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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-203900

August 19, 1981

The Honorable William V. Roth, Jr.  
Chairman, Committee on Governmental  
Affairs  
United States Senate

Dear Mr. Chairman:

This is in response to your June 23, 1981, request for our review and comments on H.R. 2098 which would amend the Inspector General Act of 1978 to establish Inspectors General in the Departments of Defense, Justice, and Treasury and the Agency for International Development. We appreciate your giving us this opportunity to review and comment on this proposed legislation.

The General Accounting Office (GAO) strongly supported the Inspector General Act of 1978 and other legislation which has centralized internal audit and investigative activities in certain Federal agencies under statutory Inspectors General. As we stated in our August 26, 1980, testimony before the Senate Subcommittee on Governmental Efficiency and the District of Columbia, Committee on Governmental Affairs, GAO believes such legislation is beneficial because it:

- Insures that high-level agency attention is given to promoting economy and efficiency and to 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.
- Insures that both the Congress and agency heads receive information on problems involving economy and efficiency and fraud and abuse.

We believe these benefits will also be realized by extending the Act to include the agencies in this legislation. Accordingly, we support H.R. 2098 with some qualifications.

With particular reference to the Department of Defense, we believe the legislation will be both feasible and desirable with a few modifications. We prefer that the position be called an Auditor General because the title signifies broad responsibilities especially in reviewing the effectiveness of internal controls to prevent fraud, waste and abuse, whereas the title of Inspector General has long been used in Defense to refer to a military

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officer whose responsibilities include serving as "the eyes and ears" of the commander in conducting unit examinations and reviewing military discipline, morale and welfare.

We also believe the Committee should consider modifying the H.R. 2098 provision which would transfer the Defense Contract Audit Agency (DCAA) to the proposed Office of the Inspector General. On several previous occasions, we have testified against such a transfer based on our review of DCAA's operations which showed that a large portion of the agency's resources were spent on pre-award surveys which provide contracting officers with financial information and advice on proposed contracts. We view these activities as more of a procurement support function than an audit or review function. However, other DCAA activities may be consistent with the types of work that should be performed by an independent audit organization such as an Auditor or Inspector General Office. Should the Committee decide to consider the merits of shifting only a portion of DCAA's resources into the proposed Auditor or Inspector General Office, careful consideration should be given to the present balance of effort between those activities which support the procurement function from an operational standpoint versus those activities which should be performed by an audit organization independent of program operations.

With regard to the other agencies covered by the legislation, we believe no modifications are needed in H.R. 2098. The Agency for International Development already has an Inspector General established by Public Law 96-533, but H.R. 2098 would bring about conformance with the Inspector General Act of 1978 and enhance the Inspector General's independence. The 1978 Act stipulates that the President will appoint the Inspectors General covered by the Act for unlimited terms with the advice and consent of the Senate. Currently, the Agency for International Development Inspector General is appointed by the Administrator.

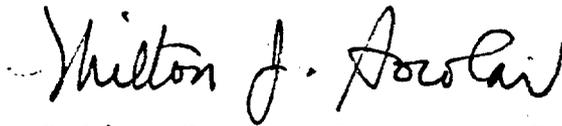
The Departments of Justice and Treasury presently do not have statutory Inspectors General. We believe the creation of such offices as proposed by H.R. 2098 would consolidate and upgrade the Departments' audit and internal investigative capabilities. Currently, audit and internal investigative components are fragmented into several sections of each Department.

The previously mentioned modifications should be made in Section 3, line 10 by striking "the 'Defense Contract Audit Agency'," and in each place of the legislation it appears by striking out "Inspector General, Department of Defense" and inserting in lieu thereof "Auditor General, Department of Defense." In addition, the following conforming amendment should be added to Section 6: "Each reference to Inspector General in the Act is also applicable to the Auditor General, Department of Defense."

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If you have any questions on our comments or any additional issues involving the proposed legislation, please do not hesitate to contact us.

Sincerely yours,

A handwritten signature in cursive script that reads "Milton J. Aroslaw". The signature is written in dark ink and is positioned above the typed name.

Acting Comptroller General  
of the United States