

EXHIBIT H—SUMMARY OF GAO REPORT—"NEED FOR IMPROVEMENT IN INTERNAL AUDITING—FAA"

Problem

GAO found three major weaknesses in FAA's internal audit function; namely, that (1) the audit staffs did not possess the desired degree of independence from officials responsible for many of the operations reviewed; (2) the independence of the audit staffs was impaired by the performance of advisory services for operating officials concurrent with their internal audit duties; and (3) the audit staffs have not achieved adequate audit coverage in certain areas of agency operations.

Recommendation

GAO proposed that the FAA Administrator (1) centralize the field and headquarters staffs administratively into a single organization whose director is placed at the highest practicable level in FAA; (2) separate the advisory service functions from the internal audit staffs; and (3) take action to insure that all significant areas of the Administration's operations are audited on a systematic basis.

Agency action

The Administrator agreed generally to implement our proposals. Also, we were informed that the FAA Associate Administrator for Administration would provide executive direction to the FAA internal audit group. Moreover, the Administrator, prior to commenting on our proposals, issued a directive which requires that internal audit reports prepared as a result of agencywide reviews be sent directly to the Administrator without prior review by the Associate Administrator and that the Director of the Office of Audit have free and direct access to the Administrator.

In our opinion, if this directive is effectively implemented, the internal audit group's independence should be strengthened.

EXHIBIT I—SUMMARY OF GAO REPORT—"OPPORTUNITY FOR SAVINGS BY DIRECT PROCUREMENT OF TEST EQUIPMENT"

(B-133127, APR. 10, 1968)

Problem

GAO found that FAA had purchased common test equipment indirectly through basic systems suppliers rather than directly from the test equipment manufacturers. Under two contracts that GAO reviewed in detail, FAA paid a total of about \$539,000 for test equipment which basic systems suppliers purchased for about \$419,000. About \$52,800 of the \$120,000 difference represented the two basic systems suppliers' profits and the remaining \$67,200 included overhead and other charges.

GAO believes that this situation occurred because of ambiguities in FAA's procurement instructions which appear to require procurement of common test equipment indirectly through basic systems suppliers.

GAO therefore proposed that FAA's policies and procedures pertaining to the procurement of common test equipment be revised to (1) describe all the factors that should be considered in deciding whether common test equipment is to be procured separately or in conjunction with the purchase of basic equipment, and (2) provide that, where the test equipment will require no modification or installation as part of a more complex system or component, the equipment be purchased directly from the manufacturer unless circumstances justifying the indirect procurement of the equipment can be clearly demonstrated.

Agency action

FAA issued two new policy directives dealing with procurement in general and was revising a third policy directive dealing specifically with the procurement of test equipment.

Conclusion

GAO believes that (1) the two new directives should contribute generally toward more economical procurement, and (2) the proposed revision of the third directive should eliminate the apparent requirement that common test equipment be procured indirectly through basic systems suppliers. However, because the revised draft does not delineate the factors that need to be considered in