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

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 A.M.
WEDNESDAY, JUNE 10, 1981

STATEMENT OF

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UNITED STATES GENERAL ACCOUNTING OFFICE

BEFORE THE

SUBCOMMITTEE ON INTERGOVERNMENTAL

RELATIONS AND HUMAN RESOURCES

HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

ON

[IMPROVING INSPECTOR GENERAL OPERATIONS]

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Mr. Chairman and Members of the Subcommittee, we are pleased to be here today to discuss aspects of the operations of the statutory Offices of Inspector General. The General Accounting Office strongly supports the Inspector General concept because we believe it:

--Insures that high-level agency attention is given to promoting economy and efficiency and combating fraud, waste and abuse;

--Provides better assurance that the work of audit and investigative units in those agencies and throughout the Government is coordinated; and

--Insures that both the Congress and agency heads receive information on problems involving economy and efficiency and fraud and abuse.

The Inspector General operations are more than paying for themselves in terms of savings reported from their audit and investigative activities. In spite of their proven effectiveness, Inspectors General continue to have the staffing problems that historically have been experienced by audit organizations. We believe Inspectors General staffing requests should be given more favorable consideration, and that including a separate line item in each agency's budget for its Inspector General operations might help the Congress keep track of the staffing situation in Inspector General Offices.

Savings Attributable To Inspector General Organizations

One measure of the success of the Offices of Inspector General is the savings realized due to audit and investigative efforts. During fiscal year 1980, the Inspectors General reported savings to the Government of about $1.4 billion. This represents savings of approximately seven dollars for every dollar spent on audit and investigation by these organizations. We have not verified the $1.4 billion figure, but the Inspector General semiannual reports discuss many significant large dollar findings which were reported during fiscal 1980. For example:

--A State Department of Transportation recovered an excess of about $915,000 for laboratory test charges and made excess claims of $738,542 for transportation planning projects. These conditions occurred because of inadequacies in accounting and billing procedures. The Inspector General recommended that the Federal Highway Administration be reimbursed for the $1.7 million, and that the State agency be directed to improve controls over billings to the Federal Highway Administration.

--A regional airport board claimed land acquisition costs that were in excess of the properties' appraised values or the amounts awarded by the courts by $1.0 million. In some cases, the amounts paid exceeded the appraised or court established values by over 170 percent. The additional acquisition costs were ineligible for Federal participation because the grantee could not justify or support the necessity and reasonableness of the costs. The Inspector General recommended that the Federal Aviation Administration disallow the $1.0 million and advise the grantee of grant requirements associated with land acquisitions.

--One State claimed Federal Financial Participation of $1.8 million for dental services provided, under fee-for-service reimbursements, to 115,000 Medicaid recipients who were already enrolled in a prepaid health plan offering these dental services. The recipients' dental needs should have been served under this prepaid health plan at no additional cost to the Medicaid program.

--Mismanagement and a lack of fiscal responsibility in administering the Community Development Block Grant Program by a City Community Development Agency resulted in a serious fiscal crisis for the Agency. The Inspector General audit report contained 24 audit findings which addressed ineligible costs of $1.02 million and questionable costs of $4.08 million. Problems included the Agency's failure to maintain adequate accounting records and controls over program expenditures and to engage in effective monitoring and evaluation of its activities.

Collection Of Reported Savings Unknown

Accurately measuring savings is a difficult task because of weaknesses in agency accounting and collection systems. In a recent review, the General Accounting Office found that while the majority of the agencies reviewed required the establishment of accounting and collection controls over amounts due as the result of audits, many did not. The Community Services Administration (CSA), for example, disallows several million dollars a year in costs questioned by audits but seldom requires grantees to return the disallowed amounts. The Economic Opportunity Act of 1964, as amended, permits CSA to "recover" these debts through increases in the grantee's required contribution to the current or the next year's grant.

We also found that officials at some agencies have adequate collection policies, but do not always follow them. For example:

--In June, 1980, the Department of Health and Human Services (HHS) auditors reported that the Health Care Financing Administration was not recording sustained audit disallowances as receivables in accounting records--$19.3 million over a 9-month period--or recovering them according to the Federal Claims Collections Standards.

--Agriculture auditors reported in 1980 that the Food and Nutrition Service had not developed an effective system to quickly resolve and collect program losses cited in audit and other reports. Thus, 357 reports which were up to 5 years old and contained potential claims totaling $60 million had not been resolved.

<u>Staffing Continues To Be A Problem</u>

Since 1966, the General Accounting Office has been issuing reports on the need for increased staffing for internal audit groups. Although audit staff sizes increased significantly in the 1970s, internal auditors were still not able to adequately cover Federal programs.

During the period from fiscal year 1974 through 1978, audit organizations could not obtain more staff because

--agencies drastically reduced or did not approve audit organization requests for more audit staff,

--OMB and the Congress reduced certain agency requests for audit staff, and

--agencies decreased their audit staffs in response to overall OMB ceiling reductions.

This lack of resources adversely affected many areas in the internal audit function. For example, it limited financial audit coverage, inhibited the implementation of additional cross-service auditing, limited grant audit coverage, and precluded auditors from performing effective quality testing of grantee records.

A GAO review currently underway has found that staffing levels continue to be a problem. The majority of the Inspectors General indicated there were staff shortages within their organizations. Although some of these offices have several hundred auditors, others must meet their legislated and other responsibilities with very small staffs. For example, as of September 30, 1980, the Department of Energy had 47 auditors, the Environmental Protection Agency had 87, NASA had 55, the Small Business Administration had 53, and Commerce had 81. These Offices must audit a total of over $21 billion in Federally funded programs.

Separate Budget Line Item
Would Be Helpful

The Inspectors General have a massive responsibility which can only be achieved with the complete support of the Administration and agency heads. Legislative, Congressional, Presidential, and other workload requirements imposed on the Inspectors General are constantly growing but the Inspectors General have not been given the resources to meet these new demands. The government wide hiring freeze and travel fund restrictions have seriously affected their ability to obtain needed staff and have limited the number of audits and investigations started and the scopes of both ongoing and planned efforts.

The General Accounting Office believes that requiring separate line item treatment in the agency budget would help the Congress keep better track of the Inspectors General capabilities. In a report issued on October 24, 1979, entitled "Improving Interior's Internal Auditing And Investigating Activities--Inspector General Faces Many Problems", we stated that a major impediment to increasing audit and investigative staff at the Department of the Interior was the budgetary process. The Inspector General's budget was included as part of the Office of the Secretary's budget. Congressional cuts in the Secretary's budget and the higher priority given to major Interior programs prevented reasonable growth of the audit and investigative staffs. This occurred because audit and investigation activities competed with numerous other activities carried out by the Office of Secretary and this office did not give audit and investigation activities the necessary emphasis. Although this report dealt exclusively with Interior, its findings are applicable to other agencies as well.

This concludes my prepared statement. My colleagues and I will be pleased to answer any questions you may have.