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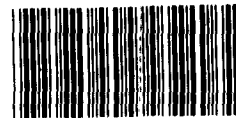
Testimony

For Release
on Delivery
Expected at
2:00 p.m. EST
Tuesday
March 1, 1988

Establishment of an
Inspector General at the Central
Intelligence Agency

Statement of
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Comptroller General

Before the
Select Committee on Intelligence
United States Senate



135176

041425/135176

Mr. Chairman and Members of the Committee:

We appreciate the opportunity to appear here today to discuss section 4 of Senate bill 1818 which would establish an Office of Inspector General at the Central Intelligence Agency (CIA). Specifically, we would like to (1) comment on the effectiveness of the Inspector General Act of 1978, as amended, in uncovering abuses and improving agency operations, (2) discuss the ability of statutory inspectors general (IGs) to protect classified information, and (3) provide our views on the value of a statutory inspector general for the CIA.

EFFECTIVENESS OF THE INSPECTOR GENERAL ACT OF 1978

We believe the Inspector General Act of 1978 has played a significant role in strengthening federal internal audit and investigative activities and improving the operations of the federal government. Under the IG act of 1978 and other legislation, statutory inspectors general have been established in 19 departments and agencies. The creation of these statutory IGs has been a bipartisan effort that has improved the effectiveness of the federal government.

The establishment of statutory IGs was designed to combat fraud, waste, and abuse and to correct numerous organizational and procedural deficiencies in the federal audit and

investigative community. These deficiencies included

- the lack of effective central leadership among multiple audit and investigative units operating within an agency,
- the lack of independence due to auditors and investigators reporting to officials who were responsible for the functions under review and investigators being restricted from looking into certain areas of suspected irregularities,
- audit recommendations frequently being ignored by agency officials,
- audit and investigative units being severely limited due to inadequate resources, and
- the lack of procedures to ensure that the agency head and the Congress were informed of serious problems discovered in the agency.

GAO strongly supported the Inspector General Act of 1978 and other legislation that created the statutory inspectors general. We supported such legislation because it would correct many of the deficiencies in the audit and investigative communities and would help ensure that high-level attention is given to promoting

accountability, adequate internal controls, economy, efficiency, and effectiveness in federal programs and operations. We also believed such legislation would help ensure that the Congress and agency heads would receive independent assessments of federal programs and operations for which they are accountable or have oversight responsibility.

GAO reviews of IG activities over the past several years indicate that the establishment of statutory IGs has been a key factor in strengthening federal internal audit and investigative activities and improving operations within the federal government. The statutory IGs and the President's Council on Integrity and Efficiency, whose membership includes the statutory IGs, have reported to the Congress that they have had substantial success in helping bring about improvements in the federal government.

The IGs have been responsible for uncovering fraud, waste, and abuse in their agencies, and their efforts have resulted in savings involving billions of dollars. The President's Council on Integrity and Efficiency has calculated aggregate statistics for data reported by the IGs for fiscal years 1982 through 1986. These statistics show that during that period:

- successful prosecutions of wrongdoers increased from 2,099 cases to 4,094;

- investigative recoveries rose from \$45.3 million to \$191.8 million;
- sanctions against contractors or offices doing business with the federal government increased from 502 sanctions to 2,047; and
- annual savings resulting from recoveries and restitutions arising from IG findings and avoidance of incurring unnecessary expenditures rose from \$11.5 billion to \$20 billion.

INSPECTOR GENERAL ABILITY TO
PROTECT CLASSIFIED INFORMATION

The questions of whether IGs should be involved in areas dealing with classified or other types of sensitive information and whether they have the abilities to do so are not new. These issues were addressed when the Congress passed legislation establishing IGs at the Departments of Defense (DOD) and State and when the Senate passed S. 908, the Inspector General Act Amendments of 1987, which, among other things, would establish IGs at the Department of the Treasury and at the Internal Revenue Service.

Our work with the IGs has not disclosed, nor are we aware of, any instances where there has been a weakening in security or confidentiality in agencies that have statutory IGs. This includes those agencies, such as the Departments of Defense and State, where security is a paramount consideration. We are not aware of any reason why a CIA IG could not safeguard information regarding national security matters.

The Senate Committee on Governmental Affairs also studied this issue when it was considering the Inspector General Act Amendments of 1987. In its August 7, 1987, report on this bill, the Committee determined that "there is no reason to believe an IG is less trustworthy than other agency officials in handling sensitive information."

Senate bill 1818 provides the Director of the CIA a mechanism to prohibit its IG from looking into matters when such reviews would pose a threat to national security. Specifically, section 4(a)(3) allows the Director of the CIA to prohibit the IG from initiating, carrying out, or completing any audit or investigation, or from issuing any subpoena dealing with ongoing operations if the Director determines that such a prohibition is necessary to protect national security. However, if the Director exercises this power, he must submit the reasons for doing so within 7 days to this Committee and to the Permanent Select Committee on Intelligence of the House of Representatives. This

provision is similar to a special provision in section 8 of the IG act which allows the Secretary of Defense to prohibit certain IG audits and investigations to preserve national security interests. The act also requires the DOD IG to report any such action to the appropriate congressional committees, and the Secretary must submit a statement of the reason to the same committees. The DOD IG advised us that this provision has never been used.

Similar to the DOD provision in section 8 of the IG act, S. 908, the Inspectors General Amendments of 1987, authorizes the Secretary of the Treasury and the Commissioner of Internal Revenue to prohibit IG audits and investigations which require access to certain sensitive information, when necessary to preserve the confidentiality of such information. Again, as with the DOD provision, the prohibition of an IG audit or investigation would be reported to appropriate congressional committees. This bill passed the Senate on February 2, 1988, and is being referred to the House for action.

VALUE OF A STATUTORY INSPECTOR GENERAL AT THE CIA

We have supported the creation of all the existing IGs and have testified that IGs should be created in the Departments of Justice and Treasury. We have not reviewed the nonstatutory IG function at the CIA. However, we believe that a statutory IG

would be as appropriate and effective for the CIA as it has been for the other agencies with existing statutory IGs.

TECHNICAL CONSIDERATIONS

I would like to address some technical considerations regarding this issue. GAO has consistently supported creating new IGs by amending the IG act of 1978, because the act contains uniform requirements regarding such things as the qualifications and responsibilities of IGs and the auditing standards they are to follow. We believe that using the 1978 act as an umbrella when new IGs are created, and modifying it as necessary for special considerations, as was done in creating the DOD IG, ensures consistency in the organization and operation of the various IG offices.

If the Committee does not wish to include a CIA IG under the 1978 act, we suggest that the Committee consider the written comments on section 4 that we provided on December 7, 1987. These comments included a comparison of the provisions of section 4 with those of the Inspector General Act of 1978. The comparison identified a number of differences for the Committee's consideration in drafting the final legislation. We understand the Committee is considering making some changes to the bill based on our comments. These include specifying the qualifications of the CIA IG, giving the IG access to records,

and ensuring that the IG has direct access to the head of the agency. We believe that these changes will help strengthen section 4 of this bill. Our staff is available to discuss these technical matters.

This concludes my statement. We would be pleased to respond to any questions you may have.