservation Service, dated December 15, 1966, illustrates our view that the results of broader based reviews can be more useful to management. On the basis of audit tests in selected county offices in five States, OIG reported that significant amounts of program overpayments to producers were being forgiven by agency operating personnel and that, in the view of OIG, many of the cases were not entitled to such relief. The report clearly developed the basic causes for the abuse of the relief provisions and made recommendations for corrective action to the Administrator, ASCS. Individual instances of this abuse had previously been reported to lower management officials by OIG.

In our opinion, single-entity cycle audits would not have disclosed to top management that the problem was widespread because the number of producers' overpayments being forgiven at the individual entity being audited would not be sufficiently significant to indicate a widespread condition warranting a report to top management. Also, the basic causes which led to abuse of the relief provisions at the county office level might not be adequately developed because certain of the causes would have to be traced back to inadequate guidelines from the ASCS Headquarters in Washington, D.C. Finally, we believe that, lacking the

knowledge of the extent of the problem and of its basic causes, the auditor would not be in a position to formulate meaningful recommendations to management.

We found that, in order to provide management with more useful audit services, the Inspector General instituted multiple-entity cycle audits of ASCS county and State offices--and of other agency entities, where applicable--in an effort to review and report on programwide programs. The results of audit work performed at the several entities can be brought together and trends or repeated findings indicating a need for corrective action can be reported to appropriate management levels. We believe that broader based reports are more useful to top management in conducting its operations and at the same time give audit coverage to the individual entities. During fiscal year 1967 about 50 percent of OIG's audit resources were used on multiple-entity cycle audits. (See p. 4.)

The Inspector General has stated--and we agree--that the multiple-entity cycle audits "\*\*\* produce broader recommendations, aimed at generating administrative action to remedy the conditions found to exist, as well as the underlying causes." We note, however, that certain agencies have been persistent in asking for increased coverage of single-entity cycle audits.

In a letter to us dated March 19, 1968, commenting on our draft report (see app. II), the Secretary of Agriculture stated that the Department had found single-entity cycle audits to be effective in many situations, to serve a number of purposes, and to meet the needs of many management officials. He stated also that OIG audit reports were being distributed to key management officials for their analysis and review. According to the Secretary, these key officials are generally at the agency headquarters level and are individuals who have expressed their desire to have reports that cover operational problems at the lower levels.

We recognize that factors peculiar to an entity or program will require that some level of effort continue to be expended on single-entity cycle audits; however, we believe that the present level of effort can be reduced even

further. Also, we believe that additional planning by OIG can result in adequate audit coverage of many entities now covered by single-entity cycle audits--as part of broader based program and multiple-entity cycle audits--while at the same time providing management with greater benefits from the auditing efforts.

#### Recommendation

We recommend that, in order to provide management with more useful information as to the manner in which its programs and activities are being carried out, the Inspector General continue his efforts to reduce single-entity cycle audits to the extent possible and to effect a corresponding increase in program audits and multiple-entity cycle audits.

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In commenting on our recommendation, the Secretary of Agriculture stated that he expected the Inspector General to continue to apply resources to broader based reviews and, to the extent possible, to reduce single-entity cycle audits. The Secretary advised us that OIG's work program for the fiscal year beginning July 1, 1968, would provide for the audit of very few ASCS county offices (which constitute the major portion of single-entity cycle audits) on a purely single-entity basis.

NEED FOR OIG TO REEVALUATE AGREEMENTS REACHED  
WITH CONSUMER AND MARKETING SERVICE FOR  
PERFORMING COMPLIANCE-TYPE INVESTIGATIONS OF  
THE FOOD STAMP PROGRAM

On the basis of our review, we believe that OIG should reevaluate the agreements reached with the Consumer and Marketing Service (C&MS) for performing compliance-type investigations of the Food Stamp Program. We believe that such a reevaluation is needed to provide a more independent and effective review of compliance with Food Stamp Program regulations by participating retail stores.

Our review showed that, during fiscal year 1967, OIG expended about 6,000 man-days, or about 15 percent of all its investigative resources, reviewing the Food Stamp Program of C&MS. On the basis of the anticipated continued growth of this program--which enables eligible persons to purchase food at participating retail stores with food stamps--coupled with OIG's large backlog of Food Stamp investigation cases, OIG's effort in this area can be expected to increase.

It is the assigned responsibility of OIG, among other things, to investigate instances of alleged, known, or suspected violations of law or regulation. We noted that, during fiscal year 1967, C&MS referred to OIG for investigation about 400 cases involving the Food Stamp Program. We noted also that, during this same period, C&MS referred about 1,150 additional cases to OIG for a "compliance survey." In these instances there were no alleged, known, or suspected violations or irregularities of the Food Stamp Program. OIG often employs the same review techniques on a compliance survey as it does in an investigation.

Our review showed that the referral of compliance survey cases to OIG had resulted from agreements reached between officials of OIG and C&MS. C&MS officials believe that a practical way to measure the overall effectiveness of compliance by participating retail stores is to have OIG perform compliance surveys of certain of the approximately 70,000 participating stores now in the program. These officials state that, in addition to measuring the effectiveness of compliance, an objective of the investigations and

surveys is to deter violators and potential violators by publicizing the fact that investigations are being made and that penalties are being inflicted on those who violate program regulations.

We believe that C&MS's use of the OIG investigations and surveys could be an effective method of promoting compliance by participating stores. We believe further, however, that the present method of referring cases to OIG for a compliance survey does not offer an accurate measure of the overall effectiveness of compliance by the participating retail stores or the effectiveness of C&MS's efforts to obtain compliance.

Our review showed that the stores to be surveyed by OIG had been chosen by C&MS and that the stores were being referred to OIG for a compliance survey only after C&MS officials had established a record of making every reasonable attempt--through training meetings with store operators and educational store visits--to correct any violations which may have been occurring in the store. In this connection, internal C&MS instructions concerning referrals of surveys require that a record of store visits be established before the case is referred to OIG.

It appears to us that OIG is surveying compliance for C&MS only in those stores where C&MS employees have made visits and have exerted educational efforts. We believe that a more appropriate method of reviewing compliance would be for OIG to independently select participating stores for survey--including those not visited by C&MS employees--and, as part of these surveys, examine into the adequacy of the educational efforts being made by C&MS to gain compliance.

We believe that such a change would accomplish the objectives sought by C&MS, that is, measuring overall compliance and obtaining cases for use in deterrence. Such a change would have the added advantage of supplementing OIG audits of Food Stamp Field Offices which, according to the Secretary's response to our draft report (see p. 4 of app. II), include an evaluation of C&MS educational efforts. Such redirection of effort could be accomplished in close



cooperation with C&MS so that any particular problems, problem areas, or problem stores, could be brought to the attention of OIG in planning its work on the Food Stamp Program. Also, the compliance-type work might be carried out as part of OIG's regularly scheduled audits of the Food Stamp Program; or, where feasible, it might be performed on a statistical-sampling basis.

### Recommendation

We recommend that, in an effort to provide what we believe would be a more meaningful and accurate appraisal of compliance by participating retail stores, the Inspector General reevaluate the agreements reached with C&MS with a view toward reorienting OIG's direction of effort on this aspect of the Food Stamp Program.

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In his reply of March 19, 1968, the Secretary of Agriculture advised us that OIG would review with C&MS the procedures for selecting stores. He added that OIG would re-examine its role in the appraisal of compliance by participating stores and would consider the suggestions contained in our report.

### NEED TO DEFINE ROLE OF OIG IN EFFORTS TO IMPROVE ACCOUNTING SYSTEMS

In the conduct of its audits, OIG has examined and tested accounting and other financial records of agencies where such effort was pertinent to the objectives of the audit being performed. In some cases, such as reviews of the Department's centralized payroll operation, OIG has performed a substantial amount of work directly related to accounting systems established for the constituent agencies of the Department. In this connection, the General Accounting Office was able to use the results of OIG work in our approval of the accounting system for payroll and for our settlement of the accounts of accountable officers, thereby permitting us to substantially reduce our work in these areas. We believe, however, that OIG can provide additional service to management by increasing its efforts in

reviewing, testing, and reporting on the adequacy of the various accounting systems in the Department of Agriculture.

The Secretary of Agriculture has recently directed that a renewed and intensified effort be made by the constituent agencies of the Department to improve their accounting systems. The directives of the Secretary have not defined the role which OIG can play in this intensified effort. Although we do not believe that OIG should have the responsibility for developing systems, we believe that the knowledge and information possessed by OIG from its regular auditing and investigating work could be effectively employed in this undertaking if OIG would (1) offer its observations on known or potential problem areas in accounting systems and evaluate the apparent adequacy of proposed internal controls and audit trails and (2) test and report on the systems once they are implemented.

#### Recommendation

We therefore recommend that the Secretary of Agriculture define the role of OIG in the present efforts to improve the accounting systems of the Department.

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The Secretary of Agriculture advised us, in his reply of March 19, 1968, that the Department agreed with our recommendation and that action was being taken to specifically define the role of OIG in the efforts of the Department to improve its accounting systems. The Secretary stated that he would subsequently advise us of the results of this determination. The Secretary pointed out that the Inspector General--in recognition of the need for additional audit attention in the areas of accounting and planning, programming, and budgeting--had scheduled over 2,400 man-days of audit time for these activities during the next 3 years.

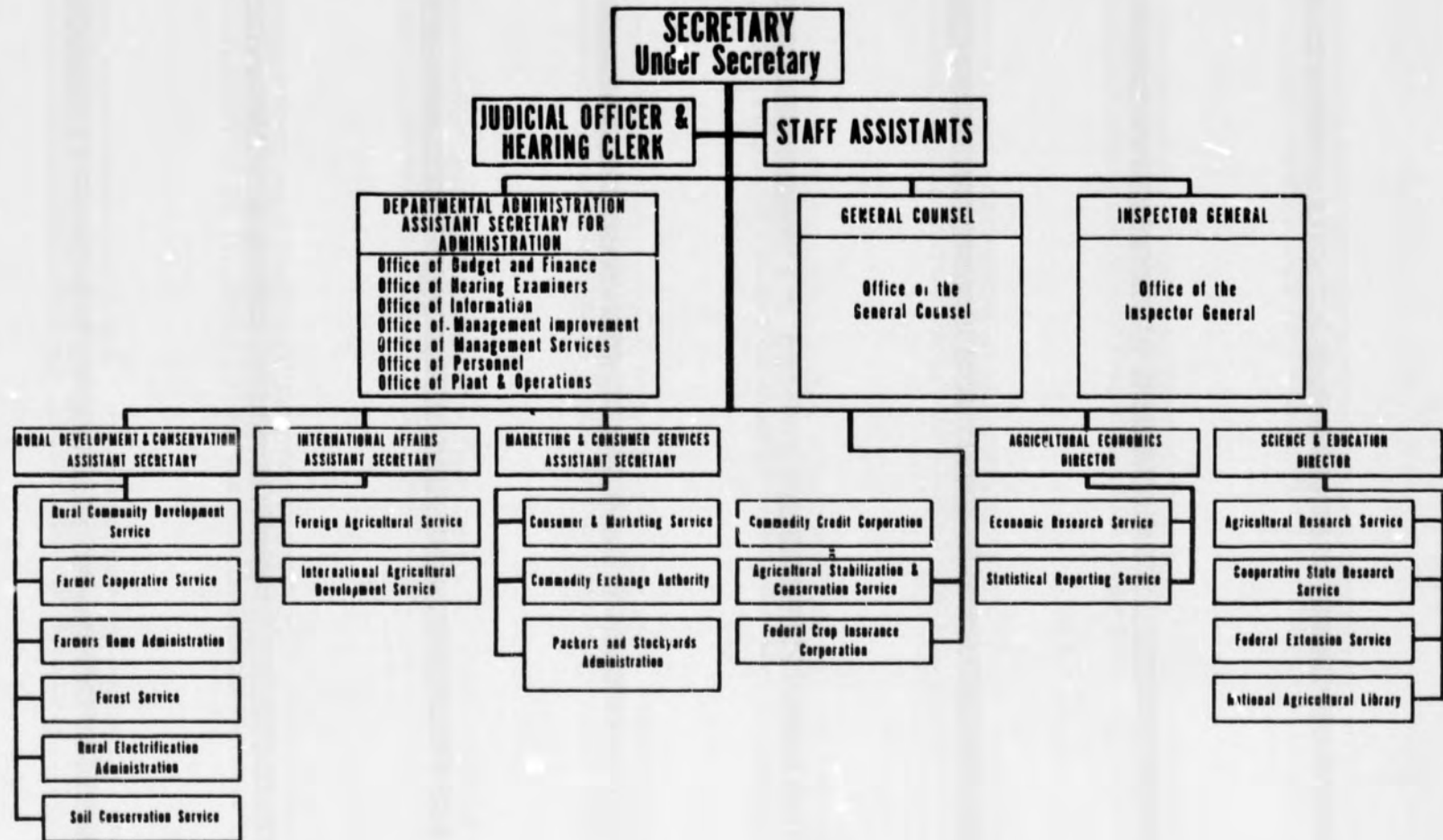
**APPENDIXES**

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July 1, 1967

# UNITED STATES DEPARTMENT OF AGRICULTURE



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## DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C. 20250

March 19 1968

Victor L. Lowe  
Associate Director, Civil Division  
U. S. General Accounting Office  
Washington, D. C. 20548

Dear Mr. Lowe:

I have reviewed the draft of your report covering the activities of the Office of the Inspector General. I am extremely pleased to note that you have recognized many of the innovative and progressive actions which the Inspector General has taken and that as a result of your review you are of the opinion that the work of that office is effective.

At my direction in 1962 the audit and investigation functions in the Department were combined under the leadership of the Inspector General. At that time I emphasized that the transfer of responsibilities was designed to provide essential flexibility, maximize effectiveness of the audit and investigative functions, and serve all levels of management in the Department. I believe we are accomplishing those objectives.

In addition to the matters you present as enhancing the effectiveness of the Office of the Inspector General, the consolidation of the professional talents of internal auditors and investigators in the Department has been of outstanding significance. The consolidation of these skills into one organizational unit has provided a capability we believe not otherwise attainable for identifying areas in need of corrective attention and for assuring that something is done about them.

I shall comment on your recommendations in the same order as they are presented in the report.

Need to Continue Efforts to Direct Audit Resources to Broader-Based Reviews

Recommendation. "In order to provide management with more useful information as to the manner in which its programs and activities are being carried out, we recommend that,

the Inspector General continue his efforts to phase out single entity audits to the extent possible, with a corresponding increase in program audits and multiple entity cycle audits."

As your report points out, broader based reviews usually result in findings of interest to higher levels of management in the Department. But, as the General Accounting Office has long recognized and published in its Policy and Procedures Manual, ". . . The needs of management officials for assistance of the kind that internal auditors can provide vary from agency to agency . . . For this reason, the scope of work which internal auditors in Federal agencies should perform cannot be standardized . . . Agency management does have a responsibility for utilizing to the maximum extent practicable those means which will contribute to the most efficient and economical administration of the agency's affairs."

As I directed at the time OIG was organized, I expect the Inspector General to use such varied and imaginative approaches as will serve all our needs in the Department. In designing these approaches, he must consider the needs of all agencies and of all levels in the Department. With this as our Department objective, I certainly shall expect him to continue to apply resources to broader based reviews, and to the extent possible, to reduce single entity audits as you suggest.

In this Department we have found that single entity audits are effective in many situations, serve a number of purposes, and meet the needs of many of our managers. Experience has shown that many programwide, as well as local problems, have been identified in individual single entity audits. To assure the highest possible benefits from single entity audits, OIG has developed a means to capture programwide trends and important findings identified from the audits, and submit these for higher level review. Your report speaks favorably of this "Information Retrieval System".

Further, OIG audit reports are distributed to key management officials for their analysis and review. These key officials are generally at the agency headquarters level and are individuals who have expressed their desire to have reports that cover operational problems at the lower levels. Over the years OIG's policy has provided that, wherever practicable, single entity audits include some additional overview of programs or functions having a wider scope or application; and, that single entity type reviews made without consideration to these broader

functions are used only where objectives, or scheduling and cycle requirements, are such that the audits must be on a single entity basis. For example, in OIG's program for Fiscal Year 1969 ASCS county audits (which constitute the major portion of single entity audits discussed in your report) will be included in multi-entity (coordinated) State and county audits, in nationwide program audits, or in special area or functional audits. Very few counties will be audited on a purely single entity basis.

From the very outset, OIG put aside tradition and precedent in planning its audit program. Each year, in consultation with agency management and my office, OIG takes a new look at the audit program for the approaching year as well as for the next five years under our Planning Programming Budgeting System. As a result of such reviews, and as you have recognized, OIG has made extensive change in the direction you suggest.

Need for OIG to Re-evaluate Agreements Reached with Consumer and Marketing Service (C&MS) for Performing Compliance-Type Investigations on the Food Stamp Program

Recommendation. "In an effort to provide what we believe would be a more meaningful and accurate appraisal of the compliance by participating retail stores, we recommend that the Inspector General reevaluate the agreements reached with C&MS with a view toward reorienting OIG's direction of effort on this aspect of the Food Stamp Program."

OIG has two broad objectives in fulfilling its responsibility for the Food Stamp Program. One is to appraise the operations of the Food Stamp Program and to evaluate the adequacy of the program management. The other is to investigate retailers participating in the program, and others, that are suspect of violating the program regulations. The Department is more concerned with the prevention of abuses that would be damaging to the program than with punishing the careless or "one-time" violator. Therefore, our investigative policy provides for the greatest attention to those that are known or suspected of being continuing violators. These investigations may result from C&MS referrals, from OIG audits, or from citizens' complaints.

In the investigation of retailers, OIG has worked closely with the C&MS so that the compliance efforts of the agency would be used to the maximum in selecting stores to be referred to OIG for investigation. This is in keeping with GAO published concepts as to the inter-relationship between a centralized audit-investigation group such as OIG, and an agency inspection or review function.



Each request for service from C&MS is generally accompanied by backup material showing the compliance information collected by the local Food Stamp Field Office personnel. In some cases, the information is more significant than in others. Some actually show violations, while others contain information merely indicating that the store may be violating.

Statistics for the half year ended December 31, 1967, show that OIG investigations developed some type of violation in approximately 65% of the stores investigated.

OIG audits evaluate the efficiency and effectiveness of the program management. This includes an evaluation of C&MS educational efforts. It also includes a search for any failure of the local Food Stamp Field Office to refer to OIG for investigation information from compliance files indicating violations of the program by retailers. The OIG Audit Guide provides for the auditor, where considered necessary, to evaluate individual store activity, as well as to evaluate the handling of rumors and complaints by the Officer-in-Charge of the C&MS Field Office. As on any OIG audit, the auditor at the field office has the prerogative to refer any suspected violation for investigation without restriction by the agency involved.

Inasmuch as your report indicates that some requests for investigations have not been based upon information indicating or suspecting violations, OIG will review with C&MS the procedures in selecting stores to be investigated. In addition, OIG will reexamine its role in the appraisal of compliance by participating retail stores, and will consider the suggestions contained in the narrative of your report.

Need to Define Role of OIG in Efforts to Improve Accounting Systems

Recommendation. ". . . we recommend that the Secretary of Agriculture define the role of OIG in the present efforts to improve the accounting systems of the Department."

We agree with your recommendation. We are taking action to specifically define the role of OIG in our efforts to improve accounting systems of the Department and will furnish you with the results of this determination. I want to point out, however, that the Inspector General has recognized the need for additional audit attention to the areas of accounting, and planning, programming, and budgeting. He has scheduled over 2400 man-days of audit time for these activities during the next three years.

Thank you for affording us the opportunity of reviewing this report prior to its final release to the Congress. I appreciate the assistance which you have given us in this and in your other reviews in this Department.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Quill of Fenner".