

**GAO**

**Testimony**

Before the Subcommittee on Government  
Management, Organization and Procurement,  
Committee on Oversight and Government  
Reform, House of Representatives

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**INSPECTORS GENERAL**

**Proposals to Strengthen  
Independence and  
Accountability**

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Highlights of [GAO-07-1021T](#), testimony before the Subcommittee on Government Management, Organization and Procurement, Committee on Oversight and Government Reform, House of Representatives

## Why GAO Did This Study

H.R. 928, Improving Government Accountability Act, contains proposals intended to enhance the independence of the inspectors general and to create a Council of the Inspectors General on Integrity and Efficiency. This testimony provides information and views about the specific proposals based on GAO's prior work.

We believe that effective, ongoing coordination of the federal oversight efforts of GAO and the IGs is more critical than ever, due to the challenges and risks currently facing our nation including our immediate and long-term fiscal challenges, increasing demands being made for federal programs, and changing risk. Close strategic planning and ongoing coordination of audit efforts between GAO and the IGs would help to enhance the effectiveness and impact of work performed by federal auditors.

In May of this year the Comptroller General hosted a meeting with the IGs for the principal purpose of improving the coordination of federal oversight between the IGs and GAO. Working together, and in their respective areas, GAO and the IGs can leverage each other's work and provide valuable input on the broad range of high-risk programs and management challenges across government.

[www.gao.gov/cgi-bin/getrpt?GAO-07-1021T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-1021T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jeanette Franzel, (202) 512-9471 or [franzelj@gao.gov](mailto:franzelj@gao.gov).

# INSPECTORS GENERAL

## Proposals to Strengthen Independence and Accountability

### What GAO Found

IG independence is one of the most important elements of the overall effectiveness of the IG function. The IG Act, as amended, (IG Act) provides specific protections to IG independence that are necessary due in large part to the unusual reporting requirements of the IGs who are both subject to the general supervision and budget processes of the agencies they audit while at the same time being expected to provide independent reports of their work externally to the Congress.

The IGs, in their statutory role of providing oversight of their agencies' operations, represent a unique hybrid of external and internal reporting responsibilities. IG offices have characteristics of both external audit organizations and internal audit organizations by reporting the results of their work both externally to the Congress and internally to the agency head. A key provision of the IG Act regarding IG independence is for certain IGs to be appointed by the President with the advice and consent of the Senate. Other IGs established by amendments to the IG Act, are appointed by their agency heads.

In May 2006, at the request of the Senate Committee on Homeland Security and Governmental Affairs, the Comptroller General convened a panel of recognized leaders in the federal government and in academia to discuss many of the same proposals that are in H.R. 928. Many of the provisions in H.R. 928, Improving Government Accountability Act, address IG independence. Today we are providing our views and the views of the panel on the following provisions: (1) providing IGs with specified terms of office and limiting IG removal for specified cause, (2) changes to how IGs submit their budget requests, (3) a statutorily established IG Council, (4) defining IG offices as separate agencies for purposes of personnel authority, and (5) providing additional investigative and law enforcement authorities.

The majority of the panelists did not favor a term of office, but they did favor advanced notification to the Congress of the reasons for removal. Regarding IG budgets, the panelists had mixed views about the IGs sending their budget requests directly to OMB and the Congress, but supported separate budget line items for all IGs. In a prior report, GAO recommended establishing an IG Council in statute with a designated funding source and strongly supports the proposal in H.R. 928. In contrast, the panelists had mixed views about statutorily establishing a joint IG Council but did favor establishing a funding mechanism. While the panel did not address the proposal to formalize the Integrity Committee in statute, GAO strongly supports this provision and believes it is important that the independence and work of the Integrity Committee be preserved. We do not support the proposal to define IG offices as separate agencies, but do support the intent of the bill in addressing IG pay and personnel issues. Finally, the panel overwhelmingly supported the provisions in H.R. 928 related to IG investigative and law enforcement authorities.

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss current legislative proposals intended to enhance the independence and operations of the inspectors general (IG) offices. The IG offices play a key role in federal agency oversight. They were created to prevent and detect fraud, waste, abuse, and mismanagement in agencies' programs and operations; conduct and supervise audits and investigations; and recommend policies to promote economy, efficiency, and effectiveness. In the past almost 3 decades since passage of the landmark IG Act of 1978, the IGs have played a very important role in enhancing government accountability and protecting the government against fraud, waste, abuse, and mismanagement.

The IG Act recognized IG independence as one of the most important elements of the overall effectiveness of the IG function. In fact, much of the IG Act, as amended (IG Act), provides specific protections to IG independence that are unprecedented for an audit and investigative function located within the organization being reviewed. These protections were necessary due in large part to the unusual reporting requirements of the IGs who are both subject to the general supervision and budget processes of the agencies they audit while at the same time being expected to provide independent reports of their work externally to the Congress. Many of the provisions in the Improving Government Accountability Act, H.R. 928,<sup>1</sup> seek to further strengthen the independence of the IGs to help ensure their ability to effectively carry out their dual internal and external reporting roles.

Today, I will discuss (1) the key principles of auditor independence, (2) the proposals in H.R. 928 regarding IG independence and operations and the establishment of a statutory council of IGs, and (3) additional matters concerning IG independence and the coordination of federal oversight from GAO's recent IG work.

My testimony today draws on provisions of the IG Act, professional auditing standards, prior GAO reports, and information reported by the IGs. In May 2006, the Comptroller General hosted a panel discussion on many of the issues to be discussed today. I will draw upon information gained from the panel to address several issues in H.R. 928.

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<sup>1</sup>Improving Government Accountability Act, H.R. 928, 110<sup>th</sup> Cong. (February 8, 2007).

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## Auditor Independence

Key to a consideration of H.R. 928 are the principles of auditor independence and how they apply in the IG community. Independence is the cornerstone of professional auditing. Without independence, an organization cannot do independent audits. Lacking this critical attribute, an organization's work might be classified as studies, research reports, consulting reports, or reviews, but not independent audits. *Government Auditing Standards*<sup>2</sup> state, "In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be free from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments to independence. Auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by objective third parties with knowledge of the relevant information." [emphasis added].

- **Personal independence** applies to individual auditors at all levels of the audit organization, including the head of the organization. Personal independence refers to the auditor's ability to remain objective and maintain an independent attitude in all matters relating to the audit, as well as the auditor's ability to be recognized by others as independent. The auditor needs an independent and objective state of mind that does not allow personal bias or the undue influence of others to override the auditor's professional judgments. This attitude is also referred to as intellectual honesty. The auditor must also be free from direct financial or managerial involvement with the audited entity or other potential conflicts of interest that might create the perception that the auditor is not independent.
- **External independence** refers to both the auditor's and the audit organization's freedom to make independent and objective judgments free from external influences or pressures. Examples of impairments to external independence include restrictions on access to records, government officials, or other individuals needed to conduct the audit; external interference over the assignment, appointment, compensation, or promotion of audit personnel; restrictions on funds or other resources provided to the audit organization that adversely affect the audit organization's ability to carry out its responsibilities; or external authority to overrule or to inappropriately influence the auditors' judgment as to appropriate reporting content.

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<sup>2</sup>GAO, *Government Auditing Standards, January 2007 Revision*, [GAO-07-162G](#), Sections 3.02 and 3.03 (Washington, D.C.: January 2007).

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- **Organizational independence** refers to the audit organization's placement in relation to the activities being audited. Professional auditing standards have different criteria for organizational independence for external and internal audit organizations. The IGs, in their statutory role of providing oversight of their agencies' operations, represent a unique hybrid of external and internal reporting responsibilities.

External audit organizations are organizationally independent under professional auditing standards when they are organizationally placed outside of the entity under audit. In government, this is achieved when the audit organization is in a different level of government (for example, federal auditors auditing a state government program) or different branch of government within the same level of government (for example, legislative auditors, such as GAO, auditing an executive branch program). External auditors also report externally, meaning that their audit reports are disseminated to and used by third parties.

Internal audit organizations are defined as being organizationally independent under professional auditing standards if the head of the audit organization (1) is accountable to the head or deputy head of the government entity or to those charged with governance, (2) reports the audit results both to the head or deputy head of the government entity and to those charged with governance, (3) is located organizationally outside the staff or line-management function of the unit under audit, (4) has access to those charged with governance, and (5) is sufficiently removed from political pressures to conduct audits and report findings, opinions, and conclusions objectively without fear of political reprisal. Under internal auditing standards,<sup>3</sup> internal auditors are generally limited to reporting internally to the organization that they audit, except when certain conditions are met.

The IG offices, having been created to perform a unique role in overseeing federal agency operations, have characteristics of both external audit organizations and internal audit organizations. For example, the IGs have external reporting requirements consistent with the reporting requirements for external auditors while at the same time being part of their respective agencies. IGs also have a dual reporting responsibility to

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<sup>3</sup>The Institute of Internal Auditors, *Professional Practices Framework, International Standards for the Professional Practice of Internal Auditing* (Altamonte Springs, Florida: March 2007).

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the Congress and the agency head. The IG Act also contains many unique provisions to provide for independence under this model.

Under the IG Act, the IGs (1) may perform any audit or investigation without interference from the agency head and others except under specific conditions, (2) report to and receive general supervision only from the heads or deputy heads of their agencies and no other agency officials, and (3) have direct and immediate access to their agency heads. The IGs' external reporting requirements in the IG Act include reporting the results of their work in semiannual reports to the Congress. Under the IG Act, the IGs are to report their findings without alteration by their respective agencies, and these reports are to be made available to the general public.

The IG Act also directs the IGs to keep the agency head and the Congress fully and currently informed by these semiannual reports, and otherwise, of any fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by their agencies. Also, the IGs are required to report particularly serious or flagrant problems, abuses, or deficiencies immediately to their agency heads, who are required to transmit the IG's report to the Congress within 7 calendar days. Finally, depending on the IG's appointment process, either the President or the agency head must provide the Congress notification as to the reasons for the removal of any IG.

A key provision in the IG Act regarding IG independence is for certain IGs to be appointed by the President with the advice and consent of the Senate. This appointment is required to be without regard to political affiliation and is to be based solely on an assessment of a candidate's integrity and demonstrated ability. These presidentially appointed IGs can only be removed from office by the President, who must communicate the reasons for removal to both houses of the Congress. Government auditing standards recognize this external appointment/removal of the IG as a key independence consideration for IGs as external audit organizations.

Organizational independence differs between the offices of presidentially appointed IGs and agency-appointed IGs. In 1988, the IG Act was amended to establish additional IG offices in designated federal entities (DFE) named in the legislation. Generally, these IGs have the same authorities and responsibilities as those IGs established by the original 1978 Act, but they have a clear distinction in their appointment—they are appointed and removed by their entity heads rather than by the President and are not subject to Senate confirmation. In addition, the DFE IGs do not have the requirement that their appointment is to be without regard to political

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affiliation and based solely on integrity and demonstrated ability. The DFE IGs, while they are covered by many of the same provisions of the IG Act as the IGs appointed by the President with Senate confirmation, are more closely aligned to independence standards for internal auditors rather than external auditors. At the same time, *Government Auditing Standards* recognize that additional statutory safeguards exist for DFE IG independence for reporting externally. These safeguards include establishment by statute, communication of the reasons for removal of the head of an audit organization to the cognizant legislative oversight body, statutory protections that prevent the audited entity from interfering with an audit, statutory requirements for the audit organization to report to a legislative body on a recurring basis, and statutory access to records and documents related to agency programs.

We believe that the differences in the appointment and removal processes between presidentially appointed IGs and those appointed by the agency head do result in a clear difference in the organizational independence structures of the IGs. Those offices with IGs appointed by the President are more closely aligned with the independence standards for external audit organizations, while those offices with IGs appointed by the agency head are more closely aligned with the independence standards for internal audit organizations. However, as I mentioned earlier, the IGs represent a unique hybrid of external auditing and internal auditing in their oversight roles for the federal agencies.

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## Provisions of H.R. 928

In May 2006, at the request of the Senate Committee on Homeland Security and Governmental Affairs, the Comptroller General convened a panel of recognized leaders of the federal audit and investigative community to discuss many of the same proposals that are in H.R. 928, Improving Government Accountability Act. We drew the panel from the current IG leadership, former IGs, knowledgeable former and current federal managers, representatives of academia and research institutions, a former member of the Congress, and congressional staff, including the congressional staff person closely involved in the development of the 1978 Act. Among other issues, the panel members discussed terms of office and removal for cause, submission of IG budgets, a proposed IG Council, and investigative and law enforcement authorities for agency-appointed IGs. The panel members did not discuss the proposal in H.R. 928 calling for establishing IG offices as separate agencies for purposes related to

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personnel matters. In September 2006 we issued the results of the panel discussion.<sup>4</sup>

I would now like to highlight the overall perspectives of the panel in the context of H.R. 928.

Terms of office and removal for cause

Depending on the nature of their appointment, IGs serve at the pleasure of either the President or their agency head. The IGs appointed by the President with Senate confirmation may be removed only by the President, while the IGs appointed by their agency heads may be removed or transferred from their office only by the agency head. However, in both types of removal, the reasons must be communicated to the Congress after the action has taken place.

H.R. 928 includes a provision to specify a 7-year term of office for each IG with more than one term possible. In addition, the bill provides a removal-for-cause provision whereby an IG may be removed from office prior to the expiration of his or her term only on the basis of permanent incapacity, inefficiency, neglect of duty, malfeasance, conviction of a felony, or conduct involving moral turpitude.

The majority of the panel participants did not favor statutorily establishing a fixed term of office for IGs. The reasons included the panelists' belief that the proposal could disrupt current agency/IG relationships and that agency flexibility is needed to remove a poor-performing IG if necessary. On the other hand, a statutory term of office and removal for specified causes was viewed positively by some panelists as a means of enhancing independence by relieving some of the immediate pressure surrounding removal. The panel members did generally support a statutory requirement to notify the Congress in writing in advance of removing an IG, with an explanation of the reason for removal. The participants cautioned that this procedure should consist only of notification, without building in additional steps or actions in the removal process.

IG budget submission

The IG Act Amendments of 1988 require the President's budget to include a separate appropriation account for each of those IGs who are appointed by the President or otherwise specified by the act. In this context, IG budget requests are generally part of each agency's budget process and are

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<sup>4</sup>GAO, *Highlights of the Comptroller General's Panel on Federal Oversight and the Inspectors General*, GAO-06-931SP (Washington, D.C.: Sept. 11, 2006).



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submitted as a separate budget line item to the Office of Management and Budget (OMB) and the Congress as a part of each agency's overall budget. In contrast, most IGs appointed by their agency heads do not have a separate appropriation account.

H.R. 928 would give the IGs an opportunity to justify their funding requests directly to OMB and the Congress in addition to being a part of their agencies' budget processes. In those cases where the IGs make their budget requests directly to OMB and the Congress, H.R. 928 would also require a comparison of the budget requests submitted by the IGs to the funds requested by the agency heads for their IGs included in the *Budget of the United States Government*. The panel members had mixed views about whether IGs should submit their budget requests directly to OMB and the Congress. The panel believed that the current system of separate budget line items for the presidential IGs works well and that all IGs should have separate budget line items. This is an issue the Congress would need to consider in the context of the broader budget and appropriations process.

## IG Council

In accordance with Executive Order No. 12805 issued in 1992, the IGs meet and coordinate as two groups. The IGs appointed by the President and confirmed by the Senate are members of the President's Council on Integrity and Efficiency (PCIE), and the IGs appointed by their agency heads are members of the Executive Council on Integrity and Efficiency (ECIE). Both the PCIE and ECIE are chaired by the OMB Deputy Director for Management.

H.R. 928 provides for a combined IG Council with duties and functions similar to the current PCIE and ECIE, including (1) identifying, reviewing, and discussing areas of weakness and vulnerability in federal programs and operations with respect to fraud, waste, and abuse; (2) developing plans for coordinated governmentwide activities that address these problems and promote economy and efficiency in federal programs and operations; and (3) developing policies and professional training to maintain a corps of well-trained and highly skilled IG personnel. The bill also provides for a separate appropriation account for the IG Council.

In a prior report<sup>5</sup> we recommended establishing an IG Council in statute with a designated funding source. We believe that by providing a statutory

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<sup>5</sup>GAO, *Inspectors General: Enhancing Federal Accountability*, [GAO-04-117T](#) (Washington, D.C.: Oct. 8, 2003).

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basis for the council's roles and responsibilities, the permanence of the council could be established and the ability to take on more sensitive issues could be strengthened. In contrast, the participants in our May 2006 panel discussion had mixed views about statutorily establishing a joint IG Council but did favor establishing a funding mechanism.

H.R. 928 also provides for an Integrity Committee of the IG Council to review and investigate allegations of IG misconduct. The Integrity Committee's function would be similar to that of the current Integrity Committee of the PCIE and ECIE, which is charged with receiving, reviewing, and referring for investigation, where appropriate, allegations of wrongdoing against IGs and members of the IG's senior staff operating with the IG's knowledge. Currently, the Integrity Committee receives its authority under Executive Order 12993, signed in 1996, and is chaired by a representative of the FBI. Other members of the committee are the Special Counsel of the Office of Special Counsel, the Director of the Office of Government Ethics, and three IGs representing the PCIE and the ECIE. Cases investigated by members of the Integrity Committee may be forwarded to the PCIE and ECIE Chairperson for further action.

We believe that H.R. 928 would provide the IG councils—formed currently through executive order—with needed statutory permanence, and we continue to support formalizing a combined council in statute, along with the Integrity Committee. We also strongly support the concept behind the Integrity Committee. We believe it is imperative that the independence of the Integrity Committee be preserved and view this legislation as being directed to ensure permanence of this important function and not to change the basic underpinnings.

#### IG offices as separate agencies

In order to better attract and retain highly qualified IG employees, H.R. 928 would provide the IGs with personnel authority separate and apart from that of their agencies. To accomplish this, the bill would consider each IG office to be a separate agency for purposes of implementing certain provisions in Title 5 of the United State Code dealing with employment, retention, separation, and retirement.

We have concerns about this proposal. First, we are concerned about the inherent inefficiencies in enforcing a splitting of administrative processes currently often being shared by agencies and their IGs. Secondly, in providing such authorities to the IGs, there could be a great disparity in how this would be implemented by each IG office. The IG community has suggested that, as an alternative, the IGs could seek legislative authorization to apply to the Office of Personnel Management (OPM) for

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certain personnel authorities. We believe that if implementation is properly coordinated through the PCIE and ECIE, the IGs' proposal represents a good alternative and would address the intent of H.R. 928.

H.R. 928 also covers all provisions in Title 5 relating to the Senior Executive Service including receiving pay increases and bonuses. Issues over IG pay and bonuses have arisen over the past few years due to recent requirements<sup>6</sup> that rates of pay for the federal Senior Executive Service (SES) be based on performance evaluations as part of a certified performance management system. IGs who are subject to these requirements must therefore receive performance evaluations in order to qualify for an increase to their pay. The IGs are provided general supervision by their agency heads in accordance with the IG Act. However, independence issues arise if the agency head is evaluating IG performance when that evaluation is used as a basis for an increase in the IG's pay or for providing a bonus. As a result, some IGs have effectively had their pay capped without the ability to receive pay increases or bonuses.

The majority of panel participants believed that the pay structure for IGs needs to be addressed. The discussion emphasized the importance of providing comparable compensation for IGs as appropriate, while maintaining the IGs' independence in reporting the results of their work, and providing them with performance evaluations that could be used to justify higher pay. However, responses to IGs' receiving performance bonuses were mixed, mainly due to uncertainty about the overall framework that would be used to evaluate performance and make decisions about bonuses. We believe that an independent framework could be established through the PCIE and ECIE, in cooperation with OPM, to conduct performance evaluations of the IGs.

IG investigative and law enforcement authorities

The IG Act has been amended by subsequent legislation to provide IGs appointed by the President with law enforcement powers to make arrests, obtain and execute search warrants, and carry firearms. The IGs appointed by their agency heads were not included under this amendment but may obtain law enforcement authority by applying to the Attorney General for deputation on a case-by-case basis. In addition, the Program Fraud Civil

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<sup>6</sup>National Defense Authorization Act, Pub. L. No. 108-136, 117 Stat. 1392, 1638 (Nov. 24, 2003).

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Remedies Act of 1986<sup>7</sup> provides agencies with IGs appointed by the President with the authority to investigate and report false claims and recoup losses resulting from fraud below \$150,000. The agencies with IGs appointed by their agency heads do not have this authority. Also, the IG Act provides all IGs with the authority to subpoena any information, documents, reports, answers, records, accounts, papers, and other data and documentary evidence necessary to perform the functions of the IG Act. This subpoena authority does not specifically address electronically stored information or other forms of data.

H.R. 928 would allow IGs appointed by their agency heads to apply to the Attorney General for full law enforcement authority instead of having to renew their authority on a case-by-case basis or through a blanket authority that must be renewed after an established period of time. The bill would also provide the designated federal entities with IGs appointed by their agency heads the authority under the Program Fraud Civil Remedies Act to address and prosecute false claims and recoup losses resulting from fraud. In addition, the bill would provide the authority for all IGs to require, by subpoena, information and data in any medium, including electronically stored information as well as any “tangible thing.”

Panel participants overwhelmingly supported the provisions to (1) allow IGs appointed by their agency heads to apply to the Attorney General for full law enforcement authority instead of having to renew their authority on a case-by-case basis or through a blanket authority, (2) provide designated federal entities with IGs by their agency heads the authority under the Program Fraud Civil Remedies Act to investigate and report false claims and recoup losses resulting from fraud, and (3) define IG subpoena power to include any medium of information and data.

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## GAO and IG Coordination

In May of this year the Comptroller General hosted a meeting with the IGs for the principal purpose of improving the coordination of federal oversight between the IGs and GAO. We believe that effective, ongoing coordination of the federal audit and oversight efforts of GAO and the IGs is more critical than ever, due to the challenges and risks currently facing our nation, including our immediate and long-term fiscal challenges, increasing demands being made for federal programs, and changing risks. Closer strategic planning and ongoing coordination of audit efforts

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<sup>7</sup>31 U.S.C. §§ 3801-3812.

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between GAO and the IGs would help to enhance the effectiveness and impact of work performed by federal auditors. Working together and in our respective areas of expertise, GAO and the IGs can leverage each other's work and provide valuable input on the broad range of high-risk programs and management challenges across government that need significant attention and reform.

We will continue in our coordination with the IGs to help achieve our mutual goals of providing the oversight needed to help ensure that the federal government is transparent, economical, efficient, effective, ethical, and equitable. Significant coordination has been and is occurring between GAO and the IGs on agency-specific issues and cross-cutting issues. The Comptroller General in testifying<sup>8</sup> on the 25th anniversary of the IG Act, suggested, in light of this increased need for a well-coordinated federal audit community, the creation of a more formal mechanism going forward for a governmentwide council. In addition, panel participants recognized a critical need for a governmentwide council to address broad accountability issues among GAO, the IGs, and OMB. The structure of this council could be similar in concept to the Joint Financial Management Improvement Program (JFMIP), whose principals<sup>9</sup> meet at their discretion to discuss issues of mutual concern to promote governmentwide financial management. An accountability council could share knowledge and coordinate activities to enhance the overall effectiveness of government oversight and to preclude duplicate actions.

A good example of a strong formalized partnership between the GAO and the IGs is in the area of financial auditing. Under the Chief Financial Officers Act of 1990, as amended, the IGs at the 24 agencies covered by the act are responsible for the audits of their agencies' financial statements. In meeting these responsibilities, most IGs have contracted with independent public accountants to conduct the audits either entirely or in part. In some cases, GAO conducts the audits. GAO is responsible for the U.S. government's consolidated financial statement audit, which is based largely on the results of the agency-level audits. GAO and the IGs have agreed on a common audit methodology, the GAO-PCIE Financial Audit Manual, which is used by all auditors of federal financial statements,

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<sup>8</sup>GAO, *Inspectors General: Enhancing Federal Accountability*, [GAO-04-117T](#) (Washington, D.C.: Oct. 8, 2003).

<sup>9</sup>The Comptroller General, the Director of OMB, the Secretary of the Treasury, and the Director of the Office of Personnel Management

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whether the IG, an independent public accounting firm, or GAO. In addition, we have established formal ongoing coordination and information-sharing throughout the audit process so that both the IGs and GAO can successfully fulfill their respective responsibilities in an effective and efficient manner.

In closing, under the landmark IG Act, the IGs have continued to be an essential component of the government accountability framework and the contributions of the IGs have been most noteworthy. IG independence is critical to the effectiveness of the IG offices in carrying out their unique roles of overseeing federal agencies. Independence not only depends on organizational characteristics, but also on the personal independence of the individual appointed to the office and this individual's freedom from external factors that can impair independence. The IG must maintain this independence while reporting to two organizations—its agency and the Congress. This task requires an IG to maintain a prudent balance between loyalty to the agency and responsibility for conducting objective and independent audits and investigations as required by the IG Act. We believe that a number of the provisions in H.R. 928 would help to enhance IG independence and effectiveness, and we would be pleased to assist the Subcommittee as it considers this legislation.

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This completes my formal statement. Mr. Chairman, I would be pleased to answer any questions that you or the Subcommittee members may have at this time.

# Enclosure I: Inspectors General Appointed by the President

## Fiscal Year 2006 Appropriated Budgets and Actual FTEs

	Federal departments and agencies	Budgets	FTEs
1	Department of Health and Human Services	\$ 222,000,000	1,445
2	Department of Defense	206,772,130	1,370
3	Treasury IG for Tax Administration	131,953,140	838
4	Department of Housing and Urban Development	104,940,000	646
5	Social Security Administration	91,476,000	608
6	Department of Homeland Security	82,187,000	520
7	Department of Agriculture	80,336,000	598
8	Department of Labor	71,445,000	450
9	Department of Veterans Affairs	70,174,000	464
10	Department of Justice	68,000,000	411
11	Department of Transportation	61,874,000	419
12	Environmental Protection Agency	50,241,000	337
13	Department of Education	48,510,000	288
14	General Services Administration	42,900,000	293
15	Department of Energy	41,580,000	262
16	Department of the Interior	38,541,000	261
17	Agency for International Development	36,640,000	172
18	National Aeronautics and Space Administration	32,400,000	203
19	Department of State	30,945,000	186
20	Federal Deposit Insurance Corporation	30,690,000	125
21	Department of Commerce	22,467,000	122
22	Small Business Administration	20,361,080	95
23	Office of Personnel Management	18,216,000	131
24	Department of the Treasury	16,830,000	116
25	Tennessee Valley Authority	14,700,000	90
26	Nuclear Regulatory Commission	8,308,000	49
27	Railroad Retirement Board	7,124,000	53
28	Corporation for National and Community Service	5,940,000	23
29	Export-Import Bank	1,000,000	0
30	Central Intelligence Agency	na	na
	<b>Totals</b>	<b>\$1,658,550,350</b>	<b>10,575</b>

Source: PCIE and ECIE.

na - Information not available.

# Enclosure II: Inspectors General Appointed by Agency Heads

## Fiscal Year 2006 Appropriated Budgets and Actual FTEs

	Federal departments and agencies	Budgets	FTEs
1	United States Postal Service	\$158,000,000	916
2	Special IG for Iraq Reconstruction	34,000,000	115
3	Amtrak	16,984,000	87
4	National Science Foundation	11,500,000	62
5	Federal Reserve Board	5,118,740	33
6	Government Printing Office	4,950,200	23
7	Pension Benefit Guaranty Corporation	4,038,990	21
8	Peace Corps	3,064,000	19
9	Federal Communications Commission	2,597,903	20
10	Securities and Exchange Commission	2,507,300	10
11	Legal Services Corporation	2,507,000	18
12	Library of Congress	2,457,000	17
13	National Archives and Records Administration	2,200,000	16
14	Smithsonian Institution	1,938,932	14
15	Equal Employment Opportunity Commission	1,810,307	11
16	National Credit Union Administration	1,764,926	8
17	Election Assistance Commission	1,600,000	1
18	National Labor Relation Board	1,080,327	7
19	Farm Credit Administration	998,248	5
20	Federal Housing Finance Board	959,271	4
21	Federal Trade Commission	917,500	5
22	Corporation for Public Broadcasting	834,264	9
23	Commodity Futures Trading Commission	795,000	4
24	Federal Election Commission	691,584	5
25	National Endowment for the Humanities	589,600	5
26	U.S. International Trade Commission	521,205	1
27	Appalachian Regional Commission	476,000	3
28	Federal Maritime Commission	469,885	2
29	National Endowment for the Arts	402,000	3
30	Federal Labor Relations Authority	284,487	1
31	Consumer Product Safety Commission	241,270	2
32	Denali Commission	na <sup>a</sup>	1
33	U.S. Capitol Police	na <sup>b</sup>	na <sup>b</sup>
34	Office of Director of National Intelligence	na <sup>b</sup>	na <sup>b</sup>
	<b>Totals</b>	<b>\$266,299,939</b>	<b>1,448</b>

Source: PCIE and ECIE.



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na - Information not available.

<sup>a</sup>IG budget is not determined separately from the agency's budget.

<sup>b</sup>IG offices established in 2006.

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