

(Exhibit E follows:)

**EXHIBIT E.—SUMMARY OF GAO REPORT, "INTERNAL AUDITING ACTIVITIES, CSC"
(B-160759, March 20, 1967)**

PROBLEM

GAO found (1) the internal audit function was not independent of officials responsible for operations and activities reviewed by the internal auditors, and (2) the scope of the audit was not broad enough to cover all operations and activities on a systematic basis.

RECOMMENDATION

GAO proposed the establishment of a single centralized internal audit organization responsible to the highest level practicable, preferably the Chairman of the Commission or the Executive Director, with the authority to review all programs and activities on a systematic basis.

AGENCY ACTION

A centralized internal audit organization was established to review all programs and activities without specific requests from operating officials. The internal audit function was placed under the jurisdiction of the Director of the Bureau of Management Services.

This latter action does not achieve the high degree of independence that is generally desirable, since the Director has administrative responsibility for all budgeting, financial, and procurement activities; automatic data processing operations; compilation of statistical data; and personnel and administrative housekeeping activities.

Mr. MACY. I feel with the creation of this new unit, we have brought together all of our audit activities into one office. Previously, as the Comptroller General criticized us, we had a number of different units within the Commission performing this function. Mr. Drummond now has responsibility for regional audit. He has also responsibility for making management studies, for reviewing Commission operations.

I would be happy to put into the record his audit program which shows that he has conducted fiscal audits within the last year in five of our regional offices and in five activities of our central office. It shows the schedules that he has for further management and operational audits, as well as fiscal audits.

(The material referred to follows:)

OFFICE OF MANAGEMENT ANALYSIS AND AUDIT

Completed

Fiscal audits:

Regional office:

Chicago	May 1967.
Atlanta	June 1967.
San Francisco	December 1967.
Seattle	December 1967.
Philadelphia	March 1968.

Central office:

Budget and Finance Division	September 1967.
Office Services Division	August 1967.
CSC retirement and disability fund	February 1968.
Life insurance program	February 1968.
Health benefits program	December 1967.

Management and operational audits:

Audit of the reimbursable full field investigation program	October 1967.
Management analysis of the medical program of the U.S. Civil Service Commission	February 1968.