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STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY
OF THE
HOUSE COMMITTEE ON GOVERNMENT OPERATIONS
ON
H. R. 3077
THE INSPECTOR GENERAL ACT AMENDMENTS OF 1985

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to appear here today to discuss H.R. 3077, the Inspector General Act Amendments of 1985. This bill essentially would

-- establish a statutory inspector general (IG) at the

Departments of Justice and the Treasury, and at the Federal
Emergency Management Agency (FEMA);

-- extend the protections and requirements of the Inspector
General Act of 1978 to audit and investigative groups in
most executive agencies not currently covered by the Act;
and,

-- ensure uniformity, and improve the reliability, of
inspector general semi-annual reports to the Congress.

We strongly support the intent of this bill, and believe
that if enacted, it would significantly improve the effectiveness
of audit and investigation activities in a number of agencies.

I would like to comment on the major provisions of the
bill.

First, we support the creation of inspectors general at the
Departments of Justice, the Treasury, and at FEMA. We recently
issued a report on the need for an inspector general at the
Department of Justice, and will soon issue one that discusses
the need for an inspector general at the Department of the
Treasury. Moreover, our recent report to you entitled
"Nonstatutory Audit and Investigative Groups Need to Be
Strengthened" discussed a number of problems experienced by the
nonstatutory inspector general at FEMA that have lead us to

believe there should be a statutory inspector general at that agency.

The Departments of Justice and Treasury are the only two federal departments that do not have statutory inspectors general, and we believe that situation should be rectified.

The Department of Justice has continued to resist having a statutory inspector general. The Department contends that its inclusion under the IG Act would

- superimpose an IG over the present authority of the Attorney General;
- allow an independent IG to interfere with or jeopardize ongoing external investigations and prosecutions; and
- require the IG to disclose sensitive or classified information.

The Department of the Treasury, which has a non-statutory IG, objects to having a statutory IG because it believes that a statutory IG would have a chilling effect on its policy-making and law enforcement functions. Specifically, it believes that

- subjecting its decisions involving economic, tax, and monetary policy to IG review would dampen the free exchange of ideas necessary for development of economic policy; and
- the IG would have the statutory authority to interfere with any ongoing investigation being conducted by Customs,

Secret Service, and Alcohol, Tobacco, and Firearms personnel.

We believe the concerns of the Departments of Justice and the Treasury could be handled by inserting special provisions in the Inspector General Act of 1978, as was done when an inspector general was created at the Department of Defense.

We also believe the establishment of a statutory inspector general at FEMA would help correct the problems we noted in our most recent review of nonstatutory audit and investigative capabilities.

We found that the FEMA nonstatutory IG office experienced an impairment to its independence when the head of that office was asked to transfer to another position after conducting sensitive investigations involving high-level FEMA officials.

We also found that important and vulnerable FEMA programs and activities had received little or no internal audit coverage largely because, according to FEMA audit officials, the IG's office lacked adequate staffing resources. Moreover, we found noncompliance with federal audit resolution and followup requirements because the former FEMA director had not appointed a high-level management official responsible for these functions.

H.R. 3077 also would extend inspector general requirements and protections to audit and investigative units in a number of executive agencies that are not currently covered by such provisions. While we have not reviewed in detail the needs and problems of every federal audit entity, and while there may be some audit entities that could be considered too small to need such requirements as subpoena power, we nevertheless believe the general concept of extending the protections and requirements enjoyed by the inspectors general to the audit and investigative units covered by H.R. 3077 is a good one, and one which we support.

We have issued two reports, both to this subcommittee, which clearly demonstrate the need for this type of action. The first, entitled "Status of Internal Audit Capabilities of Federal Agencies Without Statutory Inspectors General, dated May 4, 1984, was based on the results of a survey questionnaire on internal audit capabilities of federal agencies without statutory inspectors general. Responses from 99 agencies showed that some were not complying with OMB Circulars, which set forth requirements for audits of federal operations, nor with generally accepted government audit standards.

We found that some agencies had no audit coverage at all, others did not require the internal audit head to report to the head or deputy head of the agency, and at several agencies that

had more than one audit or investigative unit, there were no procedures for coordination.

In a follow-on review, just recently completed, we collected information on 41 agencies with audit and/or investigative units not covered by statutory IG requirements. Our report, dated June 3, 1986, showed that these agencies expend billions of dollars and employ thousands of people to carry on diverse and important federal functions. Our analysis of audit and investigative groups in these agencies showed that they experienced several problems that were very similar to conditions that prompted the Congress to establish statutory inspectors general in other agencies in 1978, and subsequent years.

For example, in addition to the problem at FEMA, we found impairments to the independence of the audit function in 11 of the 41 agencies we looked at. In all 11 of these, the audit unit director did not report to the head or deputy head of the agency, but rather was required to report to an official who had responsibility for activities that were subject to audit.

We also found that important agency functions received little or no audit coverage in some agencies; audit and investigative staffs at some agencies were not evaluating most of the investigations of alleged fraud and abuse, and did not track their disposition or ascertain underlying causes; and

followup systems at some agencies did not meet governmental audit standards.

The provisions of H.R. 3077 requiring uniformity and reliability of certain terms used in IG semi-annual reports, and providing a better definition as to when audits are resolved, should also correct conditions noted in our August 8, 1984 report entitled "Audits of Federal Programs: Reasons for the Disparity Between Costs Questioned By Auditors and Amounts Agencies Disallow." In that report, we pointed out that data reported to the Congress by many IG's in semi-annual reports did not adequately or accurately reflect the audit resolution process.

I believe that requiring uniform definitions and report formats, as set forth in H.R. 3077, would not only greatly assist the Congress in measuring agency progress on resolving audit recommendations, but also aid federal agencies in exercising audit responsibilities.

That concludes my statement, Mr. Chairman. We will be pleased to respond to any questions you may have.