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Need for Statutory Inspectors
General at Certain Federal
Agencies

Statement of
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Committee on Governmental Affairs
United States Senate



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Mr. Chairman and Members of the Committee:

We appreciate the opportunity to appear here today to discuss the need for statutory inspectors general at the departments of Justice and the Treasury, the Federal Emergency Management Agency, the Nuclear Regulatory Commission, and the Postal Service.

Under the Inspector General Act of 1978 and other legislation, statutory inspectors general (IGs) 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,
- auditors and investigators reporting to officials who were responsible for the functions under review,

- investigators being restricted from looking into certain areas of suspected irregularities,
- audit recommendations frequently being ignored by agency officials,
- audit and investigative units 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.

We strongly supported passage of 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 economy, efficiency, and effectiveness in federal programs and operations. We also believed such legislation would help ensure that both 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 over the past several years indicate that the establishment of statutory IGs has been a key factor in correcting deficiencies and in strengthening federal internal audit and investigative activities throughout the government. The statutory IGs and the President's Council on Integrity and Efficiency have reported semiannually to the Congress that they have had substantial success in helping to bring about improvements in the federal government. This success has been further substantiated by the extensive coverage of IG accomplishments which appear almost daily in the news media.

JUSTICE AND TREASURY

The departments of Justice and the Treasury are the only two remaining federal departments without a statutory IG. At the request of Senator Roth, we recently reviewed the need for statutory IGs at Justice and Treasury.

We believe that establishing statutory IGs at Justice and Treasury would strengthen the effectiveness and organizational independence of their internal audit and investigative units. Further, it would better ensure that the Attorney General and the Secretary of the Treasury, as well as the Congress, are fully informed of audit and investigative results. In 1986, we issued reports to this committee recommending that the Congress amend the Inspector General Act of 1978 to establish statutory IGs at

Justice and the Treasury. We also testified in 1986 to that effect before the House Committee on Government Operations.

Justice has numerous internal audit and investigative units fragmented among the department's various bureaus and offices. In addition to lacking central coordination, we found that most of these audit and investigative units are not organizationally independent. Also, the organization and operation of these units could affect the impartiality of their staffs because auditors and investigators sometimes review areas or investigate persons in the entity to which they are assigned. In addition, there is no assurance that the Attorney General or the Congress are advised of the work of many of these units.

Treasury also has numerous internal audit and investigative units located throughout the department and its various bureaus. Treasury has a nonstatutory IG who reports directly to the Secretary; however, the IG has audit and investigative responsibility over only about 11 percent of Treasury's operating budget. The remaining 89 percent is audited and investigated by internal affairs and inspection staffs located within the various law enforcement bureaus. Generally, bureau management has the discretion to decide which audits and internal investigations are reported outside each bureau to higher levels. As a result, there is no assurance that the Secretary of the Treasury or other Treasury management is informed of all audit and investigative

issues which could have a departmentwide impact. In addition, Treasury is not required to routinely inform the Congress about the department's audit and investigative activities.

The structure of internal audit and investigative units within Justice and Treasury does not provide the central leadership that exists in those same activities at departments and agencies with statutory IGs. We believe that the structure and management of the audit and investigative units at Justice and Treasury lack organizational independence and that this may inhibit the units from making objective assessments and from reporting to the Attorney General and the Secretary of the Treasury, as well as to the Congress, on audit and investigative results and activities.

Both the Department of Justice and the Department of the Treasury oppose the establishment of statutory IGs.

The Department of Justice 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 contends that its inclusion under the IG act would

- subject its decisions involving economic, tax, and monetary policy to IG review, thus dampening the free exchange of ideas necessary for development of economic policy, and
- provide the IG with 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 Justice and Treasury could be handled by inserting special provisions in the IG act as was done when a statutory IG was established in the Department of Defense. For example, the IG act allows the Secretary of Defense to prohibit certain IG audits and investigations in order to preserve national security interests. The IG must report any such action to the appropriate congressional committees, and the Secretary of Defense must submit a statement on the reasons for his action to the same committees. If the Congress believes that

similar protection is needed for Justice and Treasury due to their law enforcement responsibilities, the Attorney General and the Secretary of the Treasury could be given powers similar to those of the Secretary of Defense.

FEDERAL EMERGENCY MANAGEMENT AGENCY

We believe that a statutory IG should be established in the Federal Emergency Management Agency (FEMA). During a 1985 review, we found that the nonstatutory IG experienced an impairment to his independence when he 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, such as procurement and the management of flood and crime insurance, have received little or no internal audit coverage largely because, according to FEMA audit officials, the IG's office lacked adequate staffing resources.

We believe the establishment of a statutory IG in FEMA will help resolve these problems. The Office of Management and Budget has also testified that it supports the establishment of a statutory IG at FEMA.

NUCLEAR REGULATORY COMMISSION

We have also taken the position that the Congress should consider establishing a statutory IG at the Nuclear Regulatory Commission (NRC).

In 1981, we recommended that Congress consider establishing a statutory IG at NRC. We found there was a need to strengthen the independence of NRC's audit and internal investigative unit. We reported that the accident at the Three Mile Island nuclear powerplant and other critical problems, such as the safe disposal of nuclear waste, heightened the need to enhance public trust in the regulation of commercial nuclear power and the desire for greater oversight over NRC activities.

Since 1981, we have performed only limited review work involving the NRC audit and internal investigative unit. During our reviews, however, we have found no reason to change our position on the need for a statutory IG at NRC. Further, with events such as the Chernobyl accident, a need continues for independent oversight and reporting to the Congress on the regulation of commercial nuclear power and oversight over other NRC activities.

POSTAL SERVICE

This committee has also asked us whether we believe there is a need for a statutory IG at the Postal Service.

We are currently reviewing the organization and operations of the Postal Inspection Service, which is the internal audit and investigative unit of the U.S. Postal Service. We are providing information to the House Post Office and Civil Service Committee in a report that will be issued in the near future, so our conclusions as stated at this hearing are tentative with regard to the final position that will be taken in our report.

With that caveat, I wish to point out that our work up until now indicates that many of the concerns I mentioned earlier in my testimony that led to the creation of IGs in 1978 are not evident at the Postal Service; however, improvements could be made regarding the independence of the Chief Postal Inspector, and the amount of information provided to the Congress.

We plan to provide a series of alternatives for implementing the improvements we see as necessary for the Postal Inspection Service. These alternatives range from creation of a statutory IG at the Postal Service to actions which the Postal Service itself could take to improve the independence and operations of its Postal Inspection Service.

For example, the Chief Postal Inspector, is hired, and can be fired, by the Postmaster General. The independence of the Chief Postal Inspector could be strengthened by requiring approval of the Postal Board of Governors before the Postmaster General appoints or removes from office the Chief Postal Inspector. Further, the Congress could be better informed of the Inspection Service's activities by requiring the Service to report semiannually on the same basis as statutory IGs.

OTHER AGENCIES

This committee also asked us for suggestions on how federal audit and investigative operations, in general, could be improved.

Legislation was introduced in the last session of the Congress in both the Senate and the House that would have extended IG requirements and protections to internal audit and investigative units in a number of federal 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 some audit entities may be considered too small to require such requirements as subpoena power, we nevertheless believe the general concept of extending the protections and requirements enjoyed by the statutory IGs to most, if not all, of

the audit and internal investigative activities is a good one, and one which we support.

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

