

GAO

Report to the Chairman, Subcommittee
on the Postal Service, Committee on
Government Reform and Oversight,
House of Representatives

September 1996

INSPECTORS GENERAL

A Comparison of Certain Activities of the Postal IG and Other IGs





United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-274027

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The Honorable John M. McHugh
Chairman, Subcommittee on the Postal Service
Committee on Government Reform
and Oversight
House of Representatives

Dear Mr. Chairman:

This letter responds to your March 27, 1996, request that we compare certain activities of the Postal Inspector General (IG) with the activities of IGs in other federal agencies. In making such comparisons, it is important to note that the Postal IG differs from other IGs by serving in a dual capacity. In accordance with authorizing legislation, the Postal IG's responsibilities include performing audits and other reviews in accordance with the IG Act Amendments of 1988, as well as serving as the Chief Postal Inspector responsible for the enforcement of postal laws throughout the United States. As agreed with your office, we specifically compared the Postal IG with four other IGs with respect to audit activities over their agencies' law enforcement operations and the results of peer reviews over their audit operations. In addition, as agreed, we compared the Postal IG's policies and procedures to Office of Management and Budget (OMB) guidance on the resolution of audit recommendations.

Scope and Methodology

We compared the selected activities of the Postal IG with the activities of IGs at the Departments of Justice, Treasury, Agriculture, and Labor. These four departments accounted for almost 85 percent of total federal law enforcement personnel as of March 31, 1995. To determine the extent of audit activity by the Postal IG's office over its law enforcement operations, we reviewed the IG's September 30, 1995, and March 31, 1996, semiannual reports and interviewed IG officials. To identify audits of law enforcement operations conducted by the other IGs in the four federal departments, we obtained their semiannual reports for the same periods and interviewed IG officials. We selected a judgmental sample of the audit reports identified to ascertain whether the IGs' asserted that they performed them following generally accepted government auditing standards. We did not assess whether the Postal IG or the other IGs provided adequate oversight of their law enforcement operations through audits and other reviews.

To compare the results of peer reviews of the IGS' audit operations, we obtained the last two peer reviews for each of the IGS. We compared the results of the peer reviews to determine if the Postal IG had any unique weaknesses or issues not found in the peer review results of the other IGS. Also, we reviewed the audit resolution policies and procedures of the Postal IG and the Postal Service to determine if they were consistent with guidance in OMB Circular A-50, "Audit Followup", which applies to executive agencies and IGS. In addition, we reviewed the Postal IG's audit tracking and reporting system, obtained listings of unresolved recommendations in the IG's semiannual reports, and interviewed key audit resolution officials in the Postal Service. We did not audit compliance with the OMB guidance nor review the effectiveness of audit resolution at the Postal Service. We conducted our work from April through mid-August 1996 in accordance with generally accepted government auditing standards.

Results in Brief

The Inspector General Act of 1978, as amended (IG Act), requires that IGS conduct audits in accordance with generally accepted government auditing standards. These standards require IGS to be organizationally independent of the operations they audit. Because the Postal IG is the Chief Postal Inspector and therefore not organizationally independent of law enforcement operations, the Postal IG can not audit these operations in accordance with the required standards. Although the Postal Service's law enforcement operations have not been audited by the Postal IG, the IG does perform internal quality reviews of these activities. These reviews include assessments of their compliance with laws, regulations, and policies. In contrast, IGS in other departments are organizationally independent of their departments' major law enforcement operations and audit these operations according to generally accepted government auditing standards. As with all federal IGS, the Postal IG is subject to audit by GAO and other organizations as contracted.

We found that the peer review results of the Postal IG's audit activities were similar to those of other IGS. These peer reviews all concluded that the IGS were in general compliance with established policies, procedures, and applicable audit standards in their audit work but recommended improvements in specific audit areas. Regarding the Postal IG's policies and procedures on audit resolution, we found them consistent with guidance in OMB Circular A-50, which applies to executive branch IGS.

Background

The Postal IG, established by the IG Act Amendments of 1988 (Public Law 100-504), is responsible for audits and other reviews of Postal Service activities. These audits include (1) performance audits that address improvements to the economy and efficiency of postal operations, (2) developmental audits that evaluate new or redesigned Postal Service systems under development, (3) financial audits of Postal Service systems and operations, (4) capital investment audits to assist postal management in making investment decisions, and (5) contract audits of Postal Service procurements. In addition, to better safeguard Postal Service assets, the IG staff perform audit and investigative activities under the revenue asset protection program. Also, the Postal IG conducts internal quality reviews of the operations of its division and headquarters offices responsible for law enforcement activities. These reviews include an assessment of the offices' compliance with laws, regulations, and policies.

The IG Act Amendments require that the Chief Postal Inspector also hold the position of Inspector General of the Postal Service. The Chief Postal Inspector traditionally has been the head of the Postal Inspection Service, which traces its origins back to the activities of Benjamin Franklin in 1737. The Postal Inspection Service is responsible for enforcing more than 200 federal statutes involving mail fraud, mail bombs, child pornography, illegal drugs, mail theft, and other postal crimes.

In 1994, we reported that the combination of missions carried out by the Postal IG involve responsibilities beyond those held by other IGs.¹ These include providing for the security of postal personnel and buildings, investigating physical crimes, such as threats and assaults by and against postal employees, and conducting investigations intended to eliminate the use, sale, and possession of illegal drugs by postal employees.

The Postal IG's and Chief Postal Inspector's combined operating expenses for fiscal year 1996 were \$410.2 million. The IG's 4,582 staff as of July 29, 1996, were located among the Washington, D.C. headquarters, 29 division offices, and 5 crime laboratories. Of the 4,582 employees, 2,246 were postal inspectors, 1,441 were postal police, and 895 were support staff. Of the postal inspectors, 258 were allocated for audit activities and another 261 performed both audit and investigative activities under the revenue asset protection program.

¹Letter to William L. Clay, Chairman, Committee on Post Office and Civil Service, House of Representatives (GAO/AIMD-94-103R, April 14, 1994).

IG Audits of Law Enforcement Operations

The IG Act requires that audits conducted by IGs follow generally accepted government auditing standards. These standards require that in all matters relating to the audit work, the audit organization and the individual auditors be free from personal and external impairments to independence, be organizationally independent, and maintain an independent attitude and appearance.² Because of dual responsibilities, the Postal IG is not organizationally independent of law enforcement operations and can not perform audits of these operations in accordance with the required standards.

Although the Postal IG cannot conduct audits of its law enforcement operations in accordance with required standards, the Postal IG, as with other federal IGs, is subject to audit by GAO and other audit organizations as contracted. In addition, the IG conducts assessments of law enforcement operations through internal quality reviews of its division and headquarters offices. These reviews assess eight core values throughout all the activities of these offices. The core values are (1) empowerment of staff, (2) implementation of corporate goals, (3) resource management, (4) training, (5) communications, (6) teamwork, (7) customer focus, and (8) compliance with laws, regulations, and policies. The Postal IG completed reviews in 14 of these division offices from May 1995 through April 1996. These reviews are performed in three stages: (1) an annual review of staff under the direction of division office management to ensure that teams are complying with instructions, safeguarding equipment and funds, and operating efficiently and effectively, (2) an annual self-assessment by each division office, and (3) reviews that are to occur every 3 years by Postal IG headquarters staff and members chosen from a pool of experienced reviewers. The final quality review reports resulting from the triennial reviews, which are sent to the Chief Postal Inspector and the Deputy Chief Inspectors, have resulted in recommendations intended to strengthen the eight core values within the Inspection Service.

In the four other federal departments, the IGs are organizationally independent from the offices and bureaus responsible for their departments' major law enforcement operations and do audit them according to generally accepted government auditing standards. For example, the Justice Department IG audits (1) the Federal Bureau of Investigation, which is the principal investigative arm responsible for investigating violations of federal law, (2) the Immigration and Naturalization Service, which enforces immigration laws, and (3) the Drug Enforcement Administration, which enforces laws and regulations over

²Government Auditing Standards, 1994 Revision, June 1994, section 3.11, page 22.

narcotics and controlled substances. Likewise, the Department of the Treasury IG audits the Department's operating bureaus responsible for the prevention of counterfeit U.S. currency, the enforcement of customs laws, and the control of firearms, alcohol, and tobacco.

Peer Reviews

Generally accepted government auditing standards also require that audit organizations have external quality control reviews completed at least once every 3 years.³ Known as peer reviews, they are conducted by another audit organization that is comparable to but not affiliated with the audit organization under review. The objectives of a peer review are to determine whether the organization's internal quality control system is adequate and operating effectively to provide reasonable assurance that established policies, procedures, and applicable auditing standards are being followed in the audit work. The Postal IG's two most recent peer reviews were performed by the Federal Deposit Insurance Corporation IG in 1992 and the Tennessee Valley Authority IG in 1995.

The results of the peer reviews of the Postal IG and the IGs in the four other federal departments were similar, concluding that the IGs were in general compliance with established policies, procedures, and applicable auditing standards in their audit work. As was also the case with one or more of the other IGs, the two peer reviews for the Postal IG recommended improvements in certain areas, including supervisory reviews of audit working papers, internal quality control reviews, statistical sampling documentation, and continuing professional education.

Audit Resolution Guidance

The Postal Service and the Postal IG have policies and procedures that are consistent with the guidance in OMB Circular A-50 regarding the resolution of audit recommendations. This guidance requires that federal managers establish procedures to ensure that prompt and proper corrective action is taken on audit recommendations. The ultimate resolution and implementation of IG recommendations is the responsibility of agency management.

The OMB guidance requires, among other provisions, the appointment of a top-level audit resolution official and a system for tracking the status of audit recommendations as a means to ensure timely resolution. In response to these requirements, the Postal Service has designated the Deputy Postmaster General to be responsible for audit resolution

³Government Auditing Standards, 1994 Revision, June 1994, section 3.33, page 29.

activities. In addition, the Postal IG maintains a tracking system containing detailed information about the status of audit recommendations. IG policies and procedures call for information on the status of audit recommendations in the tracking system to be sent every 6 months to the senior management officials responsible for ensuring the implementation of all recommendations. These management officials are to request, and program units are required to send, information regarding the extent to which audit recommendations have been addressed. This information on the status of audit recommendations is also provided to the Postal IG office, which then updates the information in the tracking system. In addition, as required by the OMB guidance, the Postal IG provides the status of audit recommendations in semiannual reports to the Postmaster General and periodically evaluates the Postal Service's audit resolution process.

At the end of our fieldwork, we provided a draft of this report to the Postal IG for his comments. The IG agreed with our results and his views have been incorporated where appropriate.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of this letter. At that time, we will send copies to the Postal IG, the Postmaster General, and the Director of the Office of Management and Budget. If you would like to discuss these issues, please contact me at (202) 512-9489 or Jackson Hufnagle, Assistant Director, at (202) 512-9470.

Sincerely yours,

A handwritten signature in black ink that reads "David L. Clark". The signature is written in a cursive style with a large, stylized "D" and "C".

David L. Clark
Director, Audit Oversight and Liaison

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