

GAO

Testimony



139133

For Release
on Delivery
Expected at
2:00 p.m. EDT
Thursday
July 20, 1989

Legislation to Modify DOD's Audit,
Investigation, and Inspection Functions

Statement of
Brian P. Crowley, Acting Assistant Comptroller
General
Accounting and Financial Management Division

Before the
Investigations Subcommittee
Committee on Armed Services
House of Representatives



046013/139133

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to be here today to discuss H.R. 2361 and H.R. 2362, two bills designed to modify and improve the audit, investigation, inspection, and internal review functions within the Department of Defense (DOD). We previously commented on the two bills in our June 9, 1989, letter to you, Mr. Chairman.

We have long been interested in ensuring effective internal auditing and investigation capabilities in all federal departments and agencies. In particular, we have been supportive of the Inspector General Act of 1978 and its amendments that have expanded the inspector general concept to a total of 58 executive branch agencies and other entities, including DOD. We have reviewed the quality and effectiveness of many of these units over the years and recommended improvements in their operations.

We generally support the concepts in H.R. 2362 which upgrade audit and investigation functions of the military departments. However, we have some concerns with several provisions in H.R. 2362 as well as provisions in H.R. 2361.

BACKGROUND ON DEFENSE AUDITS,
INVESTIGATIONS, AND INSPECTIONS

DOD is the largest federal agency, both in terms of personnel and expenditures. It has about 22,000 auditors, investigators, inspectors, and internal review personnel--the largest number in any federal agency--to provide oversight and review of its programs and operations. Unlike the audit and investigative staff of most agencies covered by the Inspector General Act of 1978, these personnel are not centralized under the DOD inspector general. Instead, DOD's major components--the Departments of the Army, Air Force, and Navy--and the DOD inspector general have their own units to perform these audits, investigations, and inspections. In addition, the responsibility for auditing Defense contracts belongs to the Defense Contract Audit Agency (DCAA)--a separate agency under the DOD Comptroller.

The DOD inspector general directs 1,100 of the auditors, investigators, and inspectors. Her authority is wide-ranging and includes all operations in DOD and the military services. The DOD inspector general also provides policy and oversight to contract audits, internal audits, and fraud investigations conducted by other DOD units.

The Army, Air Force, and Navy have about 2,400 auditors under the direction of their respective auditors general. The

latter are appointed by the Secretaries of the military services. DCAA has about 5,800 auditors. DOD also has more than 6,700 investigators throughout the three military services and in the DOD inspector general office. An additional 3,600 inspectors are under the direction of military inspectors general in the Army, Air Force, and Navy.

In addition to the auditors, investigators, and inspectors, there are about 2,800 personnel involved in internal review operations in DOD. In fiscal year 1988, DOD had about 800 internal review groups. The groups do not report organizationally to any central authority but generally report to local commanders. Internal reviewers usually have audit skills but may also be skilled in other areas, such as management analysis and various military disciplines. They assist commanding officers and management at various organizational levels in resolving known or suspected problems and operational deficiencies.

The two bills under discussion today were designed to modify the functions and responsibilities of these audit, investigation, inspection, and internal review groups within DOD.

COMMENTS ON H.R. 2361

The first bill, H.R. 2361, would amend the Inspector General

Act of 1978 by adding an additional qualification requirement of at least 10 years of professional experience for the DOD inspector general, establishing a 10-year term for the position, and transferring responsibility for supervising DCAA to the inspector general. We have the following comments about these provisions.

Our first comment relates to the proposed requirement for a specific number of years of experience for the DOD inspector general. The existing IG act requirements appear to provide sufficient safeguards to ensure that the DOD inspector general is experienced. The Inspector General Act of 1978 requires that all IGs be appointed by the President, with Senate confirmation, without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. We are not aware of any appointments of inexperienced inspectors general at DOD since the position was established in 1982 or at other agencies since the inspector general positions were established in 1978.

Our second comment, regarding the term of the inspector general, is similar. The IG act contains no reference to a term, which in effect means that the term of office is indefinite. The act authorizes only the President to remove an inspector general and requires the President to report to the Congress the reasons

for such a removal. In the course of our reviews of IG offices at other agencies, we have not identified any need for setting a term of office for inspectors general.

Finally, we believe the provision of the bill that makes the DOD inspector general responsible for supervising DCAA is not clear. Currently, the inspector general is responsible for providing policy and oversight for DCAA's functions, but the Director of DCAA reports to the Comptroller. As written, H.R. 2361 does not specify the level of inspector general supervision over DCAA. Thus, whether supervision is intended to mean merely formal review and general policy oversight or day-to-day control over DCAA's resources and work efforts is unclear. Moreover, we are not aware of any compelling reasons for altering the present relationships of DCAA with other organizations in DOD. We believe the advantages and disadvantages of any changes to existing relationships need further review. We would be available to assist the Subcommittee in such a review.

COMMENTS ON H.R. 2362

The second bill, H.R. 2362, would make the auditors general in the Departments of the Army, Navy, and Air Force presidential appointees with Senate confirmation. They would have 6-year terms and be responsible for fraud investigations and inspections as well as audits.

The concepts in H.R. 2362 for upgrading the audit and investigation functions in the military services and for emphasizing their importance are similar to those that we have strongly supported for other agencies as well as DOD. Overall, the organizations that H.R. 2362 would establish under each auditor general are comparable to the IG offices established by the Inspector General Act of 1978. For instance, the bill contains provisions to help ensure that the auditors general will be independent from agency management. The bill also seeks to ensure that particularly serious problems be reported to both the agency head and to the Congress by requiring auditors general to submit reports to the DOD inspector general for inclusion in the IG's semiannual reports. In addition, the bill recognizes the need for a close working relationship between the auditors general and the DOD inspector general and specifies the importance of coordination of their work.

The bill provides for a 6-year term for the auditors general. Also, a person may not be appointed auditor general without at least 5 years of professional experience. Just as with the DOD inspector general, we do not believe that there is a need for a definite term of office or a minimum number of years of experience for the auditors general. We believe the bill should be modified to add that the auditors general be appointed without regard to political affiliation and solely on the basis

of integrity and demonstrated ability. This would also bring it in line with the IG act's provisions.

H.R. 2362 also would place the military inspectors general of each department under the supervision of the auditors general. We have no recent information on the activities of the military IGs, and therefore are not taking a position on whether they should or should not be transferred. Based on our reviews of the military IGs made some 10 years ago, we know that, unlike the inspectors general established by the IG act, the military IGs are not specifically looking for fraud, waste, and abuse. The roles of the military IGs vary. Their activities typically include evaluating the economy, efficiency, and effectiveness of operations--which is similar to what auditors do--as well as other functions, such as inspecting and testing military readiness, reporting on morale, and hearing individual complaints by military personnel.

Rather than placing the military IGs under the supervision of the auditors general, the Subcommittee may wish to consider alternatives that would improve coordination and prevent duplication of activities between the military IGs and the auditors general. For example, the auditors general could be given oversight responsibility for the military IGs, similar to the oversight that the DOD IG exercises over the auditors general of the military services.

Finally, the bill, as worded, would transfer internal review functions currently performed by the Army, Air Force, and Navy audit organizations to the proposed statutory auditor general offices. However, the Departments of the Army and Navy have internal review units attached to commands rather than to the Army and Navy audit organizations. The Department of the Air Force does not have an internal review function.

Also, the functions of internal review are varied and all of them may not be suitable for transfer to the auditors general. For example, studies and reviews conducted at the request of commanding officers as a management control function to help accomplish the mission of the command may best be performed by internal reviewers rather than by auditors external to the unit.

Our June 9, 1989, letter discusses all of these issues, and other more technical issues have been discussed with your staff.

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