

Appendix D: Quality Standards for Federal Offices of Inspector General, October 2003 (Abridged)

(President's Council on Integrity and Efficiency / Executive Council on Integrity and Efficiency)

Independence

The Inspector General and OIG staff must be free both in fact and appearance from personal, external, and organizational impairments to independence. The Inspector General and OIG staff have a responsibility to maintain independence, so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. The Inspector General and OIG staff should avoid situations that could lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the OIG is not able to maintain independence in conducting its work.

1. Statutory Independence

The IG Act of 1978, as amended, established OIGs to create organizationally independent and objective units. This statutory independence is intended to ensure the integrity and objectivity of OIG activities. . . .

Inspectors General report both to the head of their respective agencies and to the Congress.¹ This dual reporting responsibility is the framework within which Inspectors General perform their functions. Unique in government, dual

¹ IG Act, Sections 2(3), 4(a)(5), and 5(b).

reporting is the legislative safety net that protects the Inspector General's independence and objectivity.

2. Personal Impairments

Personal impairments of staff members result from relationships and beliefs that might cause OIG staff members to limit the extent of an inquiry, limit disclosure, or weaken or slant their work in any way. OIG staff are responsible for notifying the appropriate officials within their organization if they have any personal impairments to independence.

3. External Impairments

Factors external to the OIG may restrict the work or interfere with an OIG's ability to form independent and objective opinions and conclusions. External impairments to independence occur when the OIG staff is deterred from acting objectively and exercising professional skepticism by pressures, actual or perceived, from management and employees of the reviewed entity or oversight organizations. OIGs should have policies and procedures in place to resolve or report external impairments to independence when they exist.

These impairments could include, but are not limited to, the following:²

- a. external interference or influence that could improperly or imprudently limit or modify the scope of OIG work or threaten to do so, including pressure

² Government Auditing Standards, Section 3.19.

- to reduce inappropriately the extent of work performed in order to reduce costs or fees;
- b. external interference with the selection or application of OIG procedures, the selection of transactions to be examined, or access to records or personnel;
 - c. unreasonable restrictions on the time allowed to complete OIG work or reports;
 - d. interference external to the OIG in the assignment, appointment, promotion, or termination of OIG personnel;
 - e. restrictions on funds or other resources provided to the OIG organization that adversely affect the OIG's ability to carry out its responsibilities;
 - f. authority to overrule or to inappropriately influence OIG judgment as to the appropriate content of reports;
 - g. threat of replacement over a disagreement with the contents of an OIG report, conclusions, or the application of an accounting principle or other criteria;
 - h. influences that jeopardize the continued employment of the IG or other OIG staff other than incompetence, misconduct, or the need for OIG services.

4. Types of Services

Auditors and audit organizations within OIGs have a specific independence standard³ required by *Government Auditing Standards*. This standard requires that, while auditors have the capability of performing a range of services for their clients, in some circumstances it is not appropriate for them to

³ *Government Auditing Standards*, Section 3.11-Section 3.25.

perform both audit and certain nonaudit services for the same client. The standard is based on two overarching principles:

- a. Auditors should not perform management functions or make management decisions; and
- b. Auditors should not audit their own work or provide nonaudit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

In addition to its application to OIG audit activities, the first overarching principle should be applied broadly to all OIG activities. Specifically, OIG staff, and others under OIG direction, should not perform management functions or make management decisions for their agency.

OIG audit organizations should take steps to ensure that auditors under contract to the OIG do not have independence impairments.

5. Conflicting Financial Interests

An OIG staff member's objectivity and independence may also be affected by personal financial interests that are held by the staff member or by certain family members, or by positions the staff member holds as a trustee, director, officer, or employee of an outside organization. OIG staff should notify appropriate officials within their organization if they have a potentially conflicting financial interest.

Inspector General Reference Guide

The Office of the Inspector General of the Department of Defense was established by Congress as one of the "independent and objective units [within specified 'establishments,' including the Department of Defense] to conduct and supervise audits and investigations relating to the programs and operations of those establishments." The Inspector general serves by statute as the principal advisor to the Secretary of Defense in all Inspector General matters, and by military tradition -- established by Inspector General Frederick William Baron von Steuben (1730-1794) -- as an independent extension of "the eyes, ears, and conscience" of the Secretary. In support of the mission of the Department of Defense, the Inspector General carries out the duties of the Inspector General Act of 1978, as amended, such as providing "leadership . . . to promote economy, efficiency and effectiveness," preventing and detecting "fraud, waste, and abuse," and giving "particular regard to the activities of the internal audit, inspection, and investigative units of the military departments with a view toward avoiding duplication and insuring effective coordination and cooperation."

Anyone who has doubts about the conformity of his or her own conduct with ethical and/or legal standards should not hesitate to seek advice through the chain of command. Anyone, whether uniformed or civilian, who witnesses what he or she believes to be a violation of ethical and/or legal standards, including but not limited to fraud, waste, or abuse of authority, should report such conduct through the chain of command or either directly to his or her respective Service Inspector General or directly to the Inspector General of the Department of Defense Hotline at 800-424-9098 (e-mail: hotline@dodig.osd.mil).



Office of the Inspector General
Department of Defense

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