

Mr. SCHMID. We have actually three different types of internal audit. In our budget and fiscal office we have a branch of internal auditors who are engaged primarily in what we call fiscal audits. They go into the bureaus and the offices here at the headquarters level and at the field level and develop information on the use of our travel funds, on the accuracies in payroll operation, and this type of thing, fiscal operations.

Those things come in directly to me, and I deal with the bureau directors and our regional managers as soon as we spot deficiencies and get them corrected.

We have another and a far more important internal audit program, and I think this is what you are talking about, in which the Chairman plays a very important part. We have our program evaluation system. First of all, at the beginning of every single year, every one of our bureaus and offices sets up program objectives within the overall mission of the Commission. We identify roughly 75 or 80 percent of our major workload program throughout the Commission. Each and every quarter the bureau directors, the regional managers, submit statistical reports and narrative reports pointing out how well they have met their target dates, if they haven't met them, why they haven't met them, and bringing many related matters into play on this.

These reports all come directly to me. These reports are analyzed. There are discussions and conferences with the bureau directors involved, and the final report is submitted to the Chairman. This report points out how well we are doing in relation to our overall program objectives and our deficiencies, which sometimes entails action on his part or on the part of the entire Commission.

Mr. BROOKS. I don't want to be unkind, but I realize after you get all of those reports they do make up a report in final form that goes to the Chairman which does, as you say, point out that you are doing a magnificent job, that would be the normal procedure.

I think you, yourself, would be better protected in trying to do a good job, as you do, and I will give you full credit for that and for considerable management experience and expertise—but I think if you had an internal audit that went across the board with a free scope to make an individual appraisal of a function or condition, that you yourself would be better protected rather than have a more or less perfunctory rechecking of vouchers and totals. This is the kind of thing the Internal Revenue does when they check the figures on my income tax. It is pretty much of a routine. They find errors occasionally.

I think you would be much better protected with that type of freedom on the part of your internal auditor to look at the smallest voucher or a major defect in the implementation of what the Chairman and what the Board and what you have instructed some of your people to do. I think the Chairman would be better protected also. I think when you break them down you limit what they can do.

The AEC and some of the other agencies have used this system and feel that it is of benefit to them. The best example I can think of is probably the Agriculture Department. They had a lot of problems that were not—I don't guess they were going to destroy the country, but