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GAO AUDITS

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**Director-General
Operations Evaluation**

1737832

OFFICE MEMORANDUM

TO: Mr. Mohamed Shoaib, Vice President

DATE: June 25, 1973

FROM: Lester Nurick, Associate General Counsel *LN*

SUBJECT: GAO Audits

As you probably know, a bill to revise the functions of the Comptroller General of the United States (The Accounting and Auditing Act of 1973) was introduced in the Senate on June 21, 1973 by Senator Ervin and referred to the Committee on Government Operations. In introducing the bill, there was also introduced a list of so-called "incidents in which information has been denied the Comptroller General by Executive Agencies." These incidents include references to information about the Bank and IDA. The relevant excerpt from the Congressional Record is attached. (S. 11696)

cc: Mr. McNamara
Mr. Broches (o/r)
Mr. Merriam
Mr. Kearns

to the Congress any internal working documents which would disclose tentative planning data—such as is found in the Country Program Memoranda and the Country Field Submissions—and which are not approved positions.

Since then we have experienced some tightening up on our access to documents. For example, the Agency for International Development on March 23, 1972, instructed its operating personnel as follows:

"In order to carry out the President's directive, A.I.D. Country Field Submissions should not be disclosed to representatives of the Congress or the General Accounting Office. Likewise, disclosure should not be made of any other document from an A.I.D. Assistant Administrator, A.I.D. Office Head or A.I.D. Mission Director to higher authority containing recommendations or planning data not approved by the Executive Branch concerning overall future budget levels for any fiscal year for any category of assistance (e.g., Development Loans, Technical Assistance, Supporting Assistance, or PL-480) for any country.

"In lieu of the disclosure of such documents, the President has directed that Congress be provided with "all information relating to the foreign assistance program and international information activities" not inconsistent with his directive. Ordinarily, the substantive factual information contained in these documents should be disclosed through means of oral briefings, testimony, special written presentations and such other methods of furnishing information as may be appropriate in the circumstance.

"The General Counsel should be advised of any Congressional or GAO requests for any document described in [the first paragraph] above or for files or records containing such a document. The General Counsel should also be advised of requests for other documents which raise Executive Privilege questions, whether under the rationale of the President's March 15 directive or otherwise, and a decision should be obtained from the General Counsel concerning the availability of the document for disclosure before the document is disclosed."

On May 8, 1972, the Under Secretary of State issued a memorandum to all Agency Heads, Assistant Secretaries, and Office Heads on the subject of executive privilege. This memorandum cites the Presidential Directive of March 15, 1972, and contains instructions similar to those put out by AID. However, it goes a bit further in broadening the field of applicability by stating:

"It will be noted that the President's directive is not strictly limited to Country Program Memoranda and Country Field Submissions, but applies also to other, similar internal working documents in the foreign assistance and international information fields which would disclose tentative planning data and which are not approved positions. Undoubtedly, specific questions will arise in the future as to whether or not the President's directive applies to particular congressional requests for disclosure. Such questions should be resolved in consultation with the Office of the Legal Adviser."

There is evidence that the executive agencies may try to satisfy GAO's need for access to records by providing the required information by means other than direct access to the basic documents, especially in cases where such documents are considered to be internal working documents. This would not be acceptable unless we are able to satisfy ourselves that the data provided to us is an accurate presentation of the substantive information contained in the basic documents.

In summary, our access to the records and documents or other materials we need to carry out our responsibilities for reviewing programs relating to international activities

has been increasingly difficult. It is a matter of degree, but it has seriously interfered with the performance of our responsibilities. The most serious interference is in the restraints which have been placed upon agency officials overseas and which require them more and more to refer to Washington for clearance before making documents available to our staff. Although these are not termed refusals, they come close because of the interminable delays that result from having to refer routine matters through channels to Washington.

In addition to the unnecessary cost and waste of time this involves, there is the increased risk of our making reports without being aware of significant information and the increased risk of our drawing conclusions based on only partial information.

We are seriously concerned with the increasing restrictions that have been imposed on overseas officials in particular, that take away a large measure of their discretion for dealing with GAO personnel, and we have conveyed this to the agencies.

INTERNATIONAL LENDING INSTITUTIONS

Beginning in the fall of 1970, we undertook to study U.S. participation in international lending institutions—the World Bank, International Development Association, Inter-American Development Bank, and Asian Development Bank. During our initial survey and in our later reviews relating to specific institutions, we encountered difficulties in obtaining information from the Treasury Department.

We experienced long delays in obtaining certain information. For example, access to monthly operations reports and to loan status reports for one of the institutions that we requested in December 1970 was not granted until August 1971 and then only after repeated requests.

We were refused access to several categories of documents by Treasury Department officials. These included the recorded minutes of the meetings of the institutions' board of directors, periodic progress reports on the status of projects being financed by the institutions, and a consultant's report on management practices of one of the institutions. Also, although Treasury officials advised us that they had refused access only to internal documents which they received in confidence from the institutions, we were refused access to certain documents which, as far as we could determine, were not documents furnished by the institutions but rather were documents prepared by U.S. officials for use by other U.S. officials.

We were not auditing the records of the Inter-American Development Bank as such but only those documents that had been provided by the Inter-American Development Bank to the Executive Director and were available for his use in the exercise of his management responsibilities. We believe that these records should have been available to us in our review which was on the U.S. system for appraising and evaluating Inter-American Development Bank projects and activities. Any report on this subject would necessarily be lacking to the extent to which information used by the United States in evaluating Bank projects was not made available to us during our examination. We see no valid basis for Treasury's refusal to provide access to the records we requested.

INTERNAL REVENUE SERVICE

GAO's review efforts at the Internal Revenue Service had been materially hampered, and in some cases terminated, because of the continued refusal by IRS to grant GAO access to records necessary to permit an effective review of IRS operations and activities.

Without access to necessary records, GAO cannot effectively evaluate the IRS administration of operations involving billions of dollars of annual gross revenue collections

and millions of dollars in appropriated funds. Such an evaluation, we feel, would greatly assist the Congress in its review of IRS budget requests and in its appraisal of IRS operations and activities. Without such access, the management of this very important and very large agency will not be subject to any meaningful independent audit.

GAO has taken every opportunity to impress upon IRS officials that it is not interested in the identity of individual taxpayers and does not seek to superimpose its judgment upon that of IRS in individual tax cases; rather, GAO is interested in examining into individual tax transactions only for the purpose of, and in the number necessary to serve as a reasonable basis for, evaluating the effectiveness, efficiency, and economy of selected IRS operations and activities. GAO has, in general, directed its efforts toward those areas where it believed that improvements in current operations would bring about better IRS administration of programs, activities, and resources.

It is the position of IRS that no matter involving the administration of the internal revenue laws can be officially before GAO therefore we have no audit responsibility. The Commissioner of IRS, in a letter to the Comptroller General dated June 6, 1963, stated:

"I must note that the [Chief Counsel, IRS] opinion holds that the Commissioner of Internal Revenue is barred by Sections 6409 and 8022 of the Internal Revenue Code from allowing any of your representatives to view any documents that pertain to the administration of the Internal Revenue Code. Thus, federal tax returns and related records can be made available to you only where matter officially before GAO does not involve administration of those laws."

Under the provisions of 26 U.S.C. 6103, returns are open to inspection only on order of the President and under rules and regulations prescribed by the Secretary of Treasury or his delegate and approved by the President. Regulations appearing in 26 CFR 301.6103(a)-1(c)-107 grant several Government agencies specific right of access to certain tax returns. Our Office is not included among these agencies. The regulation applicable to our Office, 26 CFR 301.6103(a)-1(b)(f), provides that the inspection of a return in connection with some matter officially before the head of an establishment of the Federal Government may be permitted at the discretion of the Secretary or Commissioner upon written application of the head of the establishment.

IRS has permitted Federal agencies, State individuals, contractors, and others to have access to tax returns and records. GAO has been given access to individual tax returns only when the return is needed in connection with another matter in which GAO is involved or when we have made reviews at the request of the Joint Committee on Internal Revenue Taxation. Otherwise we have been denied records requested for reviews of IRS operations. The reviews of IRS conducted at the request of the Joint Committee have been made pursuant to an arrangement whereby GAO and the Joint Committee agreed on certain priority matters involving the administration of the internal revenue laws. Under this arrangement we, in effect, make reviews for the Joint Committee, and we have had the complete cooperation of the Service.

ECONOMIC STABILIZATION PROGRAM

Another access to records problem arose when GAO attempted, pursuant to a congressional request, to review the effectiveness of IRS activities in monitoring price controls. IRS did not formally deny GAO the right to review records of the Economic Stabilization Program.

Rather, the General Counsel of the Treasury Department submitted a proposed "memorandum of understanding," which was

GROUP C:

UNITED NATIONS: JOINT INSPECTION UNIT

1. Report of the Administrative Committee on Co-ordination (ECOSOC Document of April 14, 1967) proposing arrangements for establishment of Joint Inspection Unit
2. Report dated 14 October 1969 on the activities of the Joint Inspection Unit for the period January, 1968 to June, 1969
3. Memorandum of August 14, 1970 from Mr. Szasz to Mr. Scott describing various U.N. audit and control procedures, including those of the Joint Inspection Unit.

GROUP D:

AID AUDIT AND REVIEW ARRANGEMENTS

1. Memorandum of August 28, 1970 from Mr. Clyde to Mr. Scott describing AID audit and review arrangements.

GROUP E:

MISCELLANEOUS DOCUMENTS ON AUDITING OF INTERNATIONAL FINANCIAL INSTITUTIONS

1. Memorandum of July 29, 1970 from Mr. Merriam to Mr. Clark describing "Morgan" letter to Comptroller General of the United States and others concerning establishment of independent audit unit within international financial institutions
2. Statement of Mr. Stovall of GAO before House Banking and Currency Committee on July 1, 1970, concerning GAO's attitude toward auditing of international financial institutions
3. Statement in Legislative History of Public Law 91-599 (1970) by Senator Gore indicating some of GAO's comments on auditing question
4. Statement by Senator Symington, printed in Congressional Record of June 29, 1972 (S10585) entitled "Continuing Executive Branch Denial of Essential Information to the General Accounting Office."
5. Memorandum of September 20, 1972 from Mr. Clyde to Mr. Nurick summarizing Mr. Stovall's testimony on section 504 of proposed 1971 Appropriations Bill.

Attachments

JFriedlander/LNurick:vv

cc: Mr. Kearns
Mr. Broches (o/r)

GROUP A

1



Public Law 90-88
90th Congress, H. R. 9547
September 22, 1967

An Act

To amend the Inter-American Development Bank Act to authorize the United States to participate in an increase in the resources of the Fund for Special Operations of the Inter-American Development Bank, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Inter-American Development Bank Act (22 U.S.C. 283-283k) is amended by renumbering section 14 thereof as section 15 and by adding a new section 14, as follows:

"AUDIT"

"SEC. 14. (a) The Secretary of the Treasury shall instruct the United States Executive Director to propose the establishment by the Board of Executive Directors of a program of selective but continuing independent and comprehensive audit of the Inter-American Development Bank, in accordance with such terms of reference as the Board of Executive Directors itself (or through a subcommittee), may prescribe. Such proposal shall provide that the audit reports be submitted to the Board of Executive Directors and to the Board of Governors.

"(b) The Comptroller General of the United States shall prepare for the Secretary of the Treasury the scope of the audit and the auditing and reporting standards for the use of the United States Executive Director in assisting in the formulation of the terms of reference.

"(c) The reports of the National Advisory Council on International Monetary and Financial Policies to the Congress shall include, among other things, an appraisal of the effectiveness of the implementation and administration of the loans made by the Bank based upon the audit reports. The Comptroller General shall periodically review the reports of audit and findings issued and report to the Secretary of the Treasury and the Congress any suggestions he might have in improving the scope of the audit or auditing and reporting standards of the independent auditing firm, group, or staff."

SEC. 2. The Inter-American Development Bank Act is further amended by adding a new section 15 at the end thereof:

"SEC. 16. (a) The United States Governor of the Bank is hereby authorized to vote in favor of the resolution entitled 'Increase of \$1,200,000,000 in Resources of Fund for Special Operations' proposed by the Governors at their annual meeting in April 1967 and now pending before the Board of Governors of the Bank. Upon the adoption of such resolution, the United States Governor is authorized to agree, on behalf of the United States, to pay to the Fund for Special Operations of the Bank, the sum of \$900,000,000, in accordance with and subject to the terms and conditions of such resolution, and subject to the further condition that in consideration of the United States balance-of-payments deficit any local cost financing, by project or otherwise, with the funds authorized under this section be held to the minimum possible level. The United States Governor is also authorized to vote in favor of the amendment to Annex C of the agreement, now pending before the Board of Governors of the Bank, to modify the procedure employed in the election of Executive Directors.

Inter-American
Development
Bank.
U. S. contribu-
tion.
73 Stat. 299.
79 Stat. 23.
22 USC 283l.

81 STAT. 226
81 STAT. 227

Reports to
Congress.

Fund for Special
Operations.
Increase in re-
sources.
Authorization.

81 STAT. 227

Appropriation.

"(b) There is hereby authorized to be appropriated without fiscal year limitation, for the United States share in the increase in the resources of the Fund for Special Operations of the Bank, the sum of \$900,000,000.

Loan disapproval by U. S.

"(c) The voting power of the United States shall be exercised for the purpose of disapproving any loan which might assist the recipient country directly or indirectly to acquire sophisticated or heavy military equipment."

Approved September 22, 1967.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 266 (Comm. on Banking & Currency) and Nos. 641 & 650 (Comm. of Conference).

SENATE REPORT No. 501 accompanying S. 1688 (Comm. on Foreign Relations).

CONGRESSIONAL RECORD, Vol. 113 (1967):

July 26: Considered and passed House.

Aug. 23: S. 1688 considered in Senate.

Aug. 24: Considered and passed Senate, amended, in lieu of S. 1688.

Sept. 20: House recommitted conference report No. 641.

Sept. 21: House and Senate agreed to conference report No. 650.

OFFICE MEMORANDUM

TO: Mr. Nurick

DATE: April 14, 1969

FROM: A. Marchant

SUBJECT: Audit Provision - IADB

I am attaching hereto a copy of the memo dated September 25, 1967, prepared by Mr. Jones in regard to the Selden amendment and its legislative history.

On June 4, 1968, HR 15364 was approved as Public Law 90-325, authorizing an increase in the capital stock of the IADB. Senate Report No. 1131 on this bill contained the following statement in regard to the audit provision:

"B. Audit and End-use Review

"Late this past February the Bank's Board of Executive Directors approved a new proposal -- resulting from a congressional initiative last year -- to create within the Bank a system of comprehensive and continuing independent audit, with special attention to be given to the effectiveness of loan procedures. This new system, which originally was developed from a set of guidelines offered by the U.S. General Accounting Office, was unanimously accepted by the Directors and is being implemented. It is designed along the line of what we would term an end-use review, and it will be supplementary to the regular financial audit undertaken by the firm of Price Waterhouse & Co. A special small auditing group, including a member from the United States, will be expected to examine procedures and operations both in Washington and in the field. And the results of such audits will be available for scrutiny by member governments of the Bank. These audits will be under the guidance of the Executive Directors rather than of the Bank's management. Their work will be completely additional to the extensive loan control techniques already in use and described in a July, 1967, report to the Director of the Bank's Executive Vice President; a copy of this paper is available in the committee files.

"Although not every committee member was fully convinced of the likely efficacy of the proposed new measures, there was much appreciation expressed for the forthcoming attitude of the Bank. There was no member who was not willing to withhold judgment until evidence had been accumulated about the workings of such a system."

I have not been able to find any discussion of this matter on the floor of the Senate or the House.

*AF 15/59 - E. Arnold led a not meeting in Senate
Audit Committee, held by an (unsubstantiated) claim
a request appeared for Fed (2/24) and with
latency*

Files

September 25, 1967

T.M. Jones

Inter-American Development Bank Act;
Amendments of 1967; "Audit" Provision

The principal purpose of H.R. 9547, originally introduced in July, 1967, was to authorize the U.S. to participate in an increase in the resources of The Fund for Special Operations of the IADB. Rep. Selden (D-Ala.), however, seized the opportunity to include the following provision:

"AUDIT

"SEC. 14. (a) The Secretary of the Treasury shall instruct the United States Executive Director to propose the establishment by the Board of Executive Directors of a program of selective but continuing independent and comprehensive audit of the Inter-American Development Bank, in accordance with such terms of reference as the Board of Executive Directors itself (or through a subcommittee), may prescribe. Such proposal shall provide that the audit reports be submitted to the Board of Executive Directors and to the Board of Governors.

"(b) The Comptroller General of the United States shall prepare for the Secretary of the Treasury the scope of the audit and the auditing and reporting standards for the use of the United States Executive Director in assisting in the formulation of the terms of reference.

"(c) The reports of the National Advisory Council on International Monetary and Financial Policies to the Congress shall include, among other things, an appraisal of the effectiveness of the implementation and administration of the loans made by the Bank based upon the audit reports. The Comptroller General shall periodically review the reports of audit and findings issued and report to the Secretary of the Treasury and the Congress any suggestions he might have in improving the scope of the audit or auditing and reporting standards of the independent auditing firm, group, or staff."

(House Report No. 650, Sept. 21, 1967)

From the Congressional Record of September 20, 1967, p.H12189, the background may be summarized as follows: Following a visit to several IADB-financed projects, Reps. Selden and Poilliard (D-Cal.) issued a report questioning the efficiency of loan implementation and proposing

September 25, 1967

that the use of the 100% U.S. contributed Social Progress Fund by the IADB, from which the projects in question had been financed, be audited by the U.S. General Accounting Office. For fear of causing "serious misunderstanding and unnecessary resentment" among IADB's members, however, Selden did not link this proposal to the pending authorization for additional U.S. funds. Instead, he offered the above-quoted amendment to the authorization bill, a provision which he stated was "worked out in consultation with the Treasury Department" after he had been assured by the U.S. Executive Director of the IADB that the latter would "diligently seek to have established" the proposed system of audit.

The Selden amendment was adopted by the House without a dissent, but was dropped in conference upon strong objections by the Senate Managers (Fulbright, Sparkman, Mansfield, Hickenlooper and Aiken. See House Report No. 641, Sept. 14, 1967). When the Conference Report came up for consideration on the floor of the House, Patman was called upon to explain why he no longer supported the provision. He pointed out that the original Selden report critical of some IADB operations had been answered point by point by the Bank in a manner he deemed satisfactory and that he had not known before to what extent the Bank in fact was audited and subject to internal controls. In short, he felt the provision unnecessary.

Other arguments against the provision were that the Price Waterhouse audit and the information already available through the U.S. R.S. were sufficient; that internal controls were sufficient; that the provision was a threat to the principles of multinational aid and to U.S. relations with international lending institutions; and that it duplicates, insofar as 100 U.S. funds are concerned, a provision in the pending Foreign Assistance Act of 1967 requiring audits of such funds by the Comptroller General. Two questions were raised whether it would not be best to require such an audit also of the IDB, IDA and the Asian Development Bank, and whether other member countries, including future conference members, might make the same request. These were not satisfactorily answered.

Arguments in favor centered largely around the general desirability of outside "audits" (like motherhood) and of having an eye on the "other side" money. It was pointed out that the audit would be of equal benefit to all members of the Bank.

Selden then moved to recommit the report to conference with instructions to insist on retaining the provision in the bill, and the motion was carried 274 to 126.

This time the Senate Managers gave in (See House Report No. 650, Sept. 21, 1967). The Congressional Record of September 21, 1967, p. 22111, shows that the Senators felt that they had to accept the amendment if they were to avoid a deadlock on the bill and a long delay in authorizing the new U.S. contribution to the Bank.

Both Senators Mansfield and Javits expressed misgivings, especially concerning U.S. relations with the other members of the Bank.

The President signed the bill into law on Friday, September 22, 1967.

One can only speculate as to whether such a thing could happen to us. The only relevant difference between the World Bank and the IADB would appear to be the administration by the latter of the 100% U.S. Social Progress Fund, the use of which started the whole thing. Perhaps so long as none of our funds are clearly identifiable as U.S. taxpayers' money, we are safe, even though the Selden amendment applies across the board.

TJJones/dg

2

*Sub
Reiman
Amended*

December 21, 1970

Files

L. Nurick

IDA Second Replenishment - United States

The Senate Committee on Appropriations, in recommending the foreign assistance and related programs appropriations bill, 1971, in which was included the amount for the third instalment of the United States under the Second Replenishment, struck from the bill Sections 504 and 505 which had been included in the House version of the bill. The section of the Committee report (Report No. 91-1370), November 24, 1970) which describes the Committee's reasons for striking these sections from the bill is attached as an appendix hereto.

2

Attachment

- cc: Sir Denis Rickett
- cc: Mr. Broches
- Mr. Merriam ✓
- Mr. Scott

TITLE V—GENERAL PROVISIONS

The committee has stricken from the bill the following language provisions which were included by the House

SEC. 504. None of the funds herein appropriated for "International Financial Institutions" shall be available to assist in the financing of any project or activity the expenditures for which are not subject to audit by the Comptroller General of the United States.

SEC. 505. None of the funds herein appropriated for "International Financial Institutions" shall be available to assist in the financing of any project or activity for which detailed justification is not available to the United States Senate and House of Representatives.

The committee is aware that the terms and conditions covering U.S. contributions to international banks are specified in the "Articles of Agreement" which were accepted by the Congress in previous legislation. In effect, then, the adoption of sections 504 and 505 by the Congress at this time would amount to a unilateral change in this international agreement on the part of the United States and would no doubt severely impair the effort to be made by multilateral institutions in the development assistance field.

In this connection, the committee believes that if the United States were to impose conditions on its contributions, such as those specified in sections 504 and 505, then other members may feel obligated to impose similar conditions on their contributions. The effect of this, needless to say, would result in the creation of a series of individual special funds supervised and operated by a conglomeration of probably conflicting rules and regulations.

The committee also believes that since multilateral banks are already subject to complete and comprehensive auditing by firms of individual certified public accountants of international renown and since these audits are of the same kind which are made of our own commercial banks, there is really no need to require a GAO audit of particular projects and loans because this would be completely inconsistent with the multilateral character of these international banks.

C

OFFICE MEMORANDUM

TO: Mr. Hugh N. Scott

DATE: August 14, 1970

FROM: Paul C. Szasz

SUBJECT: UN Audit and Control ProceduresA. Internal Audit

1. The Internal Audit Service of the United Nations is attached to the Office of the Controller. (Originally this unit was established as the Regulations and Inspection Section of the Bureau of the Comptroller, but in 1948 it was placed directly under the Assistant Secretary-General for Administration and Finance; in 1954 the Section became the Internal Audit Service and was made responsible directly to the Secretary-General, and in 1958 it was transferred to its present station.) It has 19 professional officers (headed by a Director), and 8 General Service staff.

2. The terms of reference of the Service are largely set forth in Financial Regulation 10.1(d):

"The Secretary-General shall:

...

(d) Maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:

- (i) The regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;
- (ii) The conformity of obligations and expenditures with the appropriations or other financial provisions voted by the General Assembly, or with the purposes and rules relating to Trust Funds and Special Accounts;
- (iii) The economic use of the resources of the Organization."

These terms of reference are further spelled out in Financial Rule 115.1, which provides that the Service

"Shall review transactions having financial implications, as to the regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization, the conformity of obligations and expenditures with the appropriations or other financial provisions voted by the General Assembly and the allotments issued thereunder, or with the purposes and rules relating to Trust Funds and Special Accounts, and as to the conformity of all such transactions with the rules relating thereto."

The Board of Auditors, which was recently requested to review the functions of the Internal Audit Service, recommended that ~~the latter's~~ terms of reference be expanded so as to have it "review . . . the economic use of the resources of the [UN]" (A/7607 (UNGA Off. Rec., 24th Sess., Supp. No. 7 (copy attached), Part II, Para. 18)).

3. The tasks of the Service are assigned by the Controller, to whom it reports. Its reports are not made public, and their circulation is presumably at the discretion of the Controller.

B. External Audit

4. In 1946 the General Assembly, by its Resolution 74(I), established the Board of Auditors, to consist of the Auditors-General (or officials with a corresponding title) of three States designated from time to time by the Assembly to overlapping three-year terms. The Board at present consists of the Comptroller and Auditor-General of Pakistan (Chairman), the Auditor-General of Canada and the Controller-General of Colombia -- a composition which has remained unchanged for some years through the periodic reelection of the incumbents.

5. The members of the Board of Auditors rely on their own national staffs to perform their audits, though recently a "Secretariat" of the Board was established, consisting of two professionals and three General Service staff. Since under its agreements with the External Auditors, the UN pays the travel and subsistence costs of the three members of the Board and the salaries, travel and subsistence costs of their staffs, the intensity of the audit effort depends on how much the UN budgets for this purpose -- an amount established annually by consultation between the Board and the General Assembly's Advisory Committee on Administrative and Budgetary Questions (ACABQ). In 1970 this is \$229,600, not including the amounts required for the audit of ICJ, UNJSPF and certain other UN activities having separate budgets for this purpose.

6. The terms of reference of the Board of Auditors are set out in the Appendix to the Financial Regulations (attached), and include:

"5. The Board of Auditors, in addition to certifying the accounts, may make such observations as it may deem necessary with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the financial consequences of administrative practices."

"7. The Board of Auditors shall prepare a report on the accounts certified in which it should mention:

. . .

(c) Other matters which should be brought to the notice of the General Assembly such as:

. . .

- (ii) Wasteful or improper expenditure of United Nations money or other assets (notwithstanding that the accounting for the transactions may be correct),
- (iii) Expenditure likely to commit the United Nations to further outlay on a large scale,
- (iv) Any defect in the general system or detailed regulations governing the control of receipts and expenditure, or of supplies and equipment,

. . ."

The Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies, in its second report to the General Assembly (A/6343, reproduced in UNGA Off. Rec., 21st Sess., Annexes, Agenda Item 80), recommended that "The various organizations, wherever necessary, amend their financial regulations which set out the duties of the external auditors, in order to enable them to make observations on the administration and management of these organizations;" (id., para. 67A(a)). No amendment of the UN Regulations was considered necessary for this purpose.

7. The principal Report prepared annually by the Board of Auditors is that relating to the Financial Report and Accounts; this Board Report, which in recent years has covered ten or more pages (50-60 paragraphs), deals with a number of subjects, both descriptively and critically (a copy of the 1969 Report on the 1968 Accounts (A/7607, UNGA Off. Rec., 24th Sess., Supp. No. 7) is attached). This Report is submitted to the General Assembly, where it is considered first by ACABQ, then by the Fifth Committee and finally but merely formally by the Assembly itself; at least one member of the Board must be present during these deliberations. In addition to the main Report, the Board prepares about a dozen on other activities and funds (e.g., UNJSPF, UNICEF, UNHCR), and may also submit a number of individual reports to the Secretary-General (see lists in paras. 8 and 60 of the attached Report). During the course of the audit and subsequently, members of the Board and of their staffs hold extensive discussions with members of the UN Secretariat and also with ACABQ, and most questions resolved at that level are not reflected in the formal reports -- or these merely indicate the understanding reached.

8. In 1949 the General Assembly by its Resolution 347(IV) established the Panel of External Auditors, consisting of the members of the UN Board of Auditors and of the officials performing corresponding functions for the related agencies. Its composition at the end of 1967 was:

Members of the Panel of External Auditors	Organizations audited
A.M. Henderson, Auditor-General (Canada), Chairman	ICAO
Evaristo Sourdís, Auditor-General (Colombia), Vice-Chairman	UN
Roger Peltot, President of the Audit Office (Belgium)	UN
Volkmar Hopf, President of the Federal Audit Office (Federal Republic of Germany)	IAEA
Bruce D. Fraser, Comptroller and Auditor-General (United Kingdom)	FAO, UNESCO, WMO, IMCO and GATT
Lars Breie, Auditor-General (Norway)	ILO and WHO
S.M. Raza, Comptroller and Auditor-General (Pakistan)	UN
Charles F. Pochon, Federal Audit Office (Switzerland)	UPU and ITU

The terms of reference of the Panel were revised in 1959 by Resolution 1438(XIV) (attached). The establishment of this Panel and its terms of reference reflect an extended struggle between the UN and the specialized agencies on whether the UN itself should arrange for the audit for these affiliates by assigning external auditors to them. This issue was recently revived when the Ad Hoc Committee of Experts recommended a study of the question of establishing a common panel of auditors, responsible for auditing, on a rotational basis, the accounts of all the organizations of the United Nations family (op. cit., supra para. 7, para. 67A(b)); this recommendation was one of the few flatly turned down by the specialized agencies, on the ground that the existing system was functioning well; the Panel and the Board, which were also formally consulted, concurred in this view (A/C.5/L.902, paras. 22-27, reproduced in UNGA Off. Rec., 21st Sess., Annexes, Agenda Item 80).

Joint Inspection Unit

9. The Joint Inspection Unit was established in 1968 on the basis of General Assembly Resolution 2150(XXI), approving the report of the Ad Hoc Committee of Experts (A/6343, Chapter VI -- attached). In addition to the UN, the legislative or governing organs of the following agencies agreed to participate: FAO, IAEA, ICAO, ILO, IMCO, ITU, UNESCO, UPU, WHO and WMO. The costs of the Unit (budgeted at \$370,000 for 1970) are shared among all these organizations, according to a formula developed by ACC.

10. The Unit consists of eight persons appointed by the Secretary-General, on a basis of nominations received from Argentina, France, India, Tanzania, USSR, UK, USA and Yugoslavia, after consultations with the cooperating agencies. The members of the Unit have initially been appointed for four years, and may not after ceasing to function as such be employed by any of the participating organizations for at least three years. The Unit is based at the Geneva office of the UN, where it has a small secretarial staff. The Chairmanship is rotated among the members of the Unit for six-month turns, but the Chairman only provides for administrative coordination. Decisions on what investigations to undertake (which may be performed by one or by a small group of inspectors) and the methods of inquiry are taken by the individual inspectors, without directives from any UN organ or collective action by the Unit.

11. The terms of reference of the Unit are, in effect, sketchily set out in the recommendation of the Ad Hoc Committee of Experts, as follows:

"Functions and powers. The inspectors should make on-the-spot inquiries and investigations, some of which may be without prior notification, as and when they themselves may decide, in any of the services of the different organizations of the United Nations family. Acting singly or in small groups, they should have the broadest powers of investigation in all matters having a bearing on the efficiency of the services and the proper use of funds, and should be accorded at the highest level full co-operation and facilities for the discharge of their duties, including access to any particular information or document. They should be bound by professional secrecy as regards all the information they receive and the contents of their reports. Standards for the conduct of the inspections, and the inspection programme, should be determined by the unit itself. The inspectors themselves should have no power of decision, nor should they interfere in the operation of the services they inspect." (Id., para. 67B(c).)

Though it does not appear clearly from the above terms, it could be argued that post hoc evaluation is not included, for the Ad Hoc Committee made separate recommendations in that regard, without mentioning the Unit (id., para. 79 -- also attached).

12. The reports of the Unit are prepared and signed by individual inspectors, though drafts are circulated among all the members of the Unit. Up to June 1969 the following had been issued:

(i) Formal Reports

- (a) United Nations activities in Turkey
- (b) The Economic Commission for Africa
- (c) Co-ordination and Co-operation at the country level
- (d) Documentation
- (e) WHO assistance to developing countries
- (f) Overhead costs of extra-budgetary programmes and on methods of measuring performance and costs*
- (g) Rationalization of the proceedings and documentation of the UNESCO General Conference

(ii) Informal Notes

- (a) Field inspection in Ghana
- (b) Field inspection in Mexico
- (c) Field inspection in Morocco*

(iii) Work was in progress on:

- (a) Selected ideas for improving field operations*
- (b) Branch offices of the UN High Commissioner for Refugees
- (c) Some aspects of technical assistance activities of the United Nations
- (d) The Economic Commission for Asia and the Far East*
- (e) Programming and budgets of the United Nations family of organizations*
- (f) Budgetary problems of WFP in its relation with FAO

- (iv) Studies were being considered *en*:
- (a) The role of the regional economic commissions;
 - (b) Co-ordination at the country level;
 - (c) Standardization of budget presentation; and
 - (d) Methods of work of legislative bodies.

The texts of those reports that were submitted to UNESCO (which are marked with asterisks above) are attached to the original of this memorandum (UNESCO doc. 84 EX/3, containing also the preliminary observations of its Director-General). The reports listed under (i) and (ii) above are also summarized in document A/C.5/1241 (also attached). It will be seen that several of these reports are quite critical of certain aspects of the activities to which they relate (e.g., proposing the closing of UNESCO's Regional Centre for Educational Information and Research in Africa, as an irremediable failure), and that the studies and their recommendations deal with both short- and long-run considerations.

13. The procedures for distributing and considering the reports of the Joint Inspection Unit, which is one of the crucial aspects of the operation, is still somewhat in flux and has given rise to a certain amount of controversy. In principle the reports are submitted to the executive head(s) of the organization(s) concerned, who are to submit them promptly to their executive boards or governing bodies (ACABQ in the case of the UN), which must decide both on the action to be taken and on any further distribution; if a report relates to more than one organization, ACC has decided that the executive heads concerned should consult before formulating their comments. The Unit has complained to ACC that the submission of its reports to the governing organs has sometimes been unduly delayed, particularly when inter-organizational consultations are undertaken, and that certain organizations (in particular the UN) did not distribute them widely enough (i.e., to the entire membership).

Attachments

cc: Mr. Clyde

PCSzasz/eb

GROUP D

OFFICE MEMORANDUM

TO: Mr. Hugh N. Scott

DATE: August 28, 1970

FROM: Thomas M. Clyde *TMC*SUBJECT: Agency for International Development (AID): Audit and Review
Arrangements

This memorandum has been prepared on the basis of (i) conversations with Edward A. Dragon, Assistant General Counsel, Management and Administration, AID, Robert Stufflebeam and Thomas Bracker, Foreign Assistance Inspectors in the office of the Inspector General, Foreign Assistance, Department of State and Joseph F. McFarland, GAO Liaison, Office of the Auditor General, AID, (ii) materials furnished by these gentlemen and (iii) the last two Annual Reports of the General Accounting Office (GAO) and the reports of GAO on selected AID activities in Korea and Colombia and on the U.S. Executive Branch management of the U.S. participation in the Food and Agricultural Organization and World Health Organization.

The scheme of audit and review arrangements for AID involves the following:

Office of the Auditor General

This Office was established in June 1969 as the result of recommendations of the GAO that the internal audit and review procedures within AID be strengthened. The AG Office replaced an internal financial audit office which had been attached to the Controller's Department and which had had little status in or impact on AID. The AG Office also consolidates with the internal financial audit and management review functions certain other activities related to the "integrity of operations". The AG reports directly to the Administrator of AID.

The AG Office has the following principal divisions:

- (i) Office of Audit: This office carries on systematic internal financial audit of AID activities and provides external financial audit of contractors' financial records.
- (ii) Operations Appraisal Staff: This office carries out management effectiveness studies and appraisals. It emphasizes "operations audits" and does not undertake evaluations or "end-use audits". The staff is made up largely of individuals assigned from other parts of AID, particularly the operational departments.

(iii) Office of Inspections and Investigations: This office carries out investigations of irregularities involving possible violations of criminal and civil fraud statutes.

(iv) Office of Security: This office is concerned with personnel loyalty and the physical security of AID documents and buildings.

The AID Manual Order describing the AG Office is attached as Annex 1. The professional staff of the entire AG Office around the world numbers approximately 300.

Director of Program Evaluation

Evaluation studies to determine whether AID is achieving its objectives are carried out internally by the Director of Program Evaluation in the Office of the Administrator. He is assisted by the Operations Evaluation Staff (OES) which is described by Manual Order 202.3 as being "a staff facility of the Administrator for making special assessments of AID policies and programs in AID receiving countries and of the performance of mission staff and related headquarters staff in carrying out the country program". The OES is made up of senior AID officers detailed to it and occasionally of officials from other agencies and persons outside the government.

Inspector General, Foreign Assistance

The Office of the Inspector General, Foreign Assistance (IGA) in the Department of State is established by Section 624(d) of the Foreign Assistance Act of 1961 (22 USC § 2384(d)), a copy of which is attached as Annex 2. The Inspector General is given extremely broad review powers over the foreign assistance programs, the Peace Corps, PL 480 activities and programs under the Latin American Development Act. The statute directs the IGA to:

- (i) determine whether these programs are in compliance with applicable laws and regulations;
- (ii) ascertain the efficiency and economy of the administration of these programs;
- (iii) evaluate the effectiveness of these programs in attaining U.S. foreign policy objectives; and
- (iv) determine whether the objectives of the programs are achieved.

The statute provides that the IGA is to report directly to the Secretary of State and empowers the IGA upon notice to the Secretary to suspend individual projects.

In fact the IGA role is quite limited and ignores its broader writs under the statute. The IGA staff numbers only 40, of which 25 are Foreign Assistance Inspectors. Its procedure is to assign two Foreign Assistance Inspectors to a given inspection. The inspections are selective and almost invariably of an individual project or of a specific problem which has arisen in connection with a particular project.

The IGA reports are sent to the head of the agency involved, with summaries provided to the Secretary. The reports are classified, and I could not obtain one. Periodically, however, the IGA provides the Senate Foreign Relations Committee with a list of examples of its work. The most recent is attached as Annex 3. You will notice that IGA concentrates on finding individual instances of waste, inefficiency and incompetence and does not provide constructive management effectiveness reviews or evaluations.

In accordance with the statute all copies of audit reports and other reviews within AID are automatically sent to IGA. The IGA also monitors AID correspondence between headquarters and the missions in its entirety.

General Accounting Office

As with all federal government agencies AID is also subject to audit and review by the GAO which is responsible solely to the Congress. GAO's sweeping statutory powers to audit and investigate Government agencies are described in my memorandum to Mr. Broches of June 15, 1970.

GAO is increasingly emphasizing management effectiveness reviews and end-use evaluations of the activities of the federal agencies. These reviews and evaluations are carried out on a selective basis. Activities or matters to be investigated are selected because of interest demonstrated by the Congress or specific requests from committees or individual Congressmen. The scope of these reviews may be extremely broad (the entire poverty program) or quite narrow (the military services' use of manually fed furnaces for heating barracks and similar buildings).

No matter how broad gauged the review the thrust of GAO's effort is ultimately financial - did Congress and the Taxpayer get their "money's worth". GAO does not evaluate the objectives of a program but only the extent to which those objectives are being achieved. For instance, if \$10,000,000 is appropriated for family planning, GAO is interested in whether \$10,000,000 worth of family planning is being obtained, not whether family planning contributes to economic development or general happiness.

AID is monitored by GAO's International Division. To give you the flavor of GAO's reports I am attaching as Annex 4 copies of the International portion of GAO's Annual Reports for FY 1969 and FY 1968. If you're interested, I have copies of the GAO reports on AID project lending in Korea and Colombia and on the Executive Branch's management of the U.S. participation in WHO and FAO in my office.

Attachments

cc: Mr. Szasz

Note: Annexes are not included because they are very voluminous. Copies are in Legal Files.

TMCLyde:ep

E

GROUP E

Oliver Broderick
John Scott

OFFICE MEMORANDUM

CONFIDENTIAL

③ *Mr. Jeff* July 29, 1970
are doing background papers in this area.
④ *M. Clyde*
Legal Files 52052

TO: Mr. William Clark
FROM: J. B. Merriam
SUBJECT:

DATE:

1. The Chairman of the House Foreign Affairs Committee, Thomas Morgan (DEM. - Pennsylvania) has written the Comptroller General of the United States urging that the United States "aggressively support" the establishment within international organizations, including development finance institutions, "independent audit, review and evaluation staffs which would report their findings to the highest policymaking body (Board of Executive Directors, etc.) on which each contributing government has a representative." Copies of the Morgan letter have been sent to the Secretaries of State and Treasury and the Administrator of AID.

Morgan reveals in his letter that he has been engaged in correspondence with the General Accounting Office, and its principal, the Comptroller General, concerning the role which the GAO should play in these organizations. He states that he does not believe that present GAO surveillance is adequate and that the GAO should take the initiative "through the U.S. representatives of the various multi-financed operations, actively to propose and follow up on the early establishment of such audit and review staffs ...". Morgan continues, "In short, what I would like to see is an external-type audit and management review staff group, somewhat analogous to the General Accounting Office, which would serve all of the contributing governments in their overall need to know that the organization's affairs are being run in a competent and efficient manner. Such a staff would be independent, and the scope of its operations and functions would be determined at the country representative level and not by the President or other top management official."

Finally, Morgan points out that the GAO should share with the U.S. representative access to all audit reviews which testify to the effectiveness of an agency's operations.

2. Paul Nelson, Chief of Staff of the House Banking and Currency Committee, is deeply disturbed by Chairman Morgan's initiative. Nelson believes that Morgan is attempting to extend his committee's jurisdiction over international organizations to include multilateral development institutions by making use of the auditing issue. Nelson says that representatives of the International Section of the General Accounting Office have traditionally been close to the Foreign Affairs Committee staff, and implies that the Morgan/Staats letter is designed to set up a controlled dialogue which will have the effect of telling downtown agencies that the General Accounting Office and the Foreign Affairs Committee have taken the matter in hand.

Nelson states that the Chief of the International Division of the GAO called on him earlier this year to ask assistance in "getting the goods" on multilateral development institutions. Nelson, who admittedly distrusts the General Accounting Office, said that he sent the man packing with a clear instruction to stay out of the Banking and Currency Committee's jurisdiction.

Comment

1. To the IBRD the importance of the Morgan/Staats letter (copy is attached) is less the direction in which Morgan is moving (which seems to pose few operational problems) and more the jurisdictional squabble which it is likely to incite. All Hill sources indicate an interest in a multilateral audit system of some kind. What Morgan is doing is to get out in front in the hopes of gaining expanded authority.

2. Nelson has earlier indicated doubts about using the General Accounting Office as the agency delegated to participate in a multilateral audit. The Banking and Currency Committee tends to favor a specially-appointed U.S. representative serving on a new international audit body. One reason for this position is clearly the Committee's distrust of the GAO in questions involving other House committees.

3. From the Bank's point of view, GAO participation in an audit would have certain political advantages. A clear bill of health through a procedure approved by the GAO would be almost automatically accepted by the Congress as a whole. Notwithstanding Nelson's criticisms, the GAO enjoys fairly wide-spread support on the Hill, and most members (even in the Banking and Currency Committee) will defend its findings.

4. In any jurisdictional battle between the House Banking and Currency and Foreign Affairs Committees, the former has the upper hand. The reason is simply that the Banking and Currency Committee deals with significant financial issues which in turn are closely related to the source of supply of campaign funds and other vital political considerations. The Foreign Affairs Committee, on the other hand, handles remarkably little legislation. The bilateral Foreign Aid authorization is its major effort of the year. In 1970 no authorization was required. Consequently Chairman Morgan has been casting about for a means of strengthening his position.

5. I have not made the substance of this report available to the Treasury or the U.S. Executive Director as of this writing. The GAO has been working closely with the Treasury. I believe that it would be better if word were to come from that source, since the Bank will have to avoid being caught in this jurisdictional problem.

Attachment

JEM/pam

cc: Messrs. McNamara, Knapp, Sir Denis Rickett, Mr. Gaud
Messrs. Adler, Nurick ✓

COMMITTEE ON FOREIGN AFFAIRS

July 14, 1970

Honorable Elmer H. Staats
Comptroller General of the United States
441 G Street, N. W.
Washington, D. C. 20548

Dear Mr. Staats:

I have reviewed with great interest the enclosures to your letter of July 7, 1970, in which you describe the views of the General Accounting Office concerning the role of the United States Government in auditing international organizations in which the United States Government is a participant.

Because of the proliferation of regional, multinational and international organizations and the increasingly heavy U. S. participation, I have long felt the need for the Congress to have greater assurance that these organizations are being effectively managed. I believe it is necessary, therefore, that the United States aggressively support the establishment within these organizations of independent audit, review and evaluation staffs which would report their findings to the highest policymaking body (Board of Executive Directors, Council, Council of Ministers, General Assembly, etc.) on which each contributing government has a representative.

The description of the General Accounting Office role, contained in the material supplied with your letter, does not adequately deal with this problem area. The role of your Office should not be limited to reviewing reports when such reports become available.

I believe that your organization should take the initiative, through the U. S. representatives to the various multi-financed operations, actively to propose and follow up on the early establishment of such audit and review staffs, suggest organizational and staffing steps, as well as the audit, review and reporting procedures that will provide the comprehensive coverage necessary for your Office to render an informed judgment of the operations.

In short, what I would like to see is an external-type audit and management review staff group, somewhat analogous to the General Accounting Office, which would serve all of the contributing governments in their overall

COMMITTEE ON FOREIGN AFFAIRS

Honorable Elmer B. Staats
July 14, 1970
Page 2

need to know that the organization's affairs are being run in a competent and efficient manner. Such a staff would be independent, and the scope of its operations and functions would be determined at the country representative level and not by the President or other top management official.

It seems to me that it is essential that the U. S. representative and the General Accounting Office should have access to all audit reports on which a judgment as to the effectiveness of an international agency's operations is based in order that you can evaluate the adequacy of the coverage by such audits as well as the quality of the agency's operations. Presumably the governing body of any international organization is as interested in adequate auditing as is the United States. There appears to be a danger, however, that member countries may take the position that if the auditors will avoid stirring up trouble with respect to operations in "our country", we will not stir up trouble in "yours." It is essential that the General Accounting Office be in a position to provide guidance to the United States representatives to international organizations so as to prevent this happening.

I would very much appreciate any comments or suggestions you might have concerning my views above, including the need for additional legislation, if any.

Since my views relate to multinational and regional undertakings as well as international organizations, I am sending a copy of this letter to the Secretary of State, the Secretary of the Treasury, and the Administrator of the Agency for International Development.

With best wishes,

Sincerely yours,

Chairman

TEM:ham

OFFICE MEMORANDUM

TO: Mr. Lester Nurick

DATE: September 20, 1972

FROM: Thomas M. Clyde *TMC*SUBJECT: Audit of International Financial Institutions: Testimony of GAO Official

On June 4, 1970 the U.S. House of Representatives passed HR 17867, the appropriations bill for foreign assistance and related programs for Fiscal Year 1971. Title III of the bill appropriated amounts for "Foreign Assistance (Other)" and included an appropriation of \$160,000,000, to remain available until expended, for "payment of the third installment of the U.S. share of the 1969-1971 increase in the resources of the International Development Association".

\$504 of the bill, which was applicable to the IDA appropriation, provided as follows:

"Section 504. None of the funds herein appropriated for "International Financial Institutions" shall be available to assist in the financing of any project or activity the expenditures for which are not subject to audit by the Comptroller General of the United States."

On July 1, 1970 the House of Representatives Committee on Banking and Currency was holding hearings on HP 18236, a bill to increase the U.S. subscription to the capital of the Inter-American Development Bank and contribution to the IDB's Fund for Special Operations. One of the witnesses was Oye V. Stovall, Director, International Division, General Accounting Office (Hearings, pp. 164-178). Mr. Stovall's testimony was directed to the concept underlying \$504 of the appropriations bill, HR 17867.

In his opening statement Mr. Stovall presented the GAO's view of its role in reviewing the U.S. participation in international financial institutions:

"In the simplest terms, the GAO objectives in reviewing the management of U.S. interests in international lending programs are to:

1. Ascertain how U.S. interests are being managed (not the operation of the international organization, but the operation and involvement of those U.S. agencies and U.S. officials who are responsible for managing U.S. interests);

2. Evaluate the executive branch systems and procedures, including necessary coordination mechanisms among U.S. Federal agencies, that are being employed by the responsible executive agencies having financial and management responsibilities from the viewpoint of the U.S. participation;

3. Report to the Congress and to the heads of the agencies concerned on how the U.S. participation operates, with recommendations to the Congress or to the executive agencies wherever they appear to be needed."

The principle underlying Mr. Stovall's testimony was that the GAO could not audit or review directly the operations of an international financial institution but rather could only audit and review the U.S. executive branch's management of the U.S. participation in the institution. At one point Mr. Stovall stated as follows:

"In our reviews we clearly recognize the sovereignty of the international organizations. It would be contrary to the concept of participation in an international organization for the many participating nations individually to seek direct access or audit authority which would inject them into the internal administration and operations of the international organization."

Mr. Stovall also referred to a statement made in March, 1970 by the Comptroller General to a subcommittee of the House Foreign Affairs Committee:

"We recognize that U.S. efforts toward improved management of activities of the international organizations, of which the United States is a member, must be undertaken and assessed within the framework of the international character of the organization and that membership presumes a willingness on the part of member nations to rely on the management of the organization. We also recognize that constraints on actions that can be taken unilaterally are an inherent part of such membership no matter how constructive the proposed actions might be."

During the questioning Mr. Stovall was asked to confirm that the GAO opposed the language of §504 of the appropriations bill. In one of his replies Mr. Stovall stated:

"I think that our position is clear that we do not think that it is appropriate for each participating country to make audits..."

One of the reasons I think I appear to be hedging your question is that I don't know what interpretation is intended on that language. If the interpretation is that we would go into the international organization, then I think my position is clear.

A:

It may be that an interpretation could be placed on this which would again relate to the expenditure within or the expenditure action within the U.S. Government. I don't think that was intended. If it were working only within the U.S. Government we would agree with it. If it means going into the international organization we, of course, would not."

TM Clyde/jh



Record Removal Notice

File Title Director General Operations Evaluation - General Accounting Office (GAO) Audits - Reports 01		Barcode No. 1737832		
Document Date 01 July, 1970	Document Type Letter			
Correspondents / Participants To : Lester Nutick From : Robert Wieczorowski				
Subject / Title Mr. Stovall's testimony before the House Banking and Currency Committee				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments Document attached : Statement of Oye V. Stovall, Director, International Division, US General Accounting Office before the House Banking and Currency Committee		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td>Withdrawn by Vlada Alekankina</td><td>Date 30-Aug-12</td></tr></table>	Withdrawn by Vlada Alekankina	Date 30-Aug-12
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File Title Director General Operations Evaluation - General Accounting Office (GAO) Audits - Reports 01		Barcode No. 1737832		
Document Date 14 April, 1967	Document Type Report			
Correspondents / Participants				
Subject / Title Development and Coordination of the Activities of the Organizations Within the United Nations System. Thirty-third report of the Administrative Committee on Coordination.				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
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File Title Director General Operations Evaluation - General Accounting Office (GAO) Audits - Reports 01		Barcode No. 1737832		
Document Date 14 October, 1969	Document Type Report			
Correspondents / Participants				
Subject / Title Implementation of the Recommendations of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies. Report on the activities of the Joint Inspection Unit, January 1968-June 1969. Note by the Secretary-General				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
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File Title Director General Operations Evaluation - General Accounting Office (GAO) Audits - Reports 01		Barcode No. 1737832		
Document Date 17 June, 1970	Document Type Report			
Correspondents / Participants				
Subject / Title Establishment of a System for the Comprehensive and Continuing Audit of the Operations and Other Activities of the Bank				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments Document of the IADB, Four IADB documents attached		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
		<table border="1"><tr><td>Withdrawn by Vlada Alekankina</td><td>Date 30-Aug-12</td></tr></table>	Withdrawn by Vlada Alekankina	Date 30-Aug-12
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B



Record Removal Notice

File Title Director General Operations Evaluation - General Accounting Office (GAO) Audits - Reports 01		Barcode No. 1737832		
Document Date 07 May, 1970	Document Type Report			
Correspondents / Participants				
Subject / Title Hearings before the Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs, House of Representatives, Ninety-First Congress, Second Session				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.		
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