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Report to John J. Boyle, Public Printer, Government Printing Office; by Robert G. Rothwell (for Fred J. Shafer, Director, Logistics and Communications Div.).

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The Government Printing Office's (GPO's) internal audit program could be improved by: assuring that the audit planning process is performed with a minimum of influence from the Printing Office's operational management, establishing criteria for accepting special projects, and coordinating plans with the Data Systems Service Management Review Group.

Findings/Conclusions: The Director of Audits has recently developed a plan which matches resources with audit plans and uses a priority system. Although the Office of Audits (OA) had previously conducted report followups, no formal system had been established, and followups had not recently been performed. A formal followup system has been instituted, but special projects requested by various management officials have reduced OA's ability to meet its responsibility for making full-scope audits.

Recommendations: The Public Printer should: take action to assure that the selection of audits and coverage of auditable areas are determined in an independent manner, making the final decision on the plan after the Director of Audits has developed the proposed plan using suggestions from operating officials; direct the OA to process all special management requests through him so that the requests can be placed in proper perspective in relation to Office of Audit goals and limited resources; and direct the Director, Data Systems Service, to coordinate planned reviews with the Director of Audits and to provide the OA with copies of final reports. (Author/SC)



*UNITED STATES  
GENERAL ACCOUNTING OFFICE*

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# Review Of The Government Printing Office's Internal Audit Program

The Government Printing Office's internal audit program could be improved by assuring that the audit planning process is performed with a minimum of influence from the Printing Office's operational management, establishing criteria for accepting special projects, and coordinating plans with Data Systems Service Management Review Group.



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS  
DIVISION

B-114829

The Honorable John J. Boyle  
Public Printer  
U.S. Government Printing Office

Dear Mr. Boyle:

This is our report on the Government Printing Office's Internal Audit Program.

We are reporting on actions needed to improve the management of internal auditing in the areas of audit independence, scope of auditing, and coordination between the Office of Audits and the Data Systems Service Management Review Group.

We invite your attention to the fact that this report contains recommendations to you. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairman, Joint Committee on Printing, and to the above Committees.

Sincerely yours,

*R. S. Rothwell*  
for Fred J. Shafer  
Director

D I G E S T

In recognition of Federal agencies' need for audit program guidance, the Comptroller General of the United States published in 1972 "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." These standards were used in examining the Government Printing Office's internal audit program. (See p. 1.)

AUDITOR'S INDEPENDENCE

The audit organization must maintain independence from operating organizations. The Office of Audits procedures for planning audits could affect this independence. While suggestions from operating officials are useful during initial development of the audit plan, to the extent that these officials participate in the review of the plan and request special projects, they influence the selection of audits. Although we found no evidence of deletion of audits by operating officials' review of the final plans, three management officials, other than the Public Printer, review the audit plan after it has been formulated by the Director of Audits and before final adjustment and approval of the plan by the Public Printer. These officials are also responsible for major operational areas covered in the audit plan. (See p. 2.)

GAO recommends that the Public Printer take action to assure that the selection of audits and coverage of auditable areas are determined in an independent manner. The Public Printer should make the final decision on the plan after the Director of Audits has developed the proposed plan using suggestions from operating officials. (See p. 3.)

## FULL-SCOPE AUDITS

The Comptroller General's standards emphasize that adequate audit coverage is not provided unless the full scope of auditing is provided. Full-scope auditing is defined as including financial, economy and efficiency, and program results examinations. The Printing Office's audits in the past have tended to be narrow in scope, with the greatest concentration on financial audits. This narrowness stemmed in large part from staff time spent in

--assisting GAO in the Printing Office's annual financial audit and

--performing special audits requested by management officials. (See p. 5.)

GAO recommends that the Public Printer direct the Office of Audits to process all special management requests through him. The Public Printer would then be able to place these requests in proper perspective in relation to Office of Audits goals and limited resources, and also be aware of the effect of these requests on achieving full-scope auditing. (See p. 7.)

## DATA SYSTEMS REVIEW AUDIT GROUP

Management review activities other than an internal audit function may exist in an organization. The Printing Office has such a review group in Data Systems Service. Although limited staff resources make it imperative that these organizations coordinate their planning, to avoid potential duplicate efforts, such coordination is not done in the Printing Office. (See p. 8.)

GAO recommends that the Public Printer direct the Director, Data Systems Service, to coordinate planned reviews with the Director of Audits and to provide the Office of Audits with copies of final reports. (See p. 9.)

## RECENT IMPROVEMENTS

Adequate planning is required to insure efficient use of resources and accomplishment of goals. An important part of planning is establishing priorities to assure audit effort in the areas most urgently needing attention. Prior to fiscal year 1977, the Office of Audits' long-range plan required more staff resources than were available. Further, no formal priority system had been established to insure the application of the limited staff to the most important areas. The Director of Audits has now developed a plan which both matches resources with plans and uses a priority system. (See p. 10.)

Followup procedures are needed as a part of audit management in order to determine if audit recommendations receive serious management consideration. Although the Office of Audits had previously conducted report followups, no formal system had been established, and followups had not recently been performed. During GAO's audit, a one-time survey of the status of recommendations was performed to update followup actions. Subsequent to GAO's audit, a formal followup system has been instituted. (See p. 11.)

In view of the improved planning procedures and new followup system, GAO is not making any recommendations at this time. (See p. 12.)

The report was discussed with the Deputy Public Printer and current and former Directors of Audits, who expressed no disagreements with the major findings. These officials' comments are included in the report where appropriate. (See pp. 3, 7, and 9.)

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ABBREVIATIONS

GAO	General Accounting Office
GPO	Government Printing Office
OA	Office of Audits

## CHAPTER 1

### INTRODUCTION

The need for effective internal auditing systems in the Federal agencies was recognized by the Congress in the Budget and Accounting Procedures Act of 1950. That act requires the head of each agency to establish and maintain systems of accounting and internal control, including appropriate internal audit.

In 1972 the Comptroller General published the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." Under these standards, the scope of governmental auditing no longer is concerned primarily with financial operations. The scope is widened to include determining whether governmental organizations are (1) achieving the purposes for which programs are authorized and funds are made available, (2) operating economically and efficiently, and (3) complying with applicable laws and regulations.

### INTERNAL AUDITING IN THE GOVERNMENT PRINTING OFFICE

The internal audit program in the Government Printing Office (GPO) was established in 1967, pursuant to our recommendations. The function of GPO's Office of Audits (OA) is to review GPO operations in Washington, D.C., and at various field locations, and to make necessary external audits, including contract audits. Field locations include: bookstores, printing procurement offices, and field printing offices.

OA is headed by a Director of Audits who is responsible to the Public Printer for the general administration of GPO's audit programs. For fiscal years 1973 through 1976, OA's professional staff in addition to the director averaged about six professionals. The present director was appointed in December 1976.

Operations for the 12-month period ended June 30, 1976, cost about \$227,000 and for the 3-month transition period ended September 30, 1976, about \$46,000.

During the 4-year period ended June 30, 1976, OA issued 140 reports.

Of these, 14 were issued to various management officials usually in response to special requests by them and usually did not describe deficiencies and provide recommendations for corrective action. The remaining 126 reports, which also included some special requests, were all issued to the Public Printer.



## CHAPTER 2

### AUDIT INDEPENDENCE

The audit standards provide that, in all matters relating to the audit work, the audit organization and the individual auditors shall maintain an independent attitude. The standards point out that consideration should be given to any situation which may lead others to question this independence, since it is important not only that the organization be, in fact, independent but also that others consider it so.

Procedures used in the planning of audits to be performed by the audit organization could affect its independence in the selection of audits and the coverage of auditable areas. Consequently, assurance is needed that audit selections and coverage of auditable areas is made with complete independence.

Further, our publication entitled "Internal Auditing in Federal Agencies," states that

"An internal auditor should not be given direct operating responsibilities. Rather, he should be expected to concern himself primarily with the performance of others, to retain an independent outlook in all of his work, and to direct particular attention to matters requiring corrective action \* \* \*."

#### INDEPENDENCE NEEDS TO BE ASSURED IN THE MANAGEMENT APPROVAL OF AUDIT PLANS

Top GPO management officials, who are involved in the management of GPO operations subject to audit, provide input for the audit plan and are part of the audit plan review process. There are no detailed procedures covering processing of the audit plans, but we were told that for the last 5-year plan the initial draft was reviewed by the Public Printer, Deputy Public Printer, and two Assistant Public Printers. Adjustments were made to the draft plan based on their input, and the final plan was approved by the Public Printer. The current Director of Audits said that in his planning phase for the annual plan, he followed generally the same procedure. We were not able to determine to what extent these officials suggested adjustments to the plan.

The Deputy Public Printer is responsible for the total operations, such as production, procurement, quality control,

and customer services. One Assistant Public Printer is responsible for management and administration, including data systems, engineering, financial management, and personnel services. The other is responsible primarily for all the functions in the Public Documents Division, including sales and distribution. All of these operational functions are subject to audit by OA. The GPO organization chart (see fig. 1) outlines the areas of responsibility.

Although the operating officials made suggestions during final review of the plan, we found no evidence of their exerting undue influence over the preparation of the plan or causing audits to be deleted. However, to the extent these officials actively participate in the final review of the audits to be performed and also request and obtain special reviews within their operations (see ch. 3), their participation influences the selection of audits.

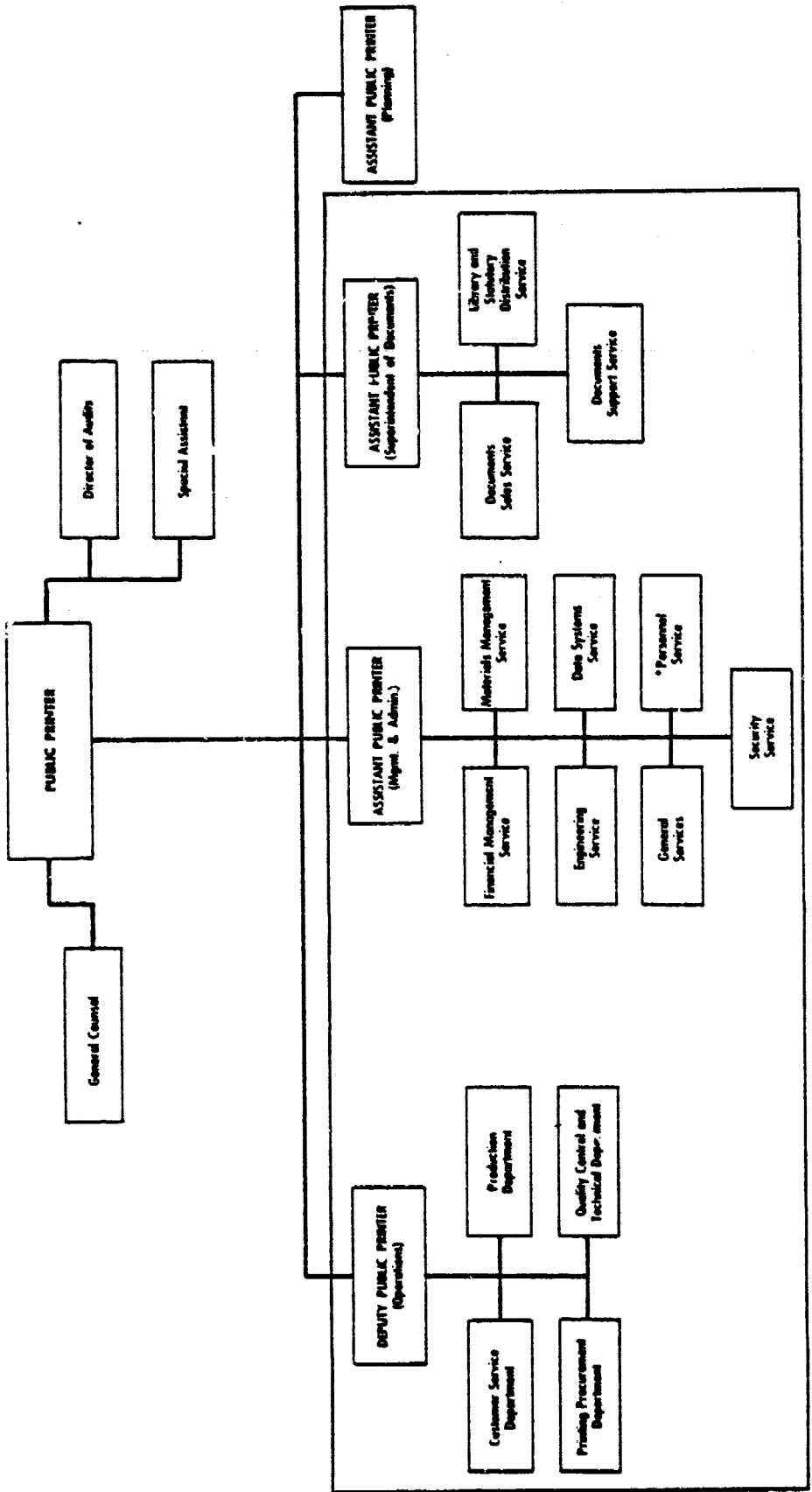
### RECOMMENDATION

We recommend that the Public Printer take actions to assure that the selection of audits and coverage of auditable areas are determined in an independent manner. The Public Printer should make the final decision on the plan after the Director of Audits has developed the proposed plan using suggestions from operating officials.

### AGENCY COMMENTS

The Deputy Public Printer agreed with the need to assure independence in the planning for audits. He also believes that operating officials have not improperly influenced the audit plans, and that these officials' suggestions should continue to be solicited in developing future audit plans.

# UNITED STATES GOVERNMENT PRINTING OFFICE



### CHAPTER 3

#### SCOPE OF AUDITS PERFORMED

The Comptroller General's standards define the full scope of an audit of a governmental program, function, activity, or organization as encompassing

- examination of financial transactions, accounts, and reports, including an evaluation of compliance with applicable laws and regulations;
- review of efficiency and economy in the use of resources; and
- review to determine whether desired results are effectively achieved.

A full-scope audit may not always be necessary to meet the needs of a particular user of audit results, and the standards are not meant to discourage such special-purpose audits. However, for most governmental programs "full responsibility for obtaining audit work is not discharged unless the full scope of the work set forth in the standard is performed." Full-scope auditing can be achieved either by including more than one area of coverage in each audit or by performing a series of single area audits, which as a group comprises full scope coverage.

#### ANALYSIS OF REPORTS ISSUED

Our analysis of reports by OA during fiscal years 1973 through 1976 is shown below.

<u>Fiscal year</u>	<u>Financial and compliance</u>	<u>Efficiency and economy</u>	<u>Program results</u>	<u>Combina-tion (note a)</u>	<u>Total reports</u>
1973	19	-	1	8	28
1974	19	5	-	3	27
1975	24	9	-	6	39
1976	<u>24</u>	<u>12</u>	-	<u>10</u>	<u>46</u>
Total	<u>86</u>	<u>26</u>	<u>1</u>	<u>27</u>	<u>140</u>
Percentage	61	19	1	19	100

a/Although these audits contained more than one element of an audit, they did not necessarily contain all three.

We are unable to obtain records showing the resources and time spent on the different types of audits. On the basis of reports issued, economy and efficiency audits are increasing; however, audit efforts in this area still appear to be less than proportionate.

Primary contributing factors are that a large portion of the staff resources was used to (1) assist us in the annual financial audit, which is limited in scope because it only requires attesting to the fairness of account balances and (2) make special request audits, which are also specific and narrow in scope.

We were requested by the Joint Committee on Printing to perform annual financial audits of GPO, even though the law (44 U.S.C. 309) requires such audits only every 3 years. A reduction of the frequency of our financial audits is being considered. However, such a reduction may not reduce GPO's efforts in financial auditing, as one alternative being considered is to have GPO perform interim year financial audits.

Special projects are those requests received from various management officials asking the Director of Audits to examine certain functions within their areas of responsibility. Following are recent actual times spent on special projects.

<u>Fiscal year</u>	<u>Staff days</u>
1974	249
1975	528
1976 (note a)	316

a/Includes transition quarter.

The 528 staff-days, about 2.4 staff-years, spent in fiscal year 1975 on special projects included reviewing draft GPO instructions, procedures, systems, and personnel investigations and coordinating the move of the Public Documents Departments to a new location. The time spent on these special projects was more than double the 217 staff-days spent on reviews of operations, functions, and organization units.

## CONCLUSION

Although OA is moving toward a more full-scope approach in auditing, audits designed to satisfy our needs for the financial audit and the special projects requested by various management officials have reduced OA's ability to meet its responsibility for making full-scope audits.

The frequency of our financial audit may be reduced from every year to every 3 years; however, this will not necessarily reduce OA's auditing, but could, in fact, increase GPO's financial audit activity.

Special projects requested by various management officials have absorbed a significant portion of OA's limited staff resources. Had half the time spent on special projects in fiscal year 1975 been reassigned, the time spent on reviews of operations, functions, and organizational units could have been doubled.

#### RECOMMENDATION

We recommend that the Public Printer direct OA to process all special management requests through him. The Public Printer would then be able to place these requests in proper perspective in relation to OA goals and limited resources and would also be aware of the effect of these requests on achieving full-scope auditing.

#### AGENCY COMMENTS

The Deputy Public Printer and Director of Audits agreed that special requests had reduced the time available for completing planned audits. They also pointed out that some of the special requests were related to the 5-year plan. They agreed that reducing our annual financial audits would not necessarily reduce, and may actually increase, OA financial audit efforts.

## CHAPTER 4

### COORDINATION BETWEEN MANAGEMENT REVIEW

#### GROUP AND OFFICE OF AUDITS

The Office of Management and Budget's Federal Management Circular 73-2 states that it is important to establish close coordination between audit and other management review activities which may exist in an agency. With the limited internal audit staff resources available to Federal agencies, it is imperative that these audit organizations coordinate their planning with program evaluation groups within their agencies.

#### COORDINATION NEEDED BETWEEN MANAGEMENT REVIEW GROUP AND OFFICE OF AUDITS

The Data Systems Service's Planning and Performance Review Staff was established in July 1974, but it did not operate actively until October 1976. The review group partly serves as a management review activity for the Data Systems Service and issues reports to the Director of Data Systems Service similar to the way OA reviews overall GPO operations and reports to the Public Printer. At the time of our survey, three staff members were involved in performance review activities. The main goal of the review group, according to the Data Systems Service's Standards and Procedures Manual, is to evaluate actual performance of that organization against its planned performance.

The current Director of Audits was not fully aware of the activities of the separate review group in the Data Systems Service. Further, no contact had been made between the two groups to coordinate their activities. The current 5-year audit plan includes reviewing management systems which are supported by Data Systems Service, such as the inventory system. Further the Director of Audits has been seeking to increase the audit staff's capabilities in the computer areas in order to adequately perform such reviews.

#### CONCLUSION

Unnecessary duplication of effort can result from a lack of coordination between OA and the Data Systems Review Group. In view of the small size of both groups and OA's difficulties in covering all auditable areas, adequate planning between the two groups could greatly enhance their effectiveness.

## RECOMMENDATION

We recommend that the Public Printer direct the Director of Data Systems Service, to coordinate planned reviews with the Director of Audits and to provide OA with copies of final reports.

## AGENCY COMMENTS

The Director of Audits agreed with the need for greater interchange between the two groups.



## CHAPTER 5

### RECENT MANAGEMENT IMPROVEMENTS

Included in the areas we reviewed were OA's long-range planning process and their report followup procedures. Concurrent to our review, the Director of Audits was in the process of making improvements in both areas.

#### IMPROVED AUDIT PLANNING

Among other criteria, effective internal audit operations require adequate and realistic planning in the selection of audits to be performed and efficient use of staff resources.

It is imperative that audit organizations carefully plan their audit efforts to achieve efficient use of staff resources, but it is equally important that the planning provide a systematic method for establishing priorities to assure audit efforts in the areas needing attention.

GPO's long-range planning policy provides that audit plans will cover the review and evaluation of all major programs, functions, and organizational units on a 5-year cycle basis.

The 5-year plan for fiscal years 1973 through 1977 included audits on all of the functional areas under the Office of the Public Printer. The plan did not formally establish priorities but primarily attempted to place the audit effort where the most dollars and personnel efforts were spent, and yet cover all major operations, functions, and organizational units. The 5-year plan was approved by the Public Printer in September 1974.

The 5-year plan through fiscal year 1977 showed the following professional staff-day requirements by fiscal year.

<u>Fiscal year</u>	<u>Staff-days</u>
1973	2,930
1974	2,905
1975	2,910
1976	2,915
1977	<u>2,940</u>
	<u>14,600</u>

The average number of professionals needed to meet the requirements was 13.3 (based on 220 staff-days as the equivalent to 1 staff-year). The records in OA indicated that the actual staff ranged from only six to nine professionals during the planning period, including the Director.

The 5-year plan for fiscal years 1977 through 1981 comprises projects which are assigned priority rankings. The priorities are based on congressional or Public Printer interest, dollar magnitude of resources in programs, and other factors. As an additional planning refinement, the Director of Audits prepared a plan for 1977 and obtained oral approval from the Public Printer for the plan.

The 5-year plan through fiscal year 1981 shows a total of 1,980 professional and managerial staff-days for each of the 5 years or 9,900 staff-days. The average number of professionals needed to meet these requirements is nine. The current staff level is nine professionals, including the Director.

#### IMPLEMENTATION OF FOLLOWUP PROCEDURES

Reporting a finding, observation, or recommendation should not end an internal auditor's concern with the matter. From time to time, he should ascertain whether his recommendations have received serious management consideration and if satisfactory corrective action has been taken. A desirable procedure is to have regular status reports on actions taken on audit recommendations.

No formal followup procedures were in effect or being used during fiscal years 1973 through 1976, the period covered by our examination. Further, written status reports were provided to the Public Printer and to concerned officials only on an exception basis, and there were no formal records showing the extent of followup activities. Although followups had been informally performed, such efforts had not recently been done.

In April 1977, the current Director of Audits requested from GPO operating officials the status of all recommendations since April 1974. If the officials responded that corrective action was taken, the auditors were to determine if the problem was resolved. The Director of Audits also plans to continue following up on open recommendations and to issue quarterly status reports to the Public Printer.

In June 1977, the Director of Audits began implementing a procedure for the systematic followup of all future recommendations. This procedure was approved in August 1977 by the Assistant Public Printer, Management and Administration, and was included in the GPO Operations Manual.

## CONCLUSIONS

The 5-year audit plan for fiscal years 1973 to 1977 contained no priority rankings, and there was no assurance that resources would be directed to the most important areas. Priorities were needed since the staff-days required to perform the planned reviews exceeded the resources available.

OA needed formal written procedures to provide an adequate and consistent followup system for determining whether corrective action has been taken on their recommendations and whether the problems have been resolved.

The Director of Audits has taken steps to improve long-range planning and report followup procedures.

In view of the Director's recent efforts, we are making no recommendations. Further, we commend the Director of Audits in his efforts.